



# 2019 Sustainability Report

Caterpillar's Environmental,  
Social and Governance Approach



**CATERPILLAR®**

# OUR SOLUTIONS HELP OUR CUSTOMERS BUILD A BETTER WORLD.



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Visit [caterpillar.com/sustainability](https://www.caterpillar.com/sustainability) to read stories about how Caterpillar puts sustainability into action.

# TO OUR STAKEHOLDERS:



**Caterpillar imagines a better world  
— one that we are striving to  
achieve through our business.**



A generator set powered by methane from landfills. A dual-fuel engine that can burn natural gas, resulting in lower emissions. An autonomous technology solution that substantially improves efficiency, productivity and safety.

These are just a few of the many ways that Caterpillar's vast range of products and solutions helps our customers build a better world. As our business grows, our potential for positive impact grows — driven by the successful execution of our enterprise strategy which we introduced in 2017. We have already achieved meaningful progress in financial results and in our ability to support the work of our customers around the world.

## **OUR STRATEGY SUPPORTS SUSTAINABILITY**

Our strategy contains three elements: operational excellence, expanded offerings and services, and is underpinned by Caterpillar's Values in Action. Those Values, including Sustainability, are guidelines for the way we act with each other, our suppliers, and our customers every day.

Positive business outcomes are closely aligned with positive social and environmental impacts. For example, the first element of our strategy, operational excellence, translates into initiatives that improve safety, deliver high-quality products and implement Lean operating principles. The most important result is continuing to have Caterpillar employees return home safe to their families, and in 2019, we saw our

best safety performance on record. Operational excellence also offers important environmental sustainability benefits, particularly decreasing the volume of resources needed to manufacture our products.

Expanded offerings, the second element of our strategy, means having the right products and solutions to make our customers more successful. These offerings include products that provide sustainability benefits, including lower emissions profiles and reduced operating costs. We introduced the world's first high drive Electric Drive dozer this year, the Cat® D6 XE. It offers up to 35% better fuel efficiency compared to previous models, increasing productivity and helping our customers succeed in a more sustainable way.

The services element of our strategy encompasses the many ways Caterpillar helps our customers succeed after they buy a piece of equipment. These include increasingly advanced digital capabilities, such as fleet analytics that help customers complete their jobs more efficiently, as well as remanufacturing and rebuild offerings that extend the life of equipment, reducing operating costs and keeping resources in circulation.

## **DRIVING TOWARD A SUSTAINABLE FUTURE**

As we continue to execute our enterprise strategy for profitable growth, we are also executing our 2020 sustainability goals. These include goals related to safety, energy and emissions, water, waste, building efficiency, circular economy, jobsite



**“The most important result is continuing to have Caterpillar employees return home safe to their families, and in 2019, we saw our best safety performance on record.”**

efficiency and sustainability of our products, services and solutions. We are proud to have already achieved or exceeded several of these goals and are setting our sights on the future. You can read more about our progress to date and efforts underway to establish goals beyond 2020 on Pages 5-6 of this report.

### **WORKING TOWARD A BETTER WORLD**

Year after year, Caterpillar customers are working to address the demands of a growing global population, an emerging middle class in the developing world, and an increasingly urbanized society. The company supplements that great work with the targeted efforts of the Caterpillar Foundation. Since 1952, the Foundation has donated about \$770 million to build resilient communities around the world. We are proud of our Foundation’s ability to contribute to building a better world.

We are pleased to have been named to the Dow Jones Sustainability Indices (DJSI), including both the World and North America indices. Caterpillar was also named to Fortune’s World’s Most Admired Companies List, and we were in the Top 50 of that list for the 19th consecutive year.

As I write this letter, COVID-19 has become a global pandemic, presenting new challenges around the world. Governments responded with guidance to manage the crisis and, in many instances, operations such as Caterpillar’s are considered essential activity for support of critical infrastructure. Customers use our products to provide primary and stand-by power for hospitals, grocery stores and data centers; transport food and critical supplies in trucks, ships and locomotives; maintain clean water and sewer systems; mine commodities and extract the fuels essential to satisfy global energy demand. Along with our dealers and suppliers, Caterpillar is working to help

ensure uninterrupted access to the products and services that our customers rely upon to support society during these difficult times.

While we are serving this important need, Caterpillar remains dedicated to the safety, health and well-being of our employees. We are leveraging our strong safety culture to manage through this pandemic. Employees who can work from home are doing so. In our facilities that remain open, Caterpillar is taking appropriate precautions and implementing safeguards to protect our team members. We have increased the frequency of cleaning and disinfecting facilities with special attention to common areas; we are following social distancing practices and are implementing other measures consistent with specific regulatory requirements and guidance from health authorities.

In addition, the Caterpillar Foundation has committed \$10 million to directly support global COVID-19 response activities and help organizations that have been impacted. These investments are an important expression of our company’s values and will provide support for communities around the world.

Caterpillar imagines a better world – one that we are striving to achieve through our business. As our customers help meet the infrastructure, energy and resource needs of tomorrow, we are dedicated to helping create a future that offers a better life for all.

Jim Umpleby  
Chairman and CEO

# SUSTAINABILITY AT CATERPILLAR

Caterpillar's enterprise strategy focuses on solutions to help our customers build a better world and enables us to deliver long-term profitable growth for our employees and shareholders. The enterprise strategy also helps further our sustainability journey, providing new opportunities for customers, employees and communities.

We have identified a set of focus areas that are relevant to our business and that guide environmental, social and governance (ESG) initiatives and decision-making throughout our global operations, as well as the content of this report. These focus areas are closely aligned

with topics covered by the Sustainability Accounting Standards Board (SASB) Sustainable Industry Classification System (SICS), Resource Transformation sector and Industrial Machinery & Goods industry.

As part of our goal-setting efforts, we are reevaluating ESG focus areas for Caterpillar beyond 2020. Our existing focus areas will be amended to include recommendations from SASB and outcomes of the ongoing assessment process.



## OUR VISION

A world in which all people's basic needs – such as shelter, clean water, sanitation, food and reliable power – are fulfilled in a sustainable way and a company that improves the quality of the environment and the communities where we live and work.



## OUR MISSION

Enable economic growth through infrastructure and energy development and provide solutions that support communities and protect the planet.



## SUSTAINABILITY PRINCIPLES

**Prevent waste**  
safety, efficiency and productivity

**Improve quality**  
team, community, operations and environment

**Develop better systems**  
innovate



## SUSTAINABILITY STRATEGY

We are executing our strategy by working to meet our aspirational sustainability goals.

We provide work environments, products, services and solutions that make safe, productive and efficient use of resources as we strive to achieve our vision.

We apply innovation and technology to improve the sustainability performance of Caterpillar's products, services, solutions and operations.

We believe sustainable progress is made possible by developing better systems that maximize life cycle benefits, while also minimizing the economic, social and environmental costs of ownership, as reflected in our sustainability principles.



## SUSTAINABILITY GOALS

Caterpillar sets aspirational, long-term ESG goals for its operations and product stewardship initiatives. We announced our first set of goals in 2006, and in 2013 we refreshed the goals with new targets. As we approach the conclusion of these goals at the end of 2020, we are progressing well toward many, and are proud of our progress to date. We have already achieved several of them, including achieving a recordable injury frequency below 0.60, reaching a lost-time case frequency rate of 0.15, achieving a greenhouse gas emissions intensity reduction of more than 50% from 2006, increasing managed fleet hours by more than 100% from 2013 and sourcing more than 20% of our energy needs with alternative and renewable sources.

While our work continues in 2020, we have already begun the process of establishing new goals that will enhance our company's performance and impact. We are working with both external parties and leaders throughout our organization to ensure we choose appropriate metrics that support our progress within our sustainability focus areas. We look forward to continued progress as we enter this next phase of our sustainability journey.

### 2020 GOALS FOR OPERATIONS

- ▶ Reduce recordable workplace injury rates to 0.60 and lost-time case rate due to injury to 0.15
- ▶ Reduce energy intensity by 50% from 2006
- ▶ Reduce greenhouse gas emissions intensity by 50% from 2006
- ▶ Use alternative/renewable sources to meet 20% of our energy needs
- ▶ Reduce water consumption intensity by 50% from 2006
- ▶ Reduce by-product materials intensity by 50% from 2006
- ▶ Design all new facility construction to meet Leadership in Energy and Environmental Design (LEED) or comparable green building criteria



### 2020 GOALS FOR PRODUCT STEWARDSHIP

- ▶ Provide leadership in the safety of people in, on and around our products
- ▶ Leverage technology and innovation to improve sustainability of our products, services and solutions for our customers
- ▶ Increase managed fleet hours by 100% from 2013
- ▶ Increase remanufactured and rebuild business sales by 20% from 2013





## LOOKING AHEAD

Our sustainability efforts do not exist in isolation. Caterpillar's stakeholders are increasingly interested in how we are confronting opportunities and risks related to a variety of ESG issues. We understand that true sustainability requires cooperation among governments, companies and their stakeholders – and we have an important role to play.

To this end, Caterpillar is setting future goals that will support our sustainability efforts (learn more on Page 6). In doing so, we listen to stakeholders and incorporate feedback across our business functions. For example, we consider ESG topics in interactions with investors coordinated through our investor relations team; with suppliers through our procurement teams; and with customers through our customer services team. In addition, our Caterpillar Sustainability Steering Committee provides internal guidance, expertise and support for our sustainability initiatives. All of these serve as key inputs for the work of our sustainability team.

To provide further transparency to investors, our 2019 Sustainability Report has been prepared, for the first time, in alignment with Sustainability Accounting Standards Board (SASB) criteria. SASB publishes sector-specific reporting standards that are based on expert input and designed to allow businesses to identify the sustainability issues of highest importance to investors and most relevant in their industry.

Finally, we are working toward a common global purpose with contributions to the U.N. Sustainable Development Goals (UN SDGs). Given the breadth of our products, services and solutions, our advocacy on behalf of policies that enable sustainable development, and the efforts of the Caterpillar Foundation to build resilient communities, Caterpillar and our customers are helping to build a more sustainable future.

# ESG DATA

	BASELINE 2006	2016	2017	2018	2019	GOAL 2020	PERSPECTIVE
<b>PEOPLE DATA</b>							
Total number of employees	N/A	95,400	98,400	104,000	102,300	N/A	
Number of employees outside of the United States	N/A	54,500	56,200	59,400	58,700	N/A	
Women in enterprise	N/A	20%	20%	20%	20%	29% (2022)	Our Women in Leadership initiative is an intentional, focused step on a continuous journey toward a globally diverse team. We have set an aspirational goal of 29% women in the enterprise and 25% women in leadership by 2022.
Women in leadership	N/A	19%	19%	19%	20%	25% (2022)	
Collective bargaining % of employees covered	N/A	34%	41%	40%	41%	N/A	We respect the right of our employees to form, join or not to join any lawful organization of their choice without fear of reprisal, interference, intimidation or harassment. We believe it is important for individuals to exercise that right with the benefit of available information.
<b>SAFETY</b>							
Lost-time case frequency rate (LTCFR) <sup>A/</sup> worker-related injuries resulting in lost time per 200,000 hours worked	2.97 (2003)	0.19	0.17	0.16	0.15	0.15	We have improved our lost-time case frequency rate (LTCFR) by 95% from our 2003 base year. We are encouraged that our LTCFR declined by approximately 6% from 2018 to 2019.
Recordable injury frequency (RIF) <sup>A/</sup> recordable injuries per 200,000 hours worked	6.22 (2003)	0.50	0.49	0.53	0.43	0.60	We have improved our recordable injury frequency (RIF) rate by 93% from our 2003 base year. Our RIF decreased by 19% from 2018 to 2019.

N/A = Not Applicable /A/ Data assured by ERM CVS. Please see Page 28 for the data assurance statement.



	BASELINE 2006	2016	2017	2018	2019	GOAL 2020	PERSPECTIVE
Employee fatalities	N/A	2	0	1	0	N/A	Our vision of everyone returning home safely, every day has not waived. We are saddened to report one of our contractors suffered a fatal workplace injury in one of our facilities in 2019. We are dedicated to the safety of everyone working at Caterpillar. We encourage our extended team of contractors, dealers, suppliers and customers to focus on safety for their operations and employees.
Contractor fatalities	N/A	0	0	1	1	N/A	
<b>ENERGY – OPERATIONS</b>							
Total energy use <sup>A</sup> gigajoules <sup>1</sup>	28,720,000	23,050,000	23,690,000	25,540,000	25,330,000	N/A	We're making strides to lower our energy use and improve energy efficiency.
Total electricity <sup>A</sup> million MWh	N/A	2.37	2.45	2.55	2.38	N/A	
Grid electricity %	N/A	N/A	N/A	N/A	83.8	N/A	In 2019, Caterpillar began reporting grid electricity data based on SASB recommendations. Data for years prior is not available.
Renewable energy <sup>2</sup> %	N/A	17.8	16.9	17.4	21.2	20	In 2019, 35.5% of our electrical energy was obtained from renewable or alternative sources, exceeding our 2020 goal.
Alternative energy <sup>3</sup> %	N/A	10.1	14.3	15.1	14.3		
Energy intensity <sup>A</sup> absolute gigajoules energy use/million dollars of sales and revenues	692	598	521	467	471	346	In 2019 we reduced our energy intensity by 32% from our 2006 baseline.
<b>EMISSIONS – OPERATIONS</b>							
Absolute greenhouse gas <sup>A</sup> (GHG) emissions million metric tons CO2e	2.990	2.128	2.119	2.207	1.774	N/A	Our absolute GHG emissions decreased by 20% from 2018 to 2019 and decreased by 41% from 2006 to 2019.
Scope 1 <sup>A</sup> Direct emissions million metric tons	N/A	0.863	0.863	0.927	0.905	N/A	
Scope 2 <sup>A</sup> Market-based indirect emissions from purchased electricity, heat or steam million metric tons	N/A	1.265	1.256	1.280	0.869	N/A	
Scope 2 <sup>A</sup> Location-based <sup>4</sup> million metric tons	N/A	1.314	1.291	1.322	0.926	N/A	
GHG intensity <sup>5 A</sup> absolute metric tons of CO2e/million dollars of sales and revenues	72.1	54.2	46.4	40.4	33.0	36.0	In 2019 we reduced our GHG emissions intensity by 54% from our 2006 baseline, achieving our 2020 goal.

N/A = Not Applicable /A/ Data assured by ERM CVS. Please see Page 28 for the data assurance statement.

	<b>BASELINE 2006</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>GOAL 2020</b>	<b>PERSPECTIVE</b>
<b>WATER – OPERATIONS</b>							
Total water <sup>A/</sup> billion gallons	5.91	3.87	4.04	3.85	3.74	N/A	In 2019 we reduced our absolute water consumption by 37% from our baseline year of 2006 and 3% from 2018 to 2019.
Noncontact cooling water <sup>A/</sup> billion gallons	2.74	1.37	1.40	1.26	1.31	N/A	
<b>Total water consumption by source<sup>6</sup></b>							
Non-contact cooling water <sup>A/</sup>	N/A	35.0%	34.7%	32.8%	35.2%	N/A	
Municipal water <sup>A/</sup>	N/A	28.0%	28.7%	30.6%	30.8%	N/A	
Surface water <sup>A/</sup>	N/A	15.0%	16.8%	18.3%	18.0%	N/A	
Other water <sup>A/</sup>	N/A	0.0%	0.2%	0.4%	0.7%	N/A	
Groundwater <sup>A/</sup>	N/A	22.0%	19.5%	17.9%	15.4%	N/A	
Water consumption intensity <sup>7 /A/</sup> absolute thousand gallons of water/million dollars of sales and revenues	76.3	66.0	58.1	47.3	45.0	38.2	Through 2019, we have reduced water consumption intensity at our facilities by a total of 41% from 2006, and 5% from 2018 to 2019.
<b>WASTE – OPERATIONS</b>							
Total waste metric tons	574,000	560,000	599,000	635,000	587,000	N/A	Our generation of total absolute by-product materials increased 2% from 2006 to 2019 but decreased 8% from 2018 to 2019.
Waste intensity absolute metrics tons of by- product materials/million dollars of sales and revenues	13.8	14.5	13.2	11.6	10.9	6.9	In 2019, we reduced our waste intensity by 21% from our 2006 baseline and decreased 6% from the previous year. Also, we are pleased to see the percent of our waste recycled continue to increase year-over-year.
Waste recycled %	84.1	82.8	83.5	86.8	87.1	N/A	
<b>PRODUCTS</b>							
Reported sales and revenues <sup>8</sup> derived from products, services and solutions that demonstrate an improved sustainability benefit over prior offerings	N/A	21%	21%	22%	27%	N/A	Caterpillar has a long history of and a strong process for innovation in the research and development of products and solutions.
Fleet hours <sup>9</sup> increase in fleet hours managed by Job Site Solutions since 2013	N/A	98%	124%	280%	510%	100%	Caterpillar Job Site Solutions (JSS) helps customers realize savings through reduced operator and repair needs, as well as decreased fuel use and associated emissions. Demand from our customers continues to grow for solutions provided by our JSS team working together with our Cat <sup>®</sup> dealers.
Service agreements increase in machines covered by service agreements with Job Site Solutions since 2013	N/A	126%	151%	321%	501%	N/A	
<b>MATERIALS</b>							
Supplier Code of Conduct self-assessments	N/A	13%	39%	39%	67%	95%	Since 2016, Caterpillar has proactively surveyed our priority supply base to confirm alignment to Caterpillar's published Supplier Code of Conduct. Caterpillar uses assessment response data to address supply chain risk through a collaborative approach with responding suppliers. The 2020 target reflects continued focus on this initiative.

N/A = Not Applicable /A/ Data assured by ERM CVS. Please see Page 28 for the data assurance statement.

	BASELINE 2006	2016	2017	2018	2019	GOAL 2020	PERSPECTIVE
<b>REMANUFACTURING</b>							
Growth in remanufacturing business <sup>10</sup> % business sales growth since 2013	N/A	-13%	2%	7%	3%	20%	Our remanufacturing and rebuild businesses provide customers with immediate cost savings, help extend product life cycles and use materials more efficiently. We seek to continue to grow these businesses.
Growth in rebuild business <sup>10</sup> % business sales growth since 2013	N/A	-10%	14%	17%	14%		
Product take-back by weight <sup>10,11</sup> millions of pounds of end-of-life material received	N/A	125	130	155	153	N/A	
Product take-back by % <sup>10,11</sup> % of actual end-of-life returns/ eligible returns	N/A	91%	92%	92%	91%	N/A	
<b>SUSTAINABLE CONSTRUCTION</b>							
Buildings designed in accordance with the U.S. Green Building Council's LEED BD+C (Building Design and Construction) certification process of comparable criteria	N/A	100%	100%	100%	100%	100%	Facilities designed to the LEED criteria are more energy- and resource-efficient than traditional construction. In 2019, we completed construction of our new Surface Mining & Technology office in Tucson, Arizona. The new building met the requirements of certification in accordance with the U.S. Green Building Council's LEED BD+C (Building Design and Construction) process.
<b>PHILANTHROPY</b>							
Community investments millions of dollars	N/A	\$36.8	\$33	\$27	\$28.6	N/A	Since 1952, the Caterpillar Foundation has contributed about \$770 million to help make sustainable progress possible around the world by building resilient communities that thrive in a rapidly changing world.
People impacted (cumulative) millions	N/A	38.6	46.5	48.1	50.1	50	In 2013, the Caterpillar Foundation set out to place 50 million people on the path to prosperity by 2020. Together with our nonprofit partners, we are proud of the impact we've had on individuals and in communities around the world.
Matching gifts <sup>9,12</sup> millions of dollars	N/A	\$3.2	\$6.0	\$4.1	\$3.5	N/A	The Caterpillar Foundation is proud to match our U.S. employees, retirees and board of directors' contributions to eligible organizations.
United Way <sup>13</sup> millions of dollars	N/A	\$11.5	\$11.4	\$11.8	\$12.2	N/A	Caterpillar has supported the United Way for more than 60 years through our annual campaign. The Foundation matches employee and retiree gifts during the campaign, amplifying our impact on the communities where we live and work.

N/A = Not Applicable /A/ Data assured by ERM CVS. Please see Page 28 for the data assurance statement.

## CORPORATE GOVERNANCE

We believe that a strong governance framework creates long-term value for our shareholders, strengthens board and management accountability and builds trust in the company and our brand. Our governance framework includes the following highlights:

	2019
Size of Board	11
Number of Independent Directors	10
Average Age of Directors	64
Average Director Tenure (in years)	11
Annual Election of Directors	Yes
Mandatory Retirement Age	74
Gender and Diversity	45%
Majority Voting in Director Elections	Yes
Independent Presiding Director	Yes
Code of Conduct for Directors, Officers and Employees	Yes
Supermajority Voting Threshold for Mergers	No
Proxy Access	Yes
Shareholder Action by Written Consent	No
Shareholder Ability to Call Special Meetings	Yes
Poison Pill	No
Stock Ownership Guidelines for Directors and Executive Officers	Yes
Anti-Hedging and Pledging Policies	Yes
Clawback Policy	Yes

The Public Policy and Governance Committee of our board of directors oversees the company's sustainability efforts as well as efforts on environmental, health and safety activities, including Caterpillar's products and services that support sustainable development of global resources. This committee also reviews Caterpillar's annual political contributions and recommends the amount the company should contribute to the Caterpillar Foundation. The committee provides regular updates to the board and may retain advisors and consultants as needed to assist it in fulfilling its responsibilities.

In addition, all Caterpillar employees are annually required to complete training on our Code of Conduct. As part of this training, employees must certify that they have read, understand and will comply with the Code of Conduct.

## Learn more about our governance framework at the following:

- ▶ Corporate Governance initiatives and board composition in Caterpillar's [Proxy Statement](#)
- ▶ [Board Committees](#)
- ▶ Caterpillar [Code of Conduct](#)

## RISK MANAGEMENT

Risk is an inherent part of conducting global business. Caterpillar regularly identifies and monitors business risks through a robust internal management system and engages in constructive regulation and public policy discussions that benefit employees, customers and shareholders. We manage operational, strategic, financial and legal compliance risks in several ways, including Caterpillar's Enterprise Risk Management (ERM) program and Compliance program.

Each year, we conduct a comprehensive enterprise risk assessment by reviewing risk information from multiple sources, including business units. To better inform our decision-making, Caterpillar evaluates risks at the business unit and enterprise levels on three dimensions:

- ▶ Impact
- ▶ Likelihood
- ▶ Risk Trend

The results of this ERM risk assessment are incorporated into action plans to mitigate the identified risks. The importance of following the corporate ERM process is communicated throughout the organization from the CEO down. As a result, we have seen strong engagement among senior leaders. Operationally, our risk culture is embedded within the business through performance scorecards. The company's officers share accountability for business risks, and the board has oversight of the enterprise process. The board implements its risk oversight function both as a board and through delegation to board committees, which meet regularly and report back to the board. The board has delegated the oversight of specific risks to board committees that align with their functional responsibilities. We integrate enterprise and business unit risk mitigation plans into individual performance goals of the Executive Office members. We compensate senior executives in part according to their ability to mitigate the risks as described in their performance goals.

We also review compliance risks as part of the ERM risk assessment process and manage them as part of Caterpillar's Compliance program. These risks cover a broad range of issues, including legal and regulatory compliance.

The Compliance program establishes enterprise-level compliance expectations. Business unit personnel and compliance professionals implement controls and processes to meet those requirements with the support of compliance professionals, legal personnel and subject matter advisors with specific expertise. These efforts are enhanced by regular communications, training and annual assessment processes. Through these programs, Caterpillar can better manage risk and gauge the potential impact of various outcomes on our ability to achieve strategic goals.

## POLITICAL CONTRIBUTIONS

Caterpillar's products and services alone are not enough to ensure our success. The actions taken by governments around the world can have significant impact – both positive and negative – on Caterpillar, our employees, dealers, suppliers and customers. We advocate for policies, agreements, legislation and regulations that enable us to help our customers build a better world. Our global teams advocate on appropriate issues in a manner consistent with all governing laws and Our Values in Action.

Where allowable by law, Caterpillar may make corporate contributions to campaigns, individual candidates or political committees in order to support public policies we believe will promote our business interests. All political and advocacy activities at the state, federal and international levels are managed by the vice president of Global Government & Corporate Affairs, who coordinates and reviews with senior management the legislative and regulatory priorities that are significant to the company's business as well as related advocacy activities. In addition, the board's Public Policy and Governance Committee reviews Caterpillar's significant legislative and regulatory priorities, policy on political activities and contributions, corporate political contributions, trade association participation and the political contribution activities of the Caterpillar Political Action Committee (CATPAC).

CATPAC contributions are made only in federal and state elections. CATPAC is funded through voluntary contributions by eligible individuals, who primarily are U.S.-based employees. A steering committee comprised of Caterpillar non-officer employees who represent a diverse mix of U.S. locations and business units oversees all CATPAC disbursements to ensure they promote the company's business interests.

Caterpillar also maintains memberships in trade associations and business groups that may engage in advocacy on behalf of segments of the business community. We are committed to supporting these organizations, which champion public policies that contribute to the success and growth of the business community.

Additional information regarding Caterpillar's corporate contributions, CATPAC contributions and trade association memberships is available on our [political engagement website](#).



## ENERGY & EMISSIONS

Global demand for energy is expected to increase significantly over the next 25 years according to the International Energy Agency, and Caterpillar will continue to play a key role by providing products and services to industries that enable access to reliable energy. As a global energy consumer and industrial manufacturer, as well as a major manufacturer of energy conversion and power generation products, Caterpillar has a fundamental interest in, and understanding of, energy needs around the world.

We provide products with leading integrated technology to various energy customers and leverage our technology and innovation to meet the world's growing energy needs. In our own operations, we're making strides to lower our energy use and environmental impact. Read more in our [energy and climate](#) policy.

### ENERGY MANAGEMENT

Caterpillar manages hundreds of facilities around the world that require energy to power our operations. As a manufacturer of heavy equipment, Caterpillar has some operations that are energy-intensive. To mitigate our impact, we have set energy efficiency targets in our operations since 1998 and greenhouse gas emission (GHG) reduction targets since 2003. In addition, our 2020 sustainability goals include targets for energy, greenhouse gas emissions, water and waste in our operations. We are making progress toward these goals by improving energy efficiency, investing in alternative and renewable power generation sources, implementing water conservation projects and managing waste through remanufacturing, rebuilding, reuse and recycling. Continuous improvement is an important part of this approach, with new manufacturing technologies and best practices quickly creating new opportunities for greater efficiency.

Our high-performance standards for environmental, health and safety (EHS) require compliance with, and at times extend beyond, laws and regulations. Our EHS assurance manual outlines Caterpillar's EHS Management System and establishes fundamental requirements that apply at all workplaces globally, including majority-owned subsidiaries and majority-owned joint ventures. Our facilities assess compliance with our requirements annually, and our EHS assessment team reviews those assessments while also conducting deeper reviews of certain facilities each year. The EHS assessment team is responsible for the following activities related to assessments:

- ▶ Planning, scheduling and conducting assessments
- ▶ Maintaining oversight, accountability, consistency and good performance
- ▶ Monitoring and recording assessment issues and completing action plan items
- ▶ Providing one source for EHS auditor tools, standards and specifications, assessment schedules, training/opening presentations and associated data
- ▶ Reporting assessment results to corporate EHS senior management

Beyond meeting standard expectations, we encourage facilities to implement their own initiatives to improve safety, decrease energy use and increase productivity. Facilities evaluate potential initiatives based on the total annual investment required, total anticipated cost savings and average pay-back period. We also invite facilities to report emission reduction activities through internal awards and recognition processes.

Energy management is an important component of EHS management. Our enterprise energy management team is instrumental in building awareness, encouraging action and developing solutions in the areas of energy efficiency and alternative/renewable power generation. These solutions include purchasing renewable energy certificates and installing renewable energy sources, such as photovoltaics (PV) or a microgrid installation that combines PV with battery storage to supplement and offset electricity generated with diesel fuel at an off-grid location. Our largest contribution to alternative energy consumption is the operation of combined heat and power (CHP) systems to power several manufacturing facilities. In 2019, 35.5% of our electrical energy was from renewable or alternative sources. The energy management team is evaluating additional opportunities for replication of CHP, PV and microgrids at other locations. We also continue to assess new ways to upgrade systems and make facilities more energy-efficient.



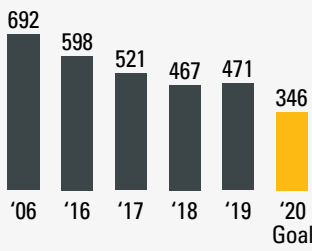
## Energy Goal

Reduce energy intensity by 50% from 2006 to 2020.

**32%** Operational energy intensity decreased 32% from 2006 to 2019, and increased 1% from 2018 to 2019. While absolute energy decreased slightly from 2018 to 2019, it decreased by 12% overall from 2006 to 2019. These results reflect our increased productivity and efficiency.

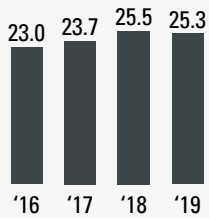
### Energy Intensity

Absolute gigajoules energy use/million dollars of sales and revenues



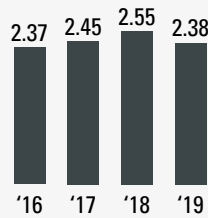
### Total Energy Consumption

Absolute million gigajoules energy use<sup>1</sup>



### Total Electricity Consumption

Sum of purchased and self-generated electricity in million MWh



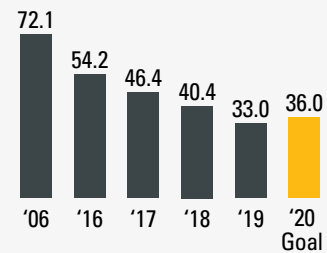
## GHG Emissions Goal

Reduce greenhouse gas emissions intensity by 50% from 2006 to 2020.<sup>5</sup>

**54%** Our GHG emissions intensity decreased 54% from 2006 to 2019, achieving our 2020 target. In addition, our absolute GHG emissions decreased by 20% from 2018 to 2019, and decreased by 41% from 2006 to 2019. Increases in productivity and efficiency have helped us to achieve our 2020 GHG emissions goal.

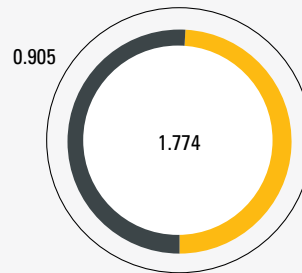
### GHG Emissions Intensity

Absolute metric tons of CO<sub>2</sub>e/million dollars of sales and revenues



### 2019 Total Absolute GHG Emissions

Million metric tons



- 0.905 million metric tons – Scope 1 (direct emissions)
- 0.869 million metric tons – Scope 2 market-based (indirect emissions from purchased electricity, heat or steam)
- 0.926 million metric tons – Scope 2 location-based (not included in the visual pictured here)

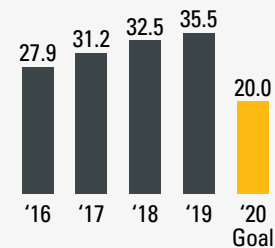
## Alternative/Renewable Goal

Use alternative/renewable sources to meet 20% of our energy needs by 2020.<sup>2,3</sup>

**35.5%** of our electrical energy was from renewable or alternative sources in 2019. In addition, our use of renewable energy increased from 2018 to 2019.

### Alternative/Renewable Energy

Sum of alternative and renewable electrical energy use/total electrical use x 100







## FUEL ECONOMY & EMISSIONS

Caterpillar is focused on energy and emissions reduction in our own business, and helping customers decrease their carbon footprints through machinery and power solutions that contribute to lowering greenhouse gas emissions. Supported by our Enterprise Technology Strategy, research and development focus areas include high-efficiency energy conversion and electrification, working to increase power density, expand the use of alternative fuels, maximize efficiency of power systems and introduce more electrification into our product lines.

We are developing a range of equipment that includes internal combustion engines, hybrids and fully electric systems that help customers around the world meet their business goals for power utilization and owning and operating costs.

We provide U.S. EPA Tier 4/EU Stage IV, EU Stage V or equivalent products in North American, European and Japanese markets. U.S. EPA Tier 4 emissions standards (as

well as EU Stage IIIB & Stage IV emissions regulations) provide a 90% reduction in emissions (NOx and particulate matter) when compared to Tier 3 standards. Customers in all segments express increased interest in cost-saving benefits of more fuel-efficient and fuel-flexible products. Modular offerings within our product lines allow customization of equipment to provide the optimal mix of technology, emissions profile and cost that best suit customer needs.



**27%** of our sales from products, services and solutions demonstrated an improved sustainability benefit over prior offerings, including enabling our customers to reduce their greenhouse gas emissions<sup>8</sup>



**We regularly engage in research with and provide data to regulators to help them make informed decisions**

Caterpillar Job Site Solutions (JSS) helps customers realize savings through reduced operator and repair needs, as well as decreased fuel use and associated emissions. We collaborate with dealers and customers to deliver customized solutions that help optimize energy use and provide training for operators on how to use our equipment more efficiently. Other advanced technologies, such as autonomous and automation capabilities, connectivity and power conversion systems, further increase efficiency and lower customers' total cost of ownership.

As a large company in the heavy equipment industry, we have the potential to drive improvements in machine emissions and safety. Caterpillar participates in industry organizations to educate and inform regulatory bodies, policymakers, NGOs and the general public. Along with other manufacturers, we regularly engage in research with and provide data to regulators to help them make informed decisions.

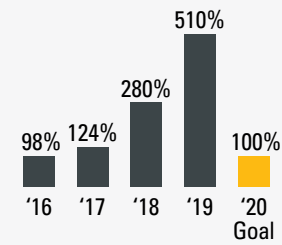


## Systems Optimization Goal

**Increase managed fleet hours by 100% from 2013 to 2020.<sup>9</sup>**

**510%** Caterpillar Job Site Solutions (JSS) helps customers realize savings through reduced operator and repair needs, as well as decreased fuel use and associated emissions. Demand from our customers continues to grow for solutions provided by our JSS team working together with our Cat® dealers.

**Fleet Hours**





## MATERIALS

Caterpillar is the world's leading manufacturer of construction and mining equipment, diesel and natural gas engines, industrial gas turbines and diesel-electric locomotives. Across the world today, 1.8 million Caterpillar construction machines are active, and more than 20 million engines have been built. What goes into these machines matters. Caterpillar responsibly sources the raw materials used to build our products. And we keep those materials in circulation for as long as possible through remanufacturing and rebuild programs that reduce waste, extend equipment life and save customers money.

Equipment powerful enough to move and mine the earth must be built with durable materials. Caterpillar sources these materials from a network of more than 28,000 suppliers who ship more than 800,000 parts and components to Caterpillar every year. These purchases include a variety of unformed steel products, which are cut or formed to shape and machined in our facilities; steel and iron castings and forgings, which we machine to final specification levels; and finished components, which are made either to Caterpillar specifications or to supplier-developed specifications.

A key consideration is responsible sourcing of minerals used in our products. Tin, tungsten, tantalum and gold (3TG), collectively known as "conflict minerals," have been associated with human rights violations in the Democratic Republic of the Congo and adjoining countries. With regard to the extraction and trade of conflict minerals, we will not knowingly provide support to, contribute to, assist with or facilitate armed conflict in the DRC. Our [Conflict Minerals Position Statement](#) contains clear expectations for our suppliers regarding their sourcing of these materials. We have established a process that identifies areas of risk on an ongoing basis and corrective action plans

to mitigate or remediate such risks relating to conflict minerals. A supplier's failure to take corrective actions when required may lead to additional actions, up to and including the termination of our business relationship.

Caterpillar supports the Responsible Minerals Initiative (RMI) to help influence smelters' engagement to support supply chain transparency and leverage industry collaboration toward greater business intelligence. Year over year, we strive for an increased supplier response rate with an additional emphasis on 3TG priority suppliers. In 2018, we received a 100% response rate from these high-priority suppliers. We leverage industry standards for benchmarking and explore efficiencies and cost improvements on an ongoing basis. Caterpillar also publicly discloses the results of our Reasonable Country of Origin process and any necessary due diligence in our [Form SD and Conflict Minerals Report](#) as required by the SEC. This report discloses metrics and results relative to the number of inquiries we execute within our first-tier suppliers. In these reports, we describe our due diligence efforts, including risk mitigation, along with expectations relative to process improvements for the subsequent year.

# REMANUFACTURING



For more than 45 years, Caterpillar's remanufacturing and rebuild businesses have provided customers with quality equipment that delivers the best economic proposition for their business. Our engineering and manufacturing expertise, field population and dealer organization make it possible for us to offer remanufactured products and components through Cat® Reman, Progress Rail Services and Solar Turbines, and rebuild options through our dealers.

Remanufacturing and rebuild options deliver multiple sustainability benefits and help Caterpillar contribute to the circular economy. Through these businesses, we recycle millions of pounds of end-of-life iron annually. Because we are in the business of returning end-of-life components to same-as-when-new condition, we reduce waste and minimize the need for raw material, energy and water to produce new parts. Through remanufacturing, we make a significant contribution to sustainable development — extending the value of the energy and water consumed in a component's

original manufacture and keeping high-value nonrenewable resources in circulation for multiple lifetimes.

Given the significant role that remanufacturing and rebuild operations play in our sustainability initiatives, we set a goal to grow remanufacturing and rebuild business sales by 20% from 2013 to 2020. With the company's enterprise strategy focused heavily on expansion of services, we are experiencing a steady demand for remanufactured products and components.

**91%**  
eligible end-of-life returns  
collected in 2019, totaling  
**153**  
**million**  
pounds of material<sup>10,11</sup>

**REMAN & REBUILD GOAL:**  
Increase remanufactured and  
rebuild business sales by  
**20%**  
from 2013 to 2020

**14%**  
rebuild sales growth  
2013-2019<sup>10</sup>

**3%**  
remanufacturing  
sales growth  
2013-2019<sup>10</sup>

## REMANUFACTURING AND REBUILD



Remanufacturing and rebuild businesses take a systems view of product life cycles. For example, the Cat® Reman process begins with new product design. Engineers use design guidelines to build key products with remanufacturing in mind, ensuring they are highly durable even under heavy-use conditions. When a component reaches the end of its initial serviceable life, dealers return the used component, referred to as core, to Caterpillar where it is cleaned, inspected, salvaged and remanufactured to original factory specifications, including any engineering updates. The company uses state-of-the-art salvage techniques, strict reuse guidelines, and advanced remanufacturing processes and quality controls to ensure reman products provide same-as-when-new performance, coupled with a same-as-new warranty.

Cat Reman products are supplied to dealers, who sell them to customers at a significantly reduced price compared to the cost of an equivalent new product. Cat Reman's model is an exchange business. To encourage use of reman product, we charge a deposit along with the purchase of each reman

product. When customers return their used components, we refund their deposit. Caterpillar uses a proprietary core management system to globally manage core returns from dealers and Caterpillar inspection facilities and determine the core credit amounts that will be refunded. Off-the-shelf availability of nearly 8,000 parts gives customers more options at repair and overhaul time.

A rebuild is typically performed by trained dealer service professionals using genuine equipment and parts that literally "rebuild" a customer's machine. A complete Cat® Certified Rebuild includes more than 350 tests and inspections, automatic replacement of approximately 7,000 parts and a like-new machine warranty. Caterpillar provides information, data, training and service tools to help dealers make the most appropriate decisions about which parts to reuse in order to achieve expected longevity of rebuilt components. Our remanufacturing and rebuild services greatly increase the amount of materials that remain in productive use.

## PEOPLE



Our employees — more than 102,300 of them worldwide as of year-end 2019 — are the backbone of Caterpillar's success. They're helping build a better world, from supporting customers to innovating new technologies to giving back to communities. In turn, Caterpillar provides a positive work environment by promoting an uncompromising safety culture; offering challenging roles where employees can learn, contribute and grow; and prioritizing diversity and inclusion.

### EMPLOYEE HEALTH & SAFETY

The health and safety of our employees is our top priority. We manage safety at the highest levels, using the same tools we employ to measure and improve other aspects of business performance, such as continuous improvement processes, metrics, scorecards and performance management. Our enterprise strategy embeds safety in the strategic pillar of operational excellence. By putting safety front and center and linking it to our strategic goals, we never lose sight of this critically important issue.

Enterprise metrics and targets, as well as goals developed within each business unit, keep us on track for continuous improvements. Common enterprise targets create structure and accountability, while business unit process improvements create opportunities for innovative safety efforts, which can be shared across the enterprise.

Our EHS assurance manual establishes baseline expectations for safety, and Caterpillar's health and safety professionals provide expertise and support to operations around the world. Within our facilities, we use a variety of processes, tools, training and continuous improvement teams to manage risks and create an engaging culture with relentless focus on safety. At the same time, Caterpillar Safety Services provides solutions and expertise to support dealers, suppliers and customers

by leveraging cultural assessment tools, guiding continuous improvement processes, providing technology to identify and mitigate risk, and sharing a wealth of industry-specific safety resources. Our [safety website](#) provides access to a wide range of interactive online training courses for safety, health and the environment.

In the spirit of continuous improvement, we look for new ways to strengthen our safety approach. We've modified our risk evaluation and assessment process to better identify which facilities may benefit most from assessments and recommendations for improvement. At facilities worldwide, we attempt to use localized resources who have specific knowledge of regulations and requirements in a local region.

We continue to refine our standard processes with embedded safety procedures for the work that we do. From time to time, non-routine tasks may be identified. In 2019, we developed pre-task assessment tools to focus on these activities to identify and manage potential risks before beginning the work. As Caterpillar's business — including our expanded offerings for customers — grows, we continue to refine our focus on creating safe working environments, and ultimately, keeping people safe.

## Safety Goals

**Reduce recordable workplace injury rate to 0.60 and lost-time injury case rate to 0.15 by 2020.**

Our relentless focus on safety has enabled us to meet our 2020 safety goals for operations. Our vision has always been and continues to be zero injuries. Our safety goals represent expected progress on our path to zero. We strive for all team members to go home safely, every day.

Despite our progress, we are saddened to report one of our contractors suffered a fatal workplace injury in one of our facilities in 2019. We are dedicated to the safety of everyone working at Caterpillar. We encourage our extended team of contractors, dealers, suppliers and customers to focus on safety for their operations and employees.

We have improved our recordable injury frequency rate by 93% from our 2003 base year, and by 19% from 2018 to 2019. We have improved our lost-time case frequency rate by 95% from our 2003 base year, and by 6% from 2018 to 2019.



**In 2019, we saw our best safety performance on record.**

**0.43**

### Recordable Injury Frequency (RIF)

Recordable injuries per 200,000 hours worked



**0.15**

### Lost-Time Case Frequency Rate (LTCFR)

Work-related injuries resulting in lost time per 200,000 hours worked



### 2019 Fatalities

**0**

Employees

**1**

Contractor



## TALENT DEVELOPMENT

At Caterpillar, we are committed to attracting, hiring, developing, engaging and retaining talented employees. Our people are the foundation for high-performing teams required to deliver our enterprise strategy. Our recruiting, learning and performance management programs are designed to ensure productive, highly engaged employees focused on both individual and organizational performance. Growing employee capabilities is central to the company's ability to deliver results and engage employees. According to our annual employee insights survey, Caterpillar employees rate "Challenging Work and Impact" as our greatest strength and most important driver of their engagement. We provide a variety of opportunities for employees to grow their capabilities while doing meaningful work.

### Recruitment

We are continuing to grow our capability to attract top talent. We are doing this by moving our recruiting teams closer to the business and communities we serve. In 2019, Caterpillar, through relationships with global partners, actively engaged in events that targeted a broad scope of diverse talent to drive awareness. We continued our commitment to workforce development programs such as hackathons, robotics competitions, skilled-trades funding,

and military and diversity hiring engagements. This enables us to prepare our workforce to do work that matters and meets the needs of our current business and the future demands of the market.

### Professional Development

Caterpillar's talent development strategy helps our employees grow their careers by providing a toolbox of diverse experiences that allow them to forge unique paths. In 2019, we created success profiles, which allow managers to help employees consider work experiences needed to prepare them for roles critical to the success of the strategy. This approach aligns with the feedback we receive from employees about how they want to grow their careers.

Our newest suite of leadership development programs, launched in 2019, is designed to build competencies supporting our leadership attributes within a five-level framework. The framework requires greater capability as leaders progress in their careers. Leadership levels include initial training focused on emerging and future leaders, progressing to first-line, mid-level, department and, ultimately, executive leaders.



At Caterpillar, we are focused on driving a culture of continuous improvement through Lean. It is important that all employees have a deep understanding of Lean — what it is, how to apply it and how it ultimately impacts our success. Our Lean Center of Excellence focuses on integrated and continuous learning for both leaders and employees, so that everyone grows in their ability to support the Operational Excellence pillar of our enterprise strategy.

Caterpillar provides technical and market leadership development programs that enhance capabilities and performance in specific functions or countries. For example, the Engineering Rotational Development Program provides onboarding support for new college graduate hires into engineering functions. The program includes orientation, tours, learning, networking, product experiences, mentoring/coaching, leadership opportunities on program committees, and rotational development experiences provided in an employee's first one to three years at Caterpillar.

Finally, we offer informal learning experiences for all employees through learning and technology-enabled systems for ease of access and enterprise collaboration. Coaching and feedback reinforce this experiential learning. Across all of these professional development programs, we realize business benefits, including higher-performing individuals and teams, lower employee turnover, better decision-making, decreased corporate risk and more effective resource allocation.



#### Performance & Rewards

In recent years, we have updated our performance management process to make it more meaningful and better aligned with our Operating & Execution (O&E) Model.

We are committed to a strong pay-for-performance philosophy that aligns individual performance, behaviors and business results with individual rewards. Differentiating performance and rewards helps us achieve the critical elements of our enterprise strategy, including profitable growth, and strengthens our high-performing Caterpillar team. Key to our performance and reward strategy are: setting ambitious, yet achievable individual and team goals; ongoing coaching conversations between leaders and employees about progress toward those goals and how they were achieved; increased differentiation of rewards; and a meaningful year-end discussion regarding contributions made and value created.

To further encourage adoption of these practices, we have introduced new training and resources for managers about how to conduct reviews and provide constructive feedback to employees.



**Key to our performance and reward strategy are ongoing coaching conversations between leaders and employees.**

## DIVERSITY & INCLUSION

We believe each person is unique and valued, and are committed to ensuring our workplace is diverse and representative of the many customers we serve around the globe. Different perspectives help us achieve our best work and improve our communities — that's the Power of Everyone. When we leverage our diversity in an inclusive environment, we create the best solutions to meet our customers' needs in current and future markets.

### Employee Resource Groups

One way we drive inclusion is through our 14 employee resource groups (ERGs). Open to all employees, our ERGs focus on harnessing the power of diverse thinking to better influence business decisions. Caterpillar's ERGs help create positive impact on our business. One example involved the Caterpillar Chinese Resource Group (CCRG), which assisted on a project focused on growing our expanded offerings in China. The CCRG members provided business value through their culture, language and subject matter expertise, as well as their leadership skills and network in China. As a result, they gained valuable development experience. The Caterpillar Latino Connection ERG helped provide vital support for an important software update needed to prevent downtime for our customers by collaborating on translations for critical job aides within 24 hours of the initial request.

### Community Outreach

Caterpillar employees give generously of their time and talent to support activities that promote a diverse and capable pipeline of talent from within their local communities. With facilities in more than 500 locations worldwide, employee outreach efforts focus on education, gender equity and skill building. Advocacy is an important complement; through engagement with professional associations like Society of Women Engineers (SWE), Caterpillar employees participate in critical conversations at the national, state and local level about access to STEM opportunities for underrepresented populations.

### Breakthrough Leadership

Breakthrough Leadership is a development program that helps men and women develop inclusive leadership strategies and sharpen awareness of organizational culture and gender biases. More than 3,000 women have completed the course since its inception in 2014; while 4,100 men have completed the Men as Allies program, focused on growing a more gender-inclusive culture.

### Awards

We were honored to receive the following awards in recognition of our workforce inclusion and diversity efforts:

- ▶ Best of the Best Top Veteran-Friendly Companies *U.S. Veteran's Magazine*
- ▶ America's Best Employers for Diversity *Forbes*
- ▶ Top 50 Employers *Careers & the disABLED Magazine*
- ▶ Best Employers for Women *Forbes*
- ▶ Best Employers for New Grads *Forbes*
- ▶ Top Great Company to Work for in Brazil, Great Place to Work Institute
- ▶ Excellence Award for Talent Development, Happy Companies, China



# 14



## Employee Resource Groups (ERGs)

- Africa Business Resource Group
- Active Caterpillar Team
- Abled and Disabled Employees Partnering Together
- Armed Forces Support Network
- Caterpillar African American Network
- Caterpillar Asian Indian Community
- Caterpillar Chinese Resource Group
- Caterpillar Latino Connection
- Experienced Professionals
- Korean Resource Group
- Caterpillar Lambda Network
- Middle Eastern Resource Group
- Women's Initiative Network
- Young Professionals of Caterpillar

## HUMAN RIGHTS

Our [Human Rights policy](#) is informed by the international human rights principles described in the United Nations Guiding Principles (UNGP) on Business and Human Rights, Universal Declaration of Human Rights (UDHR) and the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work. We are committed to respecting recognized human rights principles aimed at promoting and protecting human rights in the countries in which we operate. We recognize that governments are ultimately responsible for establishing the legal framework to protect human rights within their jurisdictions.

We encourage any party to report situations in which they have a good faith belief that the entities or individuals covered under our policy have taken actions that are inconsistent with the principles set forth in the policy. We have dedicated a confidential and anonymous means to encourage reporting by any party, maintained by our Office of Business Practices.

**PHILANTHROPY**

Our success contributes to the social stability of regions around the world. Caterpillar and our customers support economic growth both in developed and developing countries, where aging networks need improvement, and in emerging regions, where new infrastructure is required. Our products help ensure investments in transportation, energy, telecommunications, waste and water infrastructure produce maximum benefits. By employing more than 100,000 people worldwide – and indirectly supporting countless other jobs – we help provide opportunities and grow economies in countries around the world.

**Caterpillar Foundation**

As Caterpillar and our customers work to build infrastructure, the [Caterpillar Foundation](#), the philanthropic arm of Caterpillar Inc., has been on a mission to improve the lives of people around the world since its founding in 1952. In more recent years, the Foundation’s Together.Stronger.™ platform has worked to align, inspire and activate cross-sector stakeholders to tackle the root causes of poverty. Through a collaborative effort of businesses, nonprofits, governments and citizens, the Foundation set out to help 50 million people rise out of poverty by 2020. Together, we have made tremendous progress and are proud to have reached this goal.

Since 1952, the Caterpillar Foundation has invested about

**\$770 million**  
in global communities.

Over the past year, as we approached this exciting milestone, the Foundation evaluated how it can make the most significant impact moving forward. With that in mind, the Foundation has refreshed its strategy with a more focused mission of building resilient communities that thrive in a rapidly changing world. Resilient communities play a pivotal role in global development. They are strong, resourceful and better prepared to withstand, manage and recover from unexpected challenges of the future, whether those challenges are social, environmental, economic or political. This refreshed strategy reflects who Caterpillar and the Foundation are and provides the opportunity to leverage our expertise and experience to improve the communities in which we live and work.

**Caterpillar Foundation Strategy**



WHAT	HOW
<p><b>Empower the workforce of the 21st century</b></p>	<p><b>Workforce readiness and STEM education programs</b></p>
<p><b>Build strong, resilient and sustainable infrastructure</b></p>	<p><b>Building natural infrastructure and supporting access to basic services like water and energy</b></p>
<p><b>Give back, harnessing the passions of our team</b></p>	<p><b>Matching gifts, volunteerism, United Way giving and disaster relief</b></p>

**Caterpillar Foundation and the United Nations Sustainable Development Goals (UN SDGs)**

The Caterpillar Foundation’s investments align with several of the [UN SDGs](#). The Caterpillar Foundation works to build resilient communities in the places where we live and work, and where there is need. The UN SDGs that are most closely associated with the Foundation’s work include:



## Independent Assurance Statement to Caterpillar Inc.

ERM Certification and Verification Services (ERM CVS) was engaged by Caterpillar Inc. (Caterpillar) to provide limited assurance in relation to specified 2019 data in the Caterpillar 2019 Sustainability Report as set out below.

Engagement summary	
<b>Scope of our engagement</b>	<p>Whether the Caterpillar 2019 data for the following indicators are fairly presented, in all material respects, with the reporting criteria:</p> <p><b>Energy &amp; Greenhouse gas emissions data</b></p> <ul style="list-style-type: none"> <li>• Scope 1 GHG emissions [million metric tons CO2e]</li> <li>• Scope 2 GHG emissions – location and market based methodology [million metric tons CO2e]</li> <li>• Total GHG emissions [combined Scope 1 and 2 market based in million metric tons CO2e] and intensity [metric tons by million dollars of Sales and revenues];</li> <li>• Energy consumption and intensity [GJ/million dollars of Sales and revenue];</li> <li>• Total electricity [MWh];</li> </ul> <p><b>Water data</b></p> <ul style="list-style-type: none"> <li>• Non-contact cooling water [billion gallons];</li> <li>• Water sources (non-contact cooling water from foundry operations, municipal water, groundwater, surface water) [%];</li> <li>• Total water consumption [billion gallons] and intensity [thousands of gallons by million dollars of Sales and revenues]</li> </ul> <p><b>Safety data</b></p> <ul style="list-style-type: none"> <li>• Lost Time Case Frequency Rate (LTCIR);</li> <li>• Recordable Injury Frequency Rate (RIF) – per 200,000 hours worked.</li> </ul>
<b>Reporting criteria</b>	The WBCSD/WRI GHG Protocol (2004, as revised January 2015) for the Scope 1 and 2 GHG emissions and Caterpillar internal reporting criteria and definitions for the other indicators.
<b>Assurance standard</b>	ERM CVS' assurance methodology, based on the International Standard on Assurance Engagements ISAE 3000 (Revised).
<b>Assurance level</b>	Limited assurance.
<b>Respective responsibilities</b>	<p>Caterpillar is responsible for preparing the data and for its correct presentation in reporting to third parties, including disclosure of the reporting criteria and boundary.</p> <p>ERM CVS's responsibility is to provide conclusions on the agreed scope based on the assurance activities performed and exercising our professional judgement.</p>

### Our conclusions

Based on our activities, nothing has come to our attention to indicate that the Caterpillar 2019 data for the indicators listed above under 'Scope of our Engagement' are not fairly presented, in all material respects, with the reporting criteria.

### Our assurance activities

Our objective was to assess whether the selected data are presented in accordance with the principles of completeness, comparability (across the organization) and accuracy (including calculations, use of appropriate conversion factors and consolidation). We planned and performed our work to obtain all the information and explanations that we believe were necessary to provide a basis for our assurance conclusions.

A multi-disciplinary team of EHS and assurance specialists performed the following activities:

- Interviews with relevant staff to understand and evaluate the data management systems and processes (including a walkthrough of the new Environmental Management Information System) used for collecting and reporting the selected data;
- A review of the internal indicator definitions and conversion factors;
- An analytical review of the data from all sites and a check on the completeness and accuracy of the corporate data consolidation;
- Virtual visits to two sites – EMD LaGrange (USA) and Technical Center (USA) to review local reporting processes and consistency of reported annual data with selected underlying source data for each indicator. We interviewed relevant staff, reviewed site data capture and reporting methods, checked calculations and assessed the local internal quality and assurance processes;
- Year-end assurance activities during a visit to Caterpillar sustainability team offices in Peoria, Illinois including reviewing the results of internal control procedures, checking completeness of locations in the consolidation as well as the accuracy of the consolidation of the data for the selected indicators from the site data.

### The limitations of our engagement

The reliability of the assured data is subject to inherent uncertainties, given the available methods for determining, calculating or estimating the underlying information. It is important to understand our assurance conclusions in this context.



Jennifer Iansen-Rogers  
Head of Corporate Assurance  
9 April 2020

ERM Certification and Verification Services, London  
www.ermcvs.com; email: post@ermcvs.com



*ERM CVS is a member of the ERM Group. The work that ERM CVS conducts for clients is solely related to independent assurance activities and auditor training. Our processes are designed and implemented to ensure that the work we undertake with clients is free from bias and conflict of interest. ERM CVS staff that have undertaken this engagement have provided no consultancy related services to Caterpillar in any respect.*

# SASB INDEX

TOPIC	SASB CODE	METRIC	UNIT OF MEASURE	RESPONSE/COMMENT
Accounting Metrics	RT-IG-000.A	Number of units produced by product category	Number	Sales data is provided in Caterpillar's annual report to shareholders on Form 10-K.
	RT-IG-000.B	Number of employees	Number	102,300
Energy Management	RT-IG-130a.1	(1) total energy consumed	Gigajoules (GJ)	25,330,000
		(2) percentage grid electricity	%	83.8%
		(3) percentage renewable	%	21.2%
Employee Health and Safety	RT-IG-320a.1	(1) total recordable incident rate (TRIR)	Rate	0.43 <sup>14</sup>
		(2) fatality rate	Number	0 employees, 1 contractor
		(3) near miss frequency rate (NMFR)	Rate	Caterpillar emphasizes the importance of reviewing all work-related environmental, health and safety incidents, including near misses. Near misses are communicated and managed locally.
Fuel Economy & Emissions in Use-Phase	RT-IG-410a.1	Sales-weighted fleet fuel efficiency for medium- and heavy-duty vehicles	Gallons per 1,000 ton-miles	Not applicable to Caterpillar.
	RT-IG-410a.2	Sales-weighted fuel efficiency for non-road equipment	Gallons per hour	We continue to invest in research and development aimed at products that generate fewer direct emissions. Read more about our focus on fuel economy and emissions on Pages 17-18 of this report. Given the diversity of our products and applications in which our products are used, as well as the lack of industry standards to estimate on a per unit of work basis, Caterpillar does not calculate sales-weighted fuel efficiency or emissions in this manner.
	RT-IG-410a.3	Sales-weighted fuel efficiency for stationary generators	Watts per hour	
	RT-IG-410a.4	Sales-weighted emissions of: (1) nitrogen oxides (NOx) and (2) particulate matter (PM) for: (a) marine diesel engines, (b) locomotive diesel engines, (c) on-road medium- and heavy-duty engines, and (d) other non-road diesel engines	Grams per kilowatt-hour	
Materials Sourcing	RT-IG-440a.1	Description of the management of risks associated with the use of critical materials	N/A	
Remanufacturing Design & Services	RT-IG-440b.1	Revenue from remanufactured products and remanufacturing services	Reporting currency	Our remanufacturing and rebuild businesses have grown 3% and 14%, respectively, since 2013. <sup>10</sup>



## ENDNOTES

1. Total includes purchased and on-site generated alternative and renewable energy, as well as calculating the percentage of renewable energy from grid-purchased electricity using data obtained from the International Energy Agency.
2. Renewable Energy: Caterpillar defines renewable energy as energy resources that are naturally replenishing over a short period of time and virtually inexhaustible. Power generation examples include wind, solar, hydro, geothermal, tidal, wave, biomass and biogas from anaerobic digestion.
3. Alternative Energy: Caterpillar defines alternative energy as any source of usable energy that offers substantial environmental benefits compared to the conventional sources of energy that it replaces. Power generation examples include landfill gas, coal mine and abandoned mine methane, combined heat and power, coal with carbon sequestration and localized power generation.
4. Location-based Scope 2 GHG emissions are provided in accordance with the GHG Protocol Scope 2 guidance (2015). Our market-based Scope 2 emissions are calculated using the Scope 2 Quality Criteria. The following instruments were used in calculating our market-based Scope 2 emissions: Renewable Energy Guarantees of Origin, energy contracts, supplier-specific emission rates, Caterpillar-owned power generation facilities and, for the remainder of our facilities, grid average emission factors from USEPA's eGRID (2016) and the International Energy Agency's data (2018). For 2019 calculations, Caterpillar did not use residual mix factors.
5. GHG emissions intensity reduction goal is based on our combined Scope 1 (direct) and Scope 2 (indirect, market-based) GHG emissions using a 2006 baseline year. Likewise, total absolute GHG emissions are a sum of Scope 1 and Scope 2 (market-based) emissions.
6. Percentages may not add to 100% due to rounding.
7. Water consumption intensity does not include noncontact cooling water from foundry operations.
8. This includes remanufacturing, component overhauls at Cat dealers, power generation using alternative energy sources, customer job site optimization and innovative new products. The components are evaluated each year to adjust for acquisitions, divestitures, offerings that become standard and improvements to data accuracy.
9. Data for 2018 has been revised for improved accuracy.
10. Data does not include Progress Rail or Solar Turbines.
11. Product returned for remanufacture (called "core") is not always returned within the same calendar year as sold.
12. This represents employee and retiree donations made in the calendar year 2018, and the Caterpillar Foundation's match made in the calendar year 2019.
13. This includes employee and retiree contributions, and the Foundation match, for campaigns in the United States, Canada, Mexico and Panama.
14. Data includes Caterpillar and agency employees. Data does not include contractor employees.

## ABOUT THIS REPORT

The reporting period is the 2019 calendar year, which is also Caterpillar's fiscal year. Caterpillar is headquartered in Deerfield, Illinois, USA. [Contact us](#).

This report has been prepared in accordance with the Sustainability Accounting Standards Board (SASB) Standards.


Report content represents 100% of the products and operations of Caterpillar Inc. and its subsidiaries where we have a controlling financial interest. Where noted, Caterpillar's independent dealer network and supplier network are also represented. Caterpillar and subsidiary brands are listed on our [website](#). Caterpillar's environmental and safety metrics for operations are consolidated based on the Greenhouse Gas Protocol "operational control" approach. Environmental data includes all manufacturing and office facilities with more than 500 employees. Safety data includes employees in all workplaces within Caterpillar's reporting boundary.

ERM Certification and Verification Services (ERM CVS) has conducted independent assurance of selected 2019 environmental and safety data. To understand the scope, activities and conclusions of the assurance process, please see the ERM CVS Assurance Statement.

## FORWARD-LOOKING STATEMENTS

Certain statements in this presentation relate to future events and expectations and are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "believe," "estimate," "will be," "will," "would," "expect," "anticipate," "plan," "forecast," "target," "guide," "project," "intend," "could," "should" or other similar words or expressions often identify forward-looking statements. All statements other than statements of historical fact are forward-looking statements, including, without limitation, statements regarding our outlook, projections, forecasts or trend descriptions. These statements do not guarantee future performance and speak only as of the date they are made, and we do not undertake to update our forward-looking statements.

Caterpillar's actual results may differ materially from those described or implied in our forward-looking statements based on a number of factors, including, but not limited to: (i) global and regional economic conditions and economic conditions in the industries we serve; (ii) commodity price changes, material price increases, fluctuations in demand for our products or significant shortages of material; (iii) government monetary or fiscal policies; (iv) political and economic risks, commercial instability and events beyond our control in the countries in which we operate; (v) international trade policies and their impact on demand for our products and our competitive position, including the imposition of new tariffs or changes in existing tariff rates; (vi) our ability to develop, produce and market quality products that meet our customers' needs; (vii) the impact of the highly competitive environment in which we operate on our sales and pricing; (viii) information technology security threats and computer crime; (ix) inventory management decisions and sourcing practices of our dealers and our OEM customers; (x) a failure to realize, or a delay in realizing, all of the anticipated benefits of our acquisitions, joint ventures or divestitures; (xi) union disputes or other employee relations issues; (xii) adverse effects of unexpected events; (xiii) disruptions or volatility in global financial markets limiting our sources of liquidity or the liquidity of our customers, dealers and suppliers; (xiv) failure to maintain our credit ratings and potential resulting increases to our cost of borrowing and adverse effects on our cost of funds, liquidity, competitive position and access to capital markets; (xv) our Financial Products segment's risks associated with the financial services industry; (xvi) changes in interest rates or market liquidity conditions; (xvii) an increase in delinquencies, repossessions or net losses of Cat Financial's customers; (xviii) currency fluctuations; (xix) our or Cat Financial's compliance with financial and other restrictive covenants in debt agreements; (xx) increased pension plan funding obligations; (xxi) alleged or actual violations of trade or anti-corruption laws and regulations; (xxii) additional tax expense or exposure, including the impact of U.S. tax reform; (xxiii) significant legal proceedings, claims, lawsuits or government investigations; (xxiv) new regulations or changes in financial services regulations; (xxv) compliance with environmental laws and regulations; (xxvi) the duration and geographic spread of, business disruptions caused by, and the overall global economic impact of, the COVID-19 pandemic; and (xxvii) other factors described in more detail in Caterpillar's Forms 10-Q, 10-K and other filings with the Securities and Exchange Commission.



Visit [caterpillar.com/sustainability](https://www.caterpillar.com/sustainability) for stories about how Caterpillar puts sustainability into action, including:

- ▶ the safety of our employees around the world
- ▶ improvements in our manufacturing operations
- ▶ new products, services and solutions supporting our customers
- ▶ remanufacturing offerings and more

**At Caterpillar, sustainability is our commitment to building a better world.**

**LET'S DO THE WORK.™**

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