

PACCAR INC
Form DEF 14A
March 19, 2019
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SCHEDULE 14A INFORMATION
PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE
SECURITIES EXCHANGE ACT OF 1934
(AMENDMENT NO.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Definitive Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Additional Materials

Soliciting Material under Rule 14a-12

PACCAR INC
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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March 19, 2019

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of PACCAR Inc, which will be held at the PACCAR Parts Distribution Center, located at 405 Houser Way North, Renton, Washington, at 10:30 a.m. on Tuesday, April 30, 2019.

The principal business of the Annual Meeting is stated on the attached Notice of Annual Meeting of Stockholders. We will also provide an update on the Company's activities. The Board of Directors recommends a vote **FOR** Item 1 and a vote **AGAINST** Item 2.

Your **VOTE** is important. Whether or not you plan to attend the Annual Meeting, please vote your proxy either by mail, telephone or the internet.

Sincerely,

Mark C. Pigott

Executive Chairman of the Board

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Notice of Annual Meeting of Stockholders

The Annual Meeting of Stockholders of PACCAR Inc will be held at 10:30 a.m. on Tuesday, April 30, 2019, at the PACCAR Parts Distribution Center, located at 405 Houser Way North, Renton, Washington, for these purposes:

1. To elect as directors the eleven nominees named in the attached proxy statement to serve one-year terms ending in 2020.
2. To vote on a stockholder proposal regarding stockholder action by written consent if properly presented at the meeting.
3. To transact such other business as may properly come before the meeting.

Stockholders entitled to vote at this meeting are those of record as of the close of business on March 5, 2019.

IMPORTANT: The vote of each stockholder is important regardless of the number of shares held. Whether or not you plan to attend the meeting, please complete and return your proxy form.

Directions to the PACCAR Parts Distribution Center in Renton, Washington can be found on the back cover of the attached proxy statement.

By order of the Board of Directors

I. E. Song

Secretary

Bellevue, Washington

March 19, 2019

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PROXY STATEMENT

The Board of Directors of PACCAR Inc issues this proxy statement to solicit proxies for use at the Annual Meeting of Stockholders at 10:30 a.m., local time, on Tuesday, April 30, 2019, at the PACCAR Parts Distribution Center in Renton, Washington. This proxy statement includes information about the business matters that will be voted upon at the meeting. The executive offices of the Company are located at 777 106th Avenue N.E., Bellevue, Washington 98004. This proxy statement and proxy form were sent to stockholders on or about March 19, 2019.

GENERAL INFORMATION

Voting Rights

Stockholders eligible to vote at the meeting are those identified as owners at the close of business on the record date, March 5, 2019. Each outstanding share of common stock is entitled to one vote on each of the items presented at the meeting. At the close of business on March 5, 2019, the Company had 346,792,102 shares of common stock outstanding and entitled to vote.

Stockholders may vote in person at the meeting or by proxy. Execution of a proxy does not affect the right of a stockholder to attend the meeting. **The Board recommends that stockholders exercise their right to vote by promptly completing and returning the proxy form either by mail, telephone or the internet.**

Voting by Proxy

Mark C. Pigott and Charles R. Williamson are designated proxy holders to vote shares on behalf of stockholders at the 2019 Annual Meeting. The proxy holders are authorized to:

vote shares as instructed by the stockholders who have properly completed and returned the proxy form;

vote shares as recommended by the Board when stockholders have executed and returned the proxy form, but have given no instructions; and

vote shares at their discretion on any matter not identified in the proxy form that is properly brought before the Annual Meeting.

The Trustee for the PACCAR Inc Savings Investment Plan (the SIP) votes shares held in the SIP according to each member's instructions on the proxy form. If no voting instructions are received, the Trustee will vote the shares in direct proportion to the shares for which it has received timely voting instructions, as provided in the SIP.

Proxy Voting Procedures

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The proxy form allows registered stockholders to vote in one of three ways:

Mail. Stockholders may complete, sign, date and return the proxy form in the pre-addressed, postage-paid envelope provided.

Telephone. Stockholders may call the toll-free number listed on the proxy form and follow the voting instructions given.

Internet. Stockholders may access the internet address listed on the proxy form and follow the voting instructions given.

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Telephone and internet voting procedures authenticate each stockholder by using a control number. The voting procedures will confirm that your instructions have been properly recorded. Stockholders who vote by telephone or internet should not return the proxy form.

Stockholders who hold shares through a broker or agent should follow the voting instructions received from that broker or agent.

Revoking Proxy Voting Instructions. A proxy may be revoked by a later-dated proxy or by written notice to the Secretary of the Company at any time before it is voted. Stockholders who hold shares through a broker should contact the broker or other agent if they wish to change their vote after executing the proxy.

Online Availability of Annual Meeting Materials

Important Notice Regarding the Availability of Proxy Materials for the Annual Stockholder Meeting to be held at 10:30 a.m. on April 30, 2019, at the PACCAR Parts Distribution Center in Renton, Washington. The 2019 proxy statement and the 2018 Annual Report to stockholders are available on the Company's website at www.paccar.com/2019annualmeeting.

Stockholders who hold shares in a bank or brokerage account who previously elected to receive the annual meeting materials electronically and now wish to change their election and receive paper copies may contact their bank or broker to change their election.

Stockholders who receive annual meeting materials electronically will receive a notice when the proxy materials become available with instructions on how to access them over the internet.

Multiple Stockholders Sharing the Same Address

Registered stockholders at a shared address who would like to discontinue receipt of multiple copies of the annual report and proxy statement in the future should write to EQ Shareowner Services, Attn: Householding, P.O. Box 64854, St. Paul, Minnesota 55164-0854. Street name stockholders at a shared address who would like to discontinue receipt of multiple copies of the annual report and proxy statement in the future should contact their bank or broker.

Some street name stockholders elected to receive one copy of the 2018 Annual Report and 2019 Proxy Statement at a shared address prior to the 2019 Annual Meeting. If those stockholders now wish to change that election, they may do so by contacting their bank, broker or PACCAR at 425.468.7495 or P.O. Box 1518, Bellevue, Washington 98009.

Vote Required and Method of Counting Votes

The presence at the Annual Meeting, in person or by duly authorized proxy, of a majority of all the stock issued and outstanding and having voting power shall constitute a quorum for the transaction of business. Abstentions are counted as shares present at the meeting.

Item 1: Election of Directors

In an uncontested director election, each director nominee shall be elected by the affirmative vote of the majority of the votes cast with respect to that director's election at any meeting for the election of directors at which a quorum is present. A majority of votes cast means that the number of shares voted for a director's election exceeds 50 percent of the number of votes cast with respect to that director's election. Votes cast include votes against but exclude

abstentions and broker nonvotes with respect to that director's election. Pursuant to the Company Bylaws, an incumbent director that is not elected by a majority vote will tender his or her

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resignation subject to acceptance by the Board. The Company's Certificate of Incorporation does not provide for cumulative voting. Proxies signed, dated and returned unmarked will be voted **FOR** all of the nominees. **Please note that brokers and custodians may not vote on the election of directors in the absence of specific client instruction. Those who hold shares in such accounts are encouraged to provide voting instructions to the broker or custodian.**

If any nominee is unable to act as director because of an unexpected occurrence, the proxy holders may vote the proxies for another person or the Board of Directors may reduce the number of directors to be elected.

Item 2:

Proxies signed, dated and returned unmarked will be voted **AGAINST** Item 2.

To be approved, Item 2 must receive the affirmative vote of a majority of shares present in person or by proxy and entitled to vote at the Annual Meeting. Abstentions will have the effect of a vote against the item.

STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following persons are known to the Company to be the beneficial owner of five percent or more of the Company's common stock as of December 31, 2018 (amounts shown are rounded to whole shares):

Name and Address of Beneficial Owner	Shares Beneficially Owned	Percent of Class
BlackRock, Inc. 40 East 52nd Street New York, NY 10022	25,297,074(a)	7.2
The Vanguard Group 100 Vanguard Blvd. Malvern, PA 19355	27,658,376(b)	7.9

(a) BlackRock, Inc. and its subsidiaries reported on Schedule 13G filed February 6, 2019 that it has sole voting power over 21,749,089 shares and sole dispositive power over 25,297,074 shares.

(b) The Vanguard Group reported on Schedule 13G filed February 11, 2019 that it has sole voting power over 403,702 shares; shared voting power over 74,049 shares; sole dispositive power over 27,183,274 shares and shared dispositive power over 475,102 shares.

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The following list includes all shares of the Company's common stock beneficially owned by each Company director and Named Executive Officer, and by Company directors and executive officers as a group as of March 5, 2019 (amounts shown are rounded to whole share amounts).

Name	Shares Beneficially Owned	Percent of Class
Ronald E. Armstrong	583,570(a)	*
Robert A. Bengston (retired 2/1/2019)	150,260(a)	*
Dame Alison J. Carnwath	31,838(b)	*
Franklin L. Feder	4,259(b)	*
R. Preston Feight	59,580(a)	*
Beth E. Ford	20,438(b)	*
Kirk S. Hachigian	30,683(b)	*
Roderick C. McGeary	18,502(b)	*
Gary L. Moore	166,392(a)	*
John M. Pigott	2,309,087(b)(c)	*
Mark C. Pigott	4,013,744(d)	1.16
Harrie C. Schippers	101,647(a)	*
Mark A. Schulz	18,944(b)	*
Gregory M. E. Spierkel	31,680(b)	*
Charles R. Williamson	74,047(b)	*
Total of all directors and executive officers as a group (26 individuals)	8,038,694	2.32

*Does not exceed one percent.

- (a) Includes shares allocated in the Company's SIP for which the participant has sole voting and investment power as follows: R. E. Armstrong 22,845; R. A. Bengston 23,061; R. P. Feight 8,275; G. L. Moore 51,854; H. C. Schippers 897. Also includes restricted shares for which the participant has voting power as follows: R. E. Armstrong 25,483; R. P. Feight 6,085; G. L. Moore 6,617; H. C. Schippers 5,506. Also includes restricted stock units without voting rights to be settled in shares of common stock as follows: R. E. Armstrong 33,531; R. A. Bengston 5,846; G. L. Moore 8,673; H. C. Schippers 10,278. Also includes options to purchase shares exercisable within 60 days of March 5, 2019 as follows: R. E. Armstrong 309,302; R. A. Bengston 57,574; R. P. Feight 37,080; G. L. Moore 77,048; H. C. Schippers 58,348. Also includes deferred cash awards accrued as stock units without voting rights under the Deferred Compensation Plan and the Long-Term Incentive Plan that are settled in shares of common stock as follows: R. A. Bengston 42,293.
- (b) Includes shares in the Restricted Stock and Deferred Compensation Plan for Non-Employee Directors (the RSDC Plan) over which the participant has sole voting but no investment power. Also includes deferred stock units without voting rights to be settled in shares of common stock as follows: B. E. Ford 20,438; K. S. Hachigian 30,683; R. C. McGeary 18,502; J. M. Pigott 28,357; M. A. Schulz 9,973; G. M. E. Spierkel 31,680;

C. R. Williamson 44,372.

- (c) Includes shares held in the name of a spouse and/or children to which beneficial ownership is disclaimed.

- (d) Includes 89,671 shares allocated in the SIP for which he has sole voting and investment power. Also includes options to purchase 555,740 shares exercisable within 60 days of March 5, 2019, and deferred cash awards accrued as 198,608 stock units without voting rights under the Deferred Compensation Plan and the Long-Term Incentive Plan that are settled in shares of common stock. Includes shares held in the name of a spouse and/or children to which beneficial ownership is disclaimed.

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EXPENSES FOR SOLICITATION

Expenses for solicitation of proxies will be paid by the Company. Solicitation will be by mail, except for any electronic, telephone or personal solicitation by directors, officers and employees of the Company, which will be made without additional compensation. The Company has retained D. F. King & Co., Inc. to aid in the solicitation of stockholders for a fee of approximately \$8,500 plus reimbursement of expenses. The Company will request banks and brokers to solicit proxies from their customers and will reimburse those banks and brokers reasonable out-of-pocket costs for this solicitation.

ITEM 1: ELECTION OF DIRECTORS

Eleven directors are to be elected at the meeting. The persons named below have been designated by the Board as nominees for election as directors for a term expiring at the Annual Meeting of Stockholders in 2020. All of the nominees are currently serving as directors of the Company.

BOARD NOMINEES FOR DIRECTORS

(TERMS EXPIRE AT THE 2020 ANNUAL MEETING)

MARK C. PIGOTT, age 65, is Executive Chairman of the Company and has held that position since April 2014. Mr. Pigott was Chairman and Chief Executive Officer of the Company from January 1997 to April 2014, Vice Chairman from January 1995 to December 1996, Executive Vice President from December 1993 to January 1995, Senior Vice President from January 1990 to December 1993, and Vice President from October 1988 to December 1989. He has served as a director of Franklin Resources Inc., an investment management company, since 2011. He is the brother of John M. Pigott, a director of the Company. He has served as a director of the Company since 1994. Mr. Pigott has the attributes and qualifications listed in the Company guidelines for board membership including engineering and business degrees from Stanford University, thorough knowledge of the global commercial vehicle industry and an outstanding record of profitable growth generated through 40 years with the Company. PACCAR has benefited from an excellent record of industry-leading stockholder returns generated under his leadership.

RONALD E. ARMSTRONG, age 64, is Chief Executive Officer of the Company and has held that position since April 2014. Mr. Armstrong served as President of the Company from January 2011 to April 2014, Executive Vice President from August to December 2010, Senior Vice President from December 2007 to July 2010, and Vice President from November 2002 to November 2007. Previously, he was a senior manager with Ernst & Young where he worked for 16 years. He has served as a director of the Company since 2014. Mr. Armstrong has the attributes and qualifications listed in the Company guidelines for board membership. He is a certified public accountant, has a degree in accounting from the University of Central Oklahoma, and thorough knowledge of the global commercial vehicle industry gained through 25 years with the Company.

DAME ALISON J. CARNWATH, age 66, has been a senior advisor to Evercore Partners, an independent corporate finance advisory firm (formerly known as Lexicon Partners) since 2005, and chair of the board, and subsequently, the advisory board at LivingBridge Equity Partners, LLP, a private equity firm (formerly known as ISIS Equity Partners, LLP) since 1999, both based in the United Kingdom. She has served as an independent director of BP p.l.c. since 2018 and as a director of Collier Capital Ltd. since 2015. She has been a member of the supervisory board and chair of the audit committee of BASF, a leading chemical company based in Germany, since 2014, and she has served as a director of Zurich Insurance Group since 2012. She previously served as chair of Land Securities plc, the United Kingdom's largest property company listed on the London Stock Exchange (2008-2018); as non-executive chair of MF

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Global Holdings Ltd. (2008-2010); and as a non-executive director of the Man Group plc (2001-2013), a United Kingdom based company. She has served as a director of the Company since 2005. Dame Alison has the attributes and qualifications listed in the Company guidelines for board membership including certification as a chartered accountant, service as chair (1999-2004) and chief executive (2001) of the Vitec Group plc, a British supplier to the broadcast industry, and 32 years experience in

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international finance and investment banking including three years as a managing director of Donaldson, Lufkin and Jenrette (1997-2000).

FRANKLIN L. FEDER, age 67, served as chief executive officer, Alcoa Latin America & Caribbean of Alcoa Inc., a global producer of bauxite, alumina and aluminum, from 2004-2014. He previously served as vice president and director of corporate development of Alcoa Inc. from 1999-2004, chief financial officer of Alcoa Latin America from 1994-1999 and director corporate planning from 1990-1994. He was also managing partner of Technomic Consultores from 1978-1988, and a partner at Booz, Allen & Hamilton from 1989-1990. He has served as a director of Minerals Technologies Inc. since 2017. He has also served as a director of Intercement since 2017 and Companhia Brasileira de Alumínio and AES Tiete Energia since 2016, all Brasil-based companies, and as a director of Loma Negra Corporation, an Argentine company, since 2018. He served as a director of Unigel from 2016-2018, a director of Grupo Dahma from 2015-2016, and a director of Alexander Proudfoot from 2014-2016. He has served as a director of the Company since 2018. Mr. Feder has the attributes and qualifications listed in the Company guidelines for board membership including an M.B.A. from IMD in Lausanne, Switzerland and a B.A. from the Getulio Vargas Foundation in Sao Paulo, Brasil.

BETH E. FORD, age 55, is president and chief executive officer at Land O Lakes, a member-owned agricultural production and dairy cooperative and has held that position since July 2018. She previously served as chief operating officer, business units, from 2017-2018, group executive vice president and chief operating officer from 2015-2017 and as executive vice president and chief supply chain and operations officer at Land O Lakes from 2012-2015. Ms. Ford served as executive vice president and head of supply chain at International Flavor and Fragrances (2008-2011). Ms. Ford also served as a director of Clearwater Paper Corporation (2013-2018). She is on the Dean's Advisory Committee for the College of Business at Iowa State University and the Columbia University Business School Deming Center Board of Advisors. She has served as a director of the Company since April 2015. Ms. Ford has the attributes and qualifications listed in the Company guidelines for board membership including an M.B.A. from Columbia University Business School and a B.B.A. from Iowa State University. Ms. Ford has a background in agribusiness, chemicals, consumer package goods, publishing and oil and gas gained through 30 years in operating and senior leadership positions with global companies including International Flavor and Fragrances, PepsiCo, Hachette Book Group, Scholastic Corporation and Mobil Corporation.

KIRK S. HACHIGIAN, age 59, is non-executive chairman of JELD-WEN Holding, Inc., a global manufacturer of windows and doors and has held that position since 2016. Mr. Hachigian has resigned as a director of JELD-WEN Holding, Inc. effective in May 2019. He previously served as chairman, president and chief executive officer of JELD-WEN Holding, Inc. from 2014 to 2016, and as interim chief executive officer from February to June 2018. He served as chairman, president and chief executive officer of Cooper Industries plc, a global manufacturer of electrical products, from 2006 until it was acquired by Eaton Corporation in 2013. He has served as lead director for Allegion plc and as a director of NextEra Energy Inc. since 2013. He has served as a director of the Company since 2008. Mr. Hachigian has the attributes and qualifications listed in the Company guidelines for board membership including a degree in engineering from UC Berkeley and an M.B.A. from the University of Pennsylvania's Wharton School. Prior to his 11 years of service with Cooper, he served eight years as an executive with General Electric Corporation including two years in Mexico and three years in Asia.

RODERICK C. MCGEARY, age 68, served in consulting and audit roles with KPMG LLP from 1972 to 2000 culminating in the position as co-vice chairman of consulting (1997-1999). He has served as a director of Raymond James Financial, Inc. since September 2015. He was chairman of BearingPoint Inc., formerly KPMG Consulting, LLC, a management and technology consulting firm, from 2004-2009 and was its interim chief executive officer from 2004-2005. He has served as a director of Cisco Systems since 2003. He previously served as non-executive chairman of Tegile Systems, Inc. (2010-2012) and as a director of Dionex Corporation (2004-2011) and

National Semiconductor Corporation (2009-2011). He has served as a director of the Company since 2012. Mr. McGeary has the attributes and qualifications listed in the Company guidelines for board membership

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including a B.S. degree in accounting from Lehigh University, strong experience as a certified public accountant and extensive experience in management and technology consulting.

JOHN M. PIGOTT, age 55, is a partner in Beta Business Ventures, LLC, a private investment company concentrating in natural resources, and was a partner in the predecessor company Beta Capital Group, LLC since 2003. He is the brother of Mark C. Pigott, a director of the Company. He has served as a director of the Company since 2009. Mr. Pigott has the attributes and qualifications listed in the Company guidelines for board membership including an engineering degree from Stanford and an M.B.A. from UCLA, a background in manufacturing gained through 12 years with the Company including five years as a senior manager of Company truck operations in the United Kingdom and in the United States. He is a substantial long-term stockholder in the Company.

MARK A. SCHULZ, age 66, is currently president and chief executive officer of M. A. Schulz and Associates, a management consulting firm, and a founding partner in Fontinalis Partners, LLC, a transportation technology strategic investment firm. He served as president of international operations at Ford Motor Company from 2005 until his retirement in 2007 and in a variety of executive roles during 35 years with Ford, including running Ford's Mazda, Jaguar, Land Rover and Aston Martin affiliates and setting up manufacturing and distribution operations in South America, Europe, Asia and Africa. He served as a director of Dana Incorporated (2008-2018), as a director of YRC Worldwide, Inc. (2007-2009), and as a director of the National Committee of United States-China Relations and the United States-China Business Council. He has served as a director of the Company since 2012. Mr. Schulz has the attributes and qualifications listed in the Company guidelines for board membership including engineering degrees from Valparaiso University and the University of Michigan, an M.B.A. from the University of Detroit, an M.S. in management from the Massachusetts Institute of Technology as well as over 35 years of management experience in the automotive industry worldwide.

GREGORY M. E. SPIERKEL, age 62, served as chief executive officer of Ingram Micro Inc., a worldwide distributor of technology products, from 2005-2012. He previously served as president from March 2004 to April 2005. During his 14-year tenure with that company he held other senior positions including executive vice president. He has served as a director of MGM Resorts International since 2013 and as a director of Schneider Electric (Paris) since October 2014. He has served as a director of the Company since 2008. Mr. Spierkel has the attributes and qualifications listed in the Company guidelines for board membership including an M.B.A. from Georgetown University and 32 years of management experience around the world including seven years as chief executive of Ingram Micro.

CHARLES R. WILLIAMSON, age 70, served as chairman of the board of Weyerhaeuser Company, a forest products company (2009-2016), and of Talisman Energy Inc., a Canadian oil and gas company (2009-2015). He continues to serve on the board of Weyerhaeuser Company as lead independent director and has been a director of Greyrock Energy Inc since 2009. He served as chairman and chief executive officer of Unocal, the California-based energy company, from 2001 until Unocal merged with Chevron in August 2005. Mr. Williamson was the chairman of the US-ASEAN Business Council (2002-2005). He has served as a director of the Company since 2006 and has served as lead director since 2014. Mr. Williamson has the attributes and qualifications listed in the Company guidelines for board membership including a Ph.D. in geology from the University of Texas at Austin and a 28-year career in technical and management positions with Unocal around the world that provided a broad perspective on international markets in Europe and Asia and culminated in four years as its chairman and chief executive officer.

THE BOARD RECOMMENDS A VOTE FOR EACH OF THE NOMINEES.

BOARD GOVERNANCE

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The Board of Directors has determined that the following persons served as independent directors in 2018 as defined by NASDAQ Rule 5605(a)(2): Dame Alison J. Carnwath, Franklin L. Feder, Beth E. Ford, Kirk S. Hachigian, Luis Kaufmann, Roderick C. McGeary, Mark A. Schulz, Gregory M. E. Spierkel and Charles R. Williamson.

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The Board of Directors maintains a corporate governance section on the Company's website, which includes key information about its governance practices. The Company's Corporate Governance Guidelines, its Board committee charters and its Code of Business Conduct and Code of Ethics for Senior Financial Officers are located at www.paccar.com/about-us/board-of-directors/.

The Company's leadership structure includes an Executive Chairman, a Chief Executive Officer and an independent lead director who serves for a three-year term. C. R. Williamson currently serves as lead director. This leadership structure, in which the roles of the Executive Chairman and Chief Executive Officer are separate, together with an experienced and engaged lead director and independent key committees, is appropriate for the Company at this time because it effectively allocates authority, responsibility and oversight between management, the Executive Chairman and the independent members of the Board.

The Company has policies to ensure a strong and independent board. The Board regularly meets in executive session without management. The lead director presides over the executive sessions of the Board's independent directors. Seventy-three percent of the Company's eleven current directors are independent as defined under NASDAQ rules.

The Board oversees risk through management presentations at Board meetings and through its Audit, Compensation and Nominating and Governance Committees. The Audit Committee charter provides that the Committee shall discuss with management the Company's risk exposures, including cybersecurity risk, and the steps management has taken to monitor and control such exposures. As part of this process, the Committee receives periodic reports from the Company's internal auditor and from its general counsel and the Committee reports to the full Board at least four times a year. The Compensation Committee oversees risk arising from the Company's compensation programs and annually reviews how those programs manage and mitigate risk. The Nominating and Corporate Governance Committee oversees potential risks regarding governance by monitoring legal developments and trends.

Stockholders may contact the Board of Directors by writing to: The Board of Directors, PACCAR Inc, 11th Floor, P.O. Box 1518, Bellevue, WA 98009, or by e-mailing PACCAR.Board@paccar.com. The Corporate Secretary will receive, process and acknowledge receipt of all written stockholder communications. Suggestions or concerns involving accounting, internal controls or auditing matters will be directed to the Audit Committee chairman. Concerns regarding other matters will be directed to the individual director or committee named in the correspondence. If no identification is made, the matter will be directed to the Executive Committee of the Board.

The Board of Directors met four times during 2018. Each member attended at least 75 percent of the combined total of meetings of the Board of Directors and the committees of the Board on which each served. All Company directors are expected to attend each annual stockholder meeting. All directors attended the annual stockholder meeting in May 2018.

The Board has four standing committees. The members of each committee are listed below with the chair of each committee listed first:

Audit Committee	Compensation Committee	Executive Committee	Nominating and Governance Committee
R. C. McGeary	G. M. E. Spierkel	M. C. Pigott	C. R. Williamson
A. J. Carnwath	B. E. Ford	J. M. Pigott	A. J. Carnwath
F. L. Feder	K. S. Hachigian	C. R. Williamson	R. C. McGeary

G. M. E. Spierkel

M. A. Schulz

M. A. Schulz

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Audit Committee

The Audit Committee has responsibility for the selection, evaluation and compensation of the independent auditors and approval of all services they provide. The Committee annually assesses the independent public accounting firm's qualifications, independence, performance and whether there should be a rotation of the Company's independent accounting firm. The Committee and its chairperson are involved in the selection of the audit firm's lead engagement partner. The Committee reviews the Company's annual and quarterly financial statements, monitors the integrity and effectiveness of the audit process and reviews the corporate compliance programs. It monitors the Company's system of internal controls over financial reporting and oversees the internal audit function.

The Audit Committee charter describes the Committee's responsibilities. It is posted at www.paccar.com/about-us/board-of-directors/audit-committee-charter/. All four members of the Audit Committee meet the independence and financial literacy requirements of the SEC and NASDAQ rules. The Board of Directors designated all four members of the Audit Committee as financial experts. The Committee met six times in 2018.

Compensation Committee

The Compensation Committee has responsibility for reviewing and approving salaries and other compensation matters for executive officers. It administers the Long-Term Incentive Plan, the Senior Executive Yearly Incentive Compensation Plan and the Deferred Compensation Plan. The Committee establishes base salaries and annual and long-term performance goals for executive officers. It considers the opinion of the CEO when determining compensation for the executives that report to him. It also evaluates the CEO's performance annually in executive session. It approves the attainment of annual and long-term goals by the executive officers.

The Committee has authority to employ a compensation consultant to assist in the evaluation of the compensation of the Company's CEO and other executive officers. In 2018, the Committee retained Mercer, a wholly owned subsidiary of Marsh and McLennan Companies, to provide a market analysis of the compensation of the Named Executive Officers. Mercer analyzed data from the Peer Companies and industry surveys and reported its results to the Committee. Mercer was paid \$77,291 for this project. Mercer and its affiliates were also retained by the Company to provide insurance brokerage and human resources consulting services, and were paid \$257,887 in the aggregate for these additional services. The Committee did not review or approve the other services provided by Mercer and its affiliates of the Company, as those services were approved by management in the normal course of business. The Committee conducted an independence assessment and no conflict of interest was identified.

The Compensation Committee charter describes the Committee's responsibilities. It is posted at www.paccar.com/about-us/board-of-directors/compensation-committee-charter/. All four members of the Compensation Committee meet the director independence requirements of the SEC and NASDAQ rules, the outside director requirements of Section 162(m) of the Internal Revenue Code, and the nonemployee director requirements of Rule 16b-3 of the Securities Exchange Act of 1934. The Committee met five times in 2018.

Nominating and Governance Committee

The Nominating and Governance Committee is responsible for evaluating director candidates and selecting nominees for approval by the independent members of the Board of Directors. It also makes recommendations to the Board on corporate governance matters including director compensation.

The Committee has established written criteria for the selection of new directors, which are available at www.paccar.com/about-us/board-of-directors/guidelines-for-board-membership/. The criteria state that a diversity of

perspectives, skills and business experience relevant to the Company's global operations should be

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represented on the Board. The Committee recognizes the importance of having a diversity of gender, heritage and backgrounds to ensure that a variety of opinions and perspectives are represented on the Board. To be a qualified director candidate, a person must have achieved significant success in business, education or public service, must not have a conflict of interest and must be committed to representing the long-term interests of the stockholders. In addition, the candidate must have the following attributes:

the highest ethical and moral standards and integrity;

the intelligence, education and experience to make a meaningful contribution to board deliberations;

the commitment, time and diligence to effectively discharge board responsibilities;

mature judgment, objectivity, practicality and a willingness to ask difficult questions; and

the commitment to work together as an effective group member to deliberate and reach consensus for the betterment of the stockholders and the long-term viability of the Company.

The Committee considers the names of director candidates submitted by management and members of the Board of Directors. It also considers recommendations by stockholders submitted in writing to: Chairman, Nominating and Governance Committee, PACCAR Inc, 11th Floor, P.O. Box 1518, Bellevue, WA 98009. Nominations by stockholders must include information set forth in the Company Bylaws. The Committee engages the services of a private search firm from time to time to assist in identifying and screening director candidates. The Committee evaluates qualified director candidates and selects nominees for approval by the members of the Board of Directors.

The Company's Bylaws provide for proxy access by eligible stockholders. Stockholder nominations require compliance with Article III, Section 7 of the Bylaws.

The Nominating and Governance Committee charter describes the Committee's responsibilities. It is posted at www.paccar.com/about-us/board-of-directors/nominating-and-governance-committee/. Each of the four Committee members meets the independence requirements of the NASDAQ rules. The Committee met four times in 2018.

Executive Committee

The Executive Committee acts on routine Board matters when the Board is not in session. The Committee took action four times in 2018.

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The following table provides information on compensation for non-employee directors who served during the fiscal year ending December 31, 2018:

Summary Compensation

Name	Fees Earned or Paid in Cash (a) (\$)	Stock Awards (b) (\$)	All Other Compensation (c)(\$)	Total (d)(\$)
A. J. Carnwath	135,000	150,056	5,000	290,056
F. L. Feder	78,736	100,026	5,000	183,762
B. E. Ford	130,000	150,056		280,056
K. S. Hachigian	130,000	150,056	5,000	285,056
L. Kaufmann (e)	41,264	150,056		191,320
R. C. McGeary	150,000	150,056	5,000	305,056
J. M. Pigott	110,000	150,056	5,000	265,056
M. A. Schulz	130,000	150,056	10,000	290,056
G. M. E. Spierkel	150,000	150,056	5,000	305,056
C. R. Williamson	170,000	150,056	10,000	330,056

- (a) Fees for non-employee directors include the 2018 annual retainer of \$110,000, paid quarterly, and committee meeting fees of \$5,000 per meeting. In addition, an annual \$25,000 retainer is payable quarterly to the lead director, and an annual \$15,000 retainer is payable quarterly to the chairs of the audit, compensation, and nominating and governance committees. If newly elected or retired during the calendar year, the non-employee director receives a prorated retainer. A single meeting attendance fee is paid when more than one committee meeting is held on the same day. B. E. Ford, L. Kaufmann and C. R. Williamson elected to defer retainer and meeting fees into stock units pursuant to the terms of the RSDC Plan described in the narrative below.
- (b) The grant date fair value of the restricted stock award granted on January 2, 2018 to non-employee directors (other than F. L. Feder) was \$150,056, calculated in accordance with FASB ASC Topic 718. The restricted stock award for F. L. Feder was pro-rated for his Board service, which commenced on April 30, 2018. See Note R, Stock Compensation Plans, to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018. On December 31, 2018, non-employee directors held unvested shares of restricted stock as follows: Dame A. J. Carnwath 6,803; M. A. Schulz 4,046; C. R. Williamson 6,803. In lieu of restricted stock, some non-employee directors held unvested restricted stock units including additional deferred stock units credited as a result of dividend equivalents earned with respect to the restricted stock units as follows: F. L. &