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# Singapore EIP Deployment FAQs

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# 1. Introduction

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The Employee Investment Plan is a voluntary plan designed to enable full-time regular employees to acquire an ownership interest in the Company through the purchase of Caterpillar Inc. shares. The EIP Project Team has been chartered to implement E\*TRADE as the Global provider for EIP administration as one of the objectives of the project is to simplify plan design and drive consistency across our Global EIP Plans.

AP Total Rewards Team is the process owner and the transactional processing is carried out by E\*TRADE, a financial service company providing online brokerage services to companies/individuals.

Participation in the plan is voluntary. You may contribute a portion of your eligible earnings towards buying Caterpillar Inc. shares. The Company will, in addition, provide a contribution to your purchase as per the rules defined in the EIP Plan Document.

To be eligible to participate in the Employee Investment Plan you must be a Caterpillar full-time regular employee aged 18 or over and must be under the Singapore payroll. If you have at least six (6) months of continuous service, you can join the plan at any time whilst employed by the Company - your enrollment will be effective from the 1st of the month following the month once you have met the eligible criteria. For example if you complete your 6 months of continuous service as a regular employee in June, you can enrol in the plan effective July 1.

There is no guarantee against any loss under the Caterpillar EIP Plan as the share price may fluctuate based on the prevailing market conditions and may also be impacted by the exchange rate fluctuations. As with the purchase of any stock, the shares may also be worth more or less at the time of sale than at the time of purchase. By joining the plan you understand and accept the associated risks.

The Company will not provide any financial advice on whether participation in the EIP Plan is the right choice for you. However, you are free to seek financial advice from your other sources before making the decision to participate.

## 2. Contacts for Queries

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If you encounter any problem with your E\*TRADE account you should contact E\*TRADE in the first instance, 001 800 3338 7233 (toll-free, fixed phones only) or 001 1 650 599 0125 (any fixed, mobile, payphone; toll charges may apply) Asia Pacific (Support in English, Mandarin, or Cantonese) Phone lines are open from Monday 5:00 a.m.– Monday 2:00 p.m., Monday – Friday 8:00p.m. - 2:00 p.m., Friday 8:00pm – Saturday 7:00am (Singapore time).

You can find more helpful information via E\*TRADE website [www.etrade.com](http://www.etrade.com).

## 3. Transitions

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### a. What happens to the existing EIP plan?

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The historical Singapore EIP Plan will be migrated from the EIP legacy system to the E\*TRADE system effective 1<sup>st</sup> January 2019. Appendix A is a summary of comparison between the existing and new EIP plan.

### b. What happens to my existing shares?

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All shares held under the Singapore EIP legacy system (as of November 30, 2018) will be transferred to E\*TRADE effective January 1<sup>st</sup>, 2019. All restrictions currently applicable to shares held in existing Plan will be removed upon transition to E\*TRADE; which means you can sell all shares including the unvested portion for those with less than 5

years of service and Restricted Company Shares (i.e. Company Shares acquired less than 2 years after the close of the Class Year). Please note that Insider Regulations are still applicable.

Example: Employee A joined EIP in January 2015 (less than 5 years of service), he/she should receive 100 company shares per year.

Class Year	Vested company shares at of end of 2018	Non-vested company shares at of end of 2018	Total of annual company shares
2015	80	20	100
2016	60	40	100
2017	40	60	100
2018	20	80	100
Total	200*	200	400

\*Under current EIP plan, the employee cannot withdraw such vested shares for 24 months after the end of the closing of a class. Any non-vested shares will be forfeited if any employee were to leave the Company within the 5 year period. However, upon transition to E\*TRADE, 400 company shares (vested and non-vested), will be released and can be sold at any time once the employee E\*TRADE account is activated.

Example: Employee B joined EIP in January 2008 (more than 5 years of service), he/she should receive 100 company shares per year.

Class Year	Vested company shares	Non-vested company shares	Total of annual company shares
2015	100	0	100
2016	100	0	100
2017	100	0	100
2018	100	0	100
Total	400*	0	400

\*Under current EIP plan, the employee cannot withdraw such shares for 24 months after the end of the closing of a class. Y2015 cannot be sold until January 1, 2018 and Y2016 cannot be sold until January 1, 2019. Upon transition to E\*TRADE, 400 company shares will be released and can be sold at any time your E\*TRADE account is activated.

Under new EIP plan, there will be no differentiation between reinvested dividend shares purchased with Employee Contributions and those purchased with Employer contributions. It will be reflected as one amount known as “DRIP (Dividend Reinvestment Plan)” in your E\*TRADE account.

### [c. What are the tax implication on my existing shares?](#)

Currently, for employees with less than five (5) years of service, Company only declares 20% of the company contribution (vested portion) per year to the Inland Revenue Authority of Singapore (IRAS) in the year the vested portion is earned. Upon transition to E\*TRADE, all non-vested shares will become vested and can be transacted immediately via E\*TRADE. Therefore any undeclared income as a result of the conversion from non-vested shares to vested shares will be reported to the Inland Revenue Authority of Singapore (IRAS) under Year of Assessment 2019 (YA2019) as income earned in 2018.

### [d. When shall I submit last shares withdraw request prior to E\\*TRADE transition?](#)

After the transition to E\*TRADE, all EIP transactions will be managed online via your E\*TRADE account. In other words, you can change your contribution, suspend and/or resume your participation; or sell shares through your E\*TRADE account instead of going through the Singapore Payroll Team.

Prior to the transition to E\*TRADE, due to system migration requirements, there will be a 2 month (November and December 2018) “blackout” period for any EIP transactions, including any sale of shares. As such, if you wish to

withdraw shares under the EIP Legacy System, you must submit the appropriate EIP form to the Singapore Payroll Team no later than **Oct 20, 2018**. The shares will be sold at month end with proceeds payable in the month of November 2018.

Effective January 1<sup>st</sup>, 2019, any request for sale of shares shall be transacted via your E\*TRADE account once the account is activated.

**e. How can I know the number of shares transfer to E\*TRADE?**

As of December 1<sup>st</sup>, 2018, we will freeze the EIP Legacy System. However, employees will still be able to access and view their statement of accounts as of November 30, 2018 until further notice as the plan is to retire the EIP Legacy System over time. In December 2018, you can access EIP legacy system to view statement, the number of “total shares” on the screen will be the amount of shares transferred to E\*TRADE. After you activate E\*TRADE account, you can view the legacy shares (prior to November 30, 2018) details (purchase date, purchase price and no. of shares) in your E\*TRADE account. December 2018 contributions will be reflected as new shares purchased via the E\*TRADE account.

**f. What will happen to my shares if I resign in November or December 2018?**

As long as you are on EIP Legacy Plan as of October 31<sup>st</sup>, 2018, your shares will be transferred to E\*TRADE in Mid December 2018. You will need to leave your personal contact/email address with the Singapore EIP administrator. You will receive an E\*TRADE account activation email which will be sent to your personal email address rather than company email address in late December 2018. Once you have activated your E\*TRADE account, you will have to request E\*TRADE to liquidate all shares under your account either for cash or to transfer to another broker within a 3 month period from your last day of service.

## 4. Contributions

**a. What are contribution rules?**

You can elect to make basic contributions of between 2% and 6% of your gross eligible earnings. If you have 25 years of service or more, you can elect to make additional supplementary contributions of 1%, 2%, 3% or 4% of your earnings. Your contributions will be deducted through your regular payroll. Eligible earnings shall include base salary, overtime pay, shift allowance, acting allowance, unused annual leave encashment (upon separation) and 13th month payment and will **exclude** bonuses, commissions or reimbursement for expenses/allowances and Short-Term Incentive Plan (STIP).

The Company will contribute an amount equivalent to 50% of your basic contribution. If you have 25 years of service or more you will be entitled to an enhanced company contribution. There is no matching contribution from the Company for any Supplementary Contributions made. You must be contributing to the plan in order to receive the matching company contributions.

Length of Service	Company Contribution	Maximum Cap on Company Contribution
Less than 25 years of service	50% of your Basic Employee Contribution	Up to a maximum of 3% of your eligible earnings
At least 25 but less than 35 years of service	66.67% of your Basic Employee Contribution	Up to a maximum of 4% of your Eligible Earnings
35 or more years of service	80% of your Basic Employee Contribution	Up to a maximum of 4.8% of your Eligible Earnings

You can change, suspend or resume your contribution amount within your E\*TRADE account at any time and the change will be processed in the next available payroll.

If you choose to suspend your contributions, your account will remain open until such time as you leave the Company or are no longer eligible to remain in the plan.

## b. How do my contributions get invested?

E\*TRADE will purchase shares with the contributions received in the Open Market on the last working day of each month, including fractional shares. Due to rounding, a nominal cash balance may be carried over for investment the following month.

You will be able to view your purchase confirmation in your online E\*TRADE account including the number of shares held, purchase date, purchase price, applicable exchange rate etc.

There will be no fees charged to the employee for the acquisition of shares.

## 5. Restrictions

Shares purchased with employee contributions have no restriction period. However, shares purchased with Company contributions will be subject to restrictions on dealing for 3 years from the date on which those shares are purchased. These shares cannot be sold until the 3 year restriction period has lapsed. Shares purchased with income from dividends will not be subject to any restriction period.

Example:

After transition to E\*TRADE, employee A will receive 10 shares each month from company contribution. In the E\*TRADE system, he can view company shares records with different shares purchase dates and sellable dates.

Shares purchased date	Employee shares	Note	Shares purchased with dividends	Note	Company shares	Sellable date
January 1, 2019	20	No restriction period	2	No restriction period	10	January 1, 2022
February 1, 2019	20		0		10	February 1, 2022
March 1, 2019	20		0		10	March 1, 2022

## 6. Accounts

### a. How does my account work?

Once you have activated your account, you can access your EIP Plan details at any time through E\*TRADE. Your account will also enable you to make changes to your contributions, suspend, resume, and to sell your shares. You can view your account in both currencies; SG\$ and US\$ and select display languages.

### b. Statements

A monthly or quarterly on-line statement will be available detailing transactions made during the period including purchases, dividends paid and sales.

### c. Existing Accounts

If you already hold a Caterpillar E\*TRADE account, you will use the same account to access your EIP shares.

You cannot use your Caterpillar E\*TRADE account for any transactions other than those covered under the Caterpillar EIP/Stock Plan.

## 7. Dividends

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By default, all dividends paid on your Employee Shares and Company Shares will be in cash. However, if you wish to have your dividends reinvested to shares, you will need to notify E\*TRADE via their helpline.

All dividends paid to the Plan will be subject to up to 30% withholding tax in the United States before they are paid to E\*TRADE.

Shares acquired through the dividend payment will be allocated to your E\*TRADE account and will not be subject to any Restriction Period.

Note: For existing EIP participants transferred from the EIP Legacy system to E\*TRADE, your dividends will continue to be reinvested after the migration. No action is required if you wish to have your dividends reinvested. However, if you wish to receive cash instead, you need to notify E\*TRADE via their helpline.

## 8. How do I sell my shares?

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You can sell or transfer unrestricted shares at any time through your online E\*TRADE account. Applicable fees will be chargeable and deducted from the proceeds of the sale. Full details regarding applicable fees can be found in question 9.

Caterpillar Corporate E\*TRADE account is catered solely for employees covered under the Caterpillar EIP/Stock Plan purposes. Your Caterpillar E\*TRADE account is neither transferrable nor use to transact shares that are not within the Caterpillar EIP/Stock Plan. However, you are allowed to transfer non-restricted shares to your other accounts via another broker when you leave Caterpillar.

You can only sell or transfer unrestricted shares. Shares bought with employee contributions and dividend reinvested shares have no restriction period. Shares bought with the Company contribution will be subject to restrictions on dealing for 3 years from the date on which those shares are purchased. You cannot sell these shares until the 3 year restricted period has lapsed.

## 9. What are the fee charges?

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By acquiring Shares through the Employee Investment Plan, you do not need to pay any brokerage fee to acquire Shares. However, applicable brokerage fee for any sale of shares will be borne by employees. Applicable charges will be deducted directly from the sale of shares proceeds. The prevailing brokerage fee for CAT employees is US\$11.99 plus US\$0.02 per share.

For payment, employee has the option to elect whether they want to be paid in USD or SGD by E\*TRADE. If you elect to have E\*TRADE convert your funds into local currency (based on E\*TRADE's exchange rate), do note that E\*TRADE will charge employee a conversion fee of 2.25% of the gross sales proceeds for Caterpillar employees. (Conversion fee will not apply if the payment is transacted in US Dollars either to your US Dollars Account, or allow your bank to convert the funds from USD to SGD upon receipt into your Singapore Dollar account.

Payment by E\*TRADE can be made via cheque, express mail or wire transfer and applicable fees apply. You are encouraged to check with your local bank to determine which is the best option to receive these funds. You are also expected to provide appropriate banking instruction to E\*TRADE prior to selling your shares. Please refer to the table below on the charges that are applicable on your gross sales proceeds when you sell your shares.

Description of charges	Cheque Payment (USD)	Cheque Payment (SGD)	Wire Transfer USD to your bank account	Wire Transfer SGD to your bank account
Brokerage Fee (US\$ 11.99 + US\$ 0.02 per share)	√	√	√	√
SEC/Admin Fee US\$ (Gross sales proceeds x 0.00001300)	√	√	√	√
E*TRADE Conversion Fee (2.25% of gross sales proceeds)	X	√ <sup>1</sup>	X	√ <sup>1</sup>
Cheque delivery fee (US\$ 10/20 depending on type of mail)	√ <sup>2</sup>	√	X	X
Wire fees (US\$ 25)	X	X	√ <sup>2</sup>	√

<sup>1</sup>E\*TRADE Conversion fees are applicable if you need E\*TRADE to convert USD to SGD

<sup>2</sup>Your local bank charges and prevailing rate of exchange will apply if you would like your local bank to convert your sales proceeds from USD to SGD

## 10. Can I Suspend & Resume from the plan?

Yes, you can elect to suspend your contributions at any time by going online and changing your plan elections and no more company contribution will be made once the suspension is effected. The suspension will be effective no later than 45 days after the request is received. After your account has been suspended, you can resume the plan at any time if you wish to participate again.

## 11. What is the expected timeline to receive the cheque/ wired transfer from E\*TRADE?

1) By Cheque:

E\*TRADE estimates the proceeds will arrive via standard mail in 7 to 10 business days and via express mail in 3 to 5 business days.

2) By Wired:

E\*TRADE estimates the proceeds will display on the receiving bank in 2 to 3 business days but it does vary based on the receiving bank.

## 12. What happens if I change legal entity or go on an assignment

Subject to you still meeting the eligibility requirements for the plan, there is no impact. If you transfer from a participating subsidiary to a non-participating subsidiary, employee and Company contributions will cease. However, your account in E\*TRADE will remain active. The same account can be used if you move to a participating subsidiary.

In case of a permanent payroll transfer, no further contributions will be made to the plan and you will have the option to join the new location EIP plan if one exist and subject to you meeting their eligibility requirements. If the new location is also using the E\*TRADE, you will use the same E\*TRADE account and be able to see the shares you hold under different plans within your one portfolio account.



If you are offered an International Assignment your participation in the EIP may be reviewed depending on the Securities rules applicable in the host country.

### **13. What happens if I leave the company?**

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Under the rules of the EIP Plan, you will not be entitled to remain in the plan when you leave the Company. You are required to terminate your participation in the EIP Plan by requesting E\*TRADE to remove all shares held in your account, either to sell all shares under your account for cash or to transfer to another broker within a 3 month period from your last day of service.

If this requirement is not met, E\*TRADE will sell all your shares for cash upon company's confirmation, and proceeds from the sale of shares less applicable fees will be deposited into your designated bank account with E\*TRADE unless you instruct E\*TRADE otherwise. There is no fee charged if you elect to have E\*TRADE transfer the shares to another broker. If you contact your broker to initiate a transfer where they would be pulling the shares from the E\*TRADE account, there might be a fee associated with the transfer.

On separation any Company restricted shares will become unrestricted, regardless of the cause for separation. Employees are free to deal with those Company Restricted Shares as indicated above.

### **14. What is the income tax regulation associated with the plan?**

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The EIP Plan is subject to local tax regulation, and any applicable tax associated with employee's participation in the Plan shall be borne by the employee.

The Company is not able to offer you any financial advice on any part of the plan, including taxation, and you are responsible to seek your own financial/tax advisory if necessary.

The Employee Investment Plan is subject to the prevalent income tax laws of Singapore. You will be responsible for any income tax associated with your participation in the Plan.

Generally:

- Employee contributions to the Plan are not considered an allowable deduction from the assessable income;
- Company Contributions to the Plan are considered taxable income and will be reported to the Inland Revenue of Singapore for inclusion in employee's tax filing at the end of each year.

Singapore payroll vendor will manage the annual tax reporting. The employee contribution and company contribution amount will be displayed on monthly payslip.

### **15. E\*TRADE**

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#### **a. Why do I need to activate an E\*TRADE account?**

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It is important that you activate your account with E\*TRADE. Activation will enable you to track and manage your plan accordingly. It allows you:

- View important details about your shares
- Use online tools and calculators
- Place sale transactions

- Change contribution rate
- Suspend or resume plan contribution

## b. How do I start with E\*TRADE?

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E\*TRADE will send an activation request to you via email asking you to log in and create a new user ID and password. You will be required to enter company's ticker symbol (CAT), last name, and Employee ID (**CUPID: Corp Unique Person ID not Psoft ID**) to activate account. If you are already an existing EIP Plan participant without E\*TRADE account, all you need to do is to activate your E\*TRADE account to access and manage your EIP Plan. New joiners will be required to activate E\*TRADE account and enrol EIP should they wish to participate in the Plan when they become eligible and the effective date shall be 1<sup>st</sup> day of the month after enrolment.

If you already have a Caterpillar E\*TRADE account, no activation is required. EIP plan can be accessed through your existing account.

For production workers who don't have company email address, a mail with authentication code from E\*TRADE will be sent to home address instead. Please contact your local HR team for more details.

## c. What is a form W-8BEN and why do I need it?

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Upon activation of your account, you will be required to complete a W-8BEN Form. This is a US form issued by the Internal Revenue Service and is to be completed by employees who are non-US Citizens. This is to ensure that E\*TRADE can apply the appropriate withholding tax to your account.

**Without a certification you could be subject to a 30% backup withholding on all gross sale proceeds.**

**You will not be able to complete Form W-8BEN until your account has been created by E\*TRADE. E\*TRADE will send you an activation request when you become eligible to enrol in the plan. You will then be asked to complete this form following the activation of your E\*TRADE account.**

You will typically need to re-certify once every 3 years. You will receive a notification from E\*TRADE advising you when re-certification is due and you can do this on-line via E\*TRADE.com. If your re-certification is successful, you will receive an email confirmation from E\*TRADE. In case of any issue(s), please contact/liase with E\*TRADE directly.

If you do not re-certify, you could be subject to withholding tax as described above.

If you already have an existing Caterpillar E\*TRADE account and have a certified Form W-8BEN, you do not need to complete another W-8BEN Form unless you need a re-certification.

You are also free to seek personal advice from your own sources if you need further clarification regarding the W-8BEN Form.

## 16. Beneficiaries

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It is advisable for employees to nominate their beneficiary(ies) under the Singapore EIP Plan. You can obtain the Nomination Form from the Singapore EIP Administrator. If you have already nominated your beneficiary(ies) previously, it will be on your file unless you would like to update it.

## 17. Insider trader regulation

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Insider Trader Regulations are applicable to all EIP transactions. Full details of all Caterpillar Insider Trading Restrictions and Window Periods can be downloaded from Cat @Work.

[Stock Ownership & Trading](#)

## Appendix A – Summary of Plan Changes

Item	Current plan	New plan after January 1, 2019
<b>System enhancement</b>	Legacy EIP system	E*TRADE: online system specializing in employee share schemes
<b>Consistent waiting time for new hires</b>	Varies (0, 3 months and 6 months)	6 months for all new hires
<b>Restriction period for company shares</b>	<ul style="list-style-type: none"> <li>Years of services &gt; or = 5 years, 100% vesting</li> <li>Years of services &lt; 5 years, 20% vesting per year</li> <li>Employee can't sell shares within two years from the end of each class year</li> <li>Non-vested portion (if any) will be forfeited for separated employees</li> </ul>	<ul style="list-style-type: none"> <li>For active employees, three years restriction period from the shares purchase date</li> <li>For separated employees, all company purchased shares will be immediately released</li> </ul>
<b>Flexible change contribution rate*</b>	Only allow two times per calendar year	Every month
<b>Prevailing (market) withdrawal price</b>	<ul style="list-style-type: none"> <li>Average share price for the month of sale</li> <li>Conversion to SGD based on pegged rate</li> </ul>	<ul style="list-style-type: none"> <li>Sale at prevailing market price (in USD)</li> <li>3 options to receive sales proceeds               <ol style="list-style-type: none"> <li>1) Transfer proceeds to your USD bank account</li> <li>2) Transfer proceeds to your local bank account (subject to E*TRADE exchange rate)</li> <li>3) Request cheque</li> </ol> </li> </ul> <p>Note: Insider Trader Regulations are still applicable to all EIP transactions.</p>

**Note:**

- 1) Insider Trader Regulations are still applicable to all EIP transactions
- 2) Employee shares do not have any restriction period