

CATERPILLAR INC
Form DEF 14A
April 25, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

CHECK THE APPROPRIATE BOX:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Under Rule 14a-12

Caterpillar Inc.

(Name of Registrant as Specified In Its Charter)
(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

PAYMENT OF FILING FEE (CHECK THE APPROPRIATE BOX):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- 1) Title of each class of securities to which transaction applies:
- 2) Aggregate number of securities to which transaction applies:
- 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- 4) Proposed maximum aggregate value of transaction:
- 5) Total fee paid:

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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

- 1) Amount previously paid:
 - 2) Form, Schedule or Registration Statement No.:
 - 3) Filing Party:
 - 4) Date Filed:
-

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Caterpillar's reputation is one of our greatest assets. We all share the responsibility to protect it – every day. We have earned our solid reputation by developing, building and delivering great products and services, and by acting according to the highest ethical standards.

Integrity

The Power of Honesty

Integrity is the foundation of all we do. It is a constant. Those with whom we work, live and serve can rely on us.

Excellence

The Power of Quality

We set and achieve ambitious goals. The quality of our products and services reflects the power and heritage of Caterpillar.

Teamwork

The Power of Working Together

We help each other succeed. We are a team, sharing our unique talents to help those with whom we work, live and serve.

Commitment

The Power of Responsibility

We embrace our responsibilities. Individually and collectively, we make meaningful commitments — first to each other, and then to those with whom we work, live and serve.

Sustainability

The Power of Endurance

We are committed to building a better world. Sustainability is part of who we are and what we do every single day.

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We are sending you these proxy materials in connection with Caterpillar's solicitation of proxies, on behalf of its Board of Directors, for the 2018 Annual Meeting of Shareholders (Annual Meeting). Distribution of these materials is scheduled to begin on May 2, 2018. Please submit your vote or proxy by telephone, mobile device, internet, or, if you received your materials by mail, you can also complete and return your proxy or voting instruction form by mail.

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DEAR FELLOW SHAREHOLDERS,

D. James Umpleby, III
Chief Executive Officer
Director

On behalf of the board of directors and our entire company, thank you for your continued confidence and investment in Caterpillar. This annual proxy filing provides the opportunity to share our accomplishments over the last year with you.

It is my honor to serve as Caterpillar's chief executive officer and a member of our board. During 2017, our Caterpillar team developed and began implementing a new enterprise strategy. With Our Values in Action as its foundation, the goal of the strategy is to achieve long-term profitable growth while also fulfilling our company purpose—to provide the solutions our customers use to build a better world.

Through this new strategy, we intend to deliver shareholder value by investing in our strengths, and providing greater value for our customers, helping to ensure they are more successful using our products and services than they are using our competitors'. Our employees are key to our customers' success, and our new strategy will further empower our global team and promote a positive and inclusive environment.

As part of the strategy, we are managing our business with the Operating & Execution Model, our decision making methodology, to intentionally direct resources to those areas that represent the greatest opportunity for investment return. We continue to develop a more competitive and flexible cost structure while also investing in expanded product offerings and services. Due to the hard work of our Caterpillar team, our Company is stronger today.

Caterpillar's success requires strong governance practices that are championed by our board of directors. We routinely assess the board's composition and qualifications to ensure we have the diverse mix of skills, experience and expertise necessary to provide oversight and counsel to management on wide-ranging matters, such as our corporate strategy, business and organizational initiatives, capital allocation priorities, risk management, and governmental and regulatory affairs. To that end, former U.S. Senator Kelly Ayotte joined the board in August 2017. Senator Ayotte's significant government experience is valuable for the company as it addresses a broad range of business issues.

To ensure we understand and consider issues that matter most to our shareholders, Caterpillar conducts extensive shareholder outreach. This outreach includes investor conferences, one-on-one meetings with both shareholder governance and investment teams, earnings calls and routine phone calls. Our relationship with shareholders has been, and will continue to be, of the utmost importance.

We encourage you to review this proxy statement to learn more about your board, Caterpillar's governance practices, compensation programs and the proposals on this year's proxy ballot. We hope you will participate in the annual meeting either by attending and voting in person or by voting through one of the alternative methods described in the proxy statement.

Thank you again for the honor and opportunity to serve our shareholders.

Sincerely,

D. James Umpleby, III
Chief Executive Officer
Director

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PROXY SUMMARY

This summary does not contain all of the information you should consider when casting your vote. You should read the complete proxy statement before voting.

ANNUAL MEETING OF SHAREHOLDERS

Time & Date: 8:00 a.m. - June 13, 2018
Place: Pearl Stable, 307 Pearl Pkwy, San Antonio, TX 78215
Record Date: The close of business on April 16, 2018
Admission: Please follow the instructions contained in the Admission Procedure on page 64

SHAREHOLDER VOTING MATTERS

PROPOSAL	BOARD'S VOTING RECOMMENDATION	PAGE REFERENCE
1 Election of 12 Directors Named in This Proxy Statement	FOR each Nominee	6
2 Ratification of our Independent Registered Public Accounting Firm	FOR	22
3 Advisory Vote to Approve Executive Compensation	FOR	24
4 Shareholder Proposal – Decrease Percent of Ownership Required to Call Special Shareholder Meeting	AGAINST	52
5 Shareholder Proposal – Amend the Company's Compensation Clawback Policy	AGAINST	54
6 Shareholder Proposal – Require Human Rights Qualifications for Director Nominees	AGAINST	56

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NOMINEE AND PRINCIPAL OCCUPATION	INDEPENDENT	AGE	DIRECTOR SINCE	OTHER PUBLIC COMPANY BOARDS	CATERPILLAR COMMITTEES		
					AC	CC	PPGC
Kelly A. Ayotte <i>Former U.S. Senator representing New Hampshire</i>	Yes	49	2017	News Corporation Nielsen Holdings plc The Boeing Company Gates Industrial Corporation plc			
David L. Calhoun Independent Chairman <i>Senior Managing Director of The Blackstone Group L.P.</i>	Yes	60	2011	None			
Daniel M. Dickinson <i>Managing Partner of HCI Equity Partners</i>	Yes	56	2006	Grupo Aeroportuario del Pacifico, S.A.B. de C.V. Grupo Financiero Santander Mexico, S.A.B. de C.V. Organización Cultiba, S.A.B. de C.V.			
Juan Gallardo <i>Former CEO of Organización Cultiba, S.A.B. de C.V.</i>	Yes	70	1998	The Boeing Company			
Dennis A. Muilenburg <i>Chairman, President and CEO of The Boeing Company</i>	Yes	54	2011	Abbott Laboratories General Dynamics Corporation Halliburton Company Sempra Energy			
William A. Osborn <i>Former Chairman and CEO of Northern Trust Corporation and The Northern Trust Company</i>	Yes	70	2000	Helmerich & Payne, Inc. S&P Global Inc.			
Debra L. Reed <i>Chairman and CEO of Sempra Energy</i>	Yes	61	2015	FedEx Corporation Marriott International, Inc. The Boeing Company			
Edward B. Rust, Jr. <i>Former Chairman and CEO of State Farm Mutual Automobile Insurance Company</i>	Yes	67	2003	Chevron Corporation Abbott Laboratories McDonald's Corporation			
Susan C. Schwab <i>Professor at the University of Maryland School of Public Policy and a Strategic Advisor for Mayer Brown LLP; former United States Trade Representative</i>	Yes	63	2009	Morgan Stanley Valero Energy Corporation			
D. James Umpleby, III <i>CEO of Caterpillar Inc.</i>	No	60	2017				
Miles D. White <i>Chairman and CEO of Abbott Laboratories</i>	Yes	63	2011				
Rayford Wilkins, Jr. <i>Former CEO of Diversified Businesses at AT&T Inc.</i>	Yes	66	2017				

AC: Audit Committee
Chair
Member

CHRC: Compensation and Human Resources Committee

PPGC: Public Policy and Governance Committee

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GOVERNANCE HIGHLIGHTS

Our commitment to good corporate governance stems from our belief that a strong governance framework creates long-term value for our shareholders, strengthens Board and management accountability and builds trust in the Company and its brand. Our governance framework includes, but not limited to, the following highlights:

BOARD AND GOVERNANCE INFORMATION

Size of Board	12
Number of Independent Directors	11
Average Age of Directors	62
Board Meetings Held in 2017	8
Annual Election of Directors	Yes
Mandatory Retirement Age	72
Gender and Diversity	42%
Majority Voting in Director Elections	Yes
Separate Chairman and CEO	Yes
Independent Chair	Yes

BOARD AND GOVERNANCE INFORMATION

Average Director Tenure	8 years
Supermajority Voting Threshold for Mergers	No
Proxy Access	Yes
Shareholder Action by Written Consent	No
Shareholder Called Special Meetings	Yes
Poison Pill	No
Code of Conduct for Directors, Officers and Employees	Yes
Stock Ownership Guidelines for Directors and Executive Officers	Yes
Anti-Hedging and Pledging Policies	Yes
Compensation Recoupment Policy	Yes

2017 PERFORMANCE HIGHLIGHTS

DIVIDEND PAYMENTS

\$1.8 billion

Caterpillar has paid a higher dividend per share to its shareholders for 24 consecutive years, and since 2007, the Company's cash dividend per share has **more than doubled**.

SALES AND REVENUES

\$45.5 billion

Sales and Revenues in 2017 were **\$45.5 billion, up 18% from 2016** with increases in all regions and many key end markets.

STRONG BALANCE SHEET

\$8.3 billion

Caterpillar continued to strengthen its financial position, ending 2017 with a cash balance of **\$8.3 billion** and Machinery, Energy & Transportation operating cash flow was **\$5.5 billion**.

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