

RESOLVED: Shareholders request that Caterpillar assess and report to shareholders, at reasonable expense and excluding proprietary information, on the company's approach to mitigating the risks associated with business activities in conflict-affected and high-risk areas (CAHRA) as called for by the UN Guiding Principles on Business and Human Rights (UNGPs).

WHEREAS: Caterpillar's Code of Conduct commits the company to respecting internationally recognized human rights throughout its global operations. The company developed a Human Rights Policy informed by the UNGPs, and a Conflict Minerals Position Statement committing the company to "not knowingly provide support to, contribute to, assist with, or facilitate armed conflict in the DRC [Democratic Republic of Congo]." Caterpillar's Slavery and Human Trafficking Statement indicates that slavery "[is] inconsistent with our Values and will not be tolerated at Caterpillar, or anywhere in our supply chain";

Civil society organizations have documented Caterpillar's equipment being used in violations of international humanitarian and human rights law in CAHRA (e.g., forced displacement, demolition of civilian homes and infrastructure, unlawful resource exploitation), including Myanmar, Occupied Palestinian Territory; and Western Sahara as well as the company having value chain relationships with rights-violating governments (e.g., Belarus);

It was reported in July 2020 that Summit Resource International, the exclusive wholesaler for Caterpillar-branded retail clothing, received multiple shipments of Triton jackets and Trademark trousers from Chinese garment companies Xinjiang Ainuoxin Garment Co. and Jinan Ainuoxin Garment Co., reported to be involved in the Chinese government's forced labor program in Xinjiang Uyghur Autonomous Region (XUAR);

Companies and investors increasingly view human rights and conflict risks as material financial risks. According to US SIF's *2020 Trends Report*, conflict risk was the leading environmental, social, and governance criterion among institutional investors representing over \$6 trillion in assets under management. Companies have taken different actions in response to these risks, including H&M's decision not to use cotton sourced from XUAR, Coca-Cola withdrawing from Myanmar following the February 2021 military coup, and Canadian fertilizer giant Nutrien ceasing phosphate imports from Western Sahara;

States and multilateral organizations are developing laws and sanctions to address human rights violations, including legislation on mandatory human rights due diligence for EU companies and the U.S. government's sanctions on Chinese companies involved in forced labor in XUAR, Burmese companies affiliated with the military junta, and Belarusian officials involved in the 2021 fraudulent election. These regulations create heightened legal, reputational, and financial risks for companies and investors to consider;

To mitigate these risks, leading companies conduct human rights impact assessments based on international frameworks, such as the UNGPs, which call on companies to conduct enhanced human rights due diligence in CAHRA due to the widespread and gross human rights violations endemic to such areas.

SUPPORTING STATEMENT

Shareholders seek information, at board and management discretion, through a report that:

- Discusses how human rights risks in CAHRA are identified, assessed, prevented, and mitigated; and
- Assesses whether additional policies are needed to supplement Caterpillar's current Human Rights Policy to avoid causing or contributing to violations in CAHRA.