------------------------------------------------------------------------------------------------ Caterpillar 2005

Over the past several decades, however, society has become increasingly aware that we cannot continue to develop “as usual” if we are to improve standards of living. Global population is burgeoning — increasing six fold over the last two centuries and doubling since 1960. It reached 6.5 billion in 2005 and is expected to grow to 9.1 billion by 2050.

This growth, combined with an ever-increasing appetite for resources, has placed enormous pressures on our planet. We are now using up natural resources and straining ecosystems faster than their ability to recover. According to the Millennium Ecosystem Assessment, a United Nations-sponsored study completed in 2005 by large international teams of scientists, humans have changed ecosystems more rapidly and extensively over the last 50 years than in any comparable time in human history. As a result, two-thirds of the world’s ecosystems are now being degraded or used unsustainably. Even with this consumption, however, more than a billion people worldwide still live in extreme poverty.

In response, society must alter its approach so that resources and capacities are available for people tomorrow as well as today. This is sustainable development, deﬁned by a United Nations commission1 as “meeting the needs of the present without compromising the ability of future generations to meet their own needs.” In addition to protecting our planet’s ecosys- tems, this type of development can lead to a reduction in poverty by providing the kind of economic growth that offers opportunities for all.

Reaching such a state is a journey. Its challenges are many, and the quest will be never ending. In our business speciﬁcally, issues of energy efﬁciency, climate change, product use, safety and open markets — just to name a few — affect Caterpillar, our dealers and our customers every day. Addressing these and other issues may require signiﬁcant remodeling of the world’s traditional ideas and methods of development. It certainly will require the application of new technologies, most of which have yet to be invented. Most of all, it will require teamwork among a disparate set of partners — including business, academia, government, non-governmental organizations and others.

**A LEGACY OF PROGRESS**

Yet this is the reality of today’s world. We all, individuals and businesses alike, face real constraints and difﬁcult choices

— but these choices bring opportunity. Caterpillar recognizes that the development we enable must be done in a more efﬁcient and environmentally sensitive manner, and we are encouraged by the progress we have made in this area over the years — in our operations, in our communities and through our products, services and solutions. For example:

**>** Our products and services are used around the world to provide access to clean water and reliable power. They make available the raw materials on which society depends and help to improve quality of life by building roads, airports, schools, hospitals and homes.

**>** Our facilities and dealers play key economic and social roles, providing good jobs, skill-enhancing opportunities and charitable support in communities around the world.

**>** Our people have made signiﬁcant strides to reduce emis- sions from products and operations, expand reuse and

remanufacturing of products, develop new technologies and processes and educate customers on the safest, most efﬁcient ways to operate equipment.

**>** Our environmental, ﬁnancial and social performance has steadily improved over the years. Beginning in 2001, we have been named to the Dow Jones Sustainability World Index ﬁve straight times.

**A COMMITMENT FOR THE FUTURE**

Certainly, there is much more we can and plan to do. In 2005, we identiﬁed sustainable development as a “strategic area of improvement” in our new enterprise strategy. This was an important step. While a focus on sustainability exists in many of our global businesses today, it must become an enterprise- wide commitment with experiences, successes and behaviors replicated across our organization. We must establish and communicate “bold goal” targets to drive the right behaviors. We must engage in dialogue with our stakeholders, tackle tough issues and pursue the business opportunities sustainable development presents.

Therefore, we are developing a comprehensive, coherent strategy and dedicated staff to focus on sustainable develop- ment as we design our products, run our operations and work with our customers and communities. We are setting aggressive goals and publicly challenging ourselves to meet them. Key elements of our strategy will include:

**>** Education for all employees and more speciﬁc training for key managers

**>** Metrics and goals established for each Caterpillar facility related to safety, energy, material conservation, emissions and water consumption

**>** Metrics and goals developed by Caterpillar business units related to driving proﬁtable growth generated by products and solutions supporting sustainable development

**>** Development of processes to support innovation and collab- oration with universities and research institutions, leveraging expertise beyond our organization

**>** Working with existing and new customers, our worldwide dealer network and various industry groups to understand their needs and develop solutions to address them

**>** Continued engagement with the world outside Caterpillar, building on the relationships we’ve established in creating this report *(In an effort to encourage such engagement, I accepted an invitation to join the board of directors of the World Resources Institute in 2006.)*

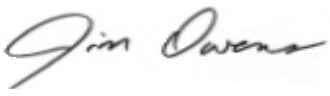
By applying the discipline of 6 Sigma2 and allowing sustain- able development to drive our work — fueling creativity, innovation and efﬁciency — Caterpillar can better meet the needs of existing and future customers, differentiate ourselves from the competition and drive proﬁtable growth.

**NO SIMPLE SOLUTIONS, ONLY INTELLIGENT CHOICES**

That said, we do not take lightly the challenges we face. In a series of public messages in the 1970s, we argued that “there are no simple solutions, only intelligent choices.” That state- ment is even more true today. The issues we face are complex and difﬁcult, requiring decision-making based on facts and data and beneﬁting from the perspectives of multiple stakeholders. In this report, we discuss our progress toward addressing some of these issues. For others, we acknowledge that we have not yet found the right answers and must continue working to do so.

The challenges of sustainable development, for all of us, are likely to prove more difﬁcult than any we have faced in the past. But they are challenges we must accept. We owe it to our children, our grandchildren and generations to come to put our creativity, experience and industry leadership position to work for the good of this planet we all share. I am conﬁdent that Caterpillar people — together with our dealers, customers and other stake- holders — can make the intelligent choices that will drive the growth of our business and help create a more sustainable world. I am excited by the possibilities. I hope you are as well.





Jim Owens, Chairman and CEO

Caterpillar Inc.

----------------------------------------------------------------------------------- Supplementary Information

**LIVING OUR VALUES IN ACTION**

Our accomplishments and commitments in this

report find their roots in our corporate culture, now more clearly expressed in *Our Values in Action*, Caterpillar’s Worldwide Code of Conduct. When we first issued the Code in 1974, we were one of the first companies to do so, and as we’ve updated and enhanced the document over t h e y e a r s , i t h a s b e c o m e o n e o f t h e m o s t comprehensive of its kind. *Our Values in Action* is a practical guide for how we conduct busi- n e s s a n d t r e a t o n e a n o t h e r, p r o v i d i n g c l e a r guidelines on the actions we must take — and avoid — as we put our values of integrity, excellence, teamwork and commitment into action. Living these values is fundamental to running a sustainable enterprise.

One way we help all employees learn to put our values into action daily is through a yearly awareness and understanding assessment. It i n c l u d e s a s e r i e s o f r e a l - l i f e s c e n a r i o s t h a t require employees to select the right action or response based on our values and behaviors. This required learning helps ensure employees u n d e r s t a n d h o w w e c o n d u c t b u s i n e s s a n d provides our stakeholders with greater assurance that Caterpillar people are acting in accordance with our values.

In 2004, the assessment was offered in English and French, and approximately 21,000 employees (30 percent of our workforce) participated. In

2 0 0 5 , w e o f f e r e d t h e a s s e s s m e n t i n s e v e n languages, with 30,000 employees (40 percent o f o u r w o r k f o r c e ) t a k i n g p a r t . I n 2 0 0 6 , t h e assessment is available in 14 languages with a target of 100 percent employee participation.

You can view a PDF of *Our Values in Action* o n [w w w.c a t.c o m.](http://www.cat.com/) C h o o s e “A b o u t C a t ,” t h e n “Corporate Overview.”

------------------------------------------------------------------------------------------------ Caterpillar 2006

**The Business of sustainable Development**

Customers have long turned to Caterpillar for machines and engines that do the world’s work—productively, efficiently and cost effectively. More and more, they’re also looking to us for solutions to lower emis- sions, use energy and fuels more efficiently and operate with less environmental impact. Providing such solutions is a growing business. Consider these examples:

> We invested more than $2 billion over the last 10 years developing cleaner products, including ACERT Technology and SoLoNOx™— solutions that dramatically reduce diesel engine and gas turbine emissions while meeting customer expectations for durability, fuel efficiency and performance. As a result, we retain our leadership positions in important industries.

> We grew our remanufacturing business 67 percent between 2001 and 2006—educating customers, governments and policymakers to help remove barriers and expand the market for this advanced recycling process. We are a leader in this $100 billion global industr y that conser ves nonrenewable resources and provides cost-effective repair options for customers.

> We continue to work with governments to promote the use of alternative fuels such as landfill gas, coal seam methane and digester gas for distributed power generation. About 5 percent of our Solar  gas turbines, for example, currently operate on gases such as these, which are often wasted and potentially harmful. Increasing our ability to convert these gases into clean energy not only reduces greenhouse gas (GHG) emissions, but also represents a significant opportunity for growth.

These are just three examples of how we’re applying technology to turn existing problems into business solutions. Our work is proof that supporting sustainable development can create value for our custom- ers, investors and environment. Certainly, we haven’t identified all possible solutions—or opportunities—but we are moving our business strategies toward sustainable development. First, we’re improving the energy efficiency, increasing the remanufacturability and reducing the

negative environmental impact of our products and services. Second,

we’re expanding and creating new markets for our products and ser vices by supporting incentives for technology development and deployment. And third, we’re working with customers and other stakeholders to share technologies and best practices. You’ll see examples of each strategy in action in this report.

**The Challenge of climate change**

The issue of GHG emissions is one significant area in which our core businesses and the challenges of sustainable development merge. We believe we can best serve our stakeholders by providing solutions such as energy-efficient products and technologies and by finding policy solutions that both support sustainability and meet the needs of our customers. As a major partner with the coal mining and oil and gas industries, for example, we have a tremendous interest in securing the long-term viability of these energy sources. We believe much of the world ’s progress and prosperity depends on maintaining these fuels as safe, secure, reliable and low-carbon-emissions sources of energy. Similarly, clean diesel engines and combined heat and power applications are critical technologies that can significantly enhance energy efficiency and should be included as solutions to address climate change.

To encourage reasonable yet environmentally effective standards in these and other industries, Caterpillar is actively engaged in supporting public policies that reduce GHG emissions and promote market- based approaches to climate change initiatives. As a member of the U.S. Climate Action Partnership (USCAP), we are calling on U.S. policymakers to establish a mandatory emissions reduction program to address climate change—specifically, a federal approach that’s well integrated into a harmonized global system of GHG emissions-reduction initiatives and avoids local or regional development of separate paths. We support emissions standards based on thorough, peer-reviewed science that allow industry and public input. We seek fair and flexible approaches to these standards, as well as incentives for new technology and early action. We join the members of USCAP in urging the U.S. Congress to specify a target zone aimed at reducing emissions 60 to 80 percent by 2050.

Ultimately, the goals of reduced GHG emissions and economic growth are not mutually exclusive. We believe addressing climate change will provide more opportunities for industry and the economy. That’s why a market-based approach that encourages innovation, both in the discover y of new energy sources and in the development of new technologies to improve the use of existing resources, is so important. Governments will implement the policies and regulations, but business will provide the solutions—and Caterpillar is committed to being at the forefront.

**Our Sustainable Development Journey**

Last year, we published our first sustainability report. I know some readers were surprised to learn that Caterpillar is pursuing sustainable development as a business—and even more surprised to discover all we’ve been doing in this area over the years. For us, the process of producing our first report was a significant learning experience. It showed us the importance of having an “outside-in” perspective, being less internally focused and more globally and strategically relevant. It also helped us see clearly the many challenges we face and the critical need to embed the pursuit of sustainable development across our organization.

In 2005, when we introduced our enterprise strategy, we identified sustainable development as a “strategic area of improvement”—an area that requires enterprise-wide focus and commonality to achieve our goals. I believe our organization as a whole is increasing its understanding of the principles of sustainable development. As expected, some indi- vidual business units are struggling to understand how to apply these principles. In addition, we made a conscious decision to focus our efforts in 2006 on participating in the development of policy principles for U.S. federal-level GHG emissions-reduction efforts and engaging some of our largest customers to better understand their sustainable development needs. As a result, we did not make as much progress as originally planned on other, internal sustainable development initiatives. In the months and years ahead, however, we are committed to helping every employee understand the complexity of sustainable development—and helping every business unit translate that understanding into growing, profitable business models.

We have made progress in achieving the targets established in last year’s report. I am both encouraged by that progress and aware that we still have much to do. We know that enabling sustainable develop- ment is an ongoing journey, and we’re focused on being a leader on this front. We have real contributions to make — contributions that over the long term will benefit our business, our customers and our investors and help to create a more sustainable world. Our journey continues.

Jim Owens, Chairman and CEO

Caterpillar Inc

----------------------------------------------------------------------------------- Supplementary Information

The challenges and opportunities are endless.

Caterpillar customers operate in industries—infrastructure development, mining, energy, forestry, transportation and others—that are at the heart of many of the world’s sustainable development challenges. Every day, Caterpillar people look for opportunities to apply our expertise and technology to address these issues. We work to provide solutions that make our customers’ businesses more viable. And we strive to make the intelligent choices that will allow both our company and our planet to prosper. Ultimately, we believe the sustainability of our world and the sustainability of our business are inseparable.

이 부분은 별로 중요할 것 같지 않은데…

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Our thanks to the advisory council of experts who provided input and guidance. Their inclusion on this list merely indicates they provided feedback and in no way implies they endorse the contents of this report.

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A MESSAGE FROM

OUR CHAIRMAN

To drive a transformation in our organization, building on years of hard work by Caterpillar people, we solidified our vision of sustainable development and identified a more aggressive and comprehensive set of goals in 2007. Our vision is to contribute, through our diverse businesses, to a society in which people’s basic needs are not only met but fulfilled in a way that sustains the environment. Our goals establish 2020 targets for our operations and our products, services and solutions – and, for the first time, include customer energy efficiency, material efficiency and safety.

These goals, shown below, are bold aspirations for a company like ours, whose core businesses intersect with some of the world’s biggest sustainable development issues. We must establish aggressive goals, however, because incremental improvements are no longer enough – and at Caterpillar, bold goal-setting is the best way to drive real and sustained progress. The time has come for Team Caterpillar to think differently, to question assumptions and ask “what if?” as we tackle the challenges sustainable development presents.

ENERGY AND CLIMATE.

Climate change has emerged as the number one environmental issue of our time. While many countries and companies have taken steps to reduce carbon dioxide (CO2) and other greenhouse gas (GHG) emissions, overall progress has been limited and technology development slow. The International Energy Agency predicts that a “business as usual” approach will result in dramatic increases in emissions over the next few decades. According to many scientists, however, CO2 emissions must peak by 2015 at the latest – and drop 50 to 80 percent by 2050

– to limit the average increase in global temperatures to a few degrees.

We must take action now or risk serious harm to our planet. But achieving the necessary reductions in emissions will require dramatic, fundamental changes in the world’s transportation, electricity and industrial sectors, as well as unprecedented technology development and deployment, and public-private collaboration.

Society as a whole is struggling to address this issue. At Caterpillar, we’re working with customers and industry groups to determine what reductions of this magnitude mean for the products we manufacture and the markets we serve. One immediate challenge is continuing to reduce currently regulated emissions from our clean diesel engines to meet ever stricter regulations. We’ve achieved near-zero particulate matter (PM) emissions in our on-highway engines and now will do the same for our machines and other non-road products – at the same time bringing oxides of nitrogen (NOx) emissions to near-zero levels and ensuring our engines operate with increasing efficiency. Meeting this challenge has led to one of the biggest new product introduction efforts in Caterpillar history. We’re moving rapidly to meet increasingly stringent PM and NOx emissions requirements while maintaining fuel efficiency. We’re also building on our experience with biodiesel and the next generation of biofuels to reduce GHG emissions and fossil fuel consumption.

Externally, we’re stepping up our efforts to influence technology and policy development. In January 2007, we joined 12 other corporations and environmental groups to create the U.S. Climate Action Partnership (USCAP). Throughout the year, more than 20 additional organizations signed on to this initiative, which is pressing for the establishment of a mandatory “cap and trade” system that will put a price on carbon emissions and drive significant reductions in an economically efficient manner.

We also hold a leadership role in the Council on Competitiveness’ Energy Security, Innovation and Sustainability Initiative and are active participants in the U.K.-based Energy Technologies Institute, the Asia- Pacific Partnership on Clean Development and Climate and other regional, national and international organizations. We will continue to stay engaged in the years ahead – not just to share expertise and best practices, but also to expose our people to different ideas and new ways of thinking about economically-efficient, market-based solutions to energy and climate change.

GROWTH AND TRADE.

Closely tied to issues of energy and climate are economic growth and international trade. As the December 2007 climate change talks in Bali demonstrated, progress will be slow unless we eliminate the financial and trade barriers preventing technology development and deployment. Nations must be able to invest in much-needed emissions reduction solutions, either by applying their own technologies or acquiring those developed by others. At the same time, business must be allowed to sell technology on the world market. Without a global exchange of capital and ideas, there’s little chance of tackling climate change on a global scale.

The impact of growth and trade extends beyond climate change to other key issues. In fact, encouraging economic development that improves standards of living is the first step to a sustainable future. Nations that can meet their citizens’ basic needs for food, shelter, healthcare, transportation and communications are better positioned to address issues of environmental and social sustainability.

Key to this economic growth is international trade and investment. According to the World Bank, free trade has lifted 200 million people out of poverty in the last decade, the largest and fastest reduction ever recorded. Eliminating remaining trade barriers and farm subsidies could improve quality of life for 300 million more individuals.

No government aid package or corporate philanthropy effort can have this impact. Unfortunately, the United States and European Union maintain the highest trade barriers against products imported from the world’s poorest countries, and developed-world agricultural policies often undermine growth in developing nations. These practices must stop. We must treat developing economies fairly and give all people the opportunity to flourish. As quality of life around the world improves, more governments can afford to invest in promoting clean air, clean water and responsible use of natural resources – and more citizens can engage in the global economy as consumers of the products and services we provide.

For these reasons, Caterpillar has long been a staunch advocate of free trade and global engagement. Our business is proof that companies compete best in an open trading environment, and we have seen firsthand – through our nearly 500 locations in 50 countries – the benefits of increased trade in the developing world. We will continue to speak out against trade barriers and encourage governments worldwide to adopt trade policies that balance economic, environmental and social concerns.

PEOPLE AND PLANET.

Through our products and services, Caterpillar helps societies improve living standards for their people – the first step in sustainable development. Through our operations, we also help people and communities acquire skills and resources to maintain sustainable livelihoods. By providing meaningful employment, often with access to healthcare and educational opportunities, and by establishing consistent expectations for behavior, we enable people to make choices that consider future implications – decisions that ultimately have a positive impact on their livelihoods, the communities in which they live and the environment we share.

Caterpillar’s values are at the foundation of our efforts to establish uniformly high levels of performance in our operations – and uniformly high expectations for our people – around the world. *Our Values in Action*, Caterpillar’s Worldwide Code of Conduct, gives each member of Team Caterpillar clear guidelines for working with integrity and honesty. It commits us to diversity and inclusion, employee health and safety, environmental responsibility, community development and continual learning – including a redoubling of our efforts to educate employees about sustainable development.

Similarly, the Caterpillar Production System establishes consistent cultural, operating and management systems at our facilities worldwide. It empowers people at all levels to make good decisions in their daily work and to take responsibility for creating a safe, positive workplace.

Throughout Caterpillar’s 82-year history, we have been successful in large part because of our focus on long-term versus short-term gains. We move carefully to measure the effects of our actions on all stakeholders. We establish and maintain lasting relationships with customers, dealers, suppliers and communities. Through our operations, strategies, processes and philanthropic efforts, we are committed to investing in people and the planet for the long-term.

FURTHER AND FASTER.

Caterpillar’s sustainable development journey began years ago, but it publicly took shape with the release of our 2005 Sustainability Report. This report highlighted many of the key issues we face and explained what sustainable development means to our company. Last year’s report went a step further, documenting strategies, progress and challenges in four key areas of our business: energy, materials, mobility and infrastructure development.

This year, our report examines the interconnectedness of these business areas and explores how issues such as energy use, climate change, economic growth, free trade and sustainability intertwine. It docu- ments metrics for the year 2020 that will drive our performance. And it demonstrates how our products and services are improving performance worldwide across a number of dimensions of sustainability – as well as how we are working to build capacity in developing nations and foster process improvements in the developed world. In short, our 2007 report aims to identify those areas where we have an impact, demonstrate how we engage stakeholders around these issues and explain how doing so will shape both our company and the marketplace.

Our thinking about sustainable development has evolved over the past few years – a credit to Caterpillar people, who continue to embrace the challenges and opportunities. Now the time has come to push ourselves further and faster. I know it can be done. More than a decade ago, we faced the challenge of reducing particulate matter emissions from our on-highway diesel engines by 90 percent, a task many thought was impossible. But our people, faced with a seemingly unreachable goal, threw conventional thinking aside and developed new technology that delivered the necessary reductions.

Likewise, struggling to improve our safety performance in 2000, we declared that all accidents and injuries are preventable, and therefore our goal for them must be zero. Another impossible goal? Perhaps. But establishing it has created a “zero tolerance” mindset about injuries at Caterpillar, and the results in just seven years have been dramatic.

We need this type of “nothing is impossible” approach across our company – in every facility, for every product line, throughout every service area. We need all employees to challenge waste, eliminate inefficiencies and work to deepen their understanding of our true impact on the world in which we live. Only then will we be able to provide the products, services and solutions customers in a more sustainable world demand – and at the same time, ensure the sustainability of our own business for all our stakeholders.

James W. Owens

Chairman and CEO, Caterpillar Inc.

------------------------------------------------------------------------------------ Supplementary Informtion

How will the world’s deepening understanding of sustainable development shape our business, and how will we in turn contribute – through our products, services and solutions – to a more sustainable world? These are the fundamental questions Caterpillar is asking and answering as we continue on our sustainable development journey. Today, we are more informed and engaged than ever. We recognize the substantial business opportunities sustainable development presents and better comprehend the magnitude of the challenges it entails. As our understanding grows, however, so does our realization that making development truly sustainable requires dramatic changes in how society in general – and

business in particular – operates.

ENTERPRISE GOALS TO 2020

2020 GOALS FOR PRODUCTS, SERVICES AND SOLUTIONS

Established in 2007, these aspirational, enterprise- wide goals align our interests, market needs and customer opportunities to provide a framework for action as we pursue sustainable development as a business. In setting these goals, we evaluated significant aspects and impacts of our operations and our customers’ businesses. We then identified internal priorities related to performance within our operations, and external priorities related to those aspects of our customers’ businesses we may impact through capabilities we provide to the marketplace. These goals – relative to a 2006 base – clarify our role and further drive a focus on sustainability in every aspect and sector of our business. In 2008, we will continue to articulate plans for the measurement and execution of performance against these goals.

Provide leadership in the safety of people in, on and around our products

Increase customer energy efficiency by 20%

Reduce customer greenhouse gas emissions by 20%

Increase customer material efficiency by 20%

2020 GOALS FOR OPERATIONS

Reduce recordable workplace injury rate to 0.6 and lost-time case rate due to injury to 0.15

Increase energy efficiency by 25%

Reduce absolute greenhouse gas emissions from existing facilities by 25%

Use alternative / renewable sources to meet 20% of our energy needs

Send zero waste to landfills by reducing, reusing and recycling waste

Hold water consumption flat

Design all new construction to meet Leadership in Energy and Environmental Design (LEED) – or comparable – green building criteria

“ Our vision is to contribute, through our diverse businesses, to a society in which people’s basic needs are not only met but fulfilled in a way that sustains the environment”

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ADVISORS

This report, our third annual, was created to help Caterpillar employees and other stakeholders understand the critical role our organization plays in the sustainable development of the world. The following pages contain details about our strategies, accomplishments and challenges, as well as metrics that are driving, or will drive, desired behaviors toward meaningful goals. We thank the advisory council of experts (listed below) who provided input and guidance, and all the Caterpillar employees who contributed to our 2007 Sustainability Report.

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------------------------------------------------------------------------------------------------ Caterpillar 2008

Letter from our Chairman

Our water consumption dropped while our percent of recycled material

jumped to record highs (from 65 to 78 percent). Our total greenhouse gas (GHG) emissions remained nearly steady with an increase of just over one percent. As we met our initial environmental goals, we set aggressive aspirational goals for 2020. To that end, the Caterpillar Production System is helping us eliminate waste and deliver dramatic improvements in employee safety. We continue to invest in cleaner and more efficient products. And we increased our involvement in global policy advocacy.

Now the economic pendulum has swung in the other direction. Nearly every industry we serve is in economic crisis. With sales volumes declining, we’ve been forced to cut spending, reduce employment and scale back our investments in research and development. These circumstances might tempt a detour in our sustainable development journey. But we believe the current economic situation makes the pursuit of sustainability even more important to our business. Using energy, materials and water more efficiently, and reducing waste, creates both economic and environmental benefits. As just one example, this report will not be printed. This clearly provides an economic benefit, but there are certainly environmental benefits too.

Our customers—like consumers everywhere—are looking for more

value from Caterpillar’s products and services. They want engines

that burn less (or different) fuel, machines that work more productively and job sites that are more efficient. Some want to repair, rebuild and upgrade their current equipment instead of buying new. Team Caterpillar has these solutions.

Sustainable development continues to present a big opportunity for business growth and profitability. In 2009, we’ll strive to demonstrate this to our stakeholders.

In 2008, Team Caterpillar progressed toward our aspirational goals. Our workplaces are safer than ever, with key safety metrics improving year over year. More than a third of our facilities had zero recordable injuries in 2008, a remarkable achievement in a year of record production levels. New facilities are being designed to meet Leadership in Energy and Environmental Design (LEED) criteria, and a pilot project is underway for our corporate headquarters in Peoria to gain the LEED silver standard for existing buildings.

In our facilities, energy efficiency continues to be a focus. Record production levels pushed our GHG emissions slightly higher.

Our aspirational goals in this area are aggressive—to increase energy efficiency by 25 percent, reduce absolute GHG emissions by 25 percent and use alternative or renewable sources for 20 percent of our energy needs. We are persistently challenging ourselves to seek innovative ways to meet these goals.

We continue to work to help our customers achieve their goals in the areas of material and energy efficiency, emissions reductions and job site safety. We’re building on our existing portfolio of products and services—Cat Reman, clean diesel engines, retrofit solutions for older machines and engines, advanced safety features and our ability to convert waste gases into clean, useful energy—and continue to invest in research and technology to develop new, sustainable solutions.

For example:

**New products**

We unveiled our AC electric drive mining trucks at MINExpo 2008 and introduced our new Cat D7E electric-drive track-type tractor—the first of its kind—at CONEXPO/CON-AGG 2008. When it becomes commercially available in 2009, the Cat D7E will burn less fuel per hour than other tractors, reducing emissions. It will consume fewer resources—parts and fluids in addition to fuel—over its working life, and move about 25 percent more material per gallon of fuel burned when compared to conventional drive systems.

**New solutions**

We formed a new division in 2008 focused exclusively on electronics and connected worksite solutions. Featuring products like AccuGrade™ machine control and guidance systems and Product Link™ fleet management tools, the technology brings together job site information, machine data, operator stations and office functions to help customers improve operational efficiencies, reduce waste and drive down fuel consumption and emissions.

**New alliances**

We announced a groundbreaking alliance in 2008 with BHP Billiton, the world’s largest diversified natural resources company. Together, we’re developing an autonomous mining haulage system that will minimize environmental impact, improve mine site efficiency and increase overall mine safety. We also formed a joint venture with Trimble, VirtualSite Solutions, to create information-rich worksites that enable customers to manage their equipment fleets more efficiently and safely, reduce fuel consumption and lower operating costs.

Also during the year, we realigned our product and marketing businesses along key customer industries: mining, excavation, earthmoving, quarry and aggregates, and waste. Doing so enables us to get closer to those we serve—to better understand their needs and design solutions to address them. It will also allow us to customize solutions to meet specific industry needs.

That’s our major focus for 2009 and beyond—continuing to make sustainable progress possible for our customers. We’ll also keep driving sustainability into our internal processes, particularly working with our New Product Introduction teams to ensure that operator safety, environmental concerns and remanufacturability are priorities from the initial design all the way to field trials and production.

We’ll remain active on the policy and legislative fronts as well.

We support a federal, market-based GHG reduction policy in the United

States that will work in concert with international efforts to reduce global GHG emissions. We believe coordinated global action is the only effective way to meet this challenge.

Ongoing research and development (R&D) is key to solving energy- and climate-related challenges. Tackling these issues will be key to helping us emerge from the current recession. It’s imperative that governments include increased R&D funding in their economic stimulus packages. We stand ready, with industry leading technologies, to respond to the increase in sustainability initiatives likely to come from these efforts—everything from advances in clean coal technology and combined heat and power applications to the increased use of rail transport and remanufacturing.

The depth and duration of the current economic crisis is still unknown. Our first priority during these trying times is ensuring the long-term viability of our company. Fortunately for Team Caterpillar and all our stakeholders, the sustainability of our business and the sustainability of the world economy are deeply intertwined. That’s why both can emerge even stronger from the current recession.





James W. Owens

Chairman and CEO, Caterpillar Inc.

----------------------------------------------------------------------------------- Supplementary Information

Over the past five years, in the face of strong global economic growth and unprecedented customer demand, Team Caterpillar remained steadfast in our commitment to sustainable development. Even as our top-line sales and revenues grew by approximately 25 percent over the past two years, our environmental footprint showed improvements.

“That’s our major focus for 2009 and beyond— continuing to make sustainable progress possible for our customers”

Advisors 부분이 계속 나오네요..

**Advisors**

Our thanks to the advisory council of experts who provided input and guidance. Inclusion below indicates they provided feedback; it does not indicate they endorse the contents of the report.

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**Kevin Sweeney** Writer and Consultant on Climate Change & Sustainability Issues

**William A. Wallace** Past President and Member of the Governing Board, Engineers Without Borders – USA

------------------------------------------------------------------------------------------------ Caterpillar 2009

**Chairman’s** Message

Products, Services and Solutions

In the next decade, the most successful companies will be those that integrate sustainability into their core businesses. That’s what we’re doing at Caterpillar, and we are also helping our customers do the same.

By bringing together technologies, services and solutions we can help

our customers respond to their unique business challenges. Whether their goal is to improve jobsite safety, to find beneficial uses for by-products and commodities, to increase material and energy efficiency or to reduce greenhouse gas emissions, Caterpillar can deliver.

Here’s a great example. In December, we delivered the first Cat® D7E Electric Drive Tractor to one of our customers. The sustainability characteristics designed into this machine don’t just benefit the environment; they have

a direct positive impact on our customers’ bottom lines.

Customers will spend less on fuel, fluids, parts and maintenance over the lifetime of the machine. And the Electric Drive system that enables these benefits also boosts machine productivity and efficiency. The D7E will help customers get more work done, in less time, and with reduced emissions and environmental impact.

Beyond new products, some of Caterpillar’s fastest-growing businesses are those focused on the sustainability of materials and resources such as Cat Remanufacturing Services, Cat Certified Rebuild and Progress Rail Services. By restoring used customer equipment to like-new condition, these businesses minimize waste while providing high-quality, cost-effective solutions for our customers.

Internal Solutions

Using our own resources more efficiently and effectively is where our sustainability journey began, and it will continue to be a focus for a couple of reasons.

First, it’s good business. It helps us use fewer resources and saves us money. We have many areas where we are improving internally. For instance, our world headquarters building in Peoria has been certified “Gold” by the U.S. Green Building Council’s Leadership in Energy and Environmental Design-Existing Buildings (LEED-EB). This designation recognizes Caterpillar’s leadership in energy management and waste, material

and water usage among other criteria. I’m proud of this designation, and it’s a great example of our commitment to sustainability.

Second, it brings out creativity from our employees. Team Caterpillar is excited about coming up with ideas to make our work more sustainable. Not only are these ideas in themselves extremely valuable, but they also help create a culture where employees are actively looking for ways to work better, more efficiently. This carries into every aspect of our business culture.

Just look at safety. Our goal is zero injuries. That’s a bold goal – an incredible stretch in 2003 – that now seems entirely possible because of all the work we’ve done.

In 2003, we introduced the Safety Strategic Improvement Project and got our entire team focused on safety. Since then we’ve seen an 80 percent reduction in injuries. And in 2009, more than 40 percent of our facilities realized Caterpillar’s vision of zero injuries.

We are continuing to build on our success and extend our efforts to include customers, dealers and contractors. Just this year, we introduced the Contractor Safety Program. New contractors will have to meet certain safety standards before we even consider working with them, and we are working with our current contractors to make sure they meet those safety standards as well. Everyone who walks through our doors should act safely – for their own sake and for the safety of those around them.

Investment and Partnership

Sustainability is a bit of a balancing act. We need clean, abundant, secure and competitively priced sources of energy. And we have to address environmental concerns. But we cannot undermine our economic well-being. That’s why we have a responsibility to contribute constructively to the public debate on energy and environmental policies that affect our industries.

It will be businesses that create and implement solutions to the world’s energy and environmental issues. Instead of placing heavy rules, regulations and expenses on businesses, we need to drive private sector investment in energy solutions. And we must start by having a transparent, long-term and global price on carbon emissions.

Next, we must set our domestic policies to work in concert with international efforts.

Climate and energy concerns are global issues. Each country has its own unique role to play, but we have to keep a level playing field. Our world is more interconnected than ever. And drastic variations in rules and regulations can drive huge disadvantages for businesses, industries and even nations. More importantly, air knows no boundaries; so coordinated global actions are the only effective ways to meet the world’s environmental challenges.

Research, development and technology remain key to solving our energy and sustainability challenges.

We all have an opportunity and responsibility to take sustainability to the next level. Despite the many changes in the global economy since our last report, Caterpillar’s commitment to sustainability has not wavered. In fact, the economic downturn has helped secure sustainability’s place at the core of our strategy. It’s not something extra that we do during good times. It’s something that creates and captures value for the company, our customers, investors, employees, suppliers – and really, the world. Caterpillar makes sustainable progress possible.

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In the next decade, the most successful companies will be those that integrate sustainability into their core businesses.

Some of Caterpillar’s fastest- growing businesses are those focused on the sustainability of materials and resources.

------------------------------------------------------------------------------------------------ Caterpillar 2010

Chairman’s Message

Powering Change

Empowering CusTomers

*It’s not every day you get to be part of something truly game changing and life altering. However, I would make the argument that Caterpillar people do just that every day.*

*Think about it. Our machines build roads and bridges that connect remote villages to resources they’ve never had access to before. That’s game changing.*

*Our power systems allow people to turn the lights on. We provide electricity in places that may never have had it before. That’s life altering.*

*And when you think about it – it’s pretty exciting.*

*There is a whole world out there that desires electricity, clean water, accessible roads and the overall infrastructure necessary to make a living and provide for families. As a global company, not only can we help provide these basic needs, but we can also do it in a way that can be maintained through generations.*

*The world’s population is growing. The demand for energy is increasing, and progress and development will continue. And as exciting as that progress is, it certainly creates some challenges. Fortunately, we have the opportunity to be a part of meeting those challenges.*

*To me, Caterpillar’s ties to sustainable development (SD) are clear. I always get questions about our SD efforts and how SD fits within our strategy. And I am always more than happy to give some answers!*

**Q.How does this fit in our strategy?**

A. it’s a perfect fit. our strategy is all about serving our customers. and our customers are asking us how we can help make them

more efficient and help them meet their sustainability challenges. That pull from customers is really all we need, but our people are

also pushing us. Caterpillar employees get really excited about making our products more sustainable and also making our own operations more efficient.

and guess what? one of the key groups on our strategy pyramid – stockholders – like sustainability, too. i’ve yet to meet a stockholder that doesn’t believe in investing for the future and providing superior products, services and solutions that meet our customers’ needs.

and that’s what we are doing when we deliver sustainable solutions to our customers.

**Q.What are the costs of focusing on sD?**

A. In the early days, when people talked about sD, we thought in terms of “what’s it going to cost us to save.” and it’s true – we’ve made significant investments in technologies like emissions reductions. But when you start to think in a broader context, investing in sD is like any other investment for our future. and in some cases, it’s a huge savings. making more fuel-efficient machines saves our customers money on fuel. By eliminating waste from our facilities, we don’t have to pay to send the waste to the landfills. it’s rare to think about sD efforts in terms only of cost anymore.

**Q.What has been the most significant business development**

**in sustainability for Caterpillar in the past 12 months?**

A.we have a couple of great examples, and one of my favorites is our pending acquisition of mwm. our ability to provide gas engine systems that run on natural gas, coal seam methane, landfill methane, biogas, biomass, coke oven gas – you name it – is a real opportunity. along with our traditional diesel and natural gas engines and turbines, we will have one of the broadest engine offerings in the industry and are, strategically, very well placed. on top of all that, we’re expanding our mining business with our agreement to acquire Bucyrus international. This enables us to better meet the needs of the world’s mining community, which is extracting and processing vital natural resources. all of these things have a tremendous impact on our sustainability efforts.

**Q. speaking of mining – it’s easy to see the sustainability benefits of certain power system applications, like** **converting landfill gas into clean, usable energy. But how can you help your mining customers be more sustainable?**

A. it’s true, the world has a limited number of resources, and we have to be as prudent as possible with mining the resources we’ve got. That’s how we can help. The world’s demand for natural resources is increasing and our role is to help our mining customers harvest those resources in the most efficient way possible.

And we all have a role to play to ensure those resources are then used in the most efficient manner possible. That’s why we always talk about conserving, reusing and recycling. That’s one of the reasons why our business model works so well. no one in our industry can help custom- ers throughout the value chain in the manner that we do, from initial product selection, through the end of useful life and rebirth through remanufacturing and rebuilding to start the cycle over again.

**Q.When will Caterpillar be done focusing on SD?**

A.Never. SD will be with us forever. society is pushing us, and we are pushing society. and there will always be opportunities to do better and to do more.

Q. **no one wants to harm the environment, so why is there debate on sD issues?**

A.You’ll notice that we don’t say things like “we are going green” or “saving the planet.” instead we talk about sustainable development. Progress is going to happen. it needs to happen, and it should happen. we just need to do it in the best way possible, with the least impact on the planet.

Individual situations are hardly ever black and white. i have a very another. There are always two sides to every story, and it is important to find a balance. The conversion of the jungle into farmland from a world view may seem devastating, but for the people in this south american region to survive – to be sustainable – they need arable farmland. That’s why when we talk about sustainable development we often talk about three pillars – economic, social and environmental. and to find success, we have to find a balance to all three.

Personal example. Years ago, i worked for Caterpillar in south america and spent some time fishing on the Paraguay river. it was in the middle of an amazing jungle. There was green everywhere – so much plant and wildlife. and it really made an impression on a young man from central illinois.

When i traveled back years later – full of excitement to revisit the jungle

– it was very different. much of it had been cleared for farmland. i was disappointed, for sure, but i’m just a visitor. The farmland is highly productive, and it’s been great for the communities and the country. But is it great for the world? in some ways, one resource was traded for

**Q.How will the big issues be resolved?**

A. It’s going to take cooperation from around the world. At Caterpillar, we will do our part. we are proud to do our part, but we can’t do it alone. as a country, i think the united states is ready to do its part. we often follow the lead of the european union, which is certainly committed to high standards. But we need countries around the world working together to address the issues on a global scale.

We may never all agree completely, but the world is moving along. The demand for sustainable solutions is there. and Caterpillar will be part of the solution.

------------------------------------------------------------------------------------------------ Caterpillar 2011

Chairman’s Message

Caterpillar On energy

I have never been more Committed to Sustainable development than i am today. i travel the world and See first hand how the world needs the products, Services and Solutions that Caterpillar provides. And i see a world population that iS Growing and modernizing. all of these things lead to the question, “what does the world need?”

Ask 10 people what the world needs, and you’ll probably get 10 different answers. at Caterpillar, we’ve got quite a list of what the world needs – freer trade, rational regulations, more energy, quality education, quality healthcare, clean water, modern infrastructure, improved standards of living around the globe, just to mention a few. I could talk on the importance of any of these subjects; but this year, i want to focus on energy. the world needs reliable, cleaner energy.

Some 2.7 billion people live without access to adequate energy services. approximately 1.3 billion people, nearly one fifth of the global population, have no access to electricity at all. it’s hard to imagine. it’s also within our grasp to change. Given the abundant supplies of energy resources and the technology available today, there is no reason why we can’t expand energy access to those who are living without it. in many cases, the biggest difference between a developing nation and a developed nation is access to electricity. Our challenge is how to extend that access in the most sustainable way possible.

We all have a role when it comes to energy. at Caterpillar, our role is clear and significant. we are a global manufacturer; and, as we build products, we use energy. We have to be as efficient in the use of this energy as possible. we employ efficiency programs like the Caterpillar production System to make the best use of energy in our production lines. Our logistics business strives to find the most efficient ways to get parts and components to facilities around the world. we build new facilities to efficient building standards. and we monitor energy use at our facilities and take proactive steps to reduce energy waste.

We also work with customers who are focused on their own energy consumption and on providing the energy the world needs. As commu- nities, states or countries grow their economies and improve quality of life for citizens, they have to think about energy. Collectively, we all need to think more about sources and impacts of energy – both production and consumption.

We are all on this planet together and need to be informed on the issues surrounding energy. Here’s what we believe at Caterpillar:

• Energy sources need to be developed and used in an environmentally responsible manner. We use energy, and we have a responsibility to develop energy sources sustainably. Caterpillar is continually enhancing the efficiency of its equipment and improving product technologies. While the consumption of energy for our products is only a very small part of global energy consumption, it is a significant component of the business of our customers and, therefore, a key focus for us.

• There is no one single solution to providing globally abundant, reliable, secure, clean and reasonably priced energy. We need all sources of energy, including alternatives/renewables like wind, solar, biomass, waste and used oil. But, we also need to develop traditional sources of energy, like nuclear, natural gas and coal. Nuclear is the lowest emitting base load energy source available today. Natural gas is the fastest-growing fuel, now accounting for approximately 23 percent of the world’s energy consumption. And demand is growing. Coal is abundantly available and has the scale to meet the primary energy needs of the world’s rising population and expected economic growth over the next several decades. All energy sources have an impact on the planet. We need to work together to limit those impacts wherever possible.

• Caterpillar supports market-based, cost-efficient energy solutions to help meet the world’s growing energy demands. We need energy policies and an atmosphere in which the best companies, experts, researchers, inventors and entrepreneurs have the freedom to inno- vate and the flexibility and resources to develop cleaner, more secure energy – and more of it. we need policies and flexible mechanisms that harness the marketplace to drive innovation, mobilize investment and allow the sharing of clean, efficient technologies.

• Access to affordable and dependable energy resources is critical for energy security, economic prosperity and growing economies. Look at the world. Energy consumption is rising rapidly, driven by worldwide population growth, swiftly developing economies, improving global living standards and the burgeoning use of ever more energy-dependent technologies. the global demand for energy is expected to increase significantly over the next 20 years.

The energy challenges are great. And we all have a role in helping shape a future where everyone has access to affordable, clean energy. We take our responsibilities seriously in terms of our own operations and in helping our employees, communities and civic leaders under- stand our perspective in the energy debate; but that’s only a small part of our interest in energy.

Energy is at the core of our business.

Caterpillar customers play a major role in satisfying the world’s increasing demand for reliable energy sources and clean, more efficient energy use. And our business is all about serving our customers.

For decades, we’ve been working with customers to use alternative fuels to power our reciprocating engines and gas turbines. and while it represents a small percentage of our sales today, we’re working to grow that business every day. Within this year’s report, you will read how we convert waste energy into clean, useful energy. Today, one of our largest businesses is mining. Mining is at the heart of much of today’s traditional energy sources. we also supply the global oil and gas industries. We provide an entire suite of services to help customers extract energy resources more efficiently and enable more sustainable harvesting techniques.

We are also focused on energy used for transportation. you’ll find industry-leading efficiency in Cat marine engines in many ocean-going vessels, and we are investing heavily in rail and locomotive power – and re-power.

Caterpillar’s role is clear. our customers are in the energy business, and we are working to find ways to help them provide the energy the world needs in a more sustainable manner. we are helping them succeed by helping them become more sustainable and efficient.



Doug Oberhelman

Chairman and Chief executive officer of Caterpillar inc.

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Approximately 1.3 billion people, nearly one fifth of the global population, have no access to electricity at all. It’s hard to imagine.

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