

Corporate Statement of Principles on Social Responsibility and Human Rights at Caterpillar Energy Solutions GmbH, Mannheim, Germany

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Prologue

Corporate Structure

Caterpillar Inc. ("Caterpillar") is a publicly owned United States company with over 100.000 employees employed by it and its subsidiaries worldwide. Caterpillar manufactures mining and construction equipment, diesel and natural gas engines, industrial gas turbines, and diesel-electric locomotives. Caterpillar is the parent company of several hundred subsidiary companies globally, many of which are wholly owned. Caterpillar has more than 150 primary locations in over 25 countries. Caterpillar has a vast network of suppliers around the world to meet its purchasing needs for its manufacturing processes and other activities. Caterpillar Energy Solutions GmbH is a wholly owned subsidiary of Caterpillar primarily based in Mannheim, Germany.

Innovation and Tradition

Caterpillar Energy Solutions GmbH stands for highly efficient and eco-friendly solutions for distributed power generation. Carl Benz laid the cornerstone for the company headquarters in Mannheim, Germany, with the founding of the "Mechanische Werkstätte Mannheim" in 1871 ("MWM"). Caterpillar acquired MWM in 2011, updating the name to Caterpillar Energy Solutions GmbH ("CES") in November 2013.

CES is a supplier of gas engines, complete gas power plants, CHP plants and combined heat and power plants for decentralized energy generation under both the Caterpillar and MWM brands. Technical innovation, modern plants and well-trained specialists on the one hand and 150 years of experience in the development and optimization of gas plants by the traditional MWM brand on the other hand, make CES one of the world's leading suppliers of highly efficient and environmentally friendly complete plants for decentralized power and heat generation. Our customers experience competent support that extends over the entire life cycle of our products: from project planning to after-sales technical support.

We consciously fulfill our responsibility to our employees and customers. We reaffirm our commitment in this Statement of Principles on Social Responsibility and Human Rights. It complements our commitment to respect human rights from our Code of Conduct and forms the basis for exercising our social responsibility. In accordance with section 6 (2) of the German Supply Chain Due Diligence Act 'Lieferkettensorgfaltspflichtengesetz' – LkSG of 2021, this statement has been adopted by senior management of Caterpillar Energy Solutions GmbH.



Peter Körner
General Manager



Johan Masse
General Manager

Introduction

Respect for human rights is a fundamental part of our corporate governance at CES

This declaration builds on the principles set forth in Caterpillar's Worldwide Code of Conduct, "Our Values in Action" and the Caterpillar Human Rights policy and supplements them with the obligations from the German Supply Chain Due Diligence Act 2021 ("German SCDDA"). This declaration is applicable to all CES offices and operating sites within Germany, as well as its foreign subsidiaries, offices, and operating sites.

For our current and future business partners and suppliers, Caterpillar is committed to working with them to uphold the principles in its Worldwide Code of Conduct, the Supplier Code of Conduct and the Human Rights policy. Caterpillar's Supplier Code of Conduct includes an expectation that its suppliers conduct all business in a manner that respects human rights and supports environmental responsibilities. CES invites its business partners and suppliers to join forces with CES to conduct business in a manner which complies with the obligations from the German SCDDA in regard to human rights and the environment.

Caterpillar is committed to respecting internationally recognized human rights and the environment throughout its global operations. International frameworks like the UN Guiding Principles on Business and Human Rights, the Universal Declaration of Human Rights, and the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, also inform CES's due diligence efforts.

In addition, we acknowledge the significance of the following conventions which play an important role to protect the environment:

- The Minamata Convention on Mercury,
- The Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal, and
- The Stockholm Convention on Persistent Organic Pollutants (POPs Convention).

CES considers the protection and respect of human rights and the environment to be an important part of our business policy and expects the same from all our business partners and suppliers.

Social Responsibility and Environmental Responsibility

We at CES acknowledge our Social Responsibility and the importance of Environmental Responsibility. We are committed to promoting and advancing human rights and to protect the world's natural resources.

We welcome input from stakeholders on our related efforts as described in the present policy statement.

Against this background, we have defined the following guiding principles for our actions:

Human rights and safe working conditions

We respect human rights in accordance with the UN Human Rights Conventions and place particular emphasis on ensuring that all employees at CES or the supply chains have a safe working environment and return to their families in good health every day.

Prohibition of child labor

We oppose all forms of child labor as defined by the relevant ILO conventions. In particular, against the worst form of child labor for children under 18 years of age; this includes all forms of slavery or all practices similar to slavery, such as the sale and trafficking of children, child prostitution, extraction and trafficking of drugs, and work likely to be harmful to the health, safety or morals of children.

Prohibition of forced labor and slavery

We are strictly opposed to forced or compulsory labor, bonded labor, indentured labor, or involuntary prison labor, as well as any form of slavery, including modern forms of slavery and human trafficking.

Freedom of association

We recognize the right to form, join and be a member of employee representative bodies. We also recognize collective bargaining to regulate working conditions and their right to strike, always subject to applicable law. CES employees shall not be discriminated against, and can act without fear of discrimination, retaliation, intimidation, or harassment based on their trade union activities.

Equal opportunities and protection against discrimination

We are committed to maintaining equal opportunities and refraining from discrimination.

We stand for the fair treatment of all employees and do not tolerate any form of discrimination or unfounded unequal treatment, for example, on the basis of characteristics such as gender, ancestry, origin and nationality, religion and world view, political, social or trade union activity, sexual identity and orientation, physical and/or mental limitations or age.

Right to health and safety at work

We, like Caterpillar, stand for safety and health in the workplace and our goal is to have no operationally related incidents or illnesses. We base our work on the Caterpillar Environmental Health and Safety (EHS) Handbook, a global guideline to workplace practice, which reflects applicable occupational safety and health obligations under the law of the place of employment.

Working hours

We adhere to the applicable legal requirements or comply with the respective industry standard or the applicable collective agreement and ensure that safe and healthy working conditions prevail, work breaks, a limit on working hours and regular paid vacation are guaranteed.

Appropriate wages

We pay fair and performance-related wages. This includes an adequate wage which amounts to at least the minimum wage as laid down by applicable law at the place of employment.

The principle of equal pay for work of equal value applies regardless of gender.

Human rights protection in the use of security forces

We commission private security service providers to protect our operations. These are required to adhere to internationally recognized human rights and to respect them through corresponding specifications and measures.

Human rights and Environment

We acknowledge our responsibility to protect the environment and strive to affect local communities as little as possible and to preserve natural resources such as soil and water. We are aware of the potential impact of our manufactured products, production processes and purchasing processes on the environment and people. CES uses its natural resources responsibly in order not to cause harmful soil change or noise emission, water or air pollution, or excessive water consumption, that significantly impairs protection of natural bases for the preservation and production of food, access for individuals to safe and clean drinking water and, hinders access to sanitary facilities, or causes harm to the health of a person.

In addition, CES will not unlawfully evict or take land, forests and waters, the use of which secures a person's livelihood, in the course of its business activities.

In addition to human rights, we also observe environmental due diligence obligations at CES, all operating sites and subsidiaries, as well as with regard to our suppliers and business partners. This includes the handling, use and transport of mercury, persistent organic pollutants and hazardous waste.

Risk Management and Risk Analysis Procedures to Protect Human Rights and the Environment

CES is committed to comply with all applicable laws and regulations. CES has an appropriate and effective risk management system. This includes due diligence processes to identify and mitigate risks in the supply chain as required by applicable law. By doing so, CES endeavors to ensure that our operations do not interfere with our values and commitments. Our appropriate and effective processes are designed in such a way that they are updated regularly and as required. Our purchasing and procurement departments at CES assumes clear responsibilities for operational compliance with applicable supply chain due diligence legislation. The purchasing and procurement departments are supported by our legal professionals and the Human Rights Officer. All measures taken are subject to a regular or ad hoc review and updated, if necessary.

To ensure effective monitoring, the responsible departments, and the designated Human Rights Officer report individually and independently on human rights and environmental risks to the senior management. All measures taken are properly documented and reported.

In line with statutory requirements and official guidelines, we identify risks and opportunities and evaluate them based on an abstract and concrete risk analysis. Our risk analysis in relation to the direct suppliers considers country-, industry- and product specific risks as well as the typical risks for a manufacturing company, such as material risks. We prioritize identified risks based on a plausible overall approach, which considers the relevant statutory criteria. To ensure senior management awareness, the outcome is reported regularly or on ad hoc basis.

Preventive Measures

Based on the results of the risk analyses, CES has provided for preventive measures in its own business area and vis-à-vis its direct suppliers.

In order to implement the commitment of the present policy statement, CES has taken appropriate implementation measures in its own business area. Applicable procurement strategies and purchasing practices have been updated to anchor the human rights- and environmental expectations. This includes the consideration of human rights- and environment-related aspects during the supplier selection process. CES continued to develop the supplier onboarding process to reflect human rights and environment-related aspects.

To raise awareness, CES trains its employees on the commitment contained in the present policy statement, the implementation measures and the related content of the Code of Conduct. CES has implemented risk-based control measures to check compliance with this policy statement.

CES expects compliance with applicable laws and regulations from its suppliers. Our Supplier Code of Conduct is the central instrument to promote human rights- and environment-related expectations vis-à-vis our direct suppliers. This Supplier Code is supplemented by a supplier declaration, which includes appropriate control mechanisms. As part of this framework, CES expects direct suppliers to appropriately address human rights and environmental issues along the supply chain.

As part of a plausible and risk-based concept, CES provides customized trainings and carries out control measures to verify compliance.

Remedial Measures

CES considers the remediation of adverse human rights and environmental impacts as an integral part of its corporate responsibility.

We will investigate potential (imminent) violations promptly. When necessary, we are fully committed to taking immediate remedial measures, as established in our internal policies and processes. The same is true in the event, that CES becomes aware of any actions or conditions within its supply chains that are not in compliance with Caterpillar's Supplier Code of Conduct or the supplier declaration.

CES expects its suppliers to appropriately support and cooperate in such cases. This may include drawing up a concept for ending or minimizing the violation without undue delay if the violation cannot be ended in the foreseeable future.

If necessary, CES will make use of all applicable contractual means to foster the success of remedial measures. A supplier's continued non-compliance may lead to additional actions, up to and including termination of the business relationship.

Responsibilities and Measures

The CES management is responsible for steering the principles set forth in this policy statement.

Management has delegated the monitoring of compliance with due diligence requirements in the individual areas within its own business unit and along the supply chain to the Human Rights Officer appointed specifically for this purpose. It receives reports at regular intervals and has given the Human Rights Officer authority to take action.

Reporting Concerns

Caterpillar has an established complaint-mechanism to ensure access to remedial measures where any party can report in good faith on situations of risks and violations, including human rights and environment-related risks and violations resulting from or caused by our business activities along the supply chain.

We encourage any party affected by the business activities of CES or its direct or indirect suppliers to report situations in which they have a good faith belief that the entities or individuals covered by this Statement have taken actions that cause human rights- or environmental-related risks and/or violations or are inconsistent with the principles set forth in this Statement. We have dedicated the following confidential and anonymous means to encourage reporting by any party, maintained by our Office of Business Practices. Our Office of Business Practices handles incoming complaints on a confidential, independent and neutral basis without interference. If a breach of applicable laws and regulations or a relevant risk was detected, CES will implement appropriate measures to timely remedy the findings and appropriately sanction any breach.

Online Reporting (can be submitted anonymously): <https://caterpillar.ethicspoint.com>

Direct Telephone: +1-309-675-8662 (English only)

... Others: ...

Toll-free Helpline: Caterpillar maintains toll-free Helpline numbers in various countries. Inside Canada, the United States and the U.S. Virgin Islands the number is 1-800-300-7898.

Toll-free numbers currently in effect for other countries are posted at <https://codeofconduct.cat.com>. Language translation is available for those numbers. You may remain anonymous when you call from a country in which anonymous reporting is allowed.

Call Collect Helpline: +1-770-582-5275 (language translation available)

E-mail: BusinessPractices@cat.com

Neither Caterpillar nor any of its subsidiaries, including CES, will take any action against any party as a result of raising an issue in good faith pursuant to this reporting process. Also, Caterpillar and CES do not tolerate any retaliation by any individual or supplier against any party for raising a concern or making a report in good faith.

Measures vis-à-vis indirect suppliers

CES' due diligence also covers indirect suppliers. Measures are triggered if CES obtains substantiated knowledge of a violation of human rights or environmental obligations at an indirect supplier. In line with applicable laws, CES will implement appropriate preventive measures and take appropriate remedial actions to immediately end or mitigate such violations.

Documentation and reporting

As part of its due diligence processes, CES documents and stores all necessary information on the measures we take and the information we gather for fulfilling our obligations in human rights and environmental due diligence as mandated by applicable laws.

Communication

This policy statement will be made available and published in an appropriate form to all our employees, leading staff and the works council of CES, the operating sites as well as the foreign subsidiaries' offices, branch offices and operating sites and their representatives of interests. CES will communicate this policy statement vis-à-vis its direct suppliers.

Audit and regular Reporting

We have installed a Human Rights Officer who is responsible for auditing our processes within the framework of the German SCDDA and will report publicly on our due diligence activities in the supply chain on an annual basis.

Subject to the results of the due diligence review process set forth above, CES will install appropriate means to minimize the identified risks.

As it is clear from the present policy statement, CES is sincerely committed to promote a business culture that supports human rights and environmental preservation throughout its supply chain.

CES recognizes that the actions we take to address human rights risks, and the processes we have in place to assess the effectiveness of those actions, will need to evolve with time. Consequently, CES regularly reviews the measures implemented and is committed to a path for continuous improvement.