
Modern Slavery Statement

Penske Australia Joint Statement

1 Reporting entity

This Modern Slavery Statement is made by Penske Transportation Group International Pty Ltd ACN 164 850 355 (**PTGI**) for the reporting period 1 January 2020 to 31 December 2020 for the purposes of the *Modern Slavery Act* (Cth) 2018 (**Act**).

This statement covers the following entities (together, **Penske**):

- Penske Transportation Group International Pty Ltd ACN 164 850 355
- PPS Holdings Australia Pty Ltd ACN 001 521 080
- Penske Power Systems Pty Ltd ACN 073 690 990
- Penske Commercial Vehicles Pty Ltd ACN 010 827 022
- MAN Automotive Imports Pty Ltd ACN 008 416 402

The Boards of each of the Penske entities include at least one Director of PTGI, and the Penske entities are centrally governed and managed. The Penske entities have a common registered office at 72 Formation Street, Wacol, Queensland. On 1 March 2020, Penske began operating as a unified business in Australia.

This statement does not explicitly refer to other wholly owned entities within the PTGI group of companies which did not meet the criteria for a reporting entity under the Act. It is noted, however, that all wholly owned entities are subject to the same central governance structure and management as the Penske group.

This statement does not cover companies within the commercial leasing business in which PTGI holds a minority joint venture interest. Those entities will be required to submit their own modern slavery statements if they meet the \$100 million in annual consolidated revenue threshold specified by the Act.

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2 Reporting entity's structure, operations and supply chains

2.1 Structure

Penske is wholly owned by international transportation services company, Penske Automotive Group, Inc. (NYSE: PAG), and operates independently to provide exceptional standards of service to its customers. During the reporting period, Penske's primary operating subsidiaries were Penske Commercial Vehicles Pty Ltd, Penske Power Systems Pty Ltd, MAN Automotive Imports Pty Ltd, and Penske New Zealand (company number 107518).

2.2 Operations

Penske Australia and Penske New Zealand supply heavy-duty trucks, diesel and gas engines, and energy systems across Australia and New Zealand. Its key brands are Western Star Trucks, MAN Truck & Bus, Dennis Eagle, MTU, Detroit Diesel, Allison Transmission, Deutz and Sauer Compressors. Penske Australia and Penske New Zealand also represent aftermarket products from leading oil, coolant, and filter brands.

Its customers operate in the Asia-Pacific region's most critical and dynamic markets, including on-highway and off-highway transportation, mining, oil and gas, power generation, construction and industrial, rail, marine, agriculture and defence.

Commercial vehicles

Penske's commercial vehicles business imports trucks in an assembled condition. Penske then certifies the vehicles to Australian standards and upfits or modifies the vehicles in-country to customer specifications. Modifications may include bullbars, guard systems, air conditioning, electrical upgrades, hydraulics, paint or fitting equipment manufactured by bodybuilders.

Buses are imported as a rolling chassis, which are sent to third-party body building production facilities for body building as part of the final assembly process.

Power systems

Penske's power generation business supplies generator sets as well as complete turnkey solutions from design, engineering and manufacturing through to installation, commissioning and aftersales support. Its equipment range includes diesel and gas sets for continuous power, prime power, emergency standby power and mobile applications, cogeneration and trigeneration, as well as energy storage and control systems. Penske provides tailored solutions include small scale through to multi megawatt applications to suit unique customer requirements.

Penske operates two engine-remanufacturing centres located in Sydney and Perth, which service the specialist demands of our on-highway and off-highway customers. The only facilities of their type in the southern hemisphere, these bespoke, innovative engine remanufacturing centres conduct advanced research and engineering to produce the finest quality remanufactured engines and componentry.

Network

Operating under the brand 'Penske Australia', Penske's Australian operations are headquartered in Wacol, Brisbane. Penske Australia operates 12 retail branches in capital cities and regional towns across Australia, as well as 10 field service locations and a world-class parts distribution facility located in Wacol. Under the 'Penske New Zealand' brand, Penske operates three state-of-the-art dealerships in Auckland, Tauranga and Christchurch.

Penske's customers are supported by its significant investments in its dealer networks across Australia and New Zealand, and Penske's four regional training centres (including a dedicated facility in Glendenning, Sydney) which deliver factory-backed technical training.

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Penske Australia also operates retail dealerships for Western Star Trucks, MAN Truck & Bus and Dennis Eagle trucks, and Detroit Diesel engines at selected locations, providing full retail sales, maintenance and repair services, and parts supply.

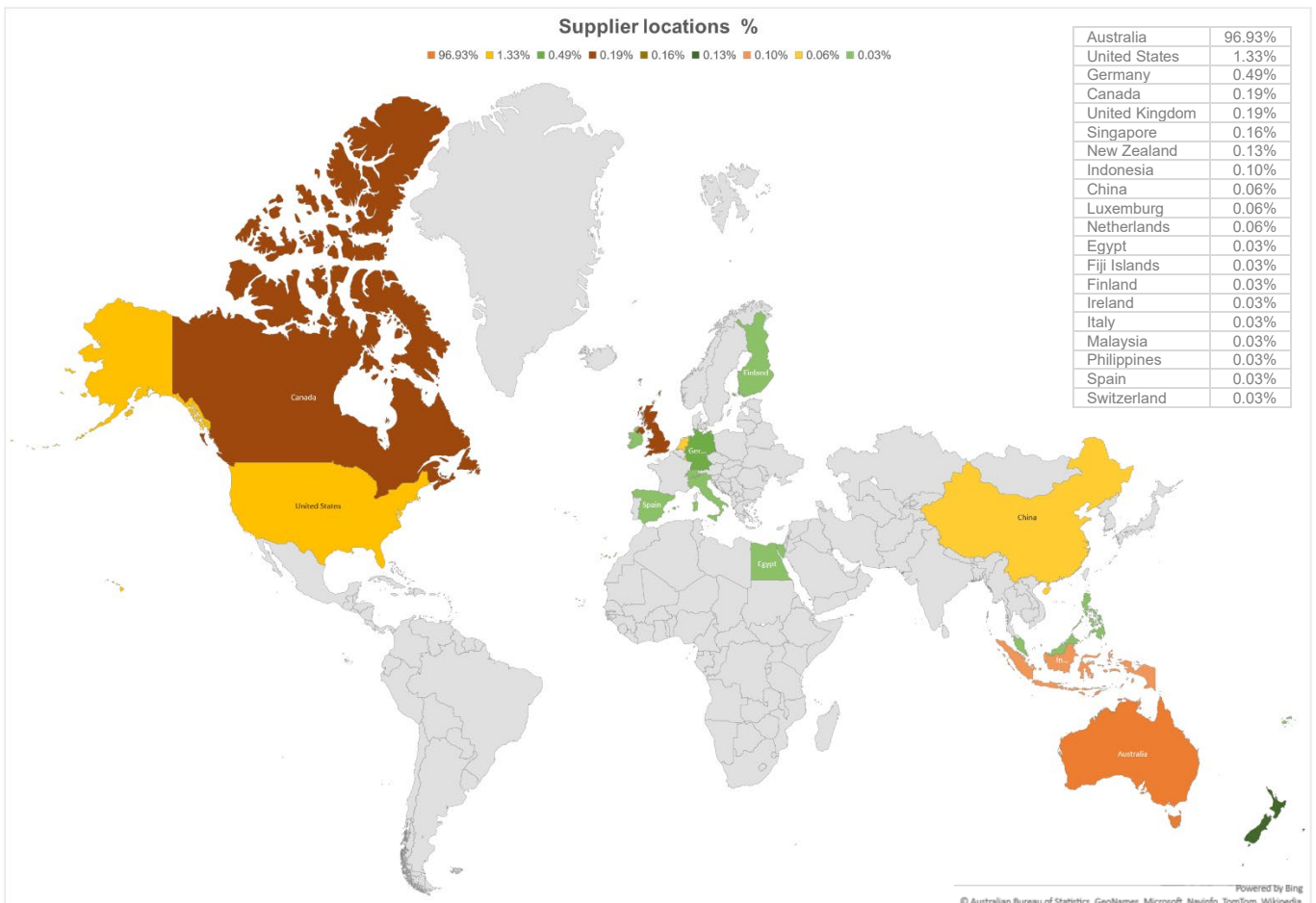
Employees

Penske employs over 1,000 dedicated staff engaged under contracts and under applicable awards.

2.3 Supply chains

Penske sources its products and services from over 3,000 suppliers globally, predominantly from within Australia and New Zealand followed by Europe and the USA. A large proportion of our supply base comprises long standing suppliers who have worked with Penske to create supply chain synergies and stable partnerships. Penske procure OEM products, parts and accessories to support their OEM distributed products along with all of the products and services you would expect to see in large-scale business operations.

Fig 2: Geographical distribution of suppliers (by number of suppliers)



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Penske's operations are supported by a network of independent dealers located, as follows:

Country	Type	Number of dealers	Number of locations
Australia	Independent	59	75
NZ	Independent	10	12
Philippines	Independent	1	1
PNG	Independent	1	1
Indonesia	Independent	1	1

Penske's commercial vehicles business imports and distributes the following truck and bus brands:

Brand	Product	Ownership	Headquarters	Manufacturing locations
Western Star Trucks	Trucks	Daimler Trucks North America LLC	Portland, Oregon, USA	USA
MAN Truck & Bus	Trucks and buses	MAN Truck and Bus SE	Munich, Germany	Germany; Poland; other parts of Europe depending on customer specifications
Dennis Eagle	Refuse collection trucks	Terberg RosRoca SA	Spain	United Kingdom

Penske's power business distributes engines, transmissions, energy storage and associated power equipment from a number of global manufacturers, principally:

Brand	Product	Ownership	Headquarters	Manufacturing locations
Allison Transmission	Automatic transmissions	Carlyle Group	Indianapolis, USA	USA; India
Bergen (coming on board in 2021)	Gas engines	Rolls-Royce Holdings	Norway	Norway
Detroit Diesel	Diesel engines	Daimler AG	Detroit, Michigan, USA	USA
Deutz	Diesel and natural gas engines	Deutz AG	Germany	Germany
Donaldson	Air filters	Donaldson Company, Inc.	Bloomington, Minnesota, USA	NSW Central Coast, Australia
Mercedes-Benz	Diesel engines	Daimler AG	Mannheim, Germany	Germany; Brazil
MTU	Diesel and gas engines; battery storage systems	Rolls-Royce Holdings	Friedrichshafen, Germany	Germany; Spain; USA
Rolls-Royce Berlin (previously Quinous)	Energy storage and control systems	Rolls-Royce Holdings	Berlin, Germany	Germany
Sauer Compressors	Compressors	JP Sauer GmbH	Kiel, Germany	Germany

Penske's ancillary activities in 2020 included promotion of Mercedes-Benz Financial Services and other equipment finance products (including from major banks and financial institutions) through its retail locations. Finance is offered by a third-party broker whose representative has a presence at Penske's Brisbane retail branch servicing customers referred through Penske's retail branches.

At any given time, approximately 1.5% of Penske's workforce across the business comprises labour hire personnel. Labour hire is used mainly in warehouse and production to cover fluctuations in capacity and demand.

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3 Description of risks of modern slavery practices in the operations and supply chains of the reporting entity and any entities it owns or controls

3.1 Operations risk

Penske has assessed its operations as being at low risk of modern slavery. This is on the basis that:

- It operates in Australia and New Zealand which are classed as low prevalence, high regulation countries for Modern Slavery according to the Global Slavery Index 2018;
- Its industry is specialised and the employees are highly trained technicians and professionals;
- Employees are engaged under contracts and under applicable awards. All employees including technicians from overseas (mainly South Africa) are subject to the same rights as locally recruited employees. Internal processes ensure sighting of labour hire licences in applicable states whenever engaging labour hire;
- The workforce is further safeguarded by Penske's Human Rights Policy and recruitment procedures, which define and require ethical recruitment practices and prohibit any form of forced labour, child labour, debt bondage or human trafficking.

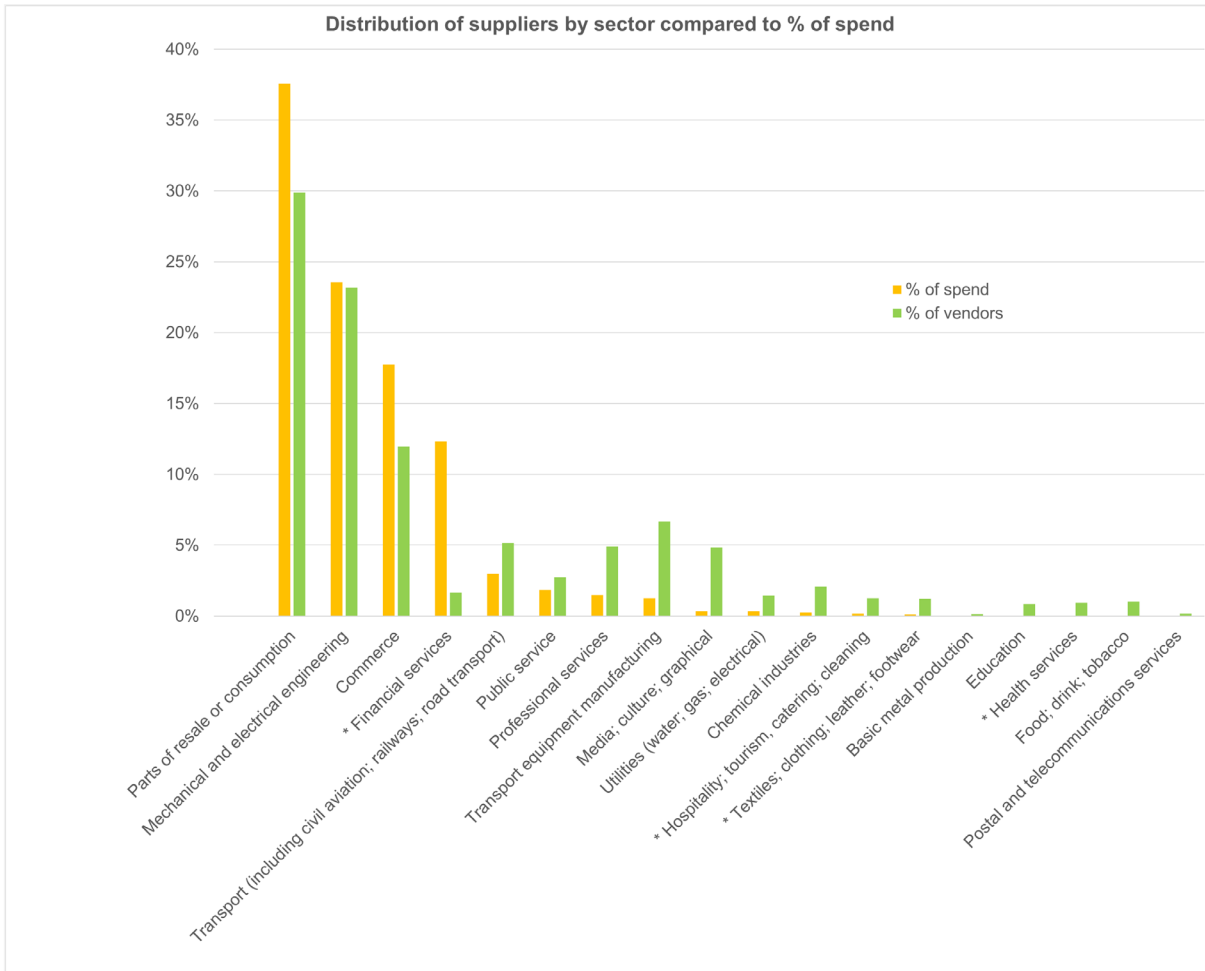
3.2 Supply chain risk

The sectors from which Penske draws labour and goods from are diverse and complex. Penske recognises that the breadth and depth of these supply chains makes it challenging to effectively manage and mitigate the risks of modern slavery. In 2020, Penske's focus was on profiling the first tier of its supply chain.

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Fig 3: Sector distribution of suppliers by percentage of total expenditure (sector groups drawn from International Labour Organisation Industries and Sectors)



Within the four high risk sector categories marked with *:

- **Financial services** comprised 30 banking and lending services suppliers, and 9 insurance suppliers and contract staff representing 75% and 25% of total expenditure in the sector, respectively.
- **Hospitality; tourism, catering; cleaning** comprised 18 facility cleaners and cleaning consumable suppliers, and 19 travel (hotels, airlines, taxis and booking services) suppliers representing 83% and 17% of expenditure in the sector, respectively. 7 of the cleaning suppliers are on long standing contracts with the rest engaged for ad hoc services.
- **Textiles; clothing; leather; footwear** comprised 33 uniforms suppliers representing 100% of expenditure in the sector.
- **Health services** comprised 28 WorkCover injury assessment and Drug & Alcohol Screening suppliers representing 100% of expenditure in the sector.

The above products were sourced from companies located in Australia. The total expenditure within these sectors equated to 13% of the entire annual expenditure in 2020.

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4 Description of actions taken by the reporting entity and any entities it owns or controls to assess and address these risks, including due diligence and remediation processes

At a glance:

	Human Rights Policy to guide our practices impacting human rights.		Modern slavery and whistleblowing contract clause to manage modern slavery risks in dealer and supplier contracts.		Risk assessment matrix to identify and categorise low, medium, and high-risk suppliers.
	Compliance questionnaire including modern slavery assessment to engage with suppliers and provide basis for remediation measures.		Modern slavery training module to raise awareness of modern slavery and assist staff with identifying red flags.		Whistleblower Hotline made publicly available on penske.com.au and on our dealer communication portal.

4.1 Policy

Penske adheres to a Code of Ethical Conduct under which the principles of probity and ethical behaviour govern the conduct of all procurement activities. All procurement and purchasing personnel must comply with the standards of integrity, probity, professional conduct, and ethical behaviour set out in Penske's Procurement Policy and document the procurement process to demonstrate that decisions and purchases were made in accordance with the policy.

In October 2020, Penske implemented a Human Rights Policy which underpins its commitment to upholding human rights. The Policy takes guidance from the *UN Guiding Principles on Business and Human Rights* and *ILO General Principals for Fair Recruitment*. It is publicly available at www.penske.com.au.

Dealers are required to comply with Penske's Human Rights Policy under dealer agreements signed since May 2020. Penske will be extending this requirement to all suppliers using its standard terms in 2021.

4.2 Training

Penske recognises that the first step to change is awareness. Penske developed and implemented a tailored online modern slavery training module, including realistic and business specific quiz scenarios, in conjunction with leading international law firm, Ashurst. The module was rolled out to all employees and contract staff as an online learning module with the aim of raising awareness and directing staff accordingly if they need to know more.

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“I just did the training and it raised some thoughts for me that I had not considered. I found the training most helpful and informative.”

– employee feedback

The module was released in late 2020. As of the end of the reporting period, the completion rate was 68%.

4.3 Supplier obligations

As part of engaging with suppliers and using influence to mitigate the risk of modern slavery in the supply chain, Penske developed new contract clauses, which require suppliers to:

- Comply with Penske's Human Rights Policy and have adequate procedures in place to act against modern slavery aligned with Australian and recognised international standards, including the UN Guiding Principles on Business and Human Rights;
- Provide information about their labour practices and provide reasonable access to audit those practices; and
- Communicate to their employees and their family members that Penske's Australian Whistleblower Policy and hotline are available to them.

The new clauses have been implemented in new dealer agreements signed since 1 May 2020 and will be included in new standard supplier contracts in 2021. Penske will also seek to include these obligations in contracts, which come up for renegotiation.

4.4 Risk assessment and remediation plan

Penske has adopted a multi-tiered approach to investigating and remediating ethical and human rights issues.

The first step was to profile the supply base using rankings from the following recognised sources:

- Geographical prevalence – "Estimated prevalence of modern slavery by country", Appendix 2, Part B, Table 4, Global Slavery Index 2018, Walk Free Foundation.
- Geographical vulnerability – "Vulnerability to modern slavery by dimension for 167 countries", Appendix 2, Part A, Table 14, Global Slavery Index 2018, Walk Free Foundation.
- Sector risk – combination of Australian Council of Superannuation Investors' Modern Slavery Risks, Rights & Responsibilities Guide for Companies and Investors, February 2019; and International Labour Organisation sector analysis.
- Commodity risk – 2018 List of Goods Produced by Child, Labor or Forced Labor, US Department of Labor.

Penske uses these rankings to assign scores and categorise the supply base into three key categories: low, medium and high risk.

Penske engages suppliers in the high and medium categories using a detailed questionnaire to understand their businesses and modern slavery vulnerabilities more thoroughly. Penske has also developed a program for further enquiry and standard remediation steps, followed by

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escalation to the Compliance Manager and Executive for evaluation of suppliers at a high and medium risk of modern slavery.

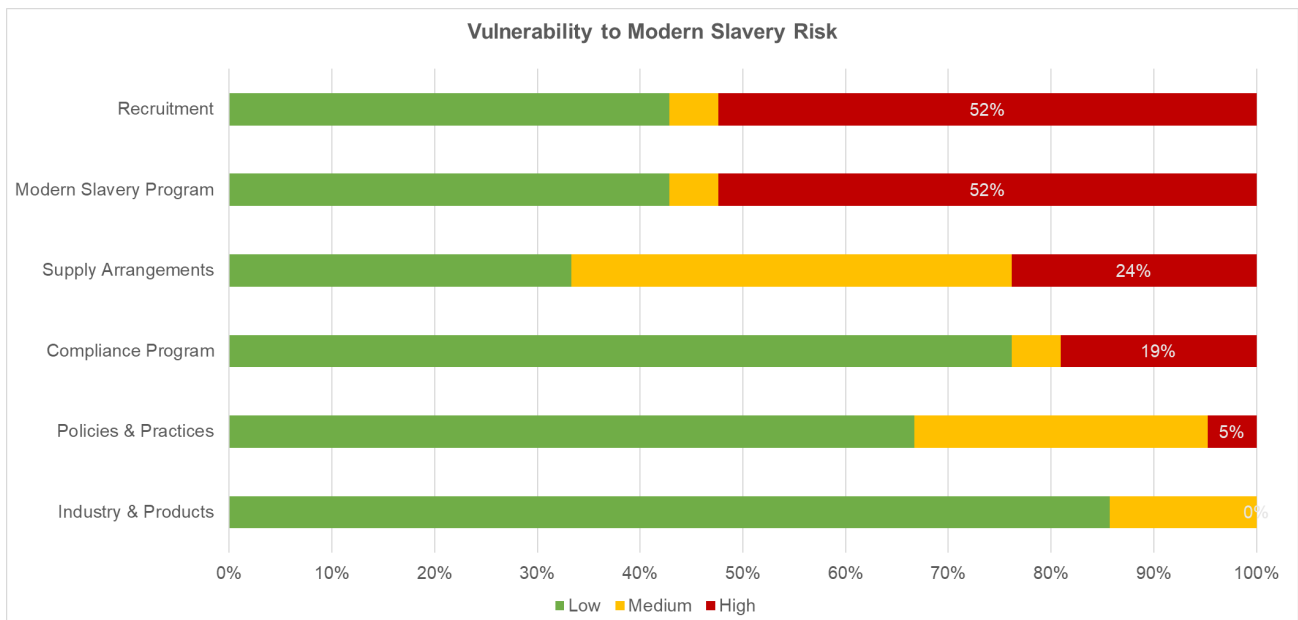
In 2020, the results revealed that 5% of Penske’s tier-one suppliers were profiled into the medium risk category. No suppliers were profiled into the high-risk category.

Based on the questionnaire responses received, the greatest vulnerabilities to modern slavery risk for Penske’s suppliers were in areas of recruitment practices (e.g. lack of policy, use of contract workers, foreign workers and labour hire) and having a modern slavery program (e.g. lack of policy, training and audit). In addition:

- 76% of respondents had a comprehensive general compliance program in place.
- 67% of respondents did not have comprehensive supplier due diligence and procurement program.

The full set of results is represented in the table below.

Fig 4: Vulnerability to Modern Slavery Risk based on supplier responses



Dealers are subject to a separate but extensive due diligence process using a similar questionnaire prior to engagement and at every renewal. Rather than scoring and categorizing dealers, given their importance to the Penske network, Penske assesses and investigates responses individually and independently. Penske has not included the results of those enquiries in this statement, but are researching a technological solution to allow Penske to aggregate and include those results in the coming years.

4.5 Whistleblowers

Penske recognises the importance of whistleblowers in alerting the company to conduct posing a modern slavery risk for remediation. Penske has an established Speak Up program backed by an Australian Whistleblower Policy and anonymous reporting hotline, which is available to all employees, contractors and their families. As part of Penske’s contract clauses roll out, it requires suppliers to communicate to their employees and their family members that Penske's Australian Whistleblower Policy and hotline are available to them.

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4.6 Sanctions lists

Penske prohibits any business dealings with countries and entities which are subject to UN Security Council Sanctions and Australia's autonomous sanctions, as published by the Australian Government Department of Foreign Affairs & Trade.

4.7 Future reporting periods

In 2020, Penske focussed on establishing a comprehensive modern slavery program to address modern slavery risks within its operations and supply chain. In coming reporting periods, Penske will look to:

- Increase the proportion of suppliers required to comply with modern slavery obligations through contracts.
- Expand the accessibility of training programs to dealers and suppliers.
- Research a technology solution to make modern slavery risk identification, management and remediation more robust and responsive.

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5 Description of how the reporting entity assesses the effectiveness of these actions

The table below outlines how Penske proposes to assess the effectiveness of its modern slavery program. These may be adjusted to adapt to changes in its risk profile and to ensure reporting is relevant and responsive.

Area	Assessment
1. Policy	Bi-annual review of Human Rights Policy and other policies identified as affecting modern slavery risk.
	Extent to which suppliers are required to comply with Penske's Human Rights Policy standards.
2. Training	Number and proportion of Penske Australia and Penske New Zealand staff and contractors enrolled to complete modern slavery training.
	Training completion rate for staff and contractors.
	Extent to which modern slavery training is made available to dealers and suppliers.
	Annual review of relevance and currency of training material.
3. Supplier	Extent to which standard supplier contracts contain modern slavery and whistleblowing clauses.
	Proportion of and response to supplier commitment to comply with Penske's Human Rights Policy via questionnaire.
4. Risk assessment and remediation	Annual risk assessment of operations for modern slavery risk.
	Extent to which suppliers are profiled for modern slavery risk.
	Number and proportion of suppliers identified as having a high, medium and low risk of modern slavery.
	Extent to which due diligence questionnaires are issued to suppliers.
	Response rate of suppliers to due diligence questionnaire.
	Types of remediation actions taken.
5. Detection	Extent to which Penske's Speak Up/Whistleblower program is available and publicised.
	Number of reports of conduct posing a modern slavery risk.
	Audit program of operations and steps taken by suppliers in response to remedial actions.

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2020 highlights:

- Extent to which suppliers are required to comply with Penske's Human Rights Policy standards:
 - Policy applies to contractors and expects suppliers to adhere to all applicable anti-slavery, human trafficking, workplace, and anti-discrimination laws.
 - Policy expects suppliers to apply its principles to their workers.
 - Contract clause included in new dealer agreements for Australia and New Zealand.
 - Supplier due diligence questionnaire contains tick box to acknowledge agreement to comply.
- Number and proportion of Penske Australia and Penske New Zealand staff and contractors enrolled to complete modern slavery training:
 - 1,134 equating to 100% of staff and contractors.
- Extent to which due diligence questionnaires are issued to suppliers:
 - Questionnaires issued to 100% of tier-one suppliers identified as having a high or medium risk of modern slavery.
- Extent to which Penske's Speak Up/Whistleblower program is available and publicised:
 - Internal links on company and dedicated department webpages. Posters in all locations.
 - External link to Human Rights Policy and Whistleblower Hotline at www.penske.com.au Compliance and Business Documentation webpage.
 - Links accessible to Dealers via dealer communication portal.

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6 Description of the process of consultation with any entities the reporting entity owns or controls (a joint statement must also describe consultation with the entity giving the statement)

The Penske entities are centrally governed and managed with common directors across the companies. Penske's operational functions are supported by national teams for Finance, Procurement, Human Resources, Supply Chain, Information Technology and Legal, Compliance and Governance ensuring a consistent approach and shared efficiencies.

Given operational constraints, and restrictions due to the COVID-19 pandemic, an initially convened working group gave way to a more diverse and consultative approach. In developing the modern slavery program and statement:

- | | |
|--|--|
| 1. Legal and Compliance: | Led preparation of this modern slavery statement.
Conducted risk analysis on potential gaps with respect to modern slavery practices. Developed anti-modern slavery program including Human Rights Policy. Drafted and implemented contract clauses, and training program.
Provided a description of Penske's governance systems for overseeing and managing modern slavery risks.
Ensured compliance with the Act. |
| 2. Finance: | Identified entities in the corporate group which meet the criteria for reporting under the Act. |
| 3. Compliance and Procurement in consultation with Finance, Network Development and Legal: | Close collaboration to prepare risk assessment matrix, profile and assess suppliers, prepare the compliance questionnaire and remediation protocol.
Analysed and provided risk assessment and due diligence data. |
| 4. Consultation group comprising Compliance, Procurement, Human Resources, Supply Chain, On-Highway, Off-Highway, Remanufacturing, Training and Marketing: | Provided feedback on operations to inform Penske's operational risk profile.
Described supply chains, goods and services procured, and processes for supplier diligence, on-boarding and management.
Overall review of this Modern Slavery Statement. |
| 5. Human Resources: | Provided information on employee and contractor risk profile and working conditions. |
| 6. Executive: | Approval of Human Right Policy and modern slavery program. |
| 7. External law firms: | Assisted with development of the training module.
Convened industry roundtable discussions on modern slavery risks and reporting in which Penske participated. |

Prior to being presented to the Board for review and approval, this statement was reviewed by Penske's General Manager – Legal and Compliance, General Manager – People and Culture, Chief Financial Officer, Managing Director and President.

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7 Other relevant information

The outbreak of COVID-19 and the subsequent quarantine measures imposed by the Australian and other governments as well as the travel and trade restrictions imposed by Australia and other countries during 2020 have caused minor disruption to businesses and economic activity of the Penske Transportation Group International and subsidiary companies. Both Penske Australia and Penske New Zealand were deemed essential services throughout the 2020 pandemic and therefore all segments of the business continue to remain operational and the results of operations have remained stable despite the pandemic.

Throughout the 2020 year, and as a result of COVID, Penske has modified certain business practices to conform to government restrictions and best practices encouraged by government and regulatory authorities. In all of its locations, it has implemented enhanced cleaning procedures, enforced social distancing guidelines and taken other precautions to protect its employees and customers. Since the outbreak, there have been no recorded cases of COVID on PTGI sites across Australia or New Zealand.

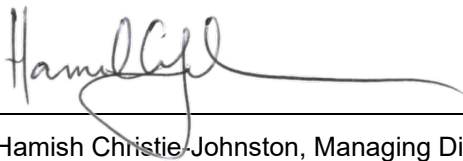
Penske Australia and New Zealand initially experienced some disruption late March and during April 2020 as the extent of the pandemic unfolded, however all operations returned to normal capacity and work arrangements by 1 July 2020.

Throughout the period, Penske maintained its usual criteria for appointing suppliers. Penske maintained its existing suppliers and continued to collaborate with them on various challenges such as freight issues affecting air and sea freight networks worldwide, large supply constraints for hand sanitiser, cleaning products and general personal protective equipment (PPE).

Some of the measures taken included increased stock holding, changing freight methods, moving to express freight carriers, seeking products from alternate suppliers within its existing supply chain, placing forward orders, communicating more frequently with suppliers and internal customers on the limitations of the supply of goods and services.

Directors' Statement

This Joint Modern Slavery Statement is approved by the board of Penske Transportation Group International Pty Ltd ACN 164 850 355 on behalf of the reporting entities.



Hamish Christie-Johnston, Managing Director