

Caterpillar

Detailed assessment of Caterpillar’s corporate climate policy engagement review

This document outlines a detailed breakdown of InfluenceMap's assessment of the company's disclosure on climate policy engagement. Further detail on the assessment methodology is available in the Appendix, and on InfluenceMap’s CA100+ Investor Hub [here](#).

A summary of Caterpillar’s disclosures on climate policy engagement is shown below. Caterpillar has undertaken one review of its climate policy engagement to date. The Review Score represents InfluenceMap’s overall assessment of the quality of the company’s industry association review process, where 100 would indicate that a company has met investor expectations for all criteria related to the review process.

| Date of Review | Review Score |
|----------------|--------------|
| February 2023 | 43 / 100 |

This assessment focuses solely on Caterpillar’s disclosure on climate policy engagement, which can be found [here](#). This assessment does not include an analysis of the company's actual climate policy engagement, which can be found on InfluenceMap's online profile of Caterpillar [here](#).

The table below provides a breakdown of Caterpillar’s performance against each of the seven assessment criteria, using the traffic-light assessment framework summarized below.

| Key | Explanation |
|---------------------------------------|--|
| ■ | Has broadly met investor expectations in this area. |
| ■ | Has made some progress on investor expectations in this area, but with significant deficiencies. |
| ■ | Has fallen short of investor expectations in this area. |

| Disclosure & Transparency | Policy Alignment Process |
|----------------------------------|--------------------------|
| Corporate climate positions | Identify & Assess |
| Industry group climate positions | Monitor & Review |
| Alignment assessment method | Act |
| Framework for misalignment | |

Caterpillar’s Company Scorecard

The tables below highlight, for each indicator, the criteria for companies to meet investor expectations, Caterpillar’s assessment, and examples of better practice by companies to date.

While InfluenceMap did not find an example of best practice across the entire industry association review process, some companies have demonstrated better practice under specific metrics under the 'Disclosure & Transparency' and 'Policy Alignment Process' assessments.

Disclosure & Transparency

Corporate climate policy positions and influencing activities

To meet investor expectations under this indicator: The company has to disclose a detailed and clearly referenced breakdown of its own climate policy positions and influencing activities beyond ‘top-line’ climate statements. This includes descriptions of the company’s positions and policy engagement activities on specific items of regulation and legislation which are material to the company’s operations, business sector, and/or the region(s) in which it operates.

| | |
|----------------------|---|
| Caterpillar | <p>Caterpillar discloses its position on several specific US climate-related policies including the Inflation Reduction Act, Infrastructure Investment and Jobs Act, Creating Helpful Incentives to Produce Semiconductors and Science Act (CHIPS Act), and the Water Resources Development Act. The company also provided links to its US Lobbying Disclosure Act reports and the EU Transparency Register, stating that it will provide a direct link to each US report on its website from 2023.</p> <p>Caterpillar does not appear to have omitted any evidence of engagement of engagement on specific climate-related policies in its review.</p> |
| Best Practice | <p><i>Shell</i> has disclosed case studies of its direct climate policy engagement in the EU and US. These case studies include Shell's positions on, and engagement with, specific items of EU and US regulation and legislation. The 2022 review also includes clear references to additional resources on Shell's corporate website, including advocacy updates on specific government policy consultations and links to public submissions via the EU Transparency Register and the US Lobbying Disclosure Act.</p> |

Industry association climate policy positions and influencing activities

To meet investor expectations under this indicator: The company has to disclose a detailed and accurate account of the climate policy positions and influencing activities of each industry association actively engaged on climate change policy, including descriptions of positions and policy engagement activities on specific items of regulation and legislation beyond ‘top-line’ statements.

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| Caterpillar | <p>Caterpillar provides a brief overview of the climate policy engagement of six industry associations, but these are broadly limited to top-line climate statements. Caterpillar provides some examples of engagement by its industry associations elsewhere in the report. For example, support for the Infrastructure Investment and Jobs Act by the US Chamber of Commerce, Business Roundtable (BRT), American Road and Transportation Builders Association and Association of Equipment Manufacturers. Additionally, support for the CHIPS Act by Business Roundtable and the National Association of Manufacturers (NAM).</p> <p>However, the company appears to overlook detailed examples of negative climate policy engagement by key industry associations, such as the US Chamber of Commerce and NAM. See ‘Identify & Assess’ below for further details of these associations’ climate policy engagement.</p> |
|--------------------|--|

| | |
|----------------------|---|
| Best Practice | No companies have met investor expectations in this area, although <i>BASF</i> and <i>Shell</i> exhibit current leading practice. Both companies have disclosed a detailed account of all key industry associations' climate policy positions, and a summary of their influencing activities. However, they appear to overlook detailed negative lobbying by a number of industry associations identified by InfluenceMap's database. |
|----------------------|---|

Alignment assessment method

To meet investor expectations under this indicator: The company has to: (1) disclose a clear and detailed framework for assessing alignment with its industry associations across all relevant areas of policy engagement; (2) consistently apply this framework across *all* industry associations; and (3) provide a clear and detailed explanation behind each evaluation.

| | |
|----------------------|--|
| Caterpillar | Caterpillar does not appear to publicly disclose an assessment of alignment for any of its industry associations. As such, the company does not disclose a framework for assessing alignment. |
| Best Practice | <i>BASF</i> has also disclosed a clear explanation of its alignment assessment method along with a clear and detailed explanation of how it has been applied to each industry association. The company also provided specific alignment indicators for EU climate policy such as the EU ETS to assess the alignment of key European industry associations. |

Framework for addressing misalignment

To meet investor expectations under this indicator: The company must disclose a clear and detailed framework for addressing misalignments with its industry associations including escalation steps and clear deadlines for industry associations which do not amend misaligned practices.

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| Caterpillar | <p>Caterpillar discloses a framework for addressing misalignment, with some escalating steps. The company states that it will engage with the industry association, including trying to move the association's position towards its own, and that it will evaluate if continued membership in the industry association is warranted based on the overall value of membership.</p> <p>There are no clear deadlines for industry associations which do not amend misaligned practices.</p> |
| Best Practice | <i>BHP</i> has disclosed clear and detailed steps for addressing potential misalignment, including an escalation strategy and clear timelines attached. The company states it will communicate material differences, request that the industry association develop a position or refrain from advocacy in certain areas, and review the membership if there has been no action within 12 months. |

Policy Alignment Process

| Identify & Assess | |
|---|--|
| <p>To meet investor expectations under this indicator: The company has to identify all cases of misalignment with its industry associations and the Paris Agreement in line with InfluenceMap’s <i>database</i> on corporate lobbying.</p> | |
| <p>Caterpillar</p> | <p>Caterpillar did not publicly disclose an assessment of alignment for any of its industry associations referenced in the review.</p> <p>InfluenceMap analysis indicates that Caterpillar has at least 10 memberships to industry associations misaligned with the Paris Agreement (<i>National Mining Association, World Coal Association, America’s Power, US Chamber of Commerce, Consumer Energy Alliance, National Association of Manufacturers, Truck and Engine Manufacturers Association, BusinessEurope, Canadian Chamber of Commerce, Tennessee Chamber of Commerce & Industry</i>) and at least 3 memberships to industry associations potentially misaligned with the Paris Agreement (<i>Business Roundtable, Japan Industrial Vehicles Association, Society of Motor Manufacturers and Traders</i>).</p> <p>InfluenceMap analysis finds that Caterpillar’s industry associations have engaged negatively on climate-related policies, for example:</p> <ul style="list-style-type: none"> ■ <i>US Chamber of Commerce (US Chamber):</i> In November 2022, the US Chamber submitted an Amicus Brief to the California District Court <i>supporting</i> the California Trucking Association’s legal case against emissions regulations introduced by California’s South Coast Air Quality Management District. In October 2022 the US Chamber <i>opposed</i> the Department of Energy’s proposal to raise the ambition of energy conservation standards for gas and propane furnaces. ■ <i>National Association of Manufacturers (NAM):</i> In a June 2022 joint letter to President Biden, NAM <i>directly advocated</i> to finalize the next Five Year Program on offshore leasing for oil and gas production, and advocated for an update to the Program to include new offshore leases and supporting the expansion of domestic fossil fuel production in response to the Ukraine crisis. ■ <i>Consumer Energy Alliance (CEA):</i> In January 2022, CEA <i>opposed</i> the US Environmental Protection Agency’s methane regulation proposal. In February 2022, CEA registered in <i>support</i> of Florida’s anti-solar legislation, House Bill 741. |
| <p>Best Practice</p> | <p><i>Enel</i> is the only company to meet investor expectations in this area, identifying all cases of misalignment with its industry associations and the Paris Agreement in line with InfluenceMap’s database, although the company does not disclose additional details of why they are not fully aligned. InfluenceMap analysis indicates that most companies have missed key cases of misalignment with industry associations lobbying counter to the goals of the Paris Agreement.</p> |




| Monitor & Review | |
|--|---|
| <p>To meet investor expectations under this indicator: The company has to publish a review of industry associations on an annual basis, commit to do so at least once a year, or commit to disclose regular updates on its review and alignment process. Updates should accurately report on relevant material and on-going lobbying activities of potentially misaligned industry associations, as well as the company’s alignment and engagement with the industry association concerning these activities.</p> | |
| Caterpillar | Caterpillar has explicitly committed to update its lobbying report annually. |
| Best Practice | <i>Shell</i> publishes detailed assessments of its industry association memberships at two-year intervals, with detailed updates on misaligned industry associations each year. Shell has published two full reviews of its industry associations (2019, 2021) and two review updates (2020, 2022). The review updates include actions taken within each industry association, key changes to the associations’ climate positions, and detailed next steps. Shell has committed to publish its next update in 2023. |

| Act | |
|---|--|
| <p>To meet investor expectations under this indicator: The company has to show evidence of action to address all cases of misalignment with its industry associations and the Paris Agreement, in line with InfluenceMap’s <i>database</i> on corporate lobbying. The investor expectations outlined by <i>PRI</i>, <i>IIGCC</i> and <i>Ceres</i> include several steps companies can take to address misalignment. Steps should include terminating memberships or taking specific action to reform the detailed and material lobbying activities undertaken by misaligned organizations.</p> | |
| Caterpillar | <p>Caterpillar has not shown any evidence of action to address misalignments with specific industry associations, as the company did not publicly disclose alignment assessments.</p> <p>As a result, the company does not appear to have addressed key cases of material and potential misalignment with the Paris Agreement identified by InfluenceMap’s database (see Identify & Assess).</p> |
| Best Practice | <p>No companies have met investor expectations in this area by showing evidence of action to address all cases of misalignment identified by InfluenceMap’s database, although some companies have made more progress. <i>Total</i> announced in January 2021 that it had decided not to renew its membership to the American Petroleum Institute due to divergences on climate positions. <i>BHP</i> suspended its membership to Queensland Resources Council in 2020 following its ‘Vote Greens Last’ advertising campaign and outlined detailed actions to be taken at four "partly aligned" industry associations. <i>Chevron</i> has not left any industry associations but has disclosed its engagement on specific climate change policy issues with seven industry associations, including details of the results of this engagement. Similarly, <i>General Motors</i> has disclosed that it has not financially contributed to advocacy campaigns against the Build Back Better Act by the Business Roundtable and US Chamber, and has publicly advocated a supportive position to ensure its stance is differentiated from them.</p> |

Appendix: InfluenceMap’s Methodology for Assessing Corporate Climate Policy Engagement Disclosures

Scoring Disclosures and Policy Alignment Process



InfluenceMap assesses corporate performance against seven assessment criteria, using the traffic-light framework summarized below. A ‘Green’ scores 2 points, a ‘Yellow’ scores 1 point, and a ‘Red’ scores 0 points. This total is converted into a percentage from 0 to 100, calculated using the total number of points available (14). As such, only certain scores within the 0 to 100 range are possible under this methodology.

| Key | Score Explanation |
|---|--|
|  | Has broadly met investor expectations in this area. |
|  | Has made some progress on investor expectations in this area, but with significant deficiencies. |
|  | Has fallen short of investor expectations in this area. |

Assessing Disclosures

Since BHP’s 2017 industry association review, around 60 major global corporates have delivered similar, specific disclosures on their industry association links in response to investor pressure. This positive momentum is undermined, however, if the resulting disclosures are of poor quality.

In its *‘Investor Expectations on Corporate Climate Lobbying’* report, the PRI highlights the need for disclosure on the company’s positions and activities on climate change policy engagement, as well as the positions and activities of the industry groups it supports. The PRI further requests information on the governance processes and actions taken to ensure alignment between these activities and the company’s stated climate goals. *IIGCC* and *Ceres* articulate similar expectations, also requiring companies to disclose a material impact assessment of lobbying by an organization that opposes their public position. InfluenceMap uses the following assessment criteria to test the clarity, accuracy and scope of information provided by companies against four key issues.

| Disclosure Item | Score | InfluenceMap’s Assessment Criteria |
|--|---|---|
| Corporate climate policy positions and influencing activities |  | The company has disclosed a detailed and clearly referenced breakdown of its own climate policy positions and influencing activities beyond ‘top-line’ climate statements. This includes descriptions of the company’s positions and policy engagement activities on specific items of regulation and legislation which are material to the company’s operations, business sector, and/or the region(s) in which it operates. |
| |  | The company has disclosed a breakdown of its own climate policy positions and influencing activities. However, the company’s description of its positions and policy engagement activities on specific items of regulation and legislation lacks detail, and/or the company has not disclosed its position and engagement activities on key items of |

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|--|--|---|
| | | regulation and legislation which are material to its operations, business sector, and/or the region(s) in which it operates. |
| | | The company has made no attempt to disclose its climate policy positions and influencing activities, or the company's disclosure is limited to a brief overview of its 'top-line' climate statements and operational commitments without reference to specific items of regulation and legislation. |
| Industry association climate policy positions and influencing activities | | The company has disclosed a detailed and accurate account of the climate policy positions and influencing activities of each industry association actively engaged on climate change policy, including descriptions of positions and policy engagement activities on specific items of regulation and legislation beyond 'top-line' statements. |
| | | The company has disclosed an account of the climate policy positions and influencing activities of each industry association actively engaged on climate change policy, beyond 'top-line' statements. However, the disclosure lacks detail on positions and policy engagement activities on specific items of regulation and legislation, and/or does not disclose evidence of negative climate lobbying by one or more of its industry associations. |
| | | The company has not disclosed the climate policy positions and influencing activities of each industry association actively engaged on climate change policy, and/or the company's disclosure is limited to a brief overview of 'top-line' climate statements without reference to specific items of regulation and legislation. |
| Alignment assessment method | | The company has: (1) disclosed a clear and detailed framework for assessing alignment with its industry associations across all relevant areas of policy engagement; (2) consistently applied this framework across <i>all</i> industry associations; and (3) provided a clear and detailed explanation behind each evaluation. |
| | | The company has disclosed a framework for assessing alignment with its industry associations but the disclosure lacks detail regarding <i>one</i> of the above steps (1-3). |
| | | The company has not disclosed a framework for assessing alignment with industry associations, or it has disclosed a framework but the disclosure lacks detail regarding <i>more than one</i> of the above steps (1-3). |
| Framework for addressing misalignment | | The company has disclosed a clear and detailed framework for addressing misalignments with its industry associations including escalation steps and clear deadlines for industry associations which do not amend misaligned practices. |
| | | The company has disclosed a clear and detailed framework for addressing misalignments with its industry associations including escalation steps, but there is no clear deadlines for industry associations which do not amend misaligned practices |
| | | The company has not disclosed a framework for addressing misalignments with its industry associations, or the company has disclosed a framework but the steps are ambiguous and lack sufficient detail. |

Assessing Policy Alignment Process

As well as transparent disclosures on industry group links and lobbying activities, the investor expectations communicated by IIGCC, CERES and the UN PRI also set out the need for robust processes to ensure alignment between the company's stated policy positions and the positions and lobbying activities of their industry groups. These processes consist of the following three elements:

| Alignment Process | Score | InfluenceMap's Assessment Criteria |
|-------------------|--------|---|
| Identify & Assess | Green | The company has identified all cases of misalignment with its industry associations and the Paris Agreement in line with InfluenceMap's <i>database</i> on corporate lobbying. |
| | Yellow | The company has not identified key cases of misalignment with the Paris Agreement in line with InfluenceMap's <i>database</i> on corporate lobbying. Companies are scored in this category if they miss up to three cases of "potential" misalignment (industry associations with Organization Scores 51-75 in InfluenceMap's database). |
| | Red | The company has not identified key cases of misalignment with the Paris Agreement in line with InfluenceMap's <i>database</i> on corporate lobbying. Companies are scored in this category if they miss one case of misalignment (industry associations with Organization Scores 0-50) or more than three cases of "potential" misalignment (industry associations with Organization Scores 51-75 in InfluenceMap's database). |
| Monitor & Review | Green | The company has published a review of industry associations on an annual basis, has committed to do so at least once a year, or is/has committed to disclose regular updates on its review and alignment process. Updates should accurately report on relevant material and on-going lobbying activities of potentially misaligned industry associations, as well as the company's alignment and engagement with the industry association concerning these activities. |
| | Yellow | The company has committed to publish an update to its review of industry associations but not an annual basis or not specified a timeframe. |
| | Red | The company has not committed to any follow-up processes as part of its review of industry associations. |
| Act | Green | The company has shown evidence of action to address all cases of misalignment with its industry associations and the Paris Agreement, in line with InfluenceMap's <i>database</i> on corporate lobbying. The investor expectations outlined by <i>PRI</i> , <i>IIGCC</i> and <i>Ceres</i> include several steps companies can take to address misalignment. Steps should include terminating memberships or taking specific action to reform the detailed and material lobbying activities undertaken by misaligned organizations. |
| | Yellow | The company has shown some evidence of action to address cases of misalignment with its industry associations and the Paris Agreement, but has not addressed key cases of misalignment or "potential" misalignment identified by InfluenceMap's <i>database</i> on corporate lobbying, i.e. industry associations with Organization Scores 0-75 in InfluenceMap's database. The investor expectations outlined by <i>PRI</i> , <i>IIGCC</i> and <i>Ceres</i> include several steps companies can take to address misalignment. Steps should include terminating memberships or taking specific action to reform the detailed and material lobbying activities undertaken by misaligned organizations. |
| | Red | The company has shown no or limited evidence of action to address cases of misalignment with its industry associations and the Paris Agreement, missing key cases of misalignment or potential misalignment identified in InfluenceMap's <i>database</i> on corporate lobbying, i.e. industry associations with Organization Scores 0-75. The investor expectations outlined by <i>PRI</i> , <i>IIGCC</i> and <i>Ceres</i> include several steps companies can take to address misalignment. Action will be scored under this category if it does not include terminating memberships or taking specific action to reform the detailed and material lobbying activities undertaken by misaligned organizations. |

To assist this assessment, InfluenceMap will be applying its database on corporate and industry group climate change lobbying. This tracks in real-time the detailed climate policy lobbying of around 450 companies and 250 industry associations globally, allowing like-for-like comparisons of organizations' positions on climate policy that are compared to a benchmark of Paris-aligned climate policy. This system can track the evolution of corporate and industry group climate lobbying positions over time.