

[Caterpillar Inc.: Rule 14a-8 Proposal, December 17, 2020]  
[This line and any line above it – *Not* for publication.]  
ITEM 4\* — Transition to Public Benefit Corporation

**RESOLVED: Shareholders request that our Board of Directors take steps necessary to amend our certificate of incorporation and, if necessary, bylaws (including presenting such amendments to the shareholders for approval) to become a public benefit corporation (a “PBC”) in light of its adoption of the Business Roundtable Statement on the Purpose of a Corporation (the “Statement”).<sup>1</sup>**

SUPPORTING STATEMENT: The Statement proclaims “we share a fundamental commitment to all of our stakeholders. . . . We commit to deliver value to all of them, for the future success of our companies, our communities and our country.”

However, the Company is a conventional Delaware corporation, so that directors’ fiduciary duties emphasize the company and its shareholders, but not stakeholders (except to the extent they create value for shareholders over time). Accordingly, when the interests of shareholders and stakeholders such as workers or customers clash, the Company’s legal duty excludes all but shareholders.

As one Delaware law firm reported to another signatory considering conversion, directors may consider stakeholder interests only if “*any decisions made with respect to such stakeholders are in the best interests of the corporation and its stockholders.*”<sup>2</sup> In contrast, directors of a PBC must “balance” the interests of shareholders, stakeholders and a specified benefit<sup>3</sup>, giving legal status to the Statement’s empty promise.

A recent study determined that listed companies create annual social and environmental costs of \$2.2 trillion<sup>4</sup>. These costs have many sources, including pollution, climate change and employee stress.<sup>5</sup> A company required to balance stakeholder interests could prioritize lowering these costs, even if doing so sacrificed higher return.

This distinction matters to our shareholders, the vast majority of whom are diversified. Indeed, as of the 2020 proxy statement, the top three holders of our shares were mutual fund companies Vanguard, State Street, and BlackRock, which are generally indexed or otherwise broadly diversified.

Such shareholders and beneficial owners suffer when corporations follow the “shareholder primacy” model and impose costs on the economy that lower GDP, which reduces overall equity value.<sup>6</sup> While the

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<sup>1</sup> <https://s3.amazonaws.com/brt.org/BRT-StatementonthePurposeofaCorporationOctober2020.pdf>.

<sup>2</sup> <https://www.sec.gov/divisions/corpfin/cf-noaction/14a-8/2020/harringtonwellsfargo021220-14a8.pdf>

<sup>3</sup> 8 Del C, §365.

<sup>4</sup>

<https://www.schroders.com/en/sysglobalassets/digital/insights/2019/pdfs/sustainability/sustainex/sustainex-short.pdf>

<sup>5</sup> Id.

<sup>6</sup> See *Universal Ownership: Why Environmental Externalities Matter to Institutional Investors*, Appendix IV (demonstrating linear relationship between GDP and a diversified portfolio) available at [https://www.unepfi.org/fileadmin/documents/universal\\_ownership\\_full.pdf](https://www.unepfi.org/fileadmin/documents/universal_ownership_full.pdf); cf. <https://www.advisorperspectives.com/dshort/updates/2020/11/05/market-cap-to-gdp-an-updated-look-at-the-buffett-valuation-indicator> (total market capitalization to GDP “is probably the best single measure of where valuations stand at any given moment”) (quoting Warren Buffet).

Company may profit by ignoring costs it externalizes, diversified shareholders will ultimately pay these costs. As a PBC, the Company could prioritize reducing these costs.

Shareholders are entitled to vote on a change that would serve their interests and ensure the commitment made to stakeholders is authentic and lasting.

Please vote for: Transition to Public Benefit Corporation – Proposal [4\*]  
[This line and any below are *not* for publication]  
Number 4\* to be assigned by the Company