

Sustainability

An Interview with
Kathryn Dickey Karol, Vice President, Caterpillar Inc.

EDITORS' NOTE Kathryn Karol joined Caterpillar in September 2012, from Amgen, Inc. where she was Vice President of Global Government and Corporate Affairs. Previously, she was an executive director for international government affairs and market access for Eli Lilly & Company, and has more than 25 years of progressive, global experience, working for the U.S. Government and in not-for-profit organizations. Her career has taken her around the world living or working in Asia, Middle East, Africa, Latin America, and Europe, as well as in the United States. Karol graduated from the University of Delaware with a bachelor's degree in criminal justice and political science. She serves on the Freedom House Board of Directors.



Kathryn Dickey Karol

COMPANY BRIEF For nearly 90 years, Caterpillar Inc. (caterpillar.com) has been making sustainable progress possible and driving positive change on every continent. Customers turn to Caterpillar to help them develop infrastructure, energy, and natural resource assets. With 2013 sales and revenues of more than \$55 billion, Caterpillar is the world's leading manufacturer of construction and mining equipment, diesel and natural gas engines, industrial gas turbines, and diesel-electric locomotives. The company principally operates through its three product segments—Resource Industries, Construction Industries, and Energy and Transportation Systems—and also provides financing and related services through its Financial Products segment.

What is the focus of Caterpillar's efforts around sustainability?

We break it down into three distinct areas. The first is the social side, which involves interfacing with people—be it our employees, local communities or organizations like the United Nations Foundation, the ONE Campaign, and the World Resources Institute, which are supported by the Caterpillar Foundation. The second is our environmental and natural resources perspective around sustainability—this involves using resources responsibly and minimizing impact to the environment, which includes both our own facilities and the products and the things we do to support our customer needs at their work sites. The third is the business case—sustainability is important for our own operations and those of our customers. It addresses things like our customers' fuel efficiency, more efficient technologies, and making

sure that we manage the product lifecycle through reducing waste, recycling, and remanufacturing. As a business, driving product lifecycle efficiency and providing a strong value proposition to our customers means a continued return on investment for us and our customers.

The businesses we're in are the key industries for meeting the needs of a growing global population such as access to energy, clean water, and resource conservation.

Is it imperative that your social responsibility initiatives you support have a direct tie-in to the business?

Let's take, for example, the social side of sustainability. We call it Corporate Social Innovation. We feel that it's about working in areas that benefit the communities where we live and work, especially when it comes to supporting education. For example, there are millions of teenage girls around the world who can't read or write, which drives poverty and hinders entrepreneurship, growth, and GDP in many of these developing or underdeveloped nations. The Caterpillar Foundation invests in the United Nations' Girl Up program to help some of the world's hardest-to-reach adolescent girls.

We see a need to promote volunteer efforts of our employees in their communities. We have hundreds of facilities worldwide and our people raise families in those communities. So making sure we're giving back to those communities is in our DNA.

We look at ways to make a difference in these communities. We feel poverty is a core root cause for lack of sustainable progress, as is lack of education. As you may know, Caterpillar provides significant funding for the Caterpillar Foundation, which is active in supporting these areas. Some of the programs supported by the foundation look at how we change an environment so more girls are getting educated. The foundation also evaluates water programs to ensure they are delivering drinkable water for small towns. We want to look to see where we're moving the needle and the foundation shares these goals.

Caterpillar's contributions to the foundation ensure its continued health and success—the Caterpillar Foundation is one of the largest corporate-sponsored foundations in the United States and it works hard to make sure it gets grants to those who need them in those different areas of focus.

For a company of our size and with our history, service is a core component of who we are. It also helps us attract and retain the best talent.

For the business aspect of sustainability, we consider how we solve a customer problem where they lack access to affordable electricity at a mine site because grid access for electricity isn't available. We can help them recover the gases from the mine site to fuel our generators to provide the energy source to make our customers more productive. Plus, removal of the gases from the mine can enhance the safety of the work environment. We can also help them implement autonomous trucks to further enhance the safety at mine sites and elevate the efficiency of diesel fuel utilization. We make their products more effective as they run their businesses.

Another example is our dual fuel engines that burn natural gas and diesel simultaneously and make our customers more effective and competitive. These efforts are interrelated and measured to the business. It's what we do and how we innovate.

Do you need to put metrics around the sustainability efforts to track impact?

We track various metrics around our facilities including safety, energy intensity, use of alternative and renewable energy, greenhouse gas emissions, water use, waste generation, and facility construction to LEED standards. At our more than 120 production facilities around the world, we look at everything from the way we construct these facilities to the way we operate our machines, to the air quality in the facilities, to the way we re-use our metal to build our machines, to the way we use our water, to worker safety at these production sites.

We want to make sure our employees have excellent places to work in very safe environments with suitable air quality and good ventilation.

We also make sure our employees share our work ethic and that they see themselves as part of the solution, because they're the ones that make it successful.

We're constantly driving— we're one of the earliest companies to introduce engines meeting Tier 4 emission standards in our products.

How critical is it that this be driven from the top of the organization?

If you spend any time with Doug Oberhelman (Chairman and Chief Executive Officer), you can see and feel his passion around sustainable progress—it's contagious. He feels strongly that we have a significant role to play in sustainability around the world.

We are a company that has sustainable products, services, solutions and operations. Since sustainability is already in Caterpillar's DNA, we added sustainability as our fifth company core value joining integrity, excellence, teamwork and commitment. ●