

CATERPILLAR (U.K.) LIMITED CORPORATE GOVERNANCE REQUIREMENTS

Caterpillar (U.K.) Limited, as part of the Caterpillar Group, has in place detailed corporate governance arrangements due to the requirements placed upon Caterpillar Inc. as a listed business. Caterpillar publishes extensive information about their governance arrangements on:

<https://www.caterpillar.com/en/company/governance.html>

Having reviewed the Wates Principles, the directors of Caterpillar (U.K.) Limited are happy that our corporate governance processes meet the requirements set out as detailed below.

1. PURPOSE AND LEADERSHIP	
Purpose	<p>Caterpillar (U.K.) Limited manufactures construction and material handling machinery and related equipment.</p> <p>Caterpillar's mission is to enable economic growth through infrastructure and energy development, and to provide solutions that support communities and protect the planet.</p>
Values and Culture	<p>INTEGRITY. EXCELLENCE. TEAMWORK. COMMITMENT. SUSTAINABILITY.</p> <p>As part of the Caterpillar enterprise, Caterpillar (U.K.) Limited applies the Caterpillar Code of Conduct.</p> <p>https://www.caterpillar.com/en/company/code-of-conduct.html</p> <p>While Caterpillar conducts business within the framework of applicable laws and regulations, for us, compliance with the law is not enough. We strive for more than that. Through our Code of Conduct, we envision a work environment where all can take pride in the company, others respect and admire it, and the world is made better by our actions. Together, we are laying the foundation for the values-based culture that will carry us forward to even higher levels of success.</p> <p>Through employment practices, reinforcement of compliance through training and continuous updates of web-based compliance information, and constant communication by leaders, we ensure that our Values in Action and "Winning the Right Way" are understood by our employees and business associates as the foundation of the Caterpillar business.</p>

<p>Strategy</p>	<p>Whilst Caterpillar (U.K.) Limited, and other subsidiaries and divisions of Caterpillar, have specific strategic imperatives that drive success in their product lines, all are aligned with and apply the Caterpillar corporate strategy.</p> <p>https://www.caterpillar.com/en/company/strategy-purpose.html</p> <p>With our Values as a foundation, we leverage an information-driven approach — the Operating and Execution Model — to guide our decision-making process and, ultimately, position us for continued profitable growth.</p> <p>We are committed to understanding the needs of our customers and, together with our partners, delivering industry-leading products and services.</p>
<p>2. BOARD COMPOSITION</p>	
<p>Chair</p>	<p>Jerome Guilford is a general manager in the Building Construction Products Division of Caterpillar Inc. He is responsible for the Backhoe Loader & Telehandler end to end business including product strategy, design, commercial activities, and the manufacturing operations in Desford UK, Stockton UK, and BCP Thiruvallur India.</p> <p>Since joining Caterpillar in 1989, Jerome has held senior leadership positions in the Hydraulic Excavator Division, Industrial Power Systems Division, and Distribution Division.</p> <p>Jerome has a bachelor's degree in business from Ohio State University and completed Digging Deep, Caterpillar's executive leadership program aligned with Stanford University.</p> <p>As a general manager in the Construction Industries segment, Jerome can provide group context to the board and ensure that Caterpillar (U.K.) Limited is able to make best use of group synergies. He runs regular updates and seeks input from a wide range of sources to allow the board to make informed decisions.</p>

<p>Balance and diversity</p>	<p>Caterpillar (U.K.) Limited's shareholder has appointed a Board of Directors that participates in, oversees, advises and counsels the management of the company and monitors the management team's performance and legal and ethical compliance.</p> <p>The Board Members are selected based upon characteristics, which include:</p> <ol style="list-style-type: none"> (1) integrity, honesty and accountability, with a willingness to express independent thought; (2) successful leadership experience and background that demonstrates an understanding of business affairs generally, and the business of Caterpillar (U.K.) Limited, more specifically; (3) demonstrated ability to think strategically and make decisions with a forward-looking focus, with the ability to assimilate relevant information on a broad range of complex topics; (4) being a team player with a demonstrated willingness to ask tough questions in a constructive manner that adds to the decision-making process of the Board; (5) absence of conflicts of interest; (6) ability to devote necessary time to meet director responsibilities; and (7) diversity of experience and background. <p>The Board of Directors actively encourages diversity and inclusion within the Company and is proactively seeking diversity within the senior management team and as part of their succession planning.</p>
<p>Size and structure</p>	<p>Caterpillar (U.K.) Limited's Board of Directors is made up of representatives from key segments and functions within the company. The board reviews its membership to ensure that it has the right number and composition of members to provide proper overview and direction for the Company.</p>
<p>Effectiveness</p>	<p>Caterpillar (U.K.) Limited board members have been given training regarding duties, responsibilities and liabilities of Directors. Members of the Caterpillar (U.K.) Limited board also participate in the management of the businesses that are part of the company. As leaders and managers, they are regularly exposed to formal leadership and business-related training.</p> <p>Board members have access to other members of the company's management, and will, from time to time, invite other executives and employees to participate in, or provide information for use at Board meetings so that the Board has additional insight on items or issues to be decided by the Board. The Board may, from time to time, engage outside advisors or other experts as it deems necessary or appropriate to assist it in carrying out its responsibilities.</p>

3. DIRECTOR RESPONSIBILITIES

<p>Accountability</p>	<p>The Board of Directors are responsible for:</p> <ul style="list-style-type: none"> • reviewing and overseeing the implementation of the Company’s strategic plans and objectives; • overseeing legal and ethical compliance; • overseeing the integrity of the Company’s financial statements and the Company’s financial reporting processes; • overseeing the Company’s processes for assessing and managing risks; • nominating directors, appointing committee members and shaping effective corporate governance; and • advising and counselling management regarding significant issues facing the Company.
<p>Committees</p>	<p>The Board of Directors makes use of internal management and advisors but does not have any formal committees in place that take on responsibilities of the Board. Each Director has been nominated as having responsibility for separate areas of the business such as health and safety, financial reporting and risk.</p>
<p>Integrity of information</p>	<p>The Board relies upon functional organisations within the business to provide complete and accurate information on the performance of the company, so that it can make informed decisions. Specific examples include:</p> <p>Financial Reporting is managed by a group of accounting and business resource professionals under the leadership of a Division Chief Financial Officer. Detailed financial performance reports are regularly shared with members of the Board.</p> <p>Operational performance is managed by General Managers who report at least monthly to members of the Board on key performance metrics and issues of strategic importance, including environmental, health and safety performance in facilities, material successes and challenges with key customer and supplier relationships, and quality and capacity issues related to products and services.</p> <p>A group of Human Resource professionals led by Human Resource Managers maintain employee policies and provide detailed reports on employee engagement and workforce data to members of the Board on a regular basis.</p>

**Section 172
statement**

Caterpillar (U.K.) directors have had regard to employees and other interests when statement when performing their duty under section 172 of the Companies Act 2006 to promote the success of the company.

[Section 172 statement](#)

Board of Directors

The Board of Directors appointed to manage Caterpillar (U.K.) Limited participates in, oversees, advises and counsels the management of the company and monitors the management team's performance and legal and ethical compliance.

Caterpillar (U.K.) Limited's board members have been given training regarding duties, responsibilities and liabilities of Directors. Members of the board also participate in the management of the business. As leaders and managers, they are regularly exposed to formal leadership and business-related training. Board members have access to other members of the company's management, and will, from time to time, invite other executives and employees to participate in or provide information for use at Board meetings so that the Board has additional insight on items or issues to be decided by the Board. The Board may, from time to time, engage outside advisors or other experts as it deems necessary or appropriate to assist it in carrying out its responsibilities.

Employee engagement

Caterpillar (U.K.) Limited is committed to providing a safe, engaging and productive work environment for its employees. The directors recognise the need to maintain good communications with employees and to increase their involvement in their work. Management is responsible for the detailed development of communications and participation practices as required by their local situations. The practices involved include providing information to employees on the company's products, financial results, operations, plans and economic factors affecting the company's performance through house journals, news bulletins, briefing meetings and video presentations, such as the division's All Employee Meetings and the Weekly News bulletins.

Human resource development is a key element of the company's long-term strategic priorities, with particular emphasis on learning. There is a share scheme, which enables employees to invest in shares of the ultimate parent company, Caterpillar Inc.

Stakeholder engagement

The company is committed to understanding the needs of its customers, and together with its partners, delivering industry-leading products and services.

The company has high standards for quality, delivery, and price and its suppliers play a key role in the company's commitment to excellence. Suppliers are given access to a dedicated portal that provides transparency to our suppliers on performance requirements, our organisation, and how to begin doing business. The portal also

	<p>provides the key information that any supplier needs to know regarding the requirements, policies, and procedures in the areas of Business Requirements and Regulations, Quality and Supply Chain. Each supplier also has a dedicated buyer who partners them, for ease of communication and continuous improvement.</p> <p>The company maintains a collaborative working relationship with distributors and customers and has dedicated account managers allocated enabling the provision of regular updates regarding the company's business and products.</p> <p><u>Communities and environment</u></p> <p>Caterpillar (U.K.) Limited takes its responsibility to the various communities in which we work very seriously and follows a company-wide strategy of sustainability and energy efficiency. Manufacturing is a process that unavoidably uses energy; however, we've committed to sustainable manufacturing processes that minimise both the energy consumed, and the waste produced.</p> <p>The company takes its responsibility to the various communities it works in very seriously and has a philosophy of 'think global, act local'.</p>
4. OPPORTUNITY AND RISK	
Opportunity	<p>At the heart of our enterprise strategy is the Operating and Execution (O&E) Model, a strategic framework to identify areas of the business that either create or consume the most value. Using the O&E Model as a guide, we gain a deeper understanding of where we have a competitive advantage, which is key to generating high returns. As a result, we allocate resources to those areas of our business that create or have the potential to create the most growth or improvement. This allows us to make swift, strategic choices so that we prioritise business opportunities with the greatest value.</p>

Risk	<p>The leadership team at Caterpillar (U.K.) Limited participates in an annual risk assessment process, led by risk experts within the larger Caterpillar enterprise, to identify risks that are unique to Caterpillar (U.K.) Limited. After evaluating and identifying risks, risk owners are named and tasked with understanding the risks and putting appropriate measures in place to mitigate the key risks. Risk owners report to members of the Board on a regular basis.</p> <p>Additionally, Caterpillar (U.K.) Limited benefits from organisational resources dedicated to compliance and controls, led by Division Compliance Managers, who report regularly to members of the Board. This team maintains an internal compliance webpage which provides training resources and information to employees on issue spotting and clear procedures for reporting compliance issues within the organisation.</p>
Responsibilities	<p>Each member of the Caterpillar (U.K.) Limited board has been assigned a key area of responsibility and reports back to the Board. There are a number of internal control processes which various members of the Board form part of and that are in place to ensure that the Board meets its obligations.</p>
5. REMUNERATION	
Remuneration	<p>The Board of Directors are not responsible for setting their own pay. Pay and total reward policies are set at a group level by Caterpillar Inc.</p> <p>For the more senior positions within the Caterpillar group, this is determined by the Caterpillar Inc. Compensation and Human Resources Committee, details of which can be found on:</p> <p>https://www.caterpillar.com/en/company/governance/committees-and-charters.html</p>
6. STAKEHOLDER RELATIONSHIPS AND ENGAGEMENT	

<p>External impacts</p>	<p>Manufacturing is a process that unavoidably uses energy – but at Caterpillar (U.K.) Limited, we’re committed to sustainable manufacturing processes that minimise both the energy consumed and the waste produced. In short, sustainable manufacturing is efficient manufacturing.</p> <p>Sustainability is a core value at Caterpillar (U.K.) Limited. At each of our facilities, no effort is spared to drive out wastage and operate an efficient and cost-effective system that uses as little energy as possible, minimises emissions and recycles or reuses waste products wherever we can.</p> <p>At Caterpillar (U.K.) Limited, sustainability is our commitment to building a better world. Sustainability is part of who we are and what we do every single day. We recognise progress involves a balance of environmental stewardship, social responsibility and economic growth.</p> <p>We consider this as we work toward a vision of a world in which people’s basic needs – such as shelter, clean water, education and reliable energy – are fulfilled. We provide work environments, products and solutions that make productive and efficient use of resources as we strive to achieve our vision. We believe this commitment supports the enduring success of our customers, stockholders, dealers and our people.</p>
<p>Stakeholders</p>	<p>Customers and Distributors</p> <p>Our customers are the reason we’re in business. Focusing on the end customer has always been and will always be our highest priority. Now, we’re intensifying that focus around a rapidly evolving set of customer needs, working to provide different products for different application needs.</p> <p>By investing in areas such as an e-commerce platform and capturing more data to generate insights, we aim to increase customer value and loyalty over the life of our relationship. We’re further strengthening relationships through better prioritisation, integrated planning and quality execution to create more value for our customers.</p> <p>Suppliers</p> <p>Our suppliers play a key role in our commitment to excellence. We have high standards for quality, delivery and price. We recognise the global and increasingly diverse business arena and consistently strive to reflect that environment in our customers, our business practices and, especially, our suppliers.</p>

	<p>Our passion for continuous improvement is the driving spirit behind our Supplier Diversity Initiative. It is our ambition to provide sourcing opportunities to a wide range of diverse business owners. Caterpillar believes that for it to remain world-class in our diverse world, its diverse suppliers must in turn be world-class. We are committed to helping our suppliers understand what it takes to become world-class.</p> <p>We hold the highest ethical standards both internally and within our global supply base on the way we conduct business underpinned by our corporate and supplier Code of Conduct.</p> <p>We have a dedicated supplier portal that provides transparency to our suppliers on performance requirements, our organisation, and how to begin doing business. The portal also provides the key information that any supplier needs to know regarding requirements, policies and procedures in the areas of Business Requirements and Regulations, Quality, and Supply Chain.</p> <p>In addition to the supplier portal, every supplier has a dedicated buyer who partners with them for ease of communication and continuous improvement.</p> <p>Commitment to Communities</p> <p>We take our responsibility to the various communities in which we work very seriously. We follow a company-wide strategy of sustainability and energy efficiency.</p> <p>But as a company with a philosophy of ‘think global, act local’, our facilities also support local and regional initiatives in Leicestershire (Desford) and County Durham (Peterlee and Stockton).</p>
<p>Workforce</p>	<p>Caterpillar (U.K.) Limited is committed to providing a safe, engaging and productive work environment for its employees. It utilises a variety of means to communicate with employees – including all employee meetings, internal webpages, regular email communications, smaller business group meetings and regular one-on-one meetings between managers and employees. Each of these include the opportunity for employees to provide input and feedback and get answers to questions.</p> <p>Additionally, the company utilises regular surveys to seek input from employees and engages in reactive action planning based upon survey results. The company provides training and development opportunities to employees to help them grow and benefit from a continuous improvement mentality.</p>