

CATERPILLAR INC.
CHARTER OF THE GOVERNANCE COMMITTEE
OF THE BOARD OF DIRECTORS
(adopted by the Board of Directors on December 8, 2004)

I. PURPOSE AND GENERAL RESPONSIBILITIES

The Governance Committee (the "Committee") is appointed by the Board (i) to assist the Board by making recommendations regarding the size of the Board, criteria for the selection of candidates to serve on the Board and the slate of director nominees for the next annual meeting of shareholders; (ii) to identify and evaluate proposed candidates for election to the Board; (iii) to recommend to the Board candidates for election as officers of the Company; (iv) to develop and recommend to the Board a set of Guidelines on Corporate Governance Issues and monitor compliance with those guidelines; and (v) to lead the Board in its annual self-evaluation process and share the results thereof with the Board for discussion and deliberation.

To perform this function, the Committee shall have the authority to perform the specific duties enumerated in this Charter and, upon the direction or approval of Caterpillar Inc.'s Board of Directors (the "Board"), to undertake other activities on behalf of the Board. The Committee is authorized to request reports on matters related to its authority, its duties as described in this Charter and on any subject that it deems related to its responsibilities. All employees of the Company shall cooperate as requested by the Chairman of the Committee. The Committee is empowered to retain such advisors and consultants as it deems necessary to assist the Committee in fulfilling its responsibilities. The Committee shall recommend to the Board any extensions or changes in the authority or duties of the Committee that it deems appropriate.

II. COMPOSITION

The Committee shall have a Chairman appointed by the Board of Directors. The Committee shall consist of that number of directors as the Board shall determine from time to time, such number not to be less than two members in accordance with Article III, Section 5 of the bylaws of the Company. No member of the Committee shall have a relationship to Caterpillar that may interfere with the exercise of their independent judgment, as such independence is defined by applicable laws and regulations and the New York Stock Exchange. The members of the Committee shall be appointed and replaced by the Board. The Board may fill vacancies on the Committee and remove a member of the Committee at any time with or without cause.

III. MEETING ATTENDANCE AND MINUTES

The Committee shall meet at such times as the Chairman of the Committee shall designate and notice of such meetings shall be given to Committee members, all in accordance with the bylaws of the Company. Directors not on the Committee may attend meetings at their discretion. One-third of the Committee, but not less than two members, shall constitute a quorum for the transaction of business. Unless the Committee by resolution determines otherwise, any action required or permitted to be taken by the Committee may be taken without a meeting if all members of the Committee consent thereto in writing and the writing or writings are filed with the minutes of the proceedings of the Committee. As necessary or desirable, the Chairman of the Committee may require that any members of management be present at meetings of the Committee. Members of the Committee may participate in a meeting through use of conference telephone or similar communications equipment, so long as all members participating in such meeting can hear one another, and such participation shall constitute presence in person at such meeting.

The Committee shall report to the Board periodically or as required by the nature of its duties on all of its activities and shall make such recommendations to the Board as the Committee decides are appropriate. The Chairman of the Committee shall review and approve the Committee minutes and they shall be filed with the Secretary of the Company for retention with the records of the Company. Copies of such minutes shall be presented to each Board member.

IV. RESPONSIBILITIES AND DUTIES

Governance Committee Charter

The Committee shall review this charter periodically at the Committee's discretion to assure its continuing adequacy. The Committee shall recommend any proposed changes to the Board for adoption.

Corporate Governance Guidelines

Working in coordination with the Chairman of the Board and Chief Executive Officer, the Committee shall be responsible for the implementation of, and monitoring compliance with, the Guidelines on Corporate Governance Issues adopted by the Board. The Committee shall also make recommendations to the Board regarding any non-compliance with, or alteration of, the Guidelines as the Committee in its experience deems appropriate.

Size and Composition of the Board

The Committee shall make recommendations regarding the size of the Board. The Committee shall also develop and recommend to the Board criteria for the selection of individuals to be considered as candidates for election to the Board. Criteria applied in the search for potential Director candidates include: (i) integrity, honesty and accountability; (ii) successful leadership experience and strong business acumen; (iii) forward-looking, strategic focus; (iv) collegiality; (v) independence and absence of conflicts of interests; (vi) ability to devote necessary time to meet director responsibilities; (vii) current needs of the Board; and (viii) ability to commit to Company stock ownership.

Selection of Directors

The Committee shall receive suggestions concerning possible candidates for election to the Board, including all self-nominations and third-party nominations. The Committee shall review and evaluate the qualifications of all individuals identified as possible candidates for director and recommend to the Board individuals for election as directors. This function shall include, but not be limited to, making recommendations regarding:

- individuals for vacancies occurring from time to time, including vacancies resulting from an increase in the size of the Board; and
- the slates of directors proposed on behalf of management at annual meetings of stockholders.

The Committee will receive suggestions from stockholders wishing to recommend a director candidate to serve on the Board. Such suggestions must be provided in advance written notice to the company. Such written notice of an intent to nominate a director candidate at an annual meeting of stockholders must be given either by personal delivery or by United States mail, postage prepaid, to the Corporate Secretary no later than ninety (90) days in advance of such meeting. The notice must set forth: (a) the name and address of the stockholder who intends to make the nomination and of the person or persons to be nominated; (b) a representation that the nominating stockholder is a stockholder of record of the company's stock entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; (d) such other information regarding each nominee proposed by such stockholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission, had the nominee been nominated, or intended to be nominated, by the Board; and (e) the consent of each nominee to serve as a director of the company if so elected. The presiding officer of the annual meeting of stockholders may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure. Stockholders that are interested in recommending a director candidate may request a copy of the company's by-laws by writing to the Corporate Secretary at Caterpillar, 100 NE Adams Street, Peoria, Illinois 61629.

CEO and Chairman of the Board Succession

The Committee shall advise the Board concerning candidates for the position of Chairman of the Board and Chief Executive Officer, and conduct such investigation of such candidates as the Committee may deem appropriate. The Chairman of the Committee shall chair any executive session of the Board called for the purpose of discussing CEO and Chairman of the Board succession issues.

Executive Sessions of the Board

The Chairman of the Committee shall chair any meeting of the Board in executive session without management and the Chairman.

Officer Nomination and Ratification

The Committee shall advise the Board concerning possible candidates for such positions as Vice Chairman of the Board, Group President, Executive Vice President and Vice President, Controller, Secretary, Treasurer, and such other officers as the Company may from time to time deem appropriate. To fulfill these responsibilities, the Committee may conduct such investigations as the Committee shall deem appropriate.

Annual Board and Committee Evaluations

The Committee shall engage in a self-evaluation annually. The Committee shall also administer the Board's annual self-evaluation and share the evaluation results with the full Board and lead Board discussions and analysis thereof. Each of the Board's committees will administer their own self-evaluations and share the results of those evaluations with the Committee. The Committee will use the results of the evaluations to assess and determine characteristics and critical skills required of prospective candidates for election to the Board.