

# 2020 SUSTAINABILITY PROGRESS REPORT

Our path to carbon  
neutrality includes  
powering the world's  
first hydrogen fuel  
cell passenger train.

PAGE 6





# TURNING CHALLENGES INTO OPPORTUNITY

COVID-19 had an unprecedented impact on all of us. We have a history of turning challenges into opportunities, and 2020 presented many of both.



COVID-19 had a devastating impact on our communities, our economy, and our people. It's hard to think of a way that the pandemic has not changed our lives. Our business was impacted as well. In the second quarter, we faced the most severe decline in quarterly sales in our history, followed by a rapid recovery in demand.

We navigated the challenges well and our focus throughout the pandemic remained on what's most important — the safety and wellbeing of our employees, both physically and mentally. For our facilities that stayed open, we instituted mandatory health screenings before entering, required masks, enhanced cleaning protocols, and redesigned spaces to allow for social distancing.

We closed facilities that did not need to remain open, and many employees worked from home. We started making masks and supplied more than 10 million

to employees. We also expanded employee health care programs and widely promoted counseling and leave options. We are now focusing on vaccinations, launching a vaccine education campaign, organizing on-site clinics where possible, and offering paid time off to get the necessary shots.

Our commitment to the prosperity of our communities did not waver. We dispersed a record \$22 million in community grants, including about \$2.6 million in pandemic-related relief. We partnered with 3M and DuPont to use our filter technology in masks for healthcare workers. We assembled a Safe Work Playbook with the procedures used to open and operate our facilities, and we shared this publicly to help other companies.

This is all possible because of the extraordinary efforts of our employees. They contributed beyond expectations while facing their own struggles during a global pandemic.

We are now confronted with trying to meet a rapid demand increase hampered by global supply constraints while ensuring we keep employees safe. This is the challenge ahead of us, and I'm highly confident we will deliver.

## MEANINGFUL CLIMATE ACTION

We continued investment in our most important technology programs, which are critical to reaching our sustainability pledge of carbon neutrality by 2050.

We are investing in a range of solutions to lead the industry on the path to a zero-emissions future. We are taking steps today to turn our 2050 targets into real-world products and applications. We are powering the world's first hydrogen fuel cell passenger trains. We have put more than 600 electrolyzers into use globally, a key part of the solution to enabling green hydrogen production.

As we develop the technologies of tomorrow, we need the partnership of others to be successful. Industries and governments must work together to meet our global energy and environmental challenges. We are advocating for public policies that enable the energy transition while reducing emissions. This includes innovating and scaling low-carbon fuels, modernizing the grid, and developing the hydrogen economy.

***We have a history of more than 100 years of solving big problems. No matter the application, we will provide customers an economically viable solution so businesses can thrive, and we can sustain a vibrant economy while preserving the planet for generations to come. Our communities and business depend on a healthier planet and this work is our mission in action.***

### **TAKING ACTION ON SYSTEMIC RACISM**

Last year we launched Cummins Advocating for Racial Equity (CARE) to take a leading role in undoing systemic discrimination against the Black community. CARE has four key focus areas: police reform; criminal justice reform; economic empowerment; and social justice reform in healthcare, housing, workforce development and civil rights, including voting rights and education.

CARE brings together all of Cummins' capabilities - our people, our resources, and our philanthropy - to drive racial equity and combat the impact of racism. We are focusing on select communities where we have operations, and we are already making progress.

In our headquarters state of Indiana, we partnered with other businesses and civic groups to successfully advocate for a civilian-led board to create policies and procedures on police conduct. We committed \$250,000 toward the Indianapolis Urban League to invest in Black-owned businesses and entrepreneurship.

Later this year, we will launch four new Cummins Technical Education for Communities workforce development programs, creating pathways for Black residents to acquire opportunities in transportation, logistics and manufacturing.

We will continue investing in current and future minority-owned suppliers. Recently, we announced a commitment of \$500,000 to the American Express Coalition to Back Black Businesses, established to help Black-owned small businesses recover from the disproportionate impact of COVID-19. To date, we have helped 60 businesses through our involvement.

We are partnering with local Community Development Financial Institutions and organizations to distribute \$3 million in aid to Black-owned businesses in four of our target communities, and we are also set to release \$2 million in loans.

Equally important to our community efforts is acting inside our walls. Over the last year, we have added two Black members to our Board of Directors, promoted or appointed six Black leaders as officers, and continued to assess our hiring, advancement and retention processes to ensure we are living our value of diversity and inclusion.

These are important steps, and there is still much work to be done.

### **LOOKING AHEAD**

2020 demonstrated that merely focusing on the bottom line isn't enough for sustainable business success. We serve each of our stakeholders by serving them all.

I am proud of what we achieved in 2020 and am optimistic about the opportunities ahead to continue powering a more prosperous world.



**Tom Linebarger**  
Chairman and CEO  
Cummins Inc.

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# SUSTAINABILITY AT CUMMINS

## Cummins' approach to sustainability aligns with its mission to make people's lives better by powering a more prosperous world.

A more prosperous world has a financial component, certainly, but at Cummins it means more than that. A more prosperous world is also a world with clean air and clean water, where businesses partner with other stakeholders to weave a stronger social fabric. The company has long believed success is about more than just the bottom line.

The Cummins Sustainability Progress Report is divided into three sections to show the company's progress toward its mission: environmental reporting, social reporting, and governance and economic reporting. Cummins strives to be consistent with the reporting structures established by the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB) and the Taskforce for Climate-related Financial Disclosures (TCFD).

In addition to its disclosures to these and other reporting platforms, Cummins regularly reports on the company's sustainability progress in [The Newsroom](#) on cummins.com.

This is the first of the Cummins' reports related to sustainability and the environment, social matters and governance (ESG) that will come out over the next 12 weeks. Here's a look at the others:

### THE CUMMINS 2020 SASB REPORT

Cummins will again produce a report aligned specifically to the disclosures in the Sustainability Accounting Standards Board (SASB) reporting platform. SASB was established in 2011 to provide investors with industry-specific sustainability information about the companies they are investing in. The Cummins 2020 SASB Report will be posted in the company's sustainability [document archive](#) by the end of July 2021.

### THE CUMMINS 2020 GRI CONTENT INDEX AND DATA BOOK

The company is again producing a separate posting aligned to the Global Reporting Initiative (GRI) platform, which was established by the United Nations to provide a consistent way for companies to report on their ESG performance. The Cummins 2020 GRI Content Index and Data Book will be posted in the company's [document archive](#) by the end of July 2021.

### CUMMINS 2020 TCFD REPORT

Cummins will also be reporting to the Taskforce on Climate-related Financial Disclosures (TCFD). Created in 2017, TCFD is designed to provide investors and others with a clearer picture of a company's climate-related disclosures and climate-related risks. Cummins' 2020 TCFD Report will be posted in the company's [document archive](#) by the end of August.

### CUMMINS 2020 CDP FILINGS

Cummins is committed to sharing its CDP (formerly the Carbon Disclosure Project) water and climate filings. The CDP was established to help build a truly sustainable economy by increasing understanding around a company's environmental impact. The filings will be posted in Cummins' sustainability [document archive](#) by the end of August.

### CUMMINS DATA

Data in this report covers well over 75% of the company's operations. More than 80% of the Environmental and Social Data has been reviewed by APEX, a leader in verification and assurance. Its Independent Assurance Statement is included in the GRI Content Index and Data Book. Financial data comes from Cummins' [Annual Report on Form-10K](#), which is audited by PricewaterhouseCoopers LLP, an independent, registered public accounting firm.

### 2020-2021 SUSTAINABILITY OVERVIEW

Cummins has also put together another summary of the company's sustainability programs for readers wanting a high-level look at Cummins' efforts over the past year. The overview is posted with the company's other sustainability related reports and documents in the company's [document archive](#).





(Photos courtesy of Alstom)

## ABOUT THE COVER



### POWERING A NEW WAY TO PROPEL PASSENGER TRAINS

Alstom's pioneering Coradia iLint trains, the world's first hydrogen-powered passenger trains, successfully completed nearly two years of testing in Northern Germany in 2020 and are scheduled to go into regular service in 2022.

Using fuel cell technology to convert hydrogen and oxygen into electricity for propulsion, emitting only water vapor and condensation, the trains successfully

completed more than 180,000 kilometers of regular passenger service operating from September 2018 through February 2020. They soon started three months of additional testing, transporting passengers in Austria over geographically challenging routes.

Hydrogenics, now a part of Cummins, was selected by Alstom to develop and implement the fuel cell systems for the Coradia iLint, bringing the environmental benefits of electrification to passenger rail without the wires frequently associated with the service. The trains also produce remarkably little noise, with a top speed of 140 km/h.

In January 2021, the Coradia iLint received the European Rail Award for outstanding achievement in the development of economically and environmentally sustainable rail transport. Other countries are interested in the technology, including the United Kingdom, the Netherlands, France and Italy.

Alstom, one of the leading rail manufacturers in Europe, is headquartered in France with a presence in more than 60 countries and more than 38,000 employees. To learn more about the company's hydrogen-powered trains, check out [Alstom's website](#).



# COMPANY UPDATES MATRIX TO REFLECT 2020 DEVELOPMENTS

Cummins updated its Materiality Matrix in this report to reflect new issues emerging in 2020, such as COVID-19 and racial equity.

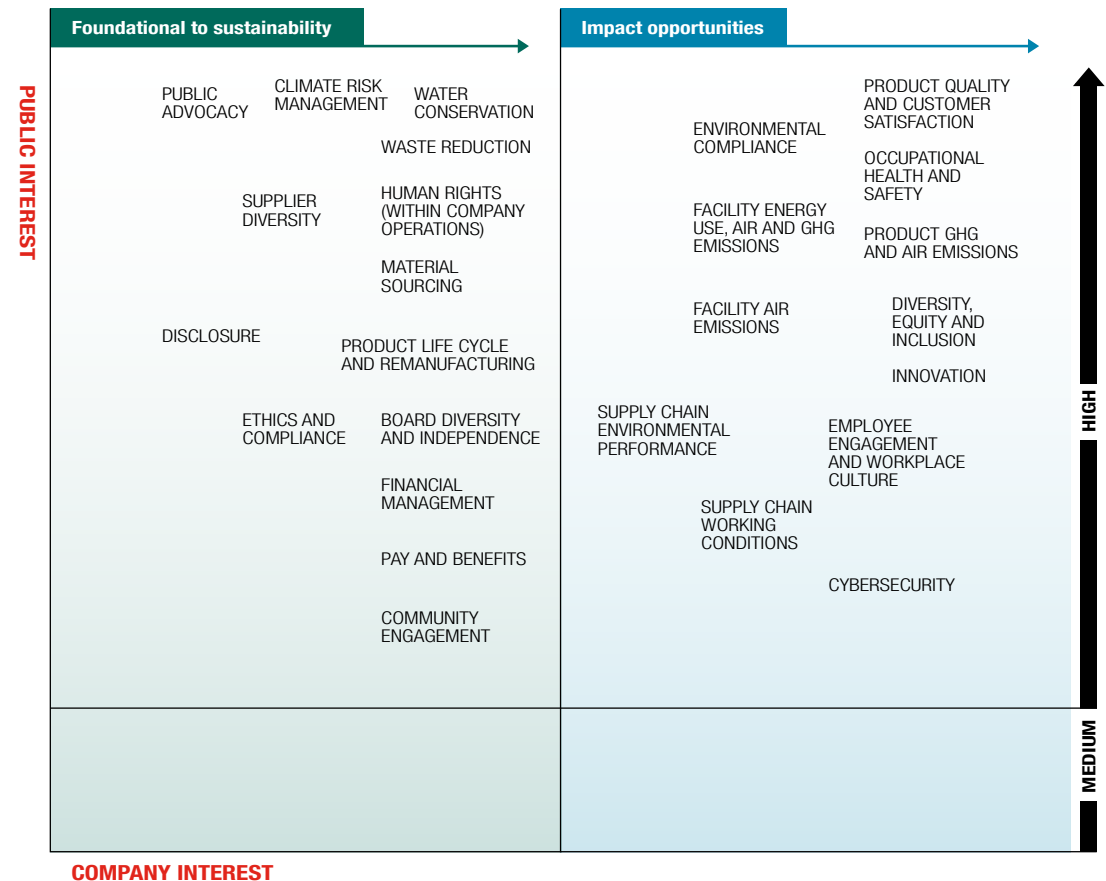
The importance of these topics can be seen in the placement of occupational health and safety and diversity, equity and inclusion among those issues of greatest concern to both the public and Cummins. In addition, the sustainability reporting team added cybersecurity and employee engagement and workplace culture among its impact opportunities to reflect their growing importance to the public and Cummins.

To make these changes, the reporting team convened a cross-functional group to review both developments in 2020 and the company's matrix developed in 2018, when Cummins' sustainability reporting team worked with Deloitte to identify issues where Cummins had the greatest opportunities for environmental, social and governance impact. The company and Deloitte interviewed key voices in and outside the company to develop the 2018 matrix.

The cross functional group incorporated the work that went into Cummins' previous matrix with feedback from several sources, including the Global Reporting Initiative, the Sustainability Accounting Standards Board, and the Taskforce on Climate Related Financial Disclosures. The team also reviewed topics covered in sustainability surveys Cummins was asked to fill out by multiple customers and feedback from institutional investors who have become increasingly interested in sustainability.

The group reaffirmed the interest in innovation and reducing greenhouse gases and air emissions, which are key issues at Cummins as the company pursues a carbon-neutral future.

Finally, the cross-functional team renamed and combined several issues for greater clarity and reorganized its matrix to better communicate the company's priorities.



# KEY PERFORMANCE INDICATORS

Cummins takes a broad view of sustainability, including the environment, corporate responsibility, health and safety, diversity and inclusion, employee development and governance. The company tracks many key performance indicators. Here are just a few:



Cummins believes in transparency. This icon identifies multi-year data that allows for comparisons.

- 1 Primary energy excludes sold electricity and associated fuel usage
- 2 Intensity defined as adjusted for sales (energy / GHG) or hours worked (water)
- 3 Reduction includes consolidated entities only

## ECONOMIC

	2018	2019	2020
Revenue	\$23.8 billion	\$23.6 billion	\$19.8 billion
Net Income	\$2.1 billion	\$2.4 billion	\$1.8 billion

\* Excluding charges totaling \$777 million in connection with tax reform in the United States, full year net income attributable to Cummins was \$1.8 billion (\$10.62 per diluted share), with a full year tax rate of 24.5%.

## ENVIRONMENTAL

	2018	2019	2020
GHG emissions (thousands of metric tons CO <sub>2</sub> e)	808	751	656
Energy consumption <sup>1</sup> (thousands of MMBtu)	14,375	14,043	12,673
Water use (millions of gallons)	949	895	772
Water intensity reduction <sup>2</sup> (2010 baseline)	50%	53%	53%
Energy intensity reduction <sup>2,3</sup> (2010 baseline)	29%	31%	27%
GHG intensity reduction <sup>2,3</sup> (2010 baseline)	37%	42%	41%
Recycling rate	90%	91%	93%

## SOCIAL

	2018	2019	2020
H&S Severity Case Rate	0.264	0.225	0.209
H&S Incidence Rate	0.646	0.593	0.482
Code of Conduct cases	2,215	2,436	1,601
Women leaders in the workforce	23.22%	23.90%	25%
Every Employee Every Community (EEEC) participation rate	83%	82%	34%
People impacted by EEEEC projects	4.3 million	6.5 million	1.4 million

\*\*First year for calculation








# THE U.N.'S SUSTAINABLE DEVELOPMENT GOALS

Cummins supports the U.N.'s Sustainable Development Goals to “end poverty, protect the planet and ensure prosperity for all.”

As a signer of the U.N. Global Compact in 2017, the company wants to do its part to make the world a better place to live.

Cummins believes its initiatives touch 17 goals with a special focus on 10 where it has the biggest impact. Here are some examples:

U.N. GOAL	CUMMINS' ROLE	STATUS SUMMARY	LEARN MORE
 <p><b>1 NO POVERTY</b></p>	<p><b>NO. 1 NO POVERTY</b></p> <p>Cummins TEC provides disadvantaged youth a path to decent jobs.</p>	<p>TEC has produced 1,700 graduates since it was launched in 2012.</p>	<p><a href="#">Page 34</a></p>
 <p><b>4 QUALITY EDUCATION</b></p>	<p><b>NO. 4 QUALITY EDUCATION</b></p> <p>Education is one of three areas of focus for the company's community engagement efforts.</p>	<p>14% of the company's Corporate Responsibility grants in 2020 went to education initiatives, often supporting employee-led projects.</p>	<p><a href="#">Page 33</a></p>
 <p><b>5 GENDER EQUALITY</b></p>	<p><b>NO. 5 GENDER EQUALITY</b></p> <p>Cummins Powers Women works with expert non-profits to address equality for women and girls.</p>	<p>The Cummins Powers Women initiative impacted the lives of some 17 million women and girls since its launch in 2018.</p>	<p><a href="#">Page 35</a></p>
 <p><b>6 CLEAN WATER AND SANITATION</b></p>	<p><b>NO. 6 CLEAN WATER AND SANITATION</b></p> <p>Water is a key focus for the company's PLANET 2050 strategy.</p>	<p>Cummins has reduced its absolute water use between 2010 and 2020 by about 28%.</p>	<p><a href="#">Page 22</a></p>
 <p><b>7 AFFORDABLE AND CLEAN ENERGY</b></p>	<p><b>NO. 7 AFFORDABLE AND CLEAN ENERGY</b></p> <p>Energy is a key focus for the company's PLANET 2050 strategy.</p>	<p>A Cummins-supported wind farm expansion in Indiana (U.S.) is sending enough renewable power to the grid to offset the electricity the company uses in its headquarters state.</p>	<p><a href="#">Page 28</a></p>

## ABOUT THE GLOBAL COMPACT

Cummins is a member of the United Nations Global Compact. It is organized around 10 fundamental principles:

### HUMAN RIGHTS

- » Businesses should support and respect the protection of internationally proclaimed human rights.
- » Businesses should make sure that they are not complicit in human rights abuses.

### LABOR

- » Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
- » Businesses should work for the elimination of all forms of forced and compulsory labor.
- » Businesses should strive for the effective abolition of child labor.
- » Businesses should support the elimination of discrimination in employment and occupation.

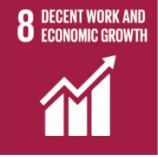




### ENVIRONMENT

- » Businesses should support a precautionary approach to environmental challenges.
- » Businesses should undertake initiatives to promote greater environmental responsibility.
- » Businesses should encourage the development and diffusion of environmentally friendly technologies.

### ANTI-CORRUPTION

- » Businesses should work against corruption in all its forms, including extortion and bribery.

## THE U.N.'S SUSTAINABLE DEVELOPMENT GOALS (CONT.)

U.N. GOAL	CUMMINS' ROLE	STATUS SUMMARY	LEARN MORE
 <p><b>8 DECENT WORK AND ECONOMIC GROWTH</b></p>	<p><b>NO. 8 DECENT WORK AND ECONOMIC GROWTH</b></p> <p>The company's mission is to build a more prosperous world for all stakeholders.</p>	<p>The company has multiple efforts in this area including its living wage initiative internally and its CARE program externally.</p>	<p><a href="#">Page 36</a></p> <p><a href="#">Page 43</a></p>
 <p><b>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</b></p>	<p><b>NO. 9 INDUSTRY INNOVATION AND INFRASTRUCTURE</b></p> <p>Cummins is working to improve its traditional technologies such as diesel and natural gas engines and develop new low-carbon technologies such as fuel cell electric and battery electric.</p>	<p>In 2020, Cummins received a record 312 patents while spending more than \$900 million on research, development and engineering for a third consecutive year.</p>	<p><a href="#">Page 57</a></p>
 <p><b>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</b></p>	<p><b>NO. 12 RESPONSIBLE CONSUMPTION AND PRODUCTION</b></p> <p>Reducing the company's energy consumption was a key focus of Cummins' 2020 environmental goals.</p>	<p>In 2020, Cummins fell just short of its energy intensity reduction goal, achieving a 27% reduction from company facilities compared to a 2010 baseline.</p>	<p><a href="#">Page 23</a></p>
 <p><b>13 CLIMATE ACTION</b></p>	<p><b>NO. 13 CLIMATE ACTION</b></p> <p>Addressing climate change is part of the company's PLANET 2050 strategy.</p>	<p>The strategy includes science-based 2030 goals, aligned with the Paris Agreement to address climate change. Cummins also held first Hydrogen Day in 2020 to showcase its products connected to this promising low carbon fuel source.</p>	<p><a href="#">Page 18</a></p>
 <p><b>17 PARTNERSHIPS FOR THE GOALS</b></p>	<p><b>NO. 17 PARTNERSHIPS TO ACHIEVE GOALS</b></p> <p>Cummins believes strongly in partnering to improve its products, build stronger communities and address the environment.</p>	<p>Cummins partnered on a wide range of projects, including with DuPont and 3M to produce personal protective equipment for medical professionals in 2020.</p>	<p><a href="#">Page 63</a></p>



## WHO WE ARE

Cummins Inc., a global power leader, is a corporation of complementary business segments that design, manufacture, distribute and service a broad portfolio of power solutions. The company's products include diesel, natural gas, electric and hybrid powertrains and powertrain-related components such as filtration, aftertreatment, turbochargers, fuel systems, controls systems, air handling systems, automated transmissions, electric power generation systems, batteries, electrified power systems, hydrogen generation and fuel cell products.

### WORLD HEADQUARTERS

500 Jackson St.  
Columbus, IN 47201

EST. 1919



cummins.com

FORTUNE 500 RANKING (2021)

150

**CMI**

STOCK SYMBOL

(New York Stock Exchange)

**57,825** EMPLOYEES WORLDWIDE

More than 50% of the company's employees are located outside the United States.

(as of Dec. 31, 2020)

### CUSTOMERS

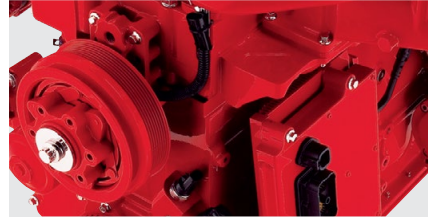
Cummins serves its customers online, through a network of company-owned and independent distributor locations, and through thousands of dealer locations worldwide.

### SALES / EARNINGS

Cummins earned \$1.8 billion on sales of \$19.8 billion.

# HOW WE DO IT

For almost 20 years Cummins was organized into four business segments. Then, in 2018, the company established the Electrified Power segment to develop electric powertrains and related components. In 2019, the segment was renamed New Power to better reflect its expanded portfolio, including electrification, hydrogen-powered fuel cells and potentially other new technologies.

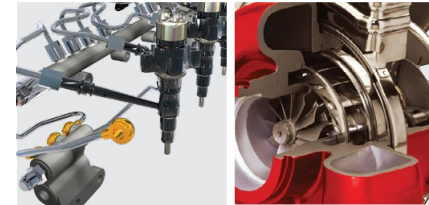


## ENGINE SEGMENT

Clean, efficient, dependable and durable, **Cummins engines** are found in nearly every type of commercial truck and equipment on Earth. The Engine business segment designs and builds diesel and natural gas engines for heavy- and medium-duty trucks, buses, light duty trucks and for off-highway markets including agriculture, construction and military equipment.

## POWER SYSTEMS

Cummins Power Generation is a world leader in the design and manufacture of power equipment. The **Power Systems** segment produces power generation systems, components, and services in standby and prime power, distributed power generation, combined heat and power and auxiliary power in mobile applications. It also designs and builds the high horsepower engines used for these and other purposes.



## COMPONENTS

Engine manufacturers around the world incorporate the **Components** segment's technologies to make their products truly outstanding. Components is organized around these entities:

- » **CUMMINS EMISSION SOLUTIONS** designs and builds exhaust aftertreatment solutions to reduce engine emissions.
- » **CUMMINS FILTRATION** designs and builds heavy-duty air, fuel, hydraulic and lube filtration, and chemical and exhaust system technology products.
- » **CUMMINS FUEL SYSTEMS** designs and builds fuel systems that maximize power and fuel economy while helping reduce emissions.
- » **CUMMINS TURBO TECHNOLOGIES** designs and builds turbochargers to maximize engine performance and reduce emissions and fuel consumption.



## NEW POWER

The **New Power** segment includes battery-electric and fuel cell electric products as well as products used in renewable hydrogen production and potentially other new power initiatives. Cummins in 2019 acquired Hydrogenics, a fuel cell and hydrogen production technologies company, which is now included in the segment.

## DISTRIBUTION

The **Distribution** segment provides sales, service and support to customers around the world through the largest number of certified service and support locations of any engine manufacturer. Cummins has the technical expertise and experience to deliver fast, high quality repairs; planned maintenance and upgraded solutions.





# CUMMINS' STORY

## WHY WE EXIST

### MISSION

*Making people's lives better by powering a more prosperous world*

## WHAT WE WANT TO ACCOMPLISH

### VISION

*Innovating for our customers to power their success*

## HOW WE WILL DO IT

### VALUES

#### INTEGRITY

*Doing what you say you will do and doing what is right*

#### DIVERSITY & INCLUSION

*Valuing and including our differences in decision making is our competitive advantage*

#### CARING

*Demonstrating awareness and consideration for the wellbeing of others*

#### EXCELLENCE

*Always delivering superior results*

#### TEAMWORK

*Collaborating across teams, functions, businesses and borders to deliver the best work*

### LEADERSHIP CULTURE

*Inspiring and encouraging all employees to achieve their full potential*

### BRAND PROMISE

*Powering our customers through **innovation** and **dependability***

### STRATEGY

*Delivering value to all stakeholders*





# SIX SIGMA

Cummins is a big proponent of Six Sigma, using the business improvement tool to save the company and its customers billions of dollars.

Six Sigma uses data-based analysis to identify defects and variation in a wide range of manufacturing and business situations. Cummins employees also frequently use Six Sigma when working with community partners on community engagement projects.

In 2020, Cummins' Six Sigma program evolved to provide more on-demand tools, methods and learning support through a new website with less emphasis on classroom training. The change paid immediate dividends with many employees working from home because of the pandemic.

Cummins saw a 52.5% increase in Six Sigma related savings in 2020 compared to historical targets, including cost reductions and cost avoidance initiatives. Closed projects for the year had a value of \$915 million compared to a target of \$600 million.

The company's Six Sigma program has now identified an estimated \$7.7 billion in Profit Before Interest and Taxes savings since the tool was first implemented in 2000, including \$284 million in 2020. Cummins customers, meanwhile, have saved an estimated \$2.55 billion through Six Sigma since the tool was first offered to them in 2005, including \$129.7 million in 2020.

Completed projects in 2020 tackled everything from tax issues in Mexico to engine shipping challenges and data storage issues across the company. The program now says more than half of the company's salaried employees have been trained in the problem-solving tool.

## MORE THAN COST SAVINGS

Six Sigma's impact at Cummins goes beyond cost savings and building stronger communities.

The tool provides the company with a common language and collective mindset that can be used to address a problem or challenge almost anywhere in the world

As a continuous improvement company, Cummins is committed to providing its employees with the tools they need to solve the most important challenges in the business.

## KEY NUMBERS IN 2020

# TWENTY

*Years Cummins has used Six Sigma as its principal problem-solving tool*

# 7.7 BILLION

*PBIT (Profit Before Interest and Taxes) savings in dollars since Six Sigma was implemented at Cummins*

# 52.5%

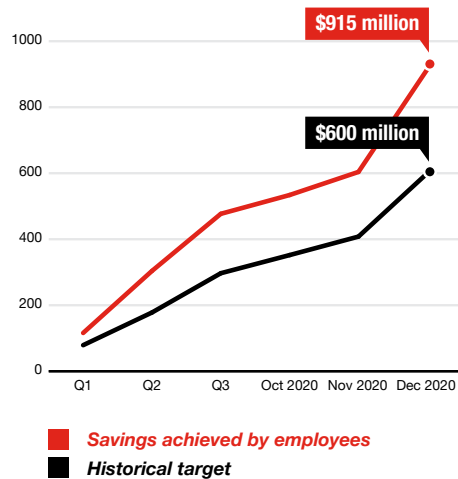
*Six Sigma savings identified over historical targets in 2020*

# 284 MILLION

**Savings in dollars identified by Six Sigma projects in 2020**

## 2020: A YEAR TO REMEMBER

Cummins employees exceeded the company's target for Six Sigma related savings despite the global pandemic.



# AWARDS AND RECOGNITION

Cummins received several awards and recognition related to sustainability during 2020 and early 2021. Here's a brief look:

## ENVIRONMENT AND SUSTAINABILITY

- » Cummins is named to the 2020 **S&P DOW JONES INDICES OF THE MOST SUSTAINABLE COMPANIES IN NORTH AMERICA** for a 15th consecutive year.
- » Cummins qualifies for the **2021 SUSTAINALYTICS ESG INDUSTRY TOP RATED BADGE** for high performers among the 12,000 companies reviewed by the environmental, social and governance research and ratings firm.
- » Cummins is named to **INVESTOR'S BUSINESS DAILY'S 2020 BEST ESG COMPANIES** list for performance on environmental, social and governance matters, ranking No. 37 (up from No. 48 on 2019 list).
- » Cummins is named to **BARRON'S 2021 LIST OF THE 100 MOST SUSTAINABLE COMPANIES**, ranking No. 84 on the magazine's list.
- » Cummins is named to **FTSE4GOOD 2020 INDEX** of companies demonstrating strong environmental, social and governance performance.

## DIVERSITY AND INCLUSION

- » Cummins in 2020 receives the highest ranking for a culture of diversity and inclusion as part of the **CULTURE CHAMPIONS STUDY BY THE MASSACHUSETTS INSTITUTE OF TECHNOLOGY AND GLASSDOOR**. The company also receives high marks for creating cultures of integrity and respect.
- » Cummins is named in 2020 to the 20th annual list of **AMERICA'S TOP CORPORATIONS FOR WOMEN'S BUSINESS ENTERPRISES**, honoring world class supplier diversity programs.
- » Cummins is named a **TOP SCORING COMPANY ON THE 2020 DISABILITY EQUALITY INDEX**, a national benchmarking tool enabling businesses to self-report on disability inclusion policies and practices. The company is also named a **BEST PLACE TO WORK FOR DISABILITY INCLUSION** by the index.
- » Cummins again receives a perfect score in the Human Rights Campaign's **2021 CORPORATE EQUALITY INDEX**, qualifying the company as a **BEST PLACE TO WORK FOR LGBTQ EQUALITY**. The Human Rights Campaign is the world's leading advocate for LGBTQ rights.

## ETHICS AND ETHICAL BEHAVIOR

- » Cummins is named to the **ETHISPHERE INSTITUTE'S 2021 LIST OF THE WORLD'S MOST ETHICAL COMPANIES** for a 14th consecutive year. The list honors top companies for ethics and compliance around the world.
- » Cummins in 2020 is named to **NEWSWEEK'S LIST OF AMERICA'S MOST RESPONSIBLE COMPANIES** for 2021, ranking No. 24.
- » Cummins is named in 2020 to **FORBES' 2021 JUST 100 LIST, A RANKING OF AMERICA'S MOST JUST COMPANIES**. Cummins finishes No. 99.

## MANAGEMENT AND WORKPLACE

- » Cummins in 2020 moves up 24 places to No. 64 in the **WALL STREET JOURNAL'S 2020 MANAGEMENT TOP 250**, a ranking developed by the Drucker Institute for the newspaper.
- » Cummins in 2021 is named one of **AMERICA'S BEST LARGE EMPLOYERS OF 2021** by Forbes magazine and Statista, a leading provider of market and consumer data.



INTRODUCTION //

# FUTURE FOCUSED

**For more than 100 years Cummins has been at the forefront of new ideas. Here's a brief look at the company's remarkable history.**



**1937**

Cummins earns its first profit.

**1934**

J. Irwin Miller, great-nephew of W.G. Irwin, becomes general manager of Cummins at the age of 24.

**1962**



Cummins begins operations in India, first as a joint venture with one plant in Pune. Today, the company owns all or part of 20 manufacturing facilities in the country and employs nearly 14,000 people.

**1951**

Miller becomes Chairman of the Cummins Board.

**1972**

Miller lays out his thinking on Corporate Responsibility in Cummins' 1972 Annual Report.

**"While some still argue that business has no social responsibility, we believe that our survival in the very long run is as dependent upon responsible citizenship in our communities and in the society as it is on responsible technological, financial and production performance."**



**2019**

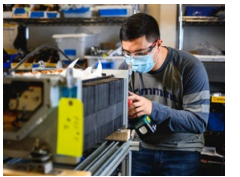
Cummins celebrates 100 years in business.

Cummins unveils PLANET 2050 strategy to further reduce its carbon footprint and address climate change.



**2020**

Cummins holds first virtual Hydrogen Day, showing an audience of nearly 2,000 the company's progress working with the promising low-carbon fuel.



Clessie Cummins creates the Cummins Engine Company based in Columbus, Indiana (U.S.). William G. Irwin, who employed Cummins as a driver, supplies nearly all of the \$50,000 in startup capital.



**1919**

Cummins takes Irwin for a ride in a used Packard limousine that he equipped with a diesel engine on Christmas Day, convincing Irwin of the engine's potential. Irwin invests a much-needed infusion of cash.

**1929**

Cummins barnstorms across the country, demonstrating the power and fuel efficiency of the diesel engine in his Coast to Coast Cummins Diesel Test Bus.



**1932**



Miller becomes Executive Vice President of Cummins.

**1944**

Cummins enters China as part of a deal involving heavy construction equipment with Cummins engines.



**1975**

Miller helps Dr. Martin Luther King, Jr. with some of the organizing behind the 1963 March on Washington. Miller was acting as leader of the National Council of Churches.

**1963**

Cummins purchases 86% of the Onan Corporation in suburban Minneapolis, Minnesota (U.S.), which would become the basis for its Power Systems Business.

**1986**

Miller retires as Chairman of the Board, although he remains active with the company until his death in 2004.

**1977**

President and Chief Operating Officer Tom Linebarger succeeds Tim Solso as Chairman and CEO on Jan. 1. During Solso's 10 years leading Cummins, the company experienced record growth.

**2012**

Cummins establishes its Electrified Power business segment, renaming it New Power in 2019 to reflect investments in hydrogen generation and hydrogen fuel cells.



**2018**

A global pandemic closes most Cummins locations for at least several weeks, but the company learns to safely reopen and support customers performing essential work.



**2020**



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# ***ENVIRONMENT***

**Cummins is committed to reducing its carbon footprint and doing more to use less of the world's natural resources. The company is also committed to acting with transparency.**

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## **WHAT'S INSIDE:**

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# ACTING TODAY FOR A MORE PROSPEROUS PLANET IN 2050

Creating a bold strategy and aggressive goals was hard work. Now comes the even more challenging part — creating what it takes to make Cummins’ PLANET 2050 vision a reality.



*New solar panels line a parking lot at the Cummins campus in San Luis Potosí, Mexico. The company is working to increase its use of low-carbon, renewable power.*

In 2019, as part of Cummins’ 100th anniversary, Chairman and CEO Tom Linebarger launched PLANET 2050 – the company’s environmental sustainability strategy that sets eight quantifiable goals for 2030 along with visionary longer-term aspirations timed to 2050. The three focus areas for the strategy are:

- » Reducing greenhouse gas (GHG) and air emissions in line with experts’ recommendations.
- » Using natural resources in the most sustainable way possible.
- » Helping communities address their major environmental challenges.

## MAJOR THEMES

The Cummins **PLANET 2050** team in 2020 focused on defining the integration and execution plans required to make the foundational changes needed for the company’s 2030 goals. Cummins will more formally begin reporting the progress of these efforts starting in 2022. The team’s work over the last year can be categorized along three major themes:

- » Building capability in teams, tools, resources, and data management
- » Implementing operational excellence for engaging with customers across

the supply chain, transitioning to a circular economy that eliminates waste and extends product life as long as possible.

- » Define operational improvements with a focus on manufacturing and testing for goal achievement.

There are several key areas that are a major focus for 2021. One is to identify and refine product decarbonization pathways for the 2030 goals and the 2050 aspiration of carbon neutrality. The team is working on evolving the company’s Science-Based Target baseline data to a higher level of fidelity for scenario planning and integration into technical and product planning processes.

In recognition of the increasing importance of working across stakeholders, the team is also establishing a system that would better facilitate working collaboratively and proactively with customers on collective sustainability goals. This framework will leverage cross-business insights and commitments to align and build the right processes, data, tools, training and more to forge even stronger partnerships.

## UP FOR THE CHALLENGE

While the company has good examples of optimizing material efficiency in key areas today, more is needed to increase the breadth of coverage and enable product development teams to assess environmental impacts across the lifecycle of Cummins’ products. The company is adding in-house Lifecycle Analysis (LCA) tools to inform and improve these decision-making processes and allow Cummins to set material efficiency targets.

The company is also building on its deep expertise and experience with reducing energy use and GHGs, as well as waste production and water use at Cummins operations globally. The 2030 goals involve reductions that require both greater investment and deeper understanding and changes to manufacturing and testing operations.

So, the challenges are plentiful as Cummins begins implementing its PLANET 2050 strategy and looks ahead to its 2030 goals and beyond. The challenges will mean more hard work, but the company intends to meet them.



## PLANET 2050 ASPIRATIONS

### COMMUNITIES ARE BETTER BECAUSE WE ARE THERE

#### 2050 TARGETS:

- Net positive impact in every community where Cummins operates.
- Near zero local site environmental footprint.

### DOING OUR PART TO ADDRESS CLIMATE CHANGE AND AIR EMISSIONS

#### 2050 TARGETS:

- Customer success is powered by carbon neutral technologies that address air quality.
- Carbon neutrality and near zero pollution in Cummins' facilities and operations.

### USING NATURAL RESOURCES IN THE MOST SUSTAINABLE WAY

#### 2050 TARGETS:

- Design out waste in products and processes
- Use materials again for next life
- Reuse water and return clean to the community

## 2030 GOALS

SCIENCE-BASED TARGETS

1. Reduce absolute greenhouse gas (GHG) emissions from facilities and operations by 50%.
2. Reduce scope 3 absolute lifetime GHG emissions from newly sold products by 25%.
3. Partner with customers to reduce scope 3 GHG emissions from products in the field by 55 million metric tons.
4. Reduce volatile organic compounds emissions from paint and coating operations by 50%.

CIRCULAR ECONOMY

5. Create a circular life-cycle plan for every part to use less, use better, use again.
6. Generate 25% less waste in facilities and operations as a percent of revenue.
7. Reuse or responsibly recycle 100% of packaging plastics and eliminate single-use plastics in dining facilities, at employee events and as amenities.
8. Reduce absolute water consumption in facilities and operations by 30%.

## 2030 KEY NUMBERS

50

Percentage reduction goal for absolute GHG emissions from facilities and operations by 2030.

55 MILLION

Reduction goal for scope 3 GHG emissions from products in the field by 2030, partnering with customers.

25

Percentage reduction goal for waste in facilities and operations as a percent of revenues by 2030.

50

Percentage reduction goal for volatile organic compound (VOC) emissions from paint and coating operations by 2030.

100

Percentage goal for recycling of packaging plastics and elimination of single use plastics in dining facilities by 2030.

NOTE: Company facilities include all consolidated operations and joint ventures that are part of the Cummins Enterprise Environmental Management System. The company's strategy also includes addressing environmental needs in communities where Cummins employees live and work and where the company does business. Those goals are under development.



## 2020 ENVIRONMENTAL GOALS MAKE CUMMINS CLEANER, MORE EFFICIENT

Cummins wrapped up work on the company's 2020 environmental sustainability goals with a number of achievements, including significant gains in water conservation and waste and energy reduction.

The company, for example, achieved its goal of reducing water use intensity (water use adjusted by hours worked) by 50% in 2018 and extended that reduction to 53% in 2020. Sixteen sites achieved Cummins' definition of water neutrality by the end of 2020 — exceeding the goal of 15.

Meanwhile, 35 sites reached the company's zero disposal standard, exceeding the goal of 30. Cummins recycled 93% of the total waste it generated, the highest performance in company history, although just short of the company's 2020 goal of 95%.

On energy, Cummins significantly increased its use of renewable wind and solar energy by 2020 and the company also increased high efficiency LED lighting coverage to about 85%. Over the past five years, Cummins invested \$65 million in energy improvements, saving about \$19 million per year.

Finally, the company worked with customers to exceed for a third consecutive year Cummins' goal of reaching an annual run-rate reduction of 3.5 million metric tons (MMT) of carbon dioxide (CO<sub>2</sub>) from Cummins products in use, ending 2020 with a run rate reduction of 4.9 million MMT of CO<sub>2</sub>.



*Cummins employees (left) at the company's engine plant in Rocky Mount, North Carolina (U.S.), officially launch the plant's Water Hub (above) in 2020. It uses a variety of treatment technologies including hydroponics to return millions of gallons of water to the plant annually for non-potable uses.*

## LEADERSHIP VOICES



**“** *I can't say enough about the tremendous work done to meet our 2020 goals, from goal leaders and their teams to the efforts of all employees who did their part for sustainability. Our employees persevered. They found creative solutions. They kept moving forward even when it was hard and there were constraints. And yes, the final year of our plan was during a global pandemic. Yet Cummins did what we said we would do and did it well.”*

### TIM MILLWOOD

Vice President, Manufacturing



**“** *I remember when we created the 2020 plan, expanding into a wide range of public goals across greenhouse gases, water and waste. It is amazing to now reflect on how we used our data and experience — combined with our passion and commitment — to produce really powerful results. Our employees took on hundreds of projects and championed them with skill and determination. It has been a fantastic journey so far with really terrific work and more to come!”*

### BRIAN MORMINO

Executive Director,  
Technical & Environmental Systems

There's no question, taken as a whole, the 2020 goals have made the company a cleaner, more efficient partner in the communities where Cummins facilities are located.

### ABOUT THE GOALS

The company announced its first comprehensive global environmental sustainability plan in 2014. That plan had seven goals; five involving water, waste and energy in Cummins facilities, one dealing with logistics in the company's intercompany network, and the products in use goal to reduce the CO<sub>2</sub> used by Cummins products already in the field.

Most of the goals in the plan were new. However, the company had been working to reduce energy use for some time. Cummins' 2020 energy goal was actually the company's fourth energy-greenhouse gas reduction goal since 2006. Cummins established new energy goals upon achieving its previous targets.

The company's environmental team was an early adopter of establishing goals and publicly reporting its progress on them as a means to drive environmental

progress. (See [page 27](#) for final goal statistics in individual areas as well as details on each of the principal goals.)

The final numbers, however, don't tell the entire story, especially during 2020.

### COVID'S TOLL

Last year's progress report included a story on the potential impact the pandemic could have on achieving some 2020 goals. And it did. For example, the company had to postpone more than half of its planned capital improvement projects to address COVID-19 safety and other pandemic-related matters.

Cummins sites that remained open were asked to increase facility ventilation rates and disable energy recovery systems, which increased energy use. Work was spread across multiple shifts to facilitate employee social distancing.

While many offices and other facilities were closed for extended periods of time, those facilities still required some energy to maintain critical building operations. All of these actions increased energy intensity, which for energy and

water were adjusted by hours worked. Cummins' energy intensity target for 2020 was 32% and the company reached 31% in 2019 but ended 2020 at 27%.

Reaching the logistics efficiency goal was hampered by expedited shipments required during the crisis. Cummins' products power many critical functions including the transportation of food and medicine.

There were also some instances where Cummins narrowly missed its goal that had little to do with COVID-19. For example, the company knew its recycling target of 95% was aggressive, and it seemed even more so after Cummins absorbed or acquired additional sites and faced challenges finding places to recycle in some parts of the world. Despite those challenges, the company only missed its recycling goal by two percentage points.

As was the case with that goal, even when Cummins missed it made significant progress toward the standard it was trying to reach — an important lesson as the company now begins work on Cummins' 2030 goals.

## KEY NUMBERS IN 2020

53

Percentage reduction in water intensity (water use adjusted by hours worked) achieved in 2020, exceeding Cummins' goal.

93

Percentage of total waste recycled in 2020.

65 MILLION

Amount in dollars invested over the past five years on energy improvements at Cummins.

35

Sites achieving Cummins' zero disposal standard, five above the 2020 goal.

SIXTEEN

Sites achieving Cummins' water neutrality standard, one above the 2020 goal.





## WATER GOALS

Reduce direct water use across Cummins by 50% by 2020, adjusted by hours worked.

Achieve water neutrality at 15 Cummins manufacturing, technical, and other larger sites located in regions where water is in short supply.

BASELINE YEAR: 2010

## WATER NEUTRALITY STATUS 16 SITES

### WATER PROGRESS

Cummins exceeded both of its 2020 water goals. The company hit its water use intensity (water use adjusted by hours worked) reduction target of 50% in 2018, and surpassed it in both 2019 and 2020, ending 2020 with a 53% reduction.

The company reduced its overall water consumption to 772 million gallons, a reduction of 361 million gallons from Cummins' 2010 baseline year and a decrease of 200 million gallons since the company initiated its water strategy in 2014. The reduction of 123 million gallons between 2019 and 2020 was the single biggest year-to-year drop in direct water consumption since the baseline was set. This was primarily due to a

14% reduction in hours worked in 2020 rather than a change in the intensity of water use.

Since the 2010 baseline, direct water use at the company is down by 32%, even with an increase in the number of facilities during that time period.

Much of Cummins' water efficiency improvements in company facilities to meet its 2020 goal were achieved through low- and no-cost efforts, notably fixing leaks and optimizing processes. Efforts have also involved capital projects, primarily equipment efficiency upgrades and other high-impact projects such as single pass cooling elimination, additional regenerative dynamometer installations and innovative wastewater reuse projects.

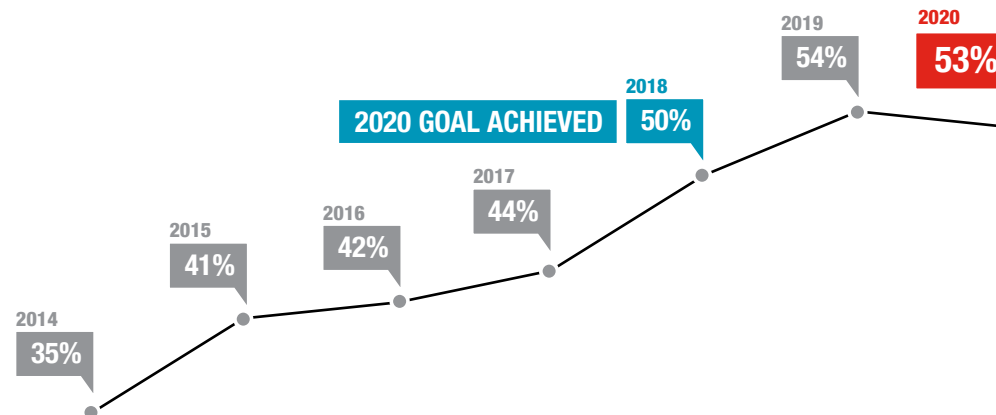
Cummins' water neutrality efforts have also yielded success. Sixteen sites were validated as achieving the company's standard for water neutrality, surpassing the company's 2020 goal of 15. In many instances these locations are offsetting their water use with community improvements to either conserve water or make new water sources available.

Examples include initiatives in villages near the company's campus in Phaltan, India, where Cummins employees have worked with village residents for many years to establish water supplies that make the villages less vulnerable to periods of drought. Water neutral sites must be re-evaluated every year to count toward goal achievement.

### WATER INTENSITY PROGRESS



Percentage reduction of direct water use adjusted by hours worked.



## WATER STRATEGY

The goals of Cummins' comprehensive water strategy, which addresses both direct-water use and community engagement, are to mitigate business risk, to be a good global citizen and to reduce costs and compliance risks.

These goals are consistent with the core commitments of the CEO Water Mandate, which Cummins joined in 2019. The U.N. Global Compact's commitment initiative mobilizes business leaders on water, sanitation and the U.N.'s Sustainable Development Goals.

Endorsers of the CEO Water Mandate commit to continuous progress against six core elements of stewardship and, in so doing, understand and manage their own water risks. The mandate's six commitment areas:

- » Direct operations
- » Supply chain and watershed management
- » Collective action
- » Public policy
- » Community engagement
- » Transparency



## ENERGY AND GHG GOAL

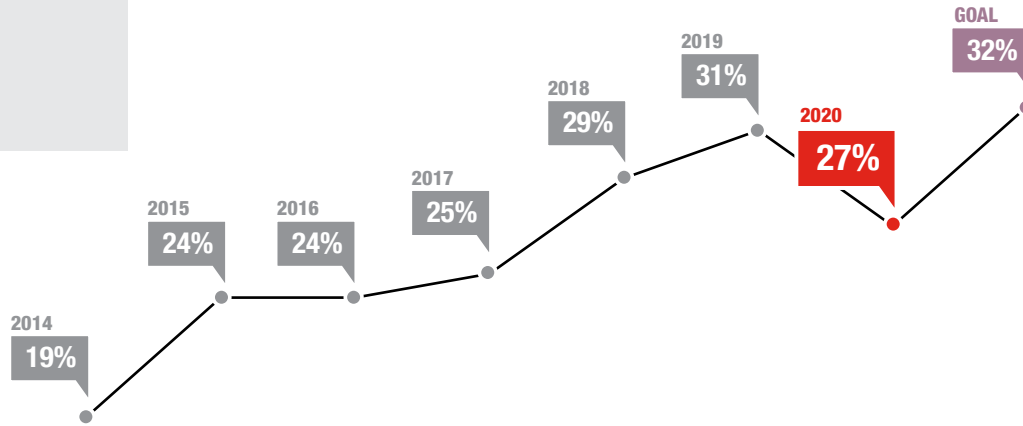
Achieve a 32% energy intensity reduction from company facilities by 2020 and increase the portion of electricity Cummins uses derived from renewable sources.

BASELINE YEAR: 2010

### ENERGY INTENSITY PROGRESS



Percentage reduction in energy intensity (adjusted by hours worked) compared to 2010 baseline year.



### ENERGY AND GHG PROGRESS

**Cummins energy intensity target (absolute energy use adjusted by hours worked) for 2020 was 32%, but ultimately, the company fell just short, ending the year at 27%.**

The company had been on track to reach its goal, achieving a 31% intensity reduction in late 2019, but the year-end 2020 intensity reduction was impacted by COVID-19. Cummins' absolute energy use fell by 10% in 2020, but hours worked decreased even more — by 14% — which negatively impacted the energy intensity metric.

Despite the pandemic-related setback, Cummins' improvement over the goal period was significant. The 2020 goal was the company's fourth energy-greenhouse gas (GHG) reduction goal since 2006. Upon achieving a goal, Cummins set new targets to reach.

The company has long identified energy and GHGs as an important metric and had completed the relatively inexpensive energy reduction projects before the 2020 goal period began. Over the past five years, Cummins invested \$65 million in energy reduction projects, saving \$19 million each year, with an average return on investment of 3.4 years.

The company has also done outstanding work to optimize energy use through low/no cost improvements, especially in India, China and Latin America.

Absolute energy use decreased quarter to quarter through the third quarter of 2020. The fourth quarter saw a fractional increase in energy consumption as compared to the third quarter. By the end of 2020 rolling four quarter energy use had fallen 12% from the last quarter of 2018, the highest absolute quarter of energy use at the company. Total energy costs in 2020 were approximately \$150 million or about 8% of Cummins' net income.

A global campaign for high efficiency LED lighting during the year produced impressive results. About 85% of the company's light fixtures are now LED. In 2016, the company pledged to have 90% of its facility GHG footprint, or 40 sites, certified to the ISO energy management standard 50001. By the end of 2020, Cummins had surpassed that goal, reaching 45 sites. Between 2010 and 2020, the company's energy efficiency and renewable energy efforts reduced Cummins' GHG intensity by 41%.

The GHG intensity reduction did not include the impact from the company's virtual power purchase agreement to support the 2018 expansion of a northwest Indiana wind farm in the United States. Cummins' share of the expansion sends enough low carbon energy to the grid to offset all of the electricity used at Cummins' facilities across the state.

### ENERGY STRATEGY

Cummins continues to use a facility investment plan approach. This approach includes a comprehensive array of energy efficient and renewable energy technologies, such as compressed air optimization, test cell energy recovery, on-site solar, LED lighting and advanced machine controls.

Aggregated savings from energy efficiency efforts total about \$62 million per year. Cummins uses tools and resources available from programs such as ISO 50001, the international energy management system standard, and the U.S. Department of Energy's Superior Energy Performance program.



## WASTE GOALS

Increase company recycling rate to 95% by 2020.

Reach “zero disposal” status at 30 sites with 100 or more people by 2020 where 100% of waste is reused, recycled or recovered in a useful manner.

BASELINE YEAR: 2010

ZERO DISPOSAL STATUS  
**35 SITES**

### WASTE PROGRESS

**In 2020, Cummins recycled 93% of the total waste it generated, the highest performance in company history but just short of its 95% goal.**

Several high-impact projects including co-generation and energy recovery for energy rich but difficult to recycle materials contributed to the company’s achievement. Cummins also continued work on returnable and re-useable packaging, which reduces commonly recycled materials like corrugated paper and wood.

That negatively impacted the recycling rate but moving up the waste hierarchy was the right thing to do. Last year, the company completed more than 40 packaging projects resulting in the removal of 12 million pounds of packaging waste.

Hours worked fell by 14% in 2020 due mostly to the pandemic, and waste generation was reduced by 15.8% or a little more than 78 million pounds. While there was a large reduction in production-related waste, there was also an increase in waste streams caused by items such as disposable personal protective equipment (PPE).

Following local regulations for the disposal of PPEs that could be contaminated with COVID-19 was a priority in 2020 and remains so in 2021. In most cases used PPE is sent for waste-to-energy pyrolysis or incineration to avoid the risk of contamination. Teams are continuing to evaluate acceptable recycling options.

Waste avoidance due to employees working from home was also a contributor to the decrease in Cummins’ total waste, although the company did not track specific categories. Waste generated at employee homes was not included in the Cummins waste total.

Since the company’s baseline year of 2010, Cummins’ total disposal waste decreased about 43% in absolute terms and 61% adjusted by hours worked. Compared to 2019, waste generation fell by 15.8% in 2020 while Cummins’ total waste disposed decreased by 36.3% or 15.95 million U.S. pounds (about 7,200 metric tons) on an absolute basis.

At the end of 2020, Cummins had 35 sites achieve the company’s zero disposal standard, exceeding its goal of 30. The company has a stringent validation process to certify a site. Under Cummins’ definition of zero disposal, waste can only be burned as a last resort to create energy and then only if there is a net energy gain, creating more energy than is needed to sustain combustion. Each validated site must be re-evaluated annually to count toward goal achievement.

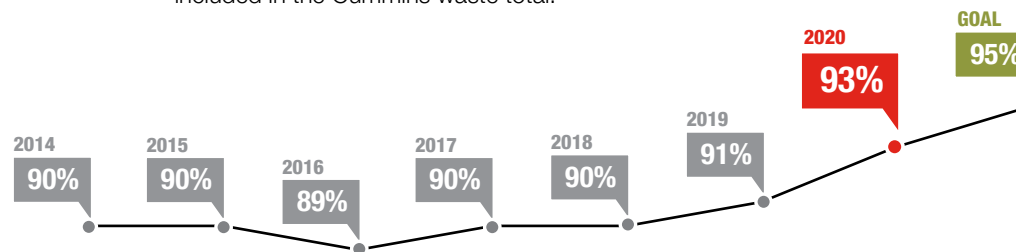
### HAZARDOUS WASTE

Cummins is committed to avoiding the generation of hazardous waste and properly handling hazardous materials in the workplace, but the definition of what constitutes hazardous waste varies widely by country.

The company follows all applicable local and regional regulations. For U.S. sites that generate hazardous waste, the company has a formal supplier pre-qualification process to ensure such waste is handled properly.

### RECYCLING RATE PROGRESS

Percentage of waste recycled compared to baseline year of 2010.



### WASTE STRATEGY

The company follows the principles of the waste management hierarchy of reduce, reuse, recycle and recovery. The “nothing wasted” aspiration of the new sustainability strategy PLANET 2050 will challenge Cummins to minimize waste generation at the outset and more fully repurpose the waste that is generated through circular economy principles.

Reducing the company’s waste as business grows will require a cross-functional approach, including product design, packaging, manufacturing, supply chain, services and company-wide employee engagement.





## PRODUCTS IN USE GOALS

Partner with customers to improve the efficiency of Cummins' products in use, reaching by 2020 an annual run-rate reduction of 3.5 million metric tons (MMT) of carbon dioxide (CO<sub>2</sub>).

BASELINE YEAR: 2014

### PRODUCTS IN USE PROGRESS

From optimizing products for specific market segments, to the use of sophisticated digital tools to assist in the truck specification process, to the ability to customize electronic engine settings and parameters, Cummins helps customers reduce their carbon footprint throughout the life of the company's products.

In 2020, Cummins further improved its annual carbon dioxide (CO<sub>2</sub>) run rate reduction to 4.9 million metric tons. Cummins first surpassed this goal in 2018 and increased its reduction in the following years.

Global fuel economy teams have been building functional capability

via fuel economy forums, training and tools and continue to implement new products-in-use projects. The teams have completed more than 650 total projects since 2014, with more than half completed in the past two years.

Customers are showing increasing interest in and dedication to improving their product environmental footprint, and Cummins is partnering to help them achieve their sustainability goals.

Early goal projects resulted in greater fuel economy savings than projected, but that tapered off as the easier projects were completed, which makes surpassing the goal even more of an achievement.

### PRODUCTS IN USE STRATEGY

GHG emissions from Cummins products in use are the company's largest environmental impact and represent an estimated 99% of Cummins' GHG footprint due to fossil fuel use. The company's biggest opportunity to expand product stewardship beyond the upfront design of its products is in working with customers to improve the efficiency of Cummins products in use and ensuring customers have the latest tools to improve fuel efficiency.

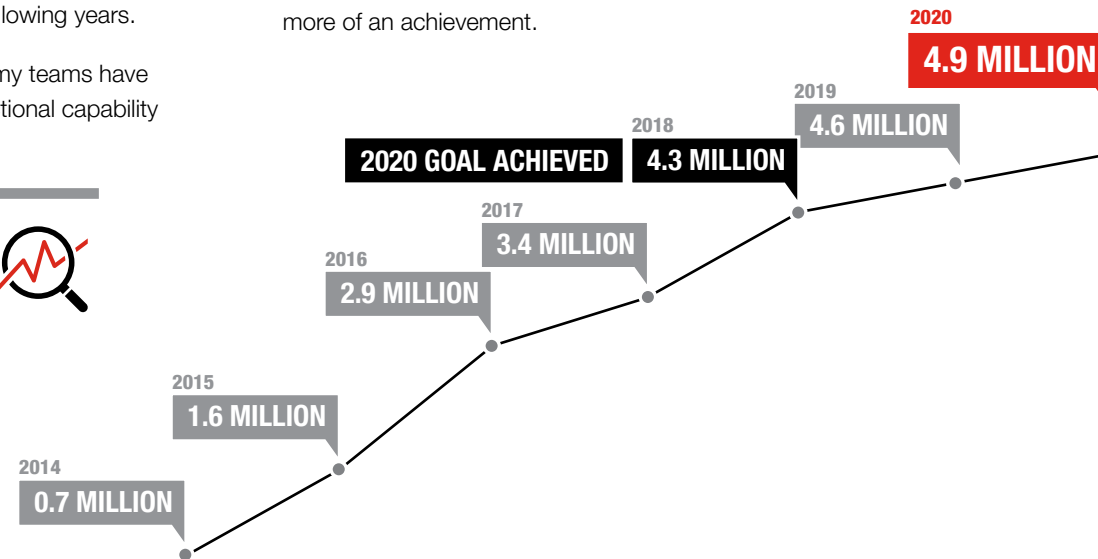
# 6.7 BILLION

Customer savings in dollars from products in use fuel economy projects since environmental sustainability goals were established in 2014. Projects with customers also saved 2.1 billion gallons of fuel and avoided 21.7 million metric tons of CO<sub>2</sub>.

### PRODUCTS IN USE PROGRESS



Annual CO<sub>2</sub> reduction run rate in metric ton.





## LOGISTICS GOAL

Use the most efficient method and mode to move goods across the Cummins network to reduce carbon dioxide (CO<sub>2</sub>) per kilogram of goods moved by 10% by 2020.

BASELINE YEAR: 2014

### LOGISTICS PROGRESS

Like most global companies, Cummins relies on various modes of transportation to move materials and products between plants, warehouses and distributors before it ultimately gets to customers. The challenge is managing the supply chain to move freight fast and efficiently.

For its 2020 goal, Cummins worked to reduce its carbon footprint by measuring, benchmarking and reviewing the company's freight network and making strategically better choices.

The true test to managing an efficient network is not only how it operates under normal, predictable, operations, but how it does when the supply chain is disrupted and volatile. Cummins was able to efficiently ship material even with the changes in the supply chain related to COVID-19 in 2020.

As the volume of shipments declined, there were quick adjustments to the shipping modes to accommodate the abnormal shipping schedules and swings in supplier production. That frequently meant more carbon dioxide (CO<sub>2</sub>) per shipment.

Even though the company ended 2019 with a 7% improvement against its 10% goal, Cummins ended 2020 flat from its 2014 baseline year. However, great strides were made in managing the company's logistics and Cummins intends on using the knowledge it gained working toward its 2020 goal in the future. Lessons that will be carried forward in logistics management include:

- » Shipping frequency changes to allow for more efficient full truckloads.
- » Intermodal shipments that enable the company to take advantage of the lower CO<sub>2</sub> footprint of rail transport.
- » Efficient loading of material at shipping docks to achieve larger, more cost-effective shipments to Cummins' plants.
- » A means to calculate, measure and utilize CO<sub>2</sub> emissions data for Europe, Middle East and Africa shipments.

### LOGISTICS STRATEGY

Cummins aims to create and maintain an efficient transportation network that reduces CO<sub>2</sub> emissions by improving transportation planning to maximize loads, reduce miles when trucks are empty and minimize distance traveled.

### NEW EPA PROGRAM AIDS EFFICIENT LOGISTICS

Another positive outcome for Cummins from pursuing its 2020 logistics goal was joining the U.S. EPA's SmartWay program.

**SmartWay** provides a comprehensive system for tracking, documenting and sharing information about fuel use and freight emissions across supply chains. It helps companies identify and select more efficient freight carriers, transport modes, equipment, and operational strategies to improve supply chain sustainability and lower logistics costs goods.

The program also promotes accelerating the use of advanced fuel-saving technologies.

## 2020 GOAL ACCOMPLISHMENTS

The 2020 environmental sustainability goals drove many improvements over the past five years at Cummins. Here's a look at some of the impact from the goals:



### CAPITAL IMPROVEMENTS

Cummins completed **848 capital projects** including 121 LED lighting projects.



### EMPLOYEE ENGAGEMENT

Cummins trained **671 Environmental Champions** to look for improvements at their particular locations.



### GHG REDUCTIONS

The facility goals between 2014 and 2020 produced GHG savings equivalent to removing **101,000 cars** from the road for a year.



### WASTE REDUCTION

The 2020 goals reduced enough waste to fill **4,800 garbage trucks**.



### FUEL EFFICIENCY

Fuel economy projects with customers saved **2.1 billion gallons of fuel, 21.7 million metric tons of CO<sub>2</sub> and \$6.7 billion in customer costs**.

2020 GOAL PROGRESS //

# ENVIRONMENTAL GOALS UPDATE

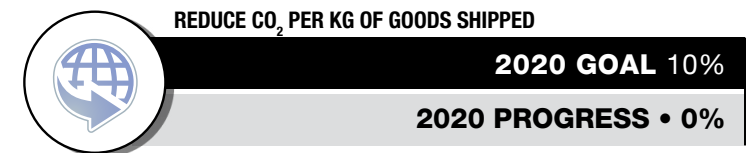
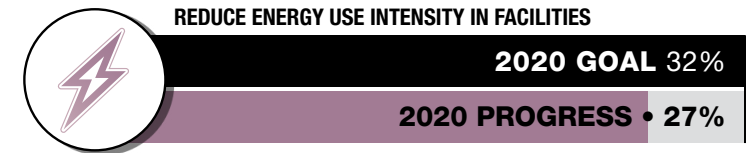
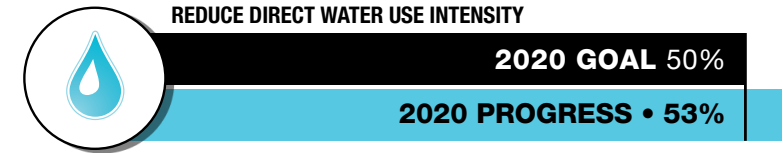
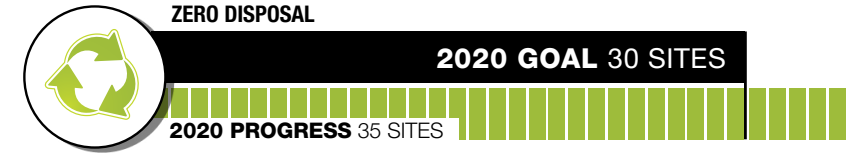
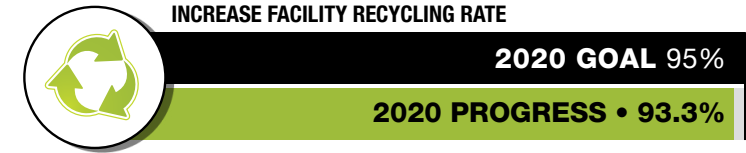


Here's a look at Cummins' progress toward its environmental goals.

Environmental performance includes all consolidated operations and joint ventures subscribing to Cummins' Enterprise Environmental Management System.

ENVIRONMENTAL PERFORMANCE	2017	2018	2019	2020
Energy consumption (thousands of MMBtu) <sup>1</sup>	13,656	14,375	14,043	12,673
GHG emissions (thousands of metric tons CO <sub>2</sub> e) <sup>1</sup>	778	808	751	656
Generated waste (thousands of metric tons)	207	227	224	189
Disposed waste (thousands of metric tons)	21	24	20	13
Recycled waste (thousands of metric tons)	186	203	204	176
Recycling rate (%)	90	90	91	93
Hazardous waste (thousands metric tons)	4	5	7	6
Water use (millions of gallons)	964	949	895	772
OHSAS 18001 / ISO 14001 / ISO 45001 certified sites <sup>2</sup>	372	375	363	342
ISO 50001 certified sites	27	36	44	45
Net sales (millions U.S. dollars)	20,428	23,771	23,571	19,811
Water intensity reduction since 2010 (%) <sup>3</sup>	44	50	54	53
Energy intensity reduction since 2010 (%) <sup>3,4</sup>	25	29	31	27
GHG intensity reduction since 2010 (%) <sup>3,4</sup>	33	37	42	41

<sup>1</sup> GHG emissions exclude sold electricity, mobile sources and fugitive CO<sub>2</sub>e emissions from welding and refrigerants  
<sup>2</sup> Includes global CMI managed facilities and 50:50 JV non-managed facilities and transition from 18001 to 45001 in 2019 and 2020  
<sup>3</sup> Intensity defined as adjusted for hours worked for energy, GHG and water  
<sup>4</sup> Reduction includes consolidated entities only

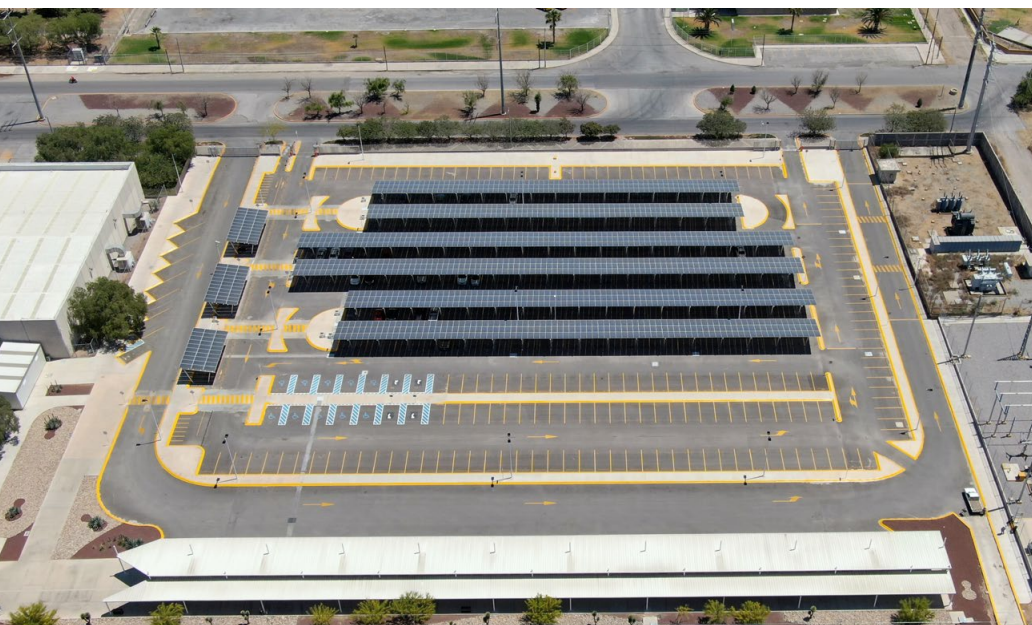






# SUPPORTING RENEWABLE FORMS OF ENERGY AROUND THE WORLD

Cummins has been committed to its 2020 goal of increasing the company’s use of renewable energy, making significant progress with both solar and wind energy.



The company has now implemented 45 onsite solar photovoltaic projects in 11 countries, with a peak capacity of 29 megawatts, which are today generating about 5% of the company’s global electricity needs.

The company’s solar installations extend around the world, including Australia, Belgium, China, India, Mexico, Nigeria, South Africa, the United States, the United Kingdom and Zambia. There are 16 Cummins sites in India, alone, with solar installations.

In China, the Beijing Foton Cummins Engine Company in 2019 expanded the largest solar array in the company, adding panels to a second building that, thanks to technology advances, can produce nearly as much power as the original 650,000 square foot array built in 2016.

*The solar installation at the Cummins campus in San Luis Potosi, Mexico, in 2020 is merely one of many solar energy arrays at Cummins facilities. A map on page 29 includes all of the company’s solar facilities around the world.*

Cummins policy has been to install solar power where it makes the most sense both economically and from a power perspective. For example, it would not make sense to install a solar array in a location that receives a significant amount of cloud cover each year.

## THE POWER OF WIND

The company’s use of wind power has been more limited in number but more significant from a power perspective. In 2018, Cummins entered into a virtual power purchase agreement (VPPA) as part of an expansion of the Meadow Lake Wind Farm in northwest Indiana.

Since it went online in mid-December 2018 to the end of 2019, the share of the expansion Cummins supported sent enough renewable energy to the grid to offset all of the electricity from more traditional sources used by Cummins’ facilities across the company’s headquarters state of Indiana in the United States. The VPPA also provided

the anticipated hedge effect against energy prices.

## LEADERSHIP RECOGNITION

Cummins’ use and promotion of renewable energy qualified the company to join an *elite group* of U.S. firms in the EPA’s Green Power Partnership. The partnership requires a minimum use of renewable power for large companies of 7% of their total U.S. electricity consumption.

The partnership’s national Top 100 list positioned Cummins among the top industrial partners in the program. The company ranked No. 53 on the Top 100 list and No. 24 among partners in the Fortune 500.

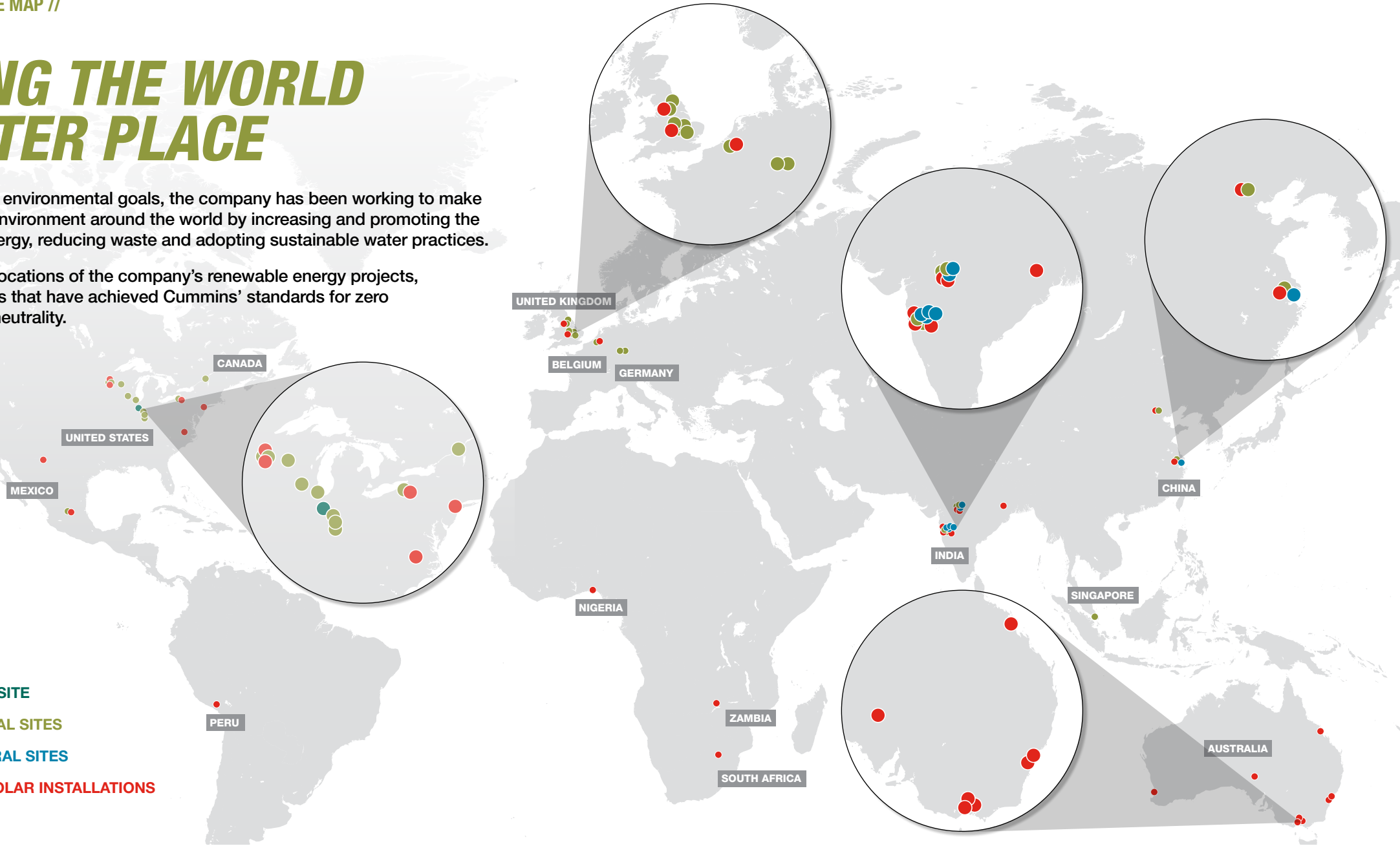
The Top 100 members had a combined usage of more than 58 billion kilowatt-hours (kWh) annually. Advocates say the Top 100 is playing a critical role to creating markets for wind, solar, hydrogen and other forms of renewable power.

# MAKING THE WORLD A BETTER PLACE

As part of Cummins' environmental goals, the company has been working to make a difference on the environment around the world by increasing and promoting the use of renewable energy, reducing waste and adopting sustainable water practices.

Here's a look at the locations of the company's renewable energy projects, as well as its facilities that have achieved Cummins' standards for zero disposal and water neutrality.

- 1 WIND ENERGY SITE
- 35 ZERO DISPOSAL SITES
- 16 WATER NEUTRAL SITES
- 45 SITES WITH SOLAR INSTALLATIONS



# ADVOCACY, PARTNERSHIPS CRITICAL TO CUMMINS PROGRESS

## Policy advocacy and partnerships play key roles in the company's environmental strategy and compliance.

By advocating for tough, clear and enforceable regulations, and partnering with others to develop the technologies to meet them, Cummins is able to achieve four strategic goals:

- » Responsible regulations
- » A balanced, global regulatory approach
- » Incentives to accelerate progress
- » Technology development

Cummins believes strongly in the technical skills of its workforce to compete and win when everyone must meet the same standards.

### ADVOCATES FOR PROGRESS

Emissions regulations are expected to continue tightening globally with a growing focus on greenhouse gas (GHG) standards. Over the next five years, Brazil, China, India, Mexico and other countries are expected to adopt

the low emissions levels contained in the Euro VI and U.S. Environmental Protection Agency (EPA) 2010 emissions regulations for on-highway products.

Meanwhile, Phase 2 of the U.S. GHG-fuel efficiency regulations passed in 2016 includes separate engine standards. Cummins continues to support this approach and is on track to comply with the first step in 2021. The company also continues working to lower levels of nitrogen oxides (NOx) and particulate matter (PM) in its product emissions both in the U.S. and globally.

Cummins is committed to working with the U.S. EPA, the California Air Resources Board, China's Ministry of Environment and Ecology and the European Commission as they develop new regulations to reduce NOx emissions for on-highway engines, which is consistent with the company's principle to advocate for tough, clear, and enforceable standards.

Looking forward, Cummins is considering future regulations in the context of a path to zero emissions in how the company transitions to new technologies such as battery electric, fuel cell electric, hybrid electric, and range-extended electric vehicles.

### COMPLIANCE TRACKING

Keeping track of global standards is no small task. In 2020, the company certified or maintained more than 125 engine configurations with approximately 17 governing agencies around the world. These certifications represented at least 34 different emissions standards for diesel and natural gas products for on-highway, off-highway, marine and rail applications.

In 2019, Cummins created a Product Compliance and Regulatory Affairs (PCRA) function to strengthen its collaboration with agencies setting emissions regulations and certification processes. The group functions independently from, and provides oversight to, product development

teams and business segments at Cummins, reporting directly to the CEO.

Since its formation, PCRA has focused on developing capable people, processes, and tools through training development, process improvement, and operations excellence in regulatory affairs and technical certification and compliance activities.

### PARTNERING FOR INNOVATION

The company is a member of many organizations promoting sustainability and low-carbon technology. They include the global **Hydrogen Council**, the **U.S. Fuel Cell Hydrogen Energy Association**, the **California Hydrogen Business Council**, the **CA Fuel Cell Partnership**, **Hydrogen Europe** and **Hydrogen Forward**. CEO Tom Linebarger sits on the board of the Hydrogen Council.

Cummins also participates in the U.S. EPA's **Green Power Partnership** and the **Renewable Energy Buyer's Association** to promote the use of low carbon power sources such as wind and solar.

In addition, the company is partnering with groups to improve more traditional technology, such as the **Diesel Technology Forum**, which raises awareness about the importance

of clean diesel. The **Health Effects Institute** was founded by the U.S. EPA and industry leaders, including Cummins, to provide impartial, high quality, scientific findings on air pollution. And Cummins belongs to the **International Council on Clean Transportation** (ICCT), whose mission is to improve the environmental performance of road, marine and air transportation to benefit public health and mitigate climate change. In 2020, Cummins produced 33,000 soot-free engines as part of a key ICCT initiative.

Finally, the company is partnering with groups concerned about sustainability more generally such as **BSR**, which works with members to develop sustainable business strategies through research and cross-sector collaboration. In 2021, the company also joined the **CEO Climate Dialogue**, a coalition of leading companies and environmental groups advocating for action by the U.S. Congress on climate issues.

#### MORE PARTNERSHIPS

Cummins also partners with other companies and government agencies to achieve innovation. Check out the chart in the [Innovation section](#).



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# ***SOCIAL***

**Social issues ranging from community engagement to the health and safety of employees are key to Cummins' sustainability.**

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## **WHAT'S INSIDE:**

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# BUILDING MORE PROSPEROUS COMMUNITIES

Cummins employees are deeply committed to the prosperity of the cities, towns and villages where they live and work.

Around the world, employees identify local community needs and volunteer in teams to meet those needs. Their community involvement is supported by a company with a deeply-rooted history of community problem solving.

Each Cummins Chief Executive Officer, dating back to the 1950s and earlier, has made a personal commitment to corporate responsibility and the idea that a company is only as strong as the communities where it does business. Employees have significant flexibility to craft community solutions in partnership with an array of non-profits they select, and projects they fund with Cummins Community Development grants.

While the pandemic had a significant impact in 2020, it did not stop the company from carrying on this important company priority.

## PRIORITY AREAS

*Cummins focuses the company's employee engagement efforts on three global priority areas critical to healthy communities:*

### EDUCATION

Improving the quality and alignment of educational systems to ensure the students of today are ready for the workforce of tomorrow.

### ENVIRONMENT

Ensuring everything Cummins does leads to a cleaner, healthier and safer environment.

### EQUALITY OF OPPORTUNITY

Increasing opportunity and equity for those most in need.

## DOING OUR PART AROUND THE WORLD

*Cummins employees offered a helping hand to make a difference during the pandemic.*

### UNITED KINGDOM

Stephen Layton, a Cummins telecommunications manager in the United Kingdom, used skills learned in a previous job to volunteer testing essential medical gases in emergency care centers.



### CHINA

Cummins employees in Wuxi, China, helped a local school serving migrant students clean before students returned after a pandemic shutdown.



### UNITED STATES

Cummins employee Stephen Aryee used his analytical skills to develop modeling to help an Indiana (U.S.) hospital predict peaks in COVID-19 admissions.



## KEY NUMBERS IN 2020

# \$22 MILLION

Record amount of Cummins grants made to communities in 2020.

# 1.4 MILLION

People served in 2020 by Cummins community engagement programs.

# 17 MILLION

Women and girls around the world impacted by gender equality law and policy changes resulting from Cummins Powers Women since it was launched in 2018.

# 1,700

Students graduating from Cummins TEC: Technical Education for Communities since it was launched in 2012.



# COMMUNITY IMPACT AND GIVING

Cummins is a data-driven company in everything it does, including the impact of its community engagement programs. The COVID-19 pandemic impacted the company's efforts, but much was accomplished in 2020.

## GOAL ALIGNMENT

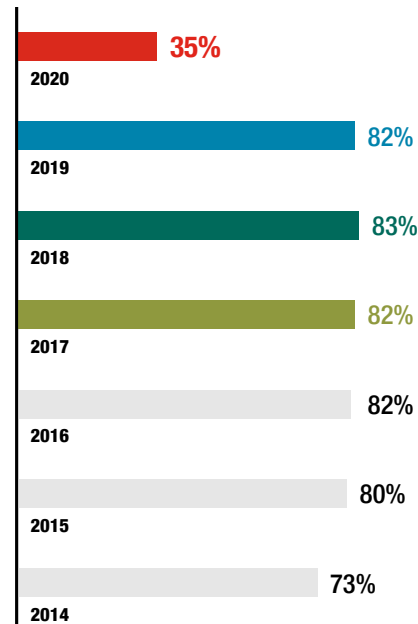
Cummins' community engagement initiatives align with these U.N. Sustainable Development Goals:



## ENGAGEMENT



One of Cummins' chief metrics for community engagement is employee participation in Cummins' Every Employee Every Community (EEEC) program. It enables employees to use at least four work hours to engage in their communities. Due to the pandemic, in-person volunteerism was severely limited for most of 2020. Despite this, Cummins employees rose to the challenge, identifying unique and innovative ways to volunteer virtually in their communities. In all, more than 23,000 employees (35%) participated in the EEEEC program by volunteering with more than 1,300 nonprofits around the world.

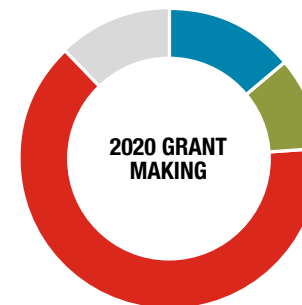


## GRANT MAKING

The strength and reach of Cummins' employee-led community problem-solving and volunteerism were evident when COVID-19 struck in early 2020. With deep knowledge and strong connections to local community partners able to respond quickly to emergency needs, employees generated more than \$2.7 million in emergency grants addressing the three most prevalent global needs: emergency food relief, childcare support and remote learning assistance.

Global community giving in 2020 totaled \$22 million, a new record for the company and a 7% increase from 2019. More than 300 grants were led by employees to support the nonprofit partners with which they volunteer. Here's a look at 2020 grant making by priority area:

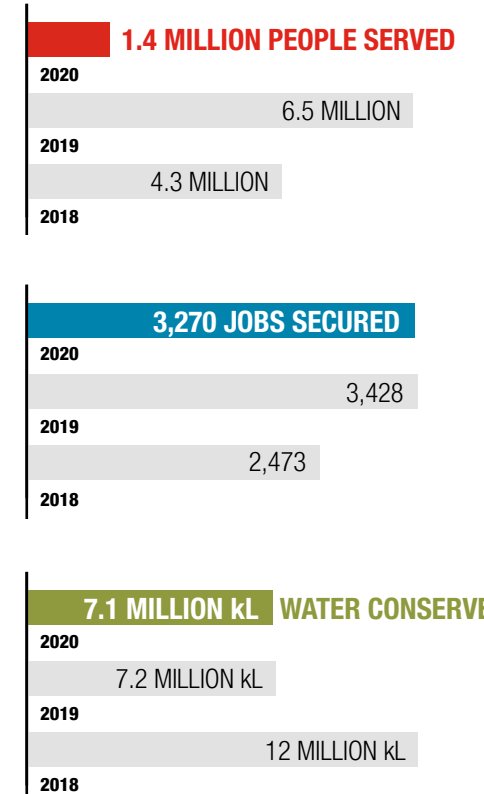
- 14% EDUCATION
- 10% ENVIRONMENT
- 64% EQUALITY OF OPPORTUNITY
- 12% OTHER



## IMPACT



As anticipated, 2020 impact numbers were dramatically lower due to the COVID-19 pandemic. In-person volunteerism was severely limited due to safety concerns. Also, reporting was not required for pandemic-related grants to allow nonprofits to respond quickly to critical needs.







Layne Li, Technical Training Specialist at Cummins Beijing, helps deliver Cummins-specific technical training content to Cummins TEC students studying from home.

# TAKING ON SOCIETY'S BIGGEST CHALLENGES

To build on the success of the company's employee-led community work and to create more impact in its communities, Cummins has developed two strategic community initiatives to address large, global community problems the company has a unique ability to help solve.

The first such initiative was launched in 2012 called Cummins TEC: Technical Education for Communities. Cummins TEC seeks to transform lives through technical vocational education by training disadvantaged youth in employable skills to gain good jobs. Good jobs are paths into the economy that affect not just the person employed, but entire families.

Partnering with local vocational schools, Cummins TEC improves curriculum, provides training equipment, trains teachers and students in technical and soft skills, and finds local employers to provide internships and jobs to students.

Today, the program has 24 vocational school programs in 14 countries.

In total, more than 1,700 students have graduated from the program, 80% of whom secure good jobs with wages far exceeding the average living wage in most TEC school countries. Employers rate the skills of Cummins TEC graduates very favorably.

In 2020, COVID-19 related school closings and virtual learning temporarily reduced class sizes and graduations. Despite the diminished enrollment, the program exceeded its original 2020 goal to increase female enrollment by 10% by achieving 19.7% female enrollment.

## KEY NUMBERS IN 2020

# TWENTY-FOUR

Locations with Cummins TEC: Technical Education for Communities vocational programs.

14 Countries with Cummins TEC programs.

98 Percent of employers who would recommend the hiring of TEC graduates to others.

367 Cummins TEC: Technical Education for Communities graduates in 2020.

92 Percent of employers who say TEC graduates exceed their business expectations.



# WORKING FOR GENDER EQUITY AROUND THE WORLD



Salvador Diliz (speaking), General Manager Cummins Colombia, and Eliana Scarpatti (right, striped shirt), Health, Safety, Environment and Quality leader, meet with domestic workers prior to the pandemic as part of Cummins Powers Women nonprofit partner CARE's initiative to raise awareness of domestic workers' rights. This project developed a smart phone application to better inform domestic workers of their rights and provide access for them to critical support services.

(Photo taken prior to emergency protocols implemented to address the pandemic.)

Cummins TEC was followed in 2018 by Cummins Powers Women, a \$20 million global community program to advance equity for women and girls.

This community work augments the company's internal diversity efforts. The program partners with eight global nonprofits to accelerate gender equality in educational attainment, economic empowerment, personal safety and legal rights.

In three years, Cummins Powers Women has enabled equal rights and opportunity for more than 260,000 women and girls in 18 countries and funded 99 advocacy grants resulting in 14 gender equality law and policy changes that positively impacted the lives of 17 million women and girls in the company's global communities.

## CUMMINS POWERS WOMEN PARTNERS

The company's most ambitious community initiative ever is partnering with a network of expert nonprofit organizations around the world, including:

- » Girls Inc.
- » Rosa Fund
- » China Women's Development Foundation
- » Rise Up
- » Camfed (the Campaign for Female Education)
- » CARE Australia
- » CARE Latin America
- » Promundo

### TO LEARN MORE

Want to learn more about the Cummins Powers Women program? You can watch a [video](#) on the initiative to expand gender equity around the world or check out the program's [website](#).

### KEY NUMBERS IN 2020

# FIFTY

Cummins leaders and their teams engaged with Cummins Powers Women nonprofit partners.

# 1,363

Employees serving as Cummins Powers Women ambassadors, committing to learn and volunteer in support of gender equality. They represent 40 different countries around the world.

# 3,113

Hours volunteered by Cummins employees with the eight global nonprofit partners in Cummins Powers Women.

# \$20 MILLION

Cummins commitment in Cummins Powers Women since the program launched in 2018.





# NEW INITIATIVES ADDRESS SYSTEMIC RACISM, THE ENVIRONMENT

**In 2020, Cummins introduced CARE: Cummins Advocating for Racial Equity, a U.S. strategic community initiative focused on dismantling institutional racism and creating systemic equity.**

The initiative will invest in and advocate for evidence-based programs and practices focused on building more equitable and inclusive communities. Cummins is engaging in four critical areas:

- » **POLICE REFORM**  
Supporting initiatives that enhance transparency and accountability in police governance.
- » **CRIMINAL JUSTICE REFORM**  
Developing advocacy positions on juvenile justice, bail reform, parole and probation policies, as well as post-system inequalities and re-entry back into society.
- » **SOCIAL JUSTICE REFORM**  
Focusing on sustainable revitalization of historically Black communities.
- » **ECONOMIC EMPOWERMENT**  
Narrowing the economic disparity of Black Americans through dedicated investing in Black-owned businesses.

The program will span across more than 30 cities — nine where Cummins has its largest sites and 25 locations in the company’s distribution business network. Additionally, CARE will link to the Cummins TEC: Technical Education for Communities vocational program.

The Cummins TEC team is exploring expanding the program into schools in Memphis and Nashville, Tennessee, among other locations. Cummins TEC will augment existing curriculum to include technical and soft skills training, teacher training, career guidance and workplace learning.

Expanding Cummins TEC into these locations aims to improve pathways for Black youth into prosperous careers. The goal is to strengthen programs available for people of color and to provide skills to compete in the workforce. The selected educational programs are aligned to meet the needs of regional labor markets.

CARE quickly went into action in other ways as well after the program’s launch

in October 2020. For example, in the city of Indianapolis in Cummins’ headquarters state of Indiana, the company joined forces with other companies and civic organizations to successfully advocate for the establishment of a first-of-its-kind majority civilian General Orders Board.

The board has the power to create policies and procedures that determine the manner in which policing is conducted in Indianapolis. Other groups participating in the coalition advocating for a citizen majority included Eli Lilly and Company, Roche Diagnostics, the Indianapolis Urban League, and the Indianapolis chapter of the American Civil Liberties Union.

In another partnership with Eli Lilly, Cummins also committed \$250,000 towards an Indianapolis Urban League initiative to invest in Black-owned business and entrepreneurship.

Cummins is committed to the kind of long-term approach necessary to effectively address issues like institutional racism and systemic inequities.



## STRENGTHENING COMMUNITIES THROUGH SUSTAINABLE WATER

*Cummins will soon be investing in another global program to address one of the most urgent environmental issues facing communities around the world: water stress.*

*The company worked throughout 2020 on a water initiative, which has not yet been officially launched, that seeks to achieve:*

- » *A net positive water impact in every Cummins region by 2030.*
- » *A net positive water impact in every Cummins community by 2050.*

*As with the company’s other strategic programs, Cummins has a unique ability to make a difference for water-stressed communities. In countries such as India, Mexico and China, the company’s employees have been involved in water projects for many years, developing knowledge and capability.*

*Already, Cummins’ water conservation efforts globally have generated more than 4 billion gallons in annual water benefits to communities around the world. This program will link to PLANET 2050, Cummins’ sustainability strategy, and help ensure needed water for future operations.*





Cummins Global Health and Safety played a key role in the collaborative effort to keep essential workers safe by implementing mask requirements and other steps. Learn more on [page 63](#).

## KEY HEALTH AND SAFETY METRICS IMPROVE IN A MOST UNUSUAL YEAR

Despite the pandemic, Cummins recorded improvements in many of its traditional health and safety metrics in 2020 — including the lowest Incidence Rate in company history.

The rate of recordable injuries fell from 0.593 in 2019 to an Incidence Rate record of 0.482 in 2020, a 19% improvement. Other improving metrics included:

- » A **7.6% IMPROVEMENT IN THE SEVERITY CASE RATE**, the rate of lost or restricted workdays, from 0.225 in 2019 to 0.209 in 2020. The improvement followed a 15% reduction in 2019 compared to 2018.
- » An **18.5% IMPROVEMENT IN THE MAJOR INJURIES RATE** from 0.0497 in 2019 to 0.0405 in 2020.
- » A **25% IMPROVEMENT IN THE HAND SAFETY INCIDENCE RATE**. Hand injuries are the most frequent type of injury at the company.
- » A **7% IMPROVEMENT IN THE ERGONOMICS INCIDENCE RATE**, the rate of ergonomic injuries. Ergonomic injuries are the second leading type of injury at Cummins.

Most importantly, Cummins had no employee fatalities for a fourth consecutive year.

## HEALTH AND SAFETY //

### A CLOSER LOOK AT 2020

For the past decade, the company has been on a journey to become world class in health and safety. Cummins' Global Health and Safety team has worked to strengthen a culture where employees are fully engaged and committed to making Cummins a healthier and safer place to work. Since 2010, the company's Incidence and Severity Case rates have been significantly below comparable industries.

Cummins offers risk-based hazard prevention and control tools in numerous areas, ranging from driver safety, hand safety, and lockout/tag-out procedures, to machine guarding and working safely at heights.

**TEN  
MILLION**

**Masks produced for employees at three Cummins locations in 2020 to guard against the spread of COVID-19.**

While the absence of employees at some facilities because of the pandemic undoubtedly played a role in the 2020 metrics, it worked both for and against the company.

For example, the Severity Lost Workday Rate, the rate of lost or restricted workdays, increased 22% compared to 2019. This was due to a 6% increase in lost workdays and a 14% reduction in work hours in 2020. It was frequently more difficult to schedule treatment for many employees in 2020 because of the burdens placed on the health care system by COVID-19. In addition, access to care was sometimes limited by efforts to reduce the spread of the virus.

The Contractor Safety Incidence Rate is another opportunity for improvement. The 2020 rate increased by 21% compared to 2019. The same number of injuries occurred in both years, but there were fewer hours worked in 2020.

In the first quarter of 2021, Global Health and Safety started a monthly data collection process designed to help distinguish the safety performance of general contractors, third-party services and third-party logistics partners so the company can better understand the issues behind the rate increase and implement solutions.

### LOOKING AHEAD

Work on the contractor safety issue was one of several longer-term health and safety initiatives the company worked on in 2020.

The function, for example, also continued planning a Serious Injury and Fatality (SIF) Prevention Program. Identified through the company's benchmarking efforts with other companies, SIF is designed to better enable Cummins to focus on high-risk situations with the most potential for serious injury. SIF will replace

the Major Injury reporting process, with implementation in 2021.

Global Health and Safety also continued the transition to ISO 45001, the international health and safety standard, with the goal of completing that work by the end of 2021. The function also worked to upgrade its talent development efforts, mindful that the pandemic demonstrated recruiting and retaining the best employees in health and safety is more important than ever.

While it was a successful and productive year by almost any measure for the Global Health and Safety, the pandemic was another reminder that protecting Cummins employees is a job never truly finished. More can always be done.

### KEY NUMBERS IN 2020

**19**

**Percentage point improvement in Cummins' Incidence Rate in 2020 compared to 2019.**

**0.0405**

*Major Injury Rate in 2020, an 18.5% improvement over 2019*

**25**

*Percentage point improvement in hand injuries in 2020, the leading source of injuries at Cummins.*

**149**

*Projects submitted globally in Cummins' 2020 Ergo Cup competition.*

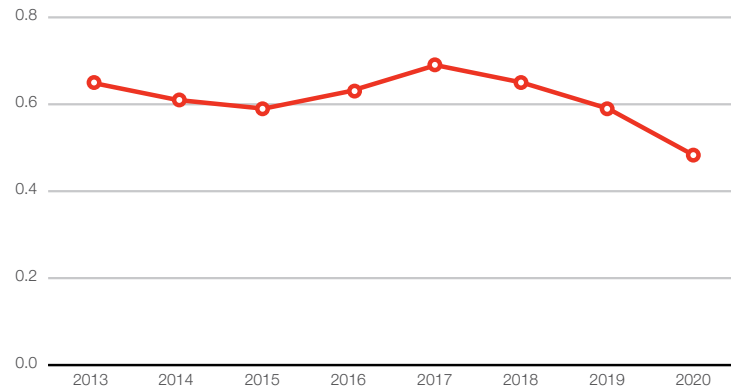
HEALTH AND SAFETY //

**SAFETY PERFORMANCE INDICATORS**

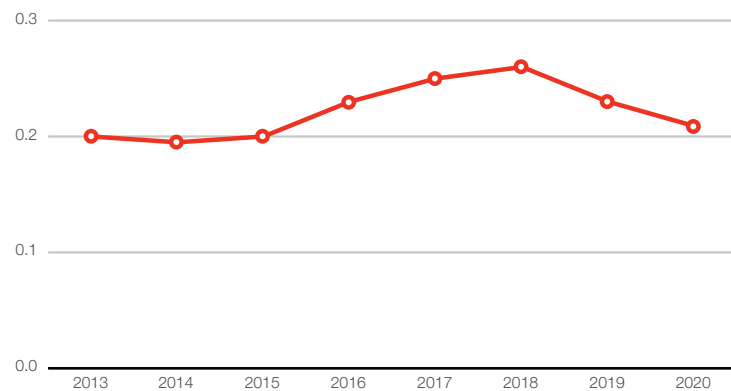


Here's a look at key trends in safety at Cummins.

**INCIDENCE RATE**



**SEVERITY CASE RATE**



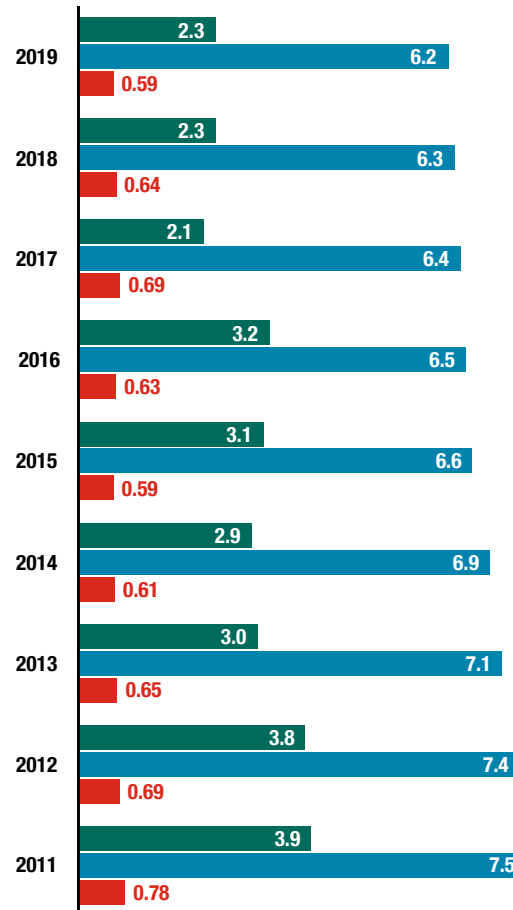
**NOTE:** The company's Incidence Rate, also known as the average injury / illness rate is the relative number of recordable injuries and illnesses per 100 employees. The Severity Case Rate is the rate of lost or restricted work days.

**HOW CUMMINS COMPARES**

Here's Cummins' Incidence Rate compared to other industries.



■ US MOTOR & GENERATOR MFG  
 ■ US MOTOR VEHICLE MFG  
 ■ CUMMINS



**EVERYONE WINS IN ERGO CUP**

The Global Health and Safety function held another successful Ergo Cup competition in 2020, with employees submitting 149 projects from 68 sites across the globe.

The projects delivered not just ergonomic improvements — ergonomic injuries are the second leading cause of injuries at Cummins — but frequently there were productivity and efficiency savings, too. The projects in the 2020 competition had an estimated \$3.6 million in productivity/efficiency savings and \$11.6 million in cost avoidance.

Several projects leveraged new technology such as collaborative robots (frequently known as cobots), while others highlighted tools designed in house and integrated with proven technology to maximize design and application. Two winners emerged from the 2020 competition:

- » The Global winner was a Distribution Business team working in the South Pacific, which improved the way cylinder heads are lifted, positioned, removed and installed underneath trains, significantly reducing the ergonomic risk of injury.
- » The Judges Choice winner was a mobile robot material handling system devised by a team at the Fuel Systems Plant in Juarez, Mexico, that eliminated the opportunity for employees to be injured while moving materials manually. The system also eliminated bottlenecks at the plant, increasing efficiency.



# DRIVING THE VALUE OF DIVERSITY

Cummins believes the company is at its best when existing and serving within a world, a workplace, and team where all people are embraced for who they are and what they aspire to achieve.



And, as a global company, Cummins recognizes it must continue its efforts to make lives better and power a more prosperous world. It is from this vantage point that Cummins has embarked on a journey, an extension of its legacy, to be a highly diverse and inclusive company that ensures equitable opportunity for employees and other key stakeholders.

### A WINNING STRATEGY

Cummins' drive to be a leader in business as well as a contributor to viable, healthy communities is evidenced by the company's Global Diversity, Equity & Inclusion (DE&I) Strategy. The strategy brings to life one of the five company values: diversity and inclusion. It informs the way Cummins will conduct itself in a world where unjust systems and discriminatory behavior continue to oppress and disenfranchise people based on the color of their skin, their gender, their ability and their differences.

The strategy prioritizes seven focus areas and outlines specific actions for each that, taken together, drive systemic change in the company's culture and operations and enable a diverse, equitable and inclusive environment wherever Cummins does business.

This strategy facilitates Cummins' ability to leverage a diverse workforce that reflects the communities in which the company operates, to innovate and win in the global marketplace, and to create sustainable success within and beyond Cummins' walls. Importantly, it was established to allow the company to adjust and prioritize employee concerns in the face of events like those occurring in 2020 — a pandemic, racial unrest, heightened economic inequities and more.

The global strategy includes unique initiatives aimed at improving the representation and inclusion of specific under-represented and marginalized groups. Particularly, Cummins' U.S. Diversity Initiative, for example, has increased representation of Black and Latinx employees at leadership levels in the United States and launched programs and resources focused on the needs of under-represented employees.

Cummins' Global Disability Inclusion Initiative has also helped to improve processes, facilities and technology to reflect a more inclusive work environment, earning Cummins recognition as a "Best Place to Work for Disability Inclusion" in the 2020 Disability:IN Disability Equality Index.

### KEY NUMBERS IN 2020

**27** Percentage of Cummins workforce made up of women as of Dec. 31, 2020.

**\$13 BILLION+** Global spending with suppliers who self-identify as diverse in their region of the world since 2010.

**38.5** Percentage of company vice presidents and above who are women as of Dec. 31, 2020.

**55** Percentage of women employees on the Cummins Executive Team, one of three top leadership groups, as of Dec. 31, 2020.

**11.7** Percentage of Black employees in Cummins' U.S. workforce as of Dec. 31, 2020.

## DIVERSITY, EQUITY & INCLUSION //

### A HISTORY OF COMMITMENT

Additional initiatives underway focus on gender and military service globally. The Global Inclusion Leadership Council of Cummins' Employee Resource Groups has organized worldwide efforts around gender, multicultural, sexual orientation/gender identity, age, disability and military service.

A company's commitment to diversity, equity and inclusion is most credible when supported by transparent reporting of progress. Cummins has a longstanding commitment to progress in this area, and the company's reporting of data on the representation of various employees in this Sustainability Progress Report is further proof of that commitment.

Cummins recognizes the need to increase diversity at all levels, ensure the most welcoming and inclusive environment possible, and offer opportunities for growth on an equitable basis. The Global Diversity, Equity & Inclusion Strategy will drive plans to improve in these critical areas.

From experience, the company knows that improvement in DE&I will help attract, retain, develop and advance all people across the organization.

Cummins refines its practices and policies on an ongoing basis to increase equity in the talent process and mitigate potential bias in any form it takes.

### CUMMINS' CARE INITIATIVE

The company's approach to diversity, equity and inclusion can be seen in **Cummins Advocating for Racial Equity (CARE)**, a new initiative to help dismantle institutional racism in the U.S.

The initiative, launched in 2020, focuses on police reform, criminal justice reform, social justice reform and economic empowerment. Learn more about **CARE** in the Community Engagement section.

### KEY STRATEGY ELEMENTS

Cummins' Global Diversity, Equity & Inclusion (DE&I) Strategy is centered on enabling a diverse, equitable and inclusive environment.

Here's a look at some key elements:

» **LEADERSHIP ACCOUNTABILITY:**

Leaders demonstrate individual and collective leadership accountability for enabling a diverse, equitable and inclusive culture.

» **RECRUITMENT, RETENTION, DEVELOPMENT AND ADVANCEMENT:**

Cummins' talent development processes deliver equitable and accessible recruitment, retention, advancement, and a pervasive feeling of inclusion.

» **BENEFITS, WORK ARRANGEMENTS AND COMPENSATION:**

Benefits, work arrangements and compensation systems are equitable and optimize employee well-being, potential and performance.

» **LEARNING AND EDUCATION:**

DE&I skills and competence are enabled in company leaders and employees through education and development.

» **COMMUNITY, GOVERNMENT AND SOCIAL RESPONSIBILITY:**

Cummins will take a leading role within local communities and society at large to dismantle systemic inequities and advance justice for all.

» **ASSESSMENT, MEASUREMENT AND RESEARCH:**

Comprehensive assessment, measurement, and research guides DE&I actions and performance is shared with all stakeholders.

» **COMMUNICATIONS:**

DE&I communications are a powerful and pervasive force in achieving a more inclusive, equitable and prosperous workplace and world.

## 2020 CUMMINS U.S. DIVERSITY

In 2020, Cummins pledged to be a leader in addressing racial equity in and out of the company. This chart looks at Cummins' U.S. workforce based on self-identification (as of Dec. 31, 2020), as the company works toward improving diversity.

	ASIAN	BLACK	LATINX / HISPANIC	WHITE	OTHER	TWO OR MORE RACES	DECLINED TO ANSWER
<b>ALL EMPLOYEES</b>	<b>11.8%</b>	<b>11.7%</b>	<b>7%</b>	<b>67.5%</b>	<b>0.6%</b>	<b>1.3%</b>	<b>0.1%</b>
<i>Hourly</i>	2.4%	16%	7%	72%	0.7%	1.6%	0.3%
<i>Salaried / exempt</i>	23%	6.5%	7%	62%	0.36%	1.1%	0.04%
<b>LEADERSHIP</b>	<b>12.7%</b>	<b>5.8%</b>	<b>5.8%</b>	<b>74.3%</b>	<b>0.6%</b>	<b>0.8%</b>	<b>0%</b>
<i>Directors and Executive Directors</i>	13%	5.6%	6%	74%	0.6%	0.8%	0%
<i>Vice President and above (officers)</i>	7%	12%	2.4%	78.6%	0%	0%	0%

## 2020 CUMMINS GLOBAL WORKFORCE BY GENDER

Cummins has also been making steady progress on increasing the number of women in the company's workforce, believing women are under-represented and contribute significantly to diversity at Cummins. This chart looks at the company's global workforce by gender as of Dec. 31, 2020.

	MEN	WOMEN		MEN	WOMEN
<b>ALL EMPLOYEES</b>	73%	27%	<b>LEADERSHIP</b>	75%	25%
<i>Hourly</i>	74%	26%	<i>Directors and Executive Directors</i>	75.2%	24.8%
<i>Salaried/Exempt</i>	71.4%	28.6%	<i>Vice President and above (officers)</i>	61.5%	38.5%

## TOP LEADERSHIP BY GENDER

As Cummins works to attract more women to the company, it is putting a special effort in its leadership ranks. Here's a look at the gender breakdown of the company's top executive teams and the Cummins Board of Directors as of Dec. 31, 2020.

### CUMMINS EXECUTIVE TEAM



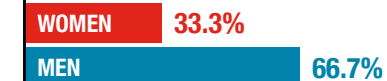
### CUMMINS LEADERSHIP TEAM



### CUMMINS OPERATING TEAM



### BOARD OF DIRECTORS



## SUPPLIER DIVERSITY

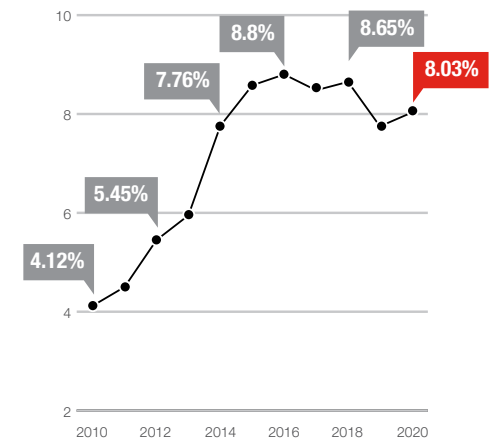


For more than 40 years, Cummins' supplier diversity program has spread economic development to communities through the engagement of diverse suppliers in the United States and globally.

The impact of the company's program goes beyond its immediate suppliers. Cummins' diverse suppliers, and the employees they hire, engage other suppliers in their supply chain and in their communities. This engagement creates a multiplier effect of Cummins' spending with diverse suppliers.

Cummins' global spending with diverse suppliers as a percentage of revenue has doubled since 2010.

### DIVERSE SUPPLIER SPENDING AS A PERCENTAGE OF REVENUE







# HELPING EMPLOYEES REACH THEIR FULL POTENTIAL

Cummins is committed to inspiring and encouraging all employees to reach their full potential. The company believes its employees are the strength of Cummins' business and drive its ability to serve the company's customers.



Cummins pursues that commitment by creating a diverse and inclusive work environment; engaging employees and their families in improving wellness; developing self-aware and effective leaders and extending the company's talent management philosophies in performance management, compensation management, competency building and access to development opportunities for all employees.

*A Cummins employee works safely on the plant floor at the Seymour Engine Plant in Seymour, Indiana.*

## TALENT MANAGEMENT

Cummins strives to create a leadership culture that begins with authentic leaders who create an outstanding place to work by encouraging all employees to achieve their full potential. Leaders are encouraged to connect their people and their work to the company's mission, vision, values, brand promise and strategies, motivating and giving them a higher sense of purpose.

The company has developed leadership and employee development programs for employees from the manufacturing floor and technicians through middle management and executive development. When an individual joins Cummins, the company is committed to providing both that employee and their manager with the tools and resources they need to manage their career and navigate in a large global organization.

Through Cummins' Talent Management strategy, the company's goal is to ensure all employees have access to the development and career opportunities that a global company enables. Employees get the training, development and feedback they need to build a career at Cummins, not just a stop along the way.

## COMPENSATION

To attract and retain the best employees, Cummins' focuses on providing competitive pay and benefits. The company's programs target the market for competitiveness and sustainability while honoring Cummins' core values. The company provides benefit programs with the goal of improving the physical, mental and financial wellness of its employees throughout their lifetime. Some examples include base and variable pay, medical, paid time off, retirement saving plans and employee stock purchase plans.

When designing base pay compensation ranges, Cummins does a market analysis to be sure ranges are current and employees are advancing their earning potential. The company also does annual compensation studies to assess market movement, pay equity and living wages. For example, in 2018, Cummins conducted a living wage analysis globally to ensure employees were making a living wage in the countries where they live and work.

The company incorporated this living wage assessment into its annual compensation structure to ensure that current and new hires never fall below this threshold. In the United States,

### KEY NUMBERS IN 2020

**57,825**

Cummins employees worldwide as of Dec. 31, 2020.

**20,279**

Cummins employees worldwide represented by various unions under collective bargaining agreements expiring between 2021 and 2025.

**\$15**

Living wage calculated in 2019 for Cummins employees living in the United States, although most positions at the company pay more.

**54%**

Cummins employees age 39 or younger in 2020.

## WORKFORCE //

for example, the living wage in 2019 was \$15 per hour, although most positions pay more. Cummins continually reviews wages globally to ensure they are fair, equitable, competitive and can attract and retain the best talent.

### BENEFITS

The company also provides diverse benefit programs that are aligned with Cummins' values and focused on supporting employees and their families based on their unique needs, some of which are: tiered health care costs so that more junior employees pay less for their premiums; paid parental leave for primary and secondary caregivers; advanced medical services from clinicians to support complex health care needs and employee assistance programs with diverse providers that can meet a range of employee needs from race related trauma to financial planning to transgender transition support.

#### TO LEARN MORE

To learn more about working at Cummins, check out the company's [Careers page](#) on cummins.com, where visitors can get more information on development programs, onboarding and benefits as well as interview tips.

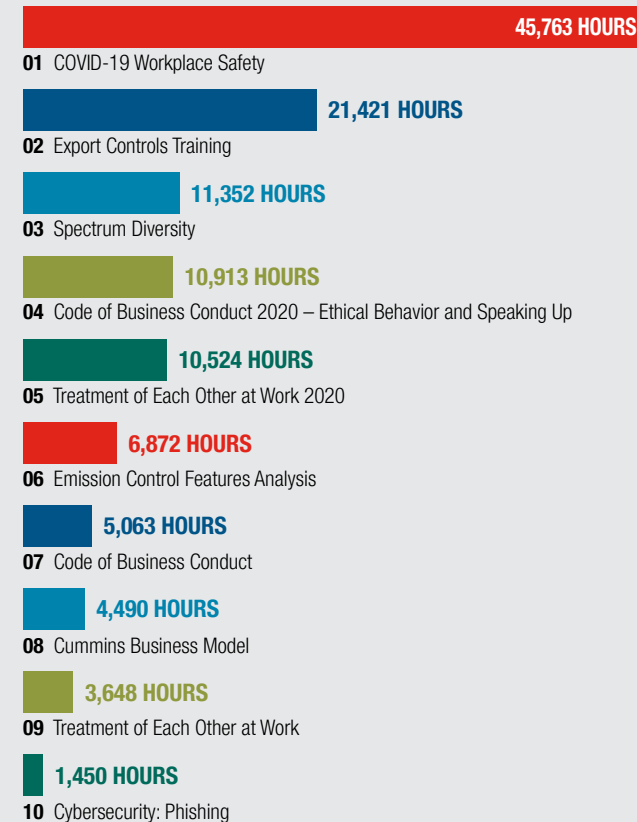
## TRAINING AND DEVELOPMENT

Cummins works to get employees the skills they need to succeed. Despite the pandemic, employees engaged in more than 550,00 hours of mandatory and non-mandatory training in 2020 through the Cummins Learning Center, achieving more than 1 million course completions.

The Cummins Learning Center coordinates a wide variety of training including a host of voluntary courses designed to improve employees' skill sets. Many locations offer additional learning opportunities not included in the following numbers.

### TOP 2020 MANDATORY TRAINING BY TIME

*Time invested in hours\**



*\*Estimated duration*

### TOP 2020 NON-MANDATORY TRAINING BY TIME

*Time invested in hours\**

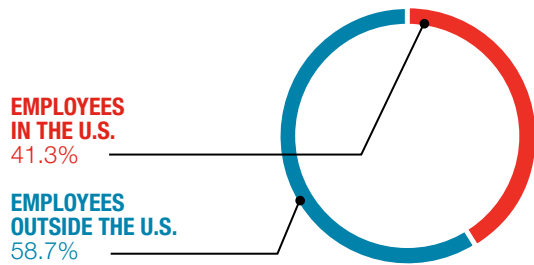


## A TRULY GLOBAL COMPANY

Cummins is a truly global company, with more than half of its workforce located outside the United States. The following charts look at employee assignments as of Dec. 31, 2020

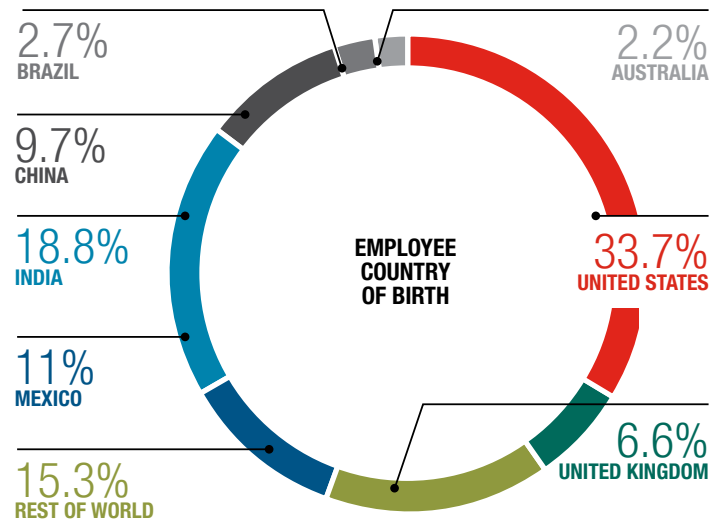
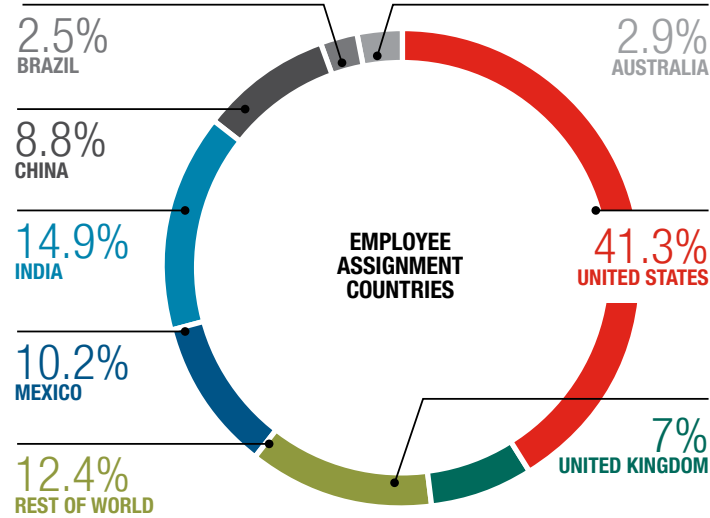
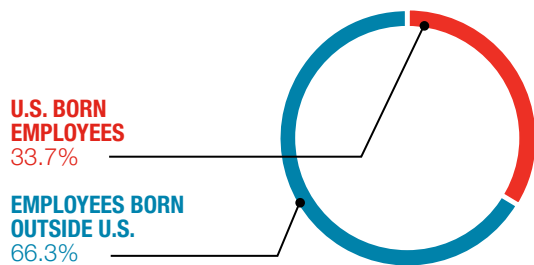
### ASSIGNMENT COUNTRIES

More than half of Cummins' employees work outside the United States.



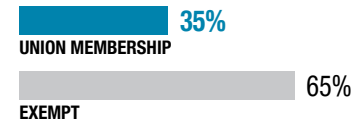
### COUNTRY OF BIRTH

Cummins employees come from around the world. This chart looks at the country of birth of Cummins employees as of Dec. 31, 2020.



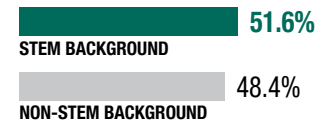
## EMPLOYEE REPRESENTATION

As of Dec. 31, 2020, about a third of Cummins' employees were represented by various unions under collective bargaining agreements expiring between 2021 and 2025.



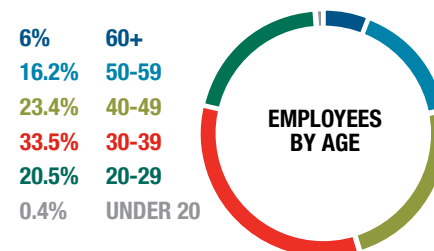
## STEM INFLUENCE

About half of the company's salaried/exempt employees have a background in science, technology, engineering or math.



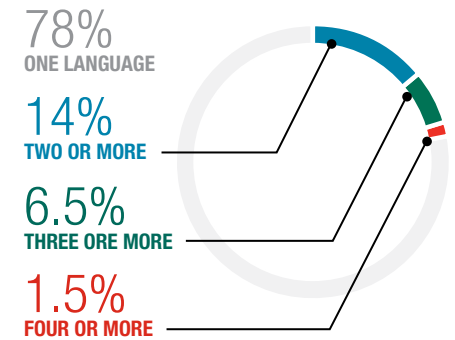
## AGE

More than half of the Cummins workforce is below the age of 40.



## LANGUAGES SPOKEN

More than 20% of Cummins employees are proficient at more than one language. Here's a look:



## TOP 10 LANGUAGES

Spoken by Cummins employees

- 01 English
- 02 Marathi
- 03 Chinese
- 04 Spanish
- 05 Hindi
- 06 Spanish (North American)
- 07 Portuguese
- 08 French
- 09 Romanian
- 10 Tamil



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# ***GOVERNANCE / ECONOMIC***

**Cummins believes governance and economic performance are fundamental to sustainability. Without both, it's difficult for a company to succeed over the long term.**

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## **WHAT'S INSIDE:**

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# BOARD PROVIDES CRITICAL OVERSIGHT DURING PANDEMIC

The important work of the Cummins Board of Directors was never more evident than after the company was hit by the full force of the pandemic in March 2020.

Providing vision, strength, and stability, the board met 15 times in 2020 – three times its normal number of meetings. Taking advantage of technology to gather virtually, the directors played a key role in the company’s efforts to protect communities, ensure employee safety and achieve business continuity.

With the board’s oversight, Cummins went from a record decrease in sales as communities around the world shut down to keep the virus from spreading to fourth quarter 2020 revenues 5% over the same time period in 2019.

## OVERSEEING RISK MANAGEMENT

While the pandemic dominated the year, it was far from the only issue the Board of Directors acted on in 2020.

Time is devoted to Enterprise Risk Management at every regular board meeting. The full board or its committees receive frequent reports and information directly from Cummins’ senior leaders who have responsibility over the company’s enterprise risks. Board members review that information and management’s proposed mitigation strategies, then monitor Cummins’ progress on those strategies.

The board and its committees also provide strong oversight of risks and opportunities associated with the company’s environmental, social and governance (ESG) initiatives, conducting at least one annual review by the full board of ESG strategy and challenges. Climate change, for example, was elevated to an Enterprise Risk by the board and the company’s Enterprise Risk Council.

The board protects the interests of shareholders through five fully independent committees: Audit; Talent Management & Compensation; Governance & Nominating; Finance; and Safety, Environment & Technology.

Various aspects of ESG are handled in the following committees depending upon the topic: Talent Management & Compensation; Safety, Environment & Technology and Governance & Nominating. In 2020, the company also created a cross-functional Management Review Group of top leaders to oversee ESG work.

## DIVERSITY IS KEY VALUE

Diversity is a core value for the board. In expanding to 12 members in 2020, the board added Kimberly “Kim” A. Nelson, a former Senior Vice President of External Relations at General Mills, Inc. Nelson became the second Black woman on the board, joining former U.S. Secretary of Labor Alexis M. Herman, who serves as Lead Director.

At Cummins’ Annual Meeting in May 2021, shareholders approved adding a 13th director, Carla A. Harris, a Black woman. Harris is Vice Chairman, Managing Director and Senior Client Advisor at Morgan Stanley.

The Board of Directors today includes Cummins Chairman and CEO Tom Linebarger and 12 independent directors, consistent with the definition established by the U.S. Securities and Exchange Commission and the New York Stock Exchange. The directors believe shareholders’ interests are best served by combining the roles of

## KEY NUMBERS IN 2020

13

Number of directors as of May 2021.

FIFTEEN

Number of times the Cummins Board of Directors met in 2020 — three times its normal number of meetings.

12

Number of independent directors. Chairman and CEO Tom Linebarger is the only Director who is also a Cummins employee.

FIVE

Number of fully independent committees established by the board.

74

Mandatory retirement age for directors.

## BOARD OF DIRECTORS //

Chairman and CEO while establishing a strong, independent Lead Director.

The Lead Director has many critical duties, including conferring with the Chairman on, and approving, board agendas as well as serving as the leader of the board's Governance & Nominating Committee. Cummins is fortunate to have Herman, who joined the board in 2001, serving in this important position.

Board members have a range of experience important to the company, including in academics, automotive, financial, government, manufacturing, marketing, and technology. All the directors attended at least 75% of the board's meetings in 2020.

### PURSuing FRESH IDEAS

The board has worked hard to bring in fresh viewpoints. Since 2015, five new directors (including Harris) have been added to the board. The board also pursues new ideas and approaches through its goal of having rotating committee assignments for directors every three to five years.

Regular conversations with shareholders is another key goal for the board. The CEO and at least one board member meet with shareholders to discuss topics including company growth, strategy, and performance on ESG.

The Board of Directors believe strongly in accountability. Shareholders have the right to call special meetings if they meet a voting power threshold of 10%. They also have the right to unilaterally amend company by-laws upon a majority vote. More information on the Board of Directors and governance as well as executive compensation can be found in the [2021 Proxy](#).

Breakdowns on the board committees, including committee charters, are available on the board's [committee website](#).

## BOARD GOVERNANCE AT A GLANCE

Here's a quick look at key governance matters regarding Cummins Board of Directors. To learn more, go to the governance [documents website](#) on cummins.com.

### BOARD

» Annual Election of Directors: **Yes**

### LEADERSHIP

» Combined Chairman and CEO: **Yes**

» Independent Lead Director: **Yes**

### PROCEDURAL

» Super Majority Voting Threshold for Mergers: **No**

» Proxy Access: **Yes**

» Shareholder Right to Amend Bylaws: **Yes**

» Shareholder Called Special Meetings: **Yes**

» Poison Pill: **No**

### POLICIES / GUIDELINES

» Code of Conduct for Directors, Officers and Employees: **Yes**

» Stock Ownership Guidelines for Directors and Executive Officers: **Yes**

» Anti-Hedging and Pledging Policies: **Yes**

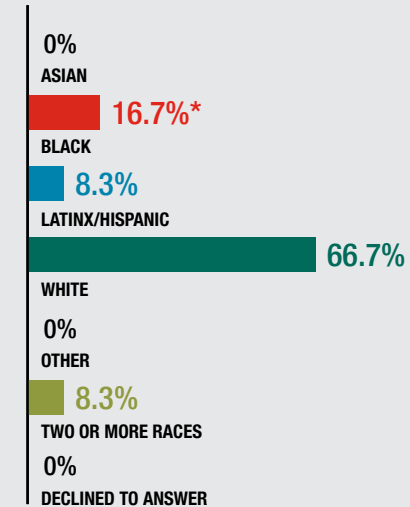
» Compensation Recoupment Policy: **Yes**

## BOARD DIVERSITY

Diversity and inclusion is important to the Cummins Board of Directors from both a race and ethnicity perspective as well as gender. The now 13-member board added a fifth ethnically diverse member and its fifth woman in May 2021. Here's a closer look as of Dec. 31, 2020, to be consistent with the rest of the report:

### BY RACE, ETHNICITY

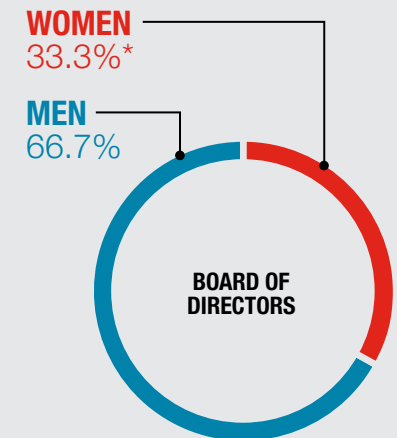
This chart looks at the race and ethnicity of the board as of Dec. 31, 2020.



\* As of May 2021, Black members make up 23% of the board.

### BY GENDER

This chart looks at the board by gender as of Dec. 31, 2020.



\* As of May 2021, women make up 38.5% of the board.



# CUMMINS BOARD MEMBERS



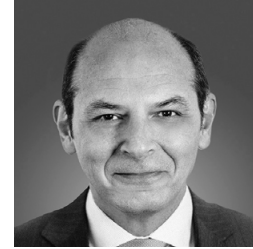
**ROBERT J. BERNHARD**

Vice President for Research and a Professor of Engineering at the University of Notre Dame. He joined the board in 2008.



**DR. FRANKLIN R. CHANG DIAZ**

Chairman and Chief Executive Officer of Ad Astra Rocket Company, a U.S. spaceflight engineering company based in Houston, Texas. He joined the board in 2009.



**BRUNO V. DI LEO**

Retired Senior Vice President, IBM Corporation, a global technology, and consulting company. Currently Managing Director of Bearing-North, LLC, an independent advisory firm. He joined the board in 2015.



**STEPHEN B. DOBBS**

Retired Senior Group President at Fluor Corporation, a Fortune 500 company offering engineering, procurement, construction, maintenance, and project management services. He joined the board in 2010.



**CARLA A. HARRIS**

Vice Chairman, Managing Director, Morgan Stanley, a global leader in investment banking and financial services. She joined the board in 2021.



**ROBERT K. HERDMAN**

Managing Director of Kalorama Partners, LLC, a Washington, D.C.-based consulting firm. He joined the board in 2008.



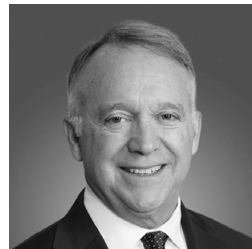
**ALEXIS M. HERMAN**

Chairman and Chief Executive Officer of New Ventures, LLC, a corporate consulting company. She joined the board in 2001 and currently serves as Lead Director.



**N. THOMAS LINEBARGER**

Chairman and Chief Executive Officer, Cummins Inc. He joined the board in 2009.



**THOMAS J. LYNCH**

Chairman of TE Connectivity Ltd., a global provider of connectivity and sensor solutions. He joined the board in 2015.



**WILLIAM I. MILLER**

President of The Wallace Foundation, a national philanthropy with a mission of fostering equity and improvements in learning and enrichment for young people and in the arts for everyone, since 2011. He joined the Cummins board in 1989.



**GEORGIA R. NELSON**

Retired President and Chief Executive Officer of PTI Resources, LLC, an independent consulting firm. She joined the board in 2004.



**KIMBERLY A. NELSON**

Retired Senior Vice President, External Relations, at General Mills Inc., a world leading manufacturer of branded consumer food products. She joined the board in 2020.



**KAREN H. QUINTOS**

Retired Chief Customer Officer of Dell Technologies Inc., a global supplier of personal computers and other computer hardware items. She joined the board in 2017.

# SUSTAINABILITY STARTS WITH ETHICAL BEHAVIOR

Cummins believes sustainability starts with ethical behavior, which has guided the company in good times and bad throughout its more than 100-year history.

Today, that guidance starts with the 10 principles that make up Cummins' **Code of Business Conduct**, which begins with the simple but far-reaching directive that, "We will follow the law everywhere." Company employees worldwide are required to comply with the code, which is emphasized at onboarding, during mandatory online training throughout an employee's career at Cummins, and in regular communications across the company.

The Ethics and Compliance function is charged with keeping the Code of Business Conduct top of mind at Cummins, as well as overseeing the company's **Supplier Code of Conduct**, which starts with a similarly sweeping first principle:

"Obey the law everywhere." The function is also charged with ensuring employees know the important role they play in enforcing these codes.

There are multiple ways employees can report possible code violations. They can use the company's Ethics website, Cummins' Ethics Helpline, send an email to the Ethics and Compliance mailbox, or simply talk to their supervisor, Human Resources representative or the company's Legal function. Cummins has a strict Non-Retaliation Policy for employees who report their concerns in good faith. They can remain anonymous, where allowed by law.

Cummins has a global team of investigators across the company to look into possible code or policy violations.

## MAINTAINING AN ETHICAL CULTURE

In 2020, the Ethics and Compliance team worked to maintain Cummins' ethical culture despite employees working under stressful circumstances because of the pandemic, whether at home, balancing the demands of work and family, or in Cummins' facilities, performing essential work while protecting themselves, their co-workers and their families from the virus.

The function reminded employees through emails, blogs and by other means that while business conditions were challenging, Cummins' commitment to its core value of integrity never wavers. Ethics and Compliance also reminded employees that doing the right thing includes speaking up when they see potential Code of Business Conduct violations, even during a pandemic.

In addition to that effort, the function took steps to strengthen Cummins' ethical culture in the future.

After onboarding, for example, most employees learn about the importance of Cummins' ethical work culture from more than 10 different training courses on topics ranging from Anti-Bribery to

Treatment of Each Other at Work. The training is assigned on a cyclical basis over several years, although some is targeted to the specific employees who would find it most relevant, such as Protecting Human Rights in the Supply Chain.

In the spirit of continuous improvement, the function in 2020 put out a request for proposals for a training provider to offer more meaningful and engaging courses. The new training platform started in the second quarter of 2021 and will continue focusing on issues such as anti-bribery, antitrust and fair competition, conflicts of interest, data privacy, ethical business practices, protecting human rights, avoiding money-laundering and more.

## MAKING POLICIES ACCESSIBLE

The updated training was one of several initiatives the Ethics and Compliance function completed in 2020 with an eye on the future. The team also unveiled a new internal website where employees can find easy-to-read executive summaries of more than 29 policies referenced in the Code of Business Conduct or aligned closely with Cummins' **Mission, Vision, and Values**.

## CUMMINS' 10 ETHICAL PRINCIPLES

Cummins ethics and governance initiatives are built around the 10 Statements of Ethical Principles in the **Code of Business Conduct**:

- 01 *We will follow the law – everywhere.*
- 02 *We will embrace diverse perspectives and backgrounds and treat all people with dignity and respect.*
- 03 *We will compete fairly and honestly.*
- 04 *We will avoid conflicts of interest.*
- 05 *We will demand that everything we do leads to a cleaner, healthier, and safer environment.*
- 06 *We will protect our technology, our information, and our intellectual property.*
- 07 *We will demand that our financial records and processes are clear and understandable.*
- 08 *We will strive to improve our communities.*
- 09 *We will communicate with honesty and integrity.*
- 10 *We will create a culture where all employees take responsibility for ethical behavior.*

## ETHICS AND COMPLIANCE //

The project was designed to broaden employees' understanding of the company's core policies and strengthen Cummins' ethical culture.

As part of this work, the function played a critical role in developing the new Cummins Policy Office, a cross-functional team charged with ensuring the company's policies don't simply gather dust. The team manages the Cummins Core Policies website, sets the requirements to be a core policy (the "policy on policies"), and establishes rules for consistently updating and reviewing policies.

The company's Core Policies range from the Anti-bribery and Prohibited Payments Policy to its Restricted Substances Policy.

As 2020 demonstrated, building a foundation of ethical behavior can take many forms — making policies more accessible to employees, improving training, or working to uphold ethical behavior in the midst of a pandemic. The end result, however, is the same: a stronger, more sustainable company.

### COMPLIANCE TRAINING

Thousands of employees complete mandatory ethics training every year at Cummins through the Cummins Learning Center. The company is changing its reporting this year to look more narrowly at annual participation. Training is frequently updated, assigned based on its relevance to particular jobs and delivered on a cyclical basis. So, in a single year, training in one topic area may be larger or smaller.

TRAINING	2020 COMPLETIONS
<b>Anti-bribery</b>	1,465
<b>Careful Communications at Work</b>	1,456
<b>Code of Business Conduct</b>	25,934*
<b>Conflicts of Interest</b>	3,404
<b>Data Privacy</b>	1,515
<b>Doing Business Ethically</b>	1,386
<b>Export Compliance</b>	165
<b>Preventing Money Laundering</b>	605
<b>Protecting Human Rights in the Supply Chain</b>	193
<b>Treatment of Each Other at Work</b>	26,891*

\* Denotes updated trainings launched in 2020.

### MAINTAINING THE CODE



Training and guidance are not enough to ensure compliance. Cummins relies on its employees to speak up if they witness behavior that potentially violates the Code of Business Conduct. Employees may report a potential violation through a secure website or a toll-free telephone number. Where legally permissible, employees can report anonymously if they wish.

	2017	2018	2019	2020
<b>Total cases</b>	1,904	2,215	2,436	1,601
<b>Cases outside U.S.</b>	49.7%	51.5%	47%	51%
<b>Cases in U.S.</b>	50.3%	48.5%	53%	49%
<b>Anonymous reporting</b>	32%	35%	37%	40%
<b>Cases substantiated*</b>	38%	35%	47%	51%
<b>Terminations**</b>	38%	40%	41%	37%
<b>Average days to close***</b>	16	19	22	17%

\* Substantiated cases are now calculated on cases only investigated through the Ethics Investigation Process.

\*\* The termination rate is now calculated on substantiated cases and cases only investigated through the Ethics Investigation Process.

\*\*\* The average days to close formula updated to accurately account for missing dates in the data.

### CUMMINS SUPPLIER CODE OF CONDUCT

The Cummins Supplier Code of Conduct applies to all businesses providing products or services to Cummins and its subsidiaries, joint ventures, divisions, or affiliates. Available in 15 languages, **the supplier code** is built around seven principles and helps Cummins ensure that it is doing business with other companies around the world that share its values for these sustainable practices:

- 01 **Obey the law everywhere.**
- 02 **Treat people with dignity and respect.**
- 03 **Avoid conflicts of interest.**
- 04 **Provide a safe and healthy workspace.**
- 05 **Protect Cummins technology, information, and intellectual property.**
- 06 **Protect the environment and conserve natural resources.**
- 07 **Assist Cummins in enforcing the code.**

Cummins requires a verification response from suppliers that they are following the Supplier Code of Conduct before they are added to the company's supplier database. Cummins may visit facilities, review documentation and conduct audits, if necessary, to ensure compliance.



# MAKING HUMAN RIGHTS A PRIORITY

## Cummins has long believed in protecting human rights, both within the company and throughout its supply chain.

For many years, the Cummins Code of Business Conduct has stated the company “will not tolerate child or forced labor anywhere and we will not do business with any company that does.” In 2018, Cummins officially adopted a separate Human Rights Policy to ensure there is special emphasis on where the company stands on this important matter.

The **Human Rights Policy** specifically prohibits all forms of compulsory labor, as well as human trafficking. It applies to the company, its joint ventures, affiliated companies, and Cummins’ suppliers. If Cummins doesn’t have a controlling ownership interest or management responsibility with a related entity, the policy states it will take steps to require compliance.

In 2019, Cummins implemented company-wide training on human rights for employees working within

the company’s supply chain. Cummins also began integrating provisions of the policy directly into the Eyes Open Audits conducted primarily by Purchasing employees when visiting suppliers to check on worker safety, any environmental concerns, and other issues.

In establishing the policy, Cummins assessed its risk for violations, determining the greatest risk exists deep in the company’s supply chain. Outside vendors providing services such as catering, or cleaning were also identified as areas to watch.

These areas receive extra attention and oversight from the company. The Ethics and Compliance function is working to develop additional ways to monitor these often less visible elements of the company’s operations.

Cummins is committed to **supply chain transparency** and ensuring its partners, especially in high risk areas, adopt measures to mitigate human rights risks. Suppliers are required to sign response forms agreeing to comply with the company’s Supplier Code of Conduct, which also specifically prohibits forced and child labor. Cummins will work with suppliers to develop a plan for compliance or a strategy for exiting their work with the company.

If any inappropriate behaviors or conditions viewed as systemic or critical are observed during supplier audits, the situation is reviewed with the Cummins Legal function for appropriate action.

### ABOUT THE POLICY

Here’s a quick look at Cummins’ Human Rights Policy:

**ADOPTION:** Completed in December 2017, after a nearly year-long review, the policy was officially published in January 2018.

**CONTENTS:** The policy specifically precludes human trafficking and exploitation, forced labor, child labor, bonded and prison labor, and supports foreign and migrant worker rights.

**IMPACT:** The policy applies to Cummins entities in which the company has a controlling ownership interest or management responsibilities, including subsidiaries and joint ventures.

**INSPIRATION:** The policy was guided by the Universal Declaration of Human Rights, the International Labor Organization’s Declaration on Fundamental Principles and Rights at Work, the United Nations Global Compact and the U.N.’s Guiding Principles on Business and Human Rights.

**SUPPLIERS:** Cummins commits to supply chain transparency, pledging to work with suppliers and partners in high-risk locations to mitigate the risk of human trafficking and other human rights violations.

### HUMAN RIGHTS REPORTING

Ethics and Compliance is also responsible for responding to the growing number of governments requiring reporting on human rights as a condition of doing business in their jurisdictions.

The company currently reports requirements to Australia, the United Kingdom and the state of California in the United States. The disclosures can be found in the company’s **Transparency in Supply Chains** webpage on cummins.com.

In the U.K., for example, companies doing business in the country must assess suppliers on the risk they present from a human rights perspective. Those deemed at highest risk must then be subject to increased levels of review and oversight. California asks companies to disclose which of their policies deal with modern slavery, any risk assessment process companies have completed and staff training to identify and react to any incidents of modern slavery they see.

The company expects additional government entities such as the European Union will initiate similar rules.

# CYBERSECURITY TAKES A HOLISTIC APPROACH TO PROTECTING CUMMINS' DATA

Cybersecurity is critical to the company's ability to power a more prosperous world.

Cummins Global Cybersecurity is committed to protecting the company's intellectual property, customer data, employee data, the data increasingly important to product innovation and reliability, and the computer systems and networks critical to keeping nearly 60,000 employees around the world aligned and moving forward.

It's a tall task, but Cummins believes the company's holistic approach to cybersecurity, including advanced technologies, good governance, extensive employee training, and innovative programming, is the best approach to achieving its goals of protecting the company from increasingly sophisticated attacks.

## A SOLID FOUNDATION

Cummins Global Cybersecurity starts with a solid foundation, built on 19 separate policies governing different aspects of cybersecurity at the company. The function reports to Cummins' Chief Information Officer and regularly to the company's Board of Directors. Cummins' Chief Information Security Officer reported to the board five times on metrics and program updates in 2020.

The company is aligned to the cybersecurity framework developed by the U.S. Commerce Department's National Institute of Standards and Technology (NIST) Cybersecurity Framework (CSF). All Cummins personnel,

including temporary employees, contractors, and business partners handling information on the company's behalf, are required to follow the data protection requirements contained in Cummins' policies and procedures.

The company has used outside experts to review its operations, evaluate Cummins Global Cybersecurity's maturity and goals in alignment with NIST and benchmark the function against peer companies. Cummins continues to enhance its cybersecurity operations to meet the changing security landscape.

## TRAINING AND EDUCATION

In addition to implementing the hardware and software necessary to protect Cummins from cyber threats, Cummins Global Cybersecurity has also worked to engage Cummins employees in its efforts through training and education, starting from onboarding, where new employees first learn about the

importance of protecting the company's data and information.

Employees who receive access to Cummins' digital network receive training on the devices they use including cybersecurity training, and the company is expanding training to employees who don't have direct access to the network.

In 2019, Cummins' expanded its required online training for employees with access to the company's digital network through the Cummins Learning Center. The 10 video-based training courses deal with topics ranging from information security and password protection to how to recognize and report phishing e-mails. The courses are short and the videos are fun, featuring engaging characters who reinforce the training employees get in onboarding and when they receive access to the Cummins network.

## INNOVATIVE INITIATIVES.

Anyone with a Cummins account, including contract and joint venture workers, also has the ability at the press of a button to report suspicious emails. The company is constantly testing and implementing tools to detect anything outside of normal operations such as malware.

In addition to new tools, the cybersecurity team collaborates with the business to conduct vendor security assessments to ensure vendors have adequate security measures in place before being entrusted with Cummins data.

Finally, in a world that is increasingly interconnected, Cummins Global Cybersecurity is engaged in product development early on to maintain the highest levels of protection for the company's products against cyber threats.

## GETTING THE MESSAGE OUT

Cummins designates October as Cybersecurity Awareness Month. Global Cybersecurity team members and leaders go out and speak about the importance of cybersecurity in a variety of settings and multiple locations.

The team has also established a Cybersecurity Ambassador program, providing participants with the information they need to talk to their co-workers about the importance of protecting Cummins' digital resources and information. The program is designed so employees receive the cybersecurity message in informal as well as formal settings.

# CUMMINS FOCUSES ON RESILIENCY IN MANAGING RISK

**Cummins believes strongly that managing risk is critical to sustainability, and effective risk management starts with enterprise resiliency.**

A company's ability to anticipate and manage potential business interruptions can be the difference between success and failure, whether the risk involves a supply chain disruption, maintaining a safe workplace, regulatory challenges, or in the case of the 2020 pandemic, elements of all three.

COVID-19 hit Cummins hard early on, but over time the processes and procedures established by the company enabled Cummins to safely reopen plants and essential facilities, protecting employees and communities while supporting customers performing essential tasks such as transporting food and medicine.

The pandemic served as a reminder of the importance of enterprise resiliency for the company, which, even in the midst of the COVID-19 crisis, took steps in 2020 to prepare for future risks.

## ESTABLISHING A RISK MANAGEMENT CULTURE

The Enterprise Risk Management team at Cummins works with the company's top leaders to establish a culture where key risks are identified and responded to appropriately, with guidance and oversight from the company's Board of Directors.

The Cummins Executive Risk Council, comprised of the Chief Operating Officer, Chief Financial Officer, General Counsel, Vice President – Corporate Strategy, Chief Administrative Officer, Corporate Controller and Vice President of Internal Audit, meets at least quarterly to review and update material risks. At every meeting a few risk owners will do an in-depth briefing on their risk where the council can ask questions and debate the risk.

The Board of Directors oversee the most significant risks. The board or its committees receive briefings at every meeting on one or more relevant risks. Once a year the board reviews the entire Enterprise Risk Management program and the results of the last enterprise risk assessment.

Cummins' risk management team also works with other assurance groups that play a role in managing risk throughout the company, including Risk Insurance and Global Security, which oversees the Business Continuity Plans established by every Cummins location. These plans are regularly tested and improved as part of Global Security's holistic approach to emergency management. Key sites undergo tabletop exercises to ensure they are ready if an emergency occurs. This process proved invaluable during the initial phase of the pandemic.

The Risk Management team also works with the company's Area Business Organizations on the risk management programs in their regions to track and mitigate key risks.

## A NEW RISK CATEGORY

Regulatory compliance, supply chain risks and intellectual property protection are among the issues that have long been subject to the company's risk management discussions. The Executive Risk Council and the Board of Directors re-evaluated in 2020 how the company traditionally tracks risks, asking if there were other longer-term issues with the potential to significantly alter the way the company works.

The company decided it was important to begin tracking a new category of risk in addition to the current enterprise risks. These "Emerging Risks" do not necessarily present an immediate or large threat to business resiliency but have been identified as potentially significant risks in the future. Climate change, for example, was added to the emerging risk list and then recently moved to an enterprise risk that is actively managed.

By taking steps to identify emerging issues, Cummins is taking the next step in risk management, and ultimately the sustainability of the company for years to come.

### TO LEARN MORE

More on the Board of Directors' efforts to manage risk is available throughout the [2021 Proxy](#) posted in the Investor Relations section of [cummins.com](#). Potential material risks facing the company are listed in detail starting on page 3 of the [2021 Annual Report on Form 10-K](#), which is also available in the Investor Relations section of [cummins.com](#).



# MAKING THE CASE FOR A CLEANER TOMORROW

**The Government Relations team works in support of Cummins' mission to power a more prosperous world and, by extension, the company's environmental, social and governance initiatives to achieve that goal.**

In 2020, the team focused on educating policymakers regarding opportunities to support new technologies like hydrogen power and vehicle electrification, continued work on improving policies around environmental performance of conventional technologies; advocated for better trade policies; engaged at the state and federal levels on issues surrounding racial equity and addressed urgent matters around the pandemic response to ensure Cummins' essential employees could work safely to support critical businesses operating around the globe.

## MOVING POWER FORWARD

Cummins has always taken leadership roles in advancing policies important to its industry. In the last few years, the

accelerated adoption of decarbonized technologies has become one of the most important. In 2020, Cummins' Chairman and CEO Tom Linebarger was elected to the Board of the Hydrogen Council, a global group of CEOs dedicated to educating stakeholders about hydrogen, and was active as the group developed a study on decarbonization pathways for the promising low-carbon energy source.

Cummins also worked closely with the National Association of Manufacturers (NAM), the U.S. Chamber of Commerce and the Business Roundtable as they developed their respective climate policies; successfully encouraging each association to endorse the goals of the Paris Agreement on climate change and

the need for a market-based mechanism to internalize the social cost of carbon.

In Europe, the company engaged in climate policy with governments directly and through trade associations such as Hydrogen Europe and the European Battery Association, and through providing intelligence to public policy consultations.

## TRADE

With the finalization of the United States-Canada-Mexico Agreement (USMCA), the importance of the trading relationship between North American countries was emphasized with a focus on standardizing environmental regulations. Cummins served as a leading voice in support of the passage of USMCA and the environmental standards set by the agreement.

Cummins also deeply engaged in U.S.-China trade relations in 2020, encouraging the respective governments to address long-standing issues creating tension between the two nations. Linebarger, in his role as Chairman of the U.S.-China Business Council, has been a key voice within the business community, working to find policy solutions to ensure continued cooperation between the world's two largest economies.

## RACIAL EQUITY

With the announcement of **Cummins Advocating for Racial Equity** (CARE), the Government Relations team is directing advocacy efforts for the company. The initiative focuses on policy priorities at the state and local levels in key Cummins communities throughout the United States.

Government Relations leads a coalition of advocacy groups and business leaders pushing for police and criminal justice reform in Indianapolis and in the Indiana State Legislature. The function is developing strategies in coordination with CARE leadership and site leaders in other key Cummins communities in the U.S.

## PANDEMIC RESPONSE

At the onset of the COVID-19 pandemic, Government Relations collaborated across the company's global footprint to ensure Cummins' facilities and suppliers had the equipment and support needed to stay safe and continue operating; especially producing and maintaining the engines and generators so essential to the delivery of goods, medical equipment and now vaccines.

In the United Kingdom, Cummins was recognized by the government as a case study for best practices in

operating during the pandemic. Additionally, the Government Relations team worked closely with the Filtration function as it worked to adapt Cummins technology to make personal protective equipment for respirators and face coverings.

## CUMMINS AND REGULATIONS

Cummins has long supported tough, clear and enforceable regulations that drive innovation in the commercial power industry.

The company has supported greenhouse gas / fuel efficiency regulations in the United States as well as national and regional efforts to reduce nitrogen oxides (NOx) and particulate matter (PM), key ingredients in smog. In China and India, the Government Relations team has engaged with policymakers to ensure NOx and PM standards are fully implemented and enforced.

These engagements, along with additional advocacy by the team, is how Cummins uses its voice and its technology leadership to inform governments about the policies that will lead to a more sustainable future.

# LOBBYING

**Cummins belongs to a number of trade organizations. While the company may not agree with these associations on every matter, Cummins believes they help ensure government leaders know where the company stands on key issues.**

This chart lists U.S. trade organizations that Cummins paid dues in excess of \$50,000 during calendar year 2020, as well as the U.S. Chamber of Commerce, which fell below the \$50,000 threshold. Listed with each group is an estimate of the portion of dues used for lobbying or other political expenditures.

TRADE ORGANIZATION	LOBBYING ESTIMATE	KEY CUMMINS ISSUES
National Association of Manufacturers	\$32,804.00	<i>Immigration, trade, manufacturing</i>
Business Roundtable	\$75,000.00	<i>Trade, taxes</i>
Engine Manufacturers Association	\$4,721.00	<i>Truck and engine manufacturing</i>
U.S. Chamber of Commerce	\$10,000.00	<i>Immigration, taxes</i>
American Trucking Association	\$16,129.00	<i>Trade, environment</i>
<b>TOTAL</b>	<b>\$138,654.00</b>	

## POLITICAL CONTRIBUTIONS

In the United States, political contributions are made by the Cummins Inc. Political Action Committee (CIPAC) and funded solely by voluntary employee contributions. CIPAC makes contributions to federal and state candidates on a bipartisan basis and according to federal and state election laws. CIPAC is governed by corporate policies and bylaws that state:

- » CIPAC contributions are strictly voluntary.
- » Employees will not be reimbursed directly or indirectly for political contributions.
- » Employees will not be pressured to contribute to CIPAC or make any other personal political contribution.
- » Failure to contribute to CIPAC shall not disadvantage an employee's career.

CIPAC contributions are based on:

- » Public integrity of the candidate
- » Representation of a Cummins facility or employees
- » Support for issues important to Cummins
- » Timely and effective constituent service
- » Political leadership or organization
- » Support for the company's values

All of CIPAC's activities are disclosed to the Cummins Board of Directors in an annual political contribution report. Here's a **complete list** of the political action's contributions.

## POLITICAL ACTIVITIES

Cummins bans contributions using corporate funds to candidates, political parties and independent expenditures, including advertisements that support or oppose individual candidates.

The company also will not use corporate funds to contribute to 501 (c) (4) and 527 tax-exempt groups in the United States that are engaged in political activity or make payments to influence ballot issues, unless the issues are directly tied to the company's core values and business interests.

In those cases, Cummins is committed to publicly disclosing any payments including recipient names and amounts. The company made no such payments in 2020.



# INNOVATION PLAYS KEY ROLE IN CUMMINS' PAST, PRESENT AND FUTURE

Innovation has been critical at Cummins, from the days company founder Clessie Cummins first tinkered with a diesel engine more than 100 years ago to today as company engineers chart a path to a carbon neutral-future.

While times have changed, and demands have grown, the basic challenge is the same: provide safe, clean, efficient, and dependable power to help customers achieve their business goals. Despite a pandemic, Cummins once again met that challenge in 2020.

The company, for example, received a record 312 global patents in 2020, a more than 12% increase over 2019, as Cummins worked to improve its current product line and expand its portfolio of low-carbon power systems. Cummins believes in the power of choice, providing customers with a range of power solutions so they can choose what makes the most sense for their unique situation and goals.

Facing a 16% drop in revenues, Cummins nevertheless spent \$906 million on research, development and engineering expenses in 2020, down from the record \$1 billion in 2019.

However, spending as a percentage of sales at the company actually increased from 4.2% in 2019 to 4.6% in 2020 as Cummins maintained its commitment to innovation.

## STEPPING INTO THE FUTURE

The clearest example of innovation was perhaps the company's first Hydrogen Day in 2020 to highlight Cummins' progress on products connected to this promising low-carbon, renewable fuel source. Nearly 2,000 analysts, media members and potential customers attended the virtual event, learning about the company's proton-exchange membrane (PEM) and solid oxide fuel cells as well as the electrolyzers Cummins is manufacturing that are critical to producing renewable hydrogen.

The supply of renewable hydrogen is a major obstacle to widespread use of the fuel. Cummins is doing its part to address that challenge. The company's 20-megawatt PEM electrolyzer is part of the **world's largest** PEM electrolysis plant in Bécancour, Quebec (Canada), and a 5-megawatt Cummins' electrolyzer is part of the largest project in the United States.

The past 12 months have been filled with firsts and milestones for Cummins' New Power segment, which leads the company's work in battery electric and fuel cell electric technologies. Cummins' hydrogen fuel cell technology, for example, is helping to power the world's first **hydrogen powered passenger train** in Europe and will help power North America's **first hydrogen powered ferry** in San Francisco. By the end of 2020, New Power produced more than 900 battery modules and more than 200 electrified powertrain systems.

## ACHIEVING BENEFITS TODAY

While New Power may have gotten the most attention, the largest share of 2020 patents — nearly 40% — involved Cummins Engine segment, which produces the internal combustion engines the company is famous for. Cummins believes strongly that innovation in both internal combustion and alternate technologies is the best way to achieve environmental benefits today and a carbon-neutral tomorrow.

The company announced multiple improvements to its traditional product lines, including up to a 5% fuel economy increase in the 2020 **X15 Efficiency Series** used in long-haul trucking,

reducing both greenhouse gases and the total cost of ownership.

Cummins Westport officials, meanwhile, announced in January 2020, that its **B6.7N natural gas engine** had received certifications from both the EPA and the California Air Resources Board. The B6.7N is the third Cummins Westport engine to meet California's optional ultra-low standard for nitrogen oxides (NOx), which is 90% below the current EPA limit for the key contributor to smog.

## REMEMBERING THE BASICS

While environmental considerations are getting more attention than ever before as the world works to address challenges like climate change, Cummins knows after more than 100 years in business that any power system is only effective if customers use and embrace it.

That's why power and dependability are always part of the company's innovation journey. It's a challenge Cummins knows well, going back to the days when Clessie Cummins saw potential in a new technology called the diesel engine.



A Cummins employee works at the company's solid oxide fuel cell testing center in Malta, New York (U.S.)



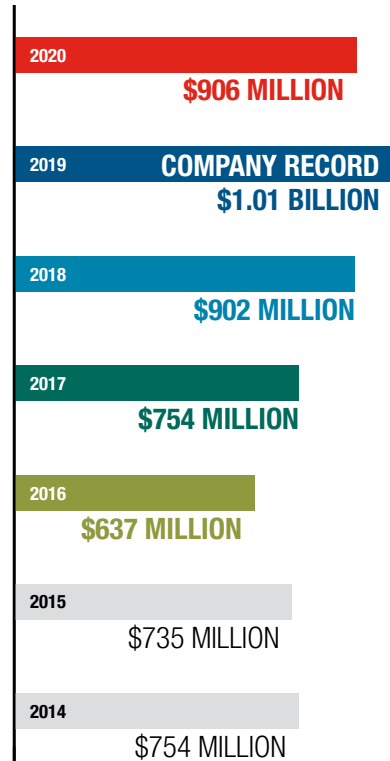


A 5-megawatt Cummins' PEM electrolyzer will be used to produce renewable hydrogen using water from the Wells Dam (above) on the Columbia River in Washington state. The project is the first of its kind by a public utility in the United States. Cummins is also part of the largest PEM electrolysis plant in the world. The Air Liquide facility in Bécancour, Quebec (Canada), chose a Cummins 20-megawatt electrolyzer. Electrolyzers can split water into hydrogen and oxygen.

## RESEARCH AND DEVELOPMENT



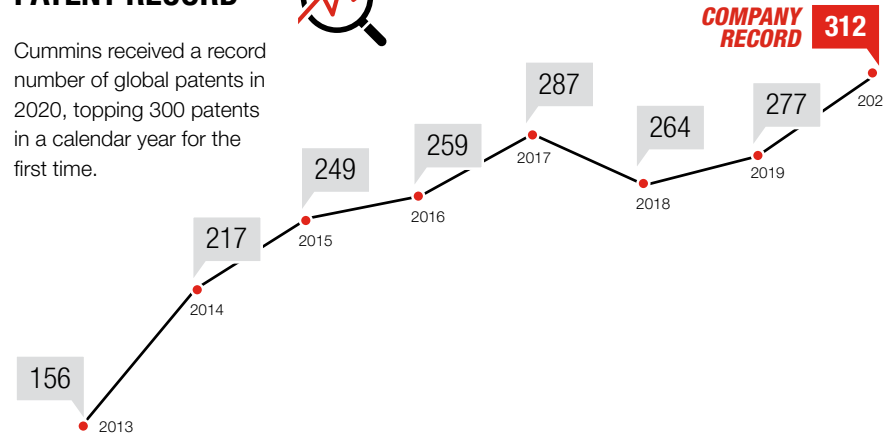
Cummins topped \$900 million in spending on research, development and engineering expenses for a third consecutive year in 2020.



## PATENT RECORD



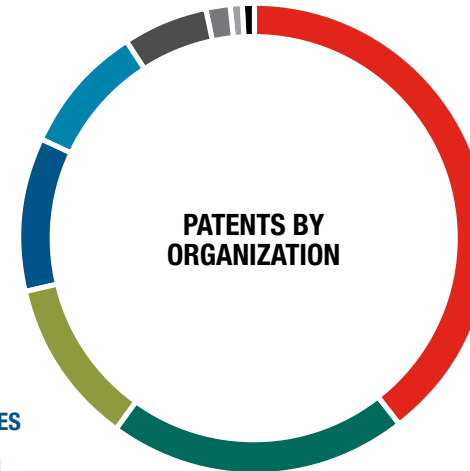
Cummins received a record number of global patents in 2020, topping 300 patents in a calendar year for the first time.



## ENGINE SEGMENT LEADS WAY

The Cummins Engine Business segment received the most patents, collecting nearly 40%.

- 39.7% CUMMINS ENGINE
- 20.5% CUMMINS FILTRATION
- 11.2% CUMMINS NEW POWER
- 10.6% CUMMINS TURBO TECHNOLOGIES
- 9.0% CUMMINS POWER GENERATION
- 5.8% CUMMINS EMISSION SOLUTIONS
- 1.6% CUMMINS FUEL SYSTEMS
- 1.0% CUMMINS GENERATOR TECHNOLOGIES
- 0.6% CUMMINS ELECTRONICS



## KEY NUMBERS IN 2020

# FIVE

Percentage fuel economy improvement in the 2020 X15 Efficiency Series diesel engine.

# 906 MILLION

Amount in U.S. dollars spent by Cummins on research, development and engineering expenses in 2020.

# 800+

Number of Cummins New Power employees now working on low- and no-carbon technologies.

# 312

Record number of global patents received by Cummins personnel in 2020.



# PARTNERING FOR PROGRESS

Cummins believes in partnering with others to achieve innovation in its products. Here’s a look at 17 public-private partnerships the company is working on.

PROJECT NAME	SPONSOR	PARTNERS
High Efficiency Class 8 Engine, Powertrain and Vehicle Technology Development and Demonstration	Department of Energy (DOE)	Peterbilt, Eaton
Advanced Platooning through Advanced Driver Assistance Systems Integration with other Advanced Sensory / Info Sources	DOE	Michelin, Clemson University
Connected and Learning-Based Optimal Freight Management for Efficiency	DOE	Michelin, University of California Berkeley
Development of Advanced Combustion Strategies for Direct Injection Heavy Duty LPG Engines to Achieve Near-Diesel Engine Efficiency - Cummins is a Subcontractor to Colorado State University	DOE	Colorado State University
Cummins PEM Fuel Cell System for Heavy Duty Applications	DOE	Hydrogenics
Small-Scale Solid Oxide Fuel Cell Systems and Hybrid Electrolyzer Technology Development	DOE	
Improving Cost and Efficiency of the Scalable Solid Oxide Fuel Cells Power System	DOE	University of Connecticut
Dynamic Skip Fire on a Heavy-Duty Natural Gas Engine	DOE	Tula Technology

## PARTNERING FOR PROGRESS (CONT.)

PROJECT NAME	SPONSOR	PARTNERS
Wireless Extreme Fast Charging Technology applied to Class 8 Battery Electric Vehicle Truck - Cummins is a Subcontractor to WAVE	DOE	Wireless Advanced Vehicle Electrification
Fundamental Natural Gas Combustion Studies - Cummins is a Subcontractor to Colorado State University	DOE	Colorado State University
Class 5 Electric Delivery Truck with High Efficiency Natural Gas SI Range Extender Engine - Cummins is a Subcontractor to Argonne National Lab	DOE	
High Efficiency, Ultra Low Emissions Heavy-Duty Natural Gas Engine Research and Development - Cummins is a Subcontractor to National Renewable Energy Lab (NREL)	DOE and SCAQMD	National Renewable Energy Laboratory and SCAQMD
Manufacturing Technology Development to Advance the Manufacturability of the Advanced Combat Engine (ACE)	Department of Defense	Achates Power
Modify Current Steel Powertrain Materials using Small Amount of Alloying Additions to Significantly Improve Mechanical, Physical, and Thermal Property of the Material	DOE	
Fundamental Understanding of Cu-Zeolite SCR Catalyst Aging Mechanism	DOE	
Development and Validation of an Integrated Modeling Approach to Account for Fuel Nozzle Flow Effects on Engine Combustion Characteristics	DOE	Sandia National Laboratories
Multiscale Research to Enable Fuel-Efficient, Low-Emissions Engine System Technologies	DOE	Convergent Science



## SPECIAL REPORT

# AN INNOVATION FOCUSED PATH TO CARBON NEUTRALITY

Growing the economy while preserving the planet for generations to come is the challenge of our time.

Cummins embraces that challenge and believes the company is uniquely positioned to take a leadership role. Having long supported tough, clear and enforceable regulations, Cummins uses its expertise to achieve tougher environmental standards, create jobs and ultimately strengthen communities. The company supports an innovation-focused path to carbon neutrality that includes multiple technologies, providing customers the power to choose what works best for them.

After more than a century in business, Cummins knows its customers' needs. The company today powers everything from trucks, buses, rail and marine, to construction equipment, farm machinery, the generators that ensure hospitals and data centers can operate without interruption and much more. A one-size-fits-all solution won't work for such diverse markets, and any power technology moving forward must be dependable, durable and affordable for customers in addition to being better for the environment.



Some of the Cummins New Power business segment's applications using low-carbon power systems.

### TAKING ACTION

Cummins is moving quickly to do its part to reach a low-carbon future. In late 2019, the company released its PLANET 2050 **environmental strategy** to address climate change and other environmental challenges. The strategy includes specific and measurable goals timed to 2030 that are science-based and aligned to the Paris Agreement on climate change. Cummins will report its performance against these goals in future Sustainability Progress Reports.

The strategy also includes the aspiration to be carbon neutral by 2050 and the company is already working on the technologies it will take to get there.

Cummins' **New Power** segment, for example, has emerged as a leader in battery-electric technology, producing systems for a growing number of school and transit buses, construction equipment and more.

New Power's fuel cell technology is also developing quickly, powering a number of "firsts" in recent years, including the world's first hydrogen-powered **passenger train**. The company is also developing electrolyzers to increase the supply of renewable hydrogen, addressing a significant obstacle to widespread adoption of this promising low-carbon fuel.

Finally, Cummins has also been working to improve the diesel and natural gas engines that have been the backbone of the company's business for the past 100 years to reduce heat-trapping greenhouse gas (GHG) and other harmful emissions. Both technologies have become remarkably cleaner over the past 30 years, nearly eliminating nitrogen oxides (NOx) and particulate matter (PM) emissions, two major contributors to smog.

Merely replacing older diesel engines with today's advanced diesel technology could significantly reduce GHGs. The **Diesel Technology Forum**, a not-for-profit dedicated to raising

## INNOVATION //

awareness about diesel technology, estimates replacing a single older diesel truck with a modern diesel powertrain could eliminate nearly 10 tons of GHG emissions. Cummins' spark-ignited natural gas engines, meanwhile, produce emissions 90% below current U.S. EPA standards for PM and NOx and 16% below on GHGs.

While Cummins' diesel and natural gas engines use fossil fuels, Cummins engineers believe additional **GHG reductions are possible** using those platforms, either through technical innovations or renewable, low-carbon fuels. While there are likely limits to the progress they can make on reducing GHGs, these technologies could be paired with low-carbon power systems in range-extending hybrids that serve as an important bridge to a carbon-neutral future as the charging and refueling infrastructures develop for the new technologies.

### COLLABORATION IS CRITICAL

No single company, however, can decarbonize the commercial power industry by itself. There are tremendous research, development, demonstration and deployment costs involved. It's true that some customers are embracing

low-carbon technologies today, a significant number, though, will likely need help or some kind of incentive.

When the effort to reduce smog first began, governments set aggressive regulations that both provided targets for engine manufacturers and created a level playing field. In the United States, the federal government also provided incentives to encourage research and development and created public-private partnerships to test new ideas.

The commercialization of technologies developed under one of those partnerships known as SuperTruck will save 7.9 million gallons of diesel fuel per day and reduce GHGs as well. SuperTruck II was recently able to demonstrate an additional 50% reduction in carbon dioxide (CO<sub>2</sub>), a major greenhouse gas, from a 2009 baseline and SuperTruck III will build on those improvements, with a focus on CO<sub>2</sub> reducing technologies such as low-carbon fuels and hybridization.

While that's a good start, it will take more to reach carbon neutrality. Cummins recently joined the **CEO Climate Dialogue**, a group made up of top companies and four leading environmental groups committed to

advocating for climate action in the U.S. Congress. Among the group's organizing principles is support for the government establishing a price on carbon to use the power of the market to help achieve the country's carbon reduction goals in a "simple, coherent and efficient manner."

A price on carbon would create a badly needed incentive for investing in both low-carbon technologies and the infrastructure to support them.

Cummins views the challenge of reaching a carbon-neutral future as an opportunity. It believes to win in the future, companies must understand how environmental challenges impact their stakeholders and lead the effort to solve those challenges through their actions, partnerships and advocacy.

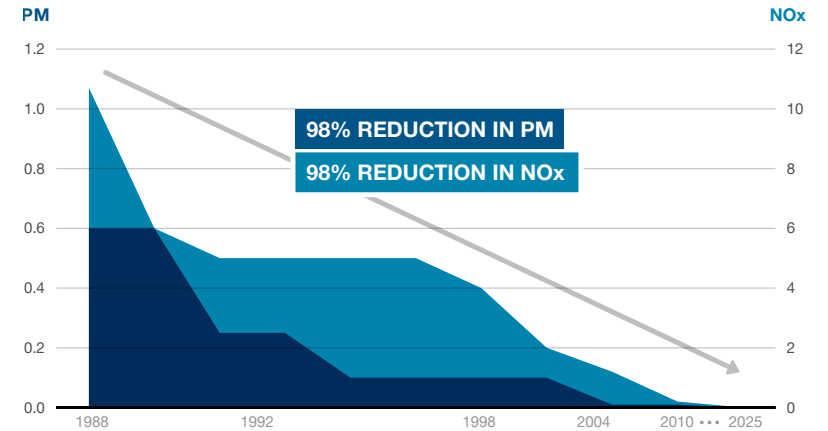
The company is now working on a product roadmap, to be released in the near future, defining the role of various Cummins power technologies in the company's path to a zero emissions future.

The good news? That future is attainable if everyone works together — companies, customers, regulators and others. Cummins is committed to taking a leadership role to get there.

## SMOG REDUCTION COULD HOLD LESSONS FOR GHGS

### CLEAN DIESEL PROGRESS

Heavy-duty on-highway



Cummins engineers are thinking a lot these days about what the path to zero emissions might look like. In many ways a similar journey began about 30 years ago.

That's when the industry began what would be a remarkable innovation in diesel engines, ultimately resulting in a 90% or more reduction in particulate matter (PM) and nitrogen oxides (NOx), two key contributors to smog.

To reduce smog, U.S. regulators established tough, clear and enforceable regulations that encouraged innovation. Engine manufacturers worked with colleges and universities on new technologies to achieve the tougher standards and government agencies established public-private partnerships to test those technologies and explore ways to make them affordable for customers. Finally, customers embraced the new technologies. Reductions in PM and NOx outside the U.S. would follow a similar path.

Reducing smog, like reducing greenhouse gases (GHGs), was too big for anyone to accomplish alone. But with government working in tandem with manufacturers, academia, customers and others, what many initially considered impossible was ultimately accomplished.

Chart courtesy of Diesel Technology Forum.

**SPECIAL REPORT**

**EMBRACING 'NEW NORMAL'  
TO KEEP EMPLOYEES SAFE  
AND SUPPORT CUSTOMERS**



*Cummins created three mask production sites that collectively produced 10 million masks for employees in 2020.*



Drawing on employee ingenuity from across the company, Cummins met the many challenges presented by the pandemic in 2020, including historic declines in production followed almost as quickly by record increases.

While rising infection rates in some parts of the world serve as a grim reminder that there is still much work ahead on COVID-19, it does not diminish the tremendous effort by Cummins employees, suppliers, and customers in 2020 to safely reopen and find new ways of working that protect people while reducing opportunities for the virus to spread.

In a matter of weeks in many instances, Cummins acted on the best recommendations of health experts to establish mandatory health checks and require masks before anyone could enter open Cummins facilities. The company reconfigured manufacturing floors to allow for social distancing and set up mask-making operations across Cummins, which produced 10 million masks for employee use in 2020.

The company also provided those employees who could work from home with the tools to do it safely and effectively, and Cummins leveraged its emergency hotline to answer employee questions about the pandemic around-the-clock.

And that is just a partial list of the actions taken by the company. While 2020 at Cummins will undoubtedly be remembered for the pandemic, it should also be recalled as the year company employees from the manufacturing floor to the Board of Directors worked together to quickly get the company back on its feet and supporting customers performing critical tasks like delivering food and medicine.





*A Cummins employee works at the company's Mississauga Fuel Cell and Hydrogen Technologies Campus in Canada.*

### RESPONDING TO THE CRISIS

Cummins had a head start on dealing with the pandemic because of the company's presence in China, including facilities in Wuhan where COVID-19 first emerged. Cummins, however, could not avoid the pandemic's crippling impact when the virus spread and communities around the world began locking down.

As health experts developed recommendations to protect workers and limit transmission of the virus, manufacturing locations across Cummins partnered with the company's Health, Safety and Environment function to quickly implement them. When it was impossible to reconfigure production lines to allow for social distancing, the company's manufacturing organization erected barriers separating employees. Manufacturing facilities also enhanced cleaning protocols in addition to the social distancing measures, health checks and masks.

Meanwhile, Cummins' personnel worked with the company's suppliers to re-start external supply chains and share best practices on re-opening and operating safely to the benefit of all.

To support employees during the pandemic, Cummins also created a health and wellness component of the company's Corporate Response Center to answer employee questions. Cummins expanded employee health care programs, increased access to testing through company clinics and telehealth programs, and widely promoted the counseling and leave options available to address mental health needs.

Cummins Chairman and CEO Tom Linebarger said the company's efforts demonstrated masks and social distancing are effective. That gave leaders confidence work could be conducted safely without causing the virus to spread as customer orders began picking up at a record pace in the latter half of 2020.

"I want to thank our employees all over the globe for their dedication to our company and to our customers," Linebarger said when reporting 2020's financial results earlier this year. "They continue to work safely and effectively through an incredibly challenging period, with unprecedented disruptions to global demand and supply, to their work processes, and to their daily lives."

### KEY NUMBERS IN 2020

# 10 MILLION

*Masks produced in 2020 by Cummins to guard against the spread of COVID-19 in Cummins' facilities.*

# 146

**Metric tons of filtration media made available to mask makers in and outside of the company, enough to produce more than 100 million masks.**

# 2.7 MILLION

*Amount in dollars of emergency grants issued by Cummins to partners with the ability to respond quickly to pandemic-related needs.*

# 77

*Pages in Cummins Safe Work Playbook, which was shared publicly to help other companies reopen safely.*

## SUPPLY CHAIN //

### CARING ABOUT OTHERS

As impressive, the company never lost sight of Cummins' value of caring during the pandemic. Company functions partnering to safely reopen and operate essential facilities during the pandemic produced Cummins' [Safe Work Playbook](#), a 77-page report (and growing) documenting what they had learned reopening facilities, with tips and procedures for everything from risk management to crisis communications.

Company leaders decided to post the document on Cummins' public website, so other companies could access it and benefit from what Cummins had learned. The company also worked with groups outside Cummins to expand the playbook's reach, including the Central Indiana Corporate Partnership and the National Safety Council's Campbell Institute.

Cummins' efforts didn't stop there. When the pandemic started, the company re-evaluated its supply base and manufacturing capabilities to identify how Cummins could support healthcare

professionals and essential workers who rely on personal protective equipment to do their jobs. Cummins Filtration, which designs and manufactures filtration products for diesel and natural gas powered equipment, used its filter technology to provide 146 metric tons of filtration media to mask manufacturers around the world, enough to produce more than 108 million masks to fight the spread of COVID-19.

In addition, the company partnered with 3M to produce 566,000 filters used in 3M's powered air-purifying respirators (PAPR) used by health care professionals at risk of airborne pathogens. Equipment typically used to produce diesel engine filters instead manufactured the high-efficiency particulate filters used in 3M's PAPRs.

It was one of several partnerships resulting in Cummins playing a key role in the production of equipment to help guard against the spread of COVID-19. The company also worked with DuPont to address the shortage of N95 respirator masks, using Cummins' NanoNet® filter media.

Finally, the company issued a record \$22 million in community grants, including \$2.7 million in emergency grants to community partners with the ability to respond quickly to pandemic-related needs in communities where Cummins employees live and work around-the-world.

### THE BIG PICTURE

Cummins' ability to not only respond to the ups and downs of the pandemic, but also address significant challenges faced by those responding to it is a testament to employees at all levels of the company. The ability of functions to work collaboratively was critical as each brought unique skills that would prove important to Cummins' pandemic response.

The company's performance in the midst of the pandemic also demonstrated Cummins' pursuit of environmental, social and governance excellence, and its commitment to building stronger and more prosperous communities, pays dividends during the most challenging of times.

## CUMMINS TAKES STEPS TO HELP EMPLOYEES GET VACCINATED



**Cummins is taking the same collaborative approach to helping employees get vaccinated for COVID-19, providing paid time-off to get the necessary shots and establishing on-site vaccine clinics where possible for employees, contingent workers and family members.**

In some cases, the company pre-emptively obtained ultra-cold freezers to establish cold chain support, so clinics at Cummins' U.S. locations could administer any of the approved vaccines made available by local health officials.

As of May 2021, clinics on-site at Cummins locations administered more than 5,000 shots, including more than 2,000 second doses if required to complete the vaccine regimen. The company partnered with local hospitals and health departments to staff the clinics.

Cummins' vaccine efforts didn't stop there. The company launched an extensive education campaign to provide employees information on vaccines from medical experts, including Dr. Bob Chestnut, the company's Chief Medical Director.

The company maintains the vaccine effort is a logical extension of Cummins' overriding priority – making its worksites as safe as possible.



# CUMMINS SUPPLY CHAIN LIVES COMPANY VALUES

Cummins' supply chain continued living the company's values in 2020, working to protect the environment and human rights.

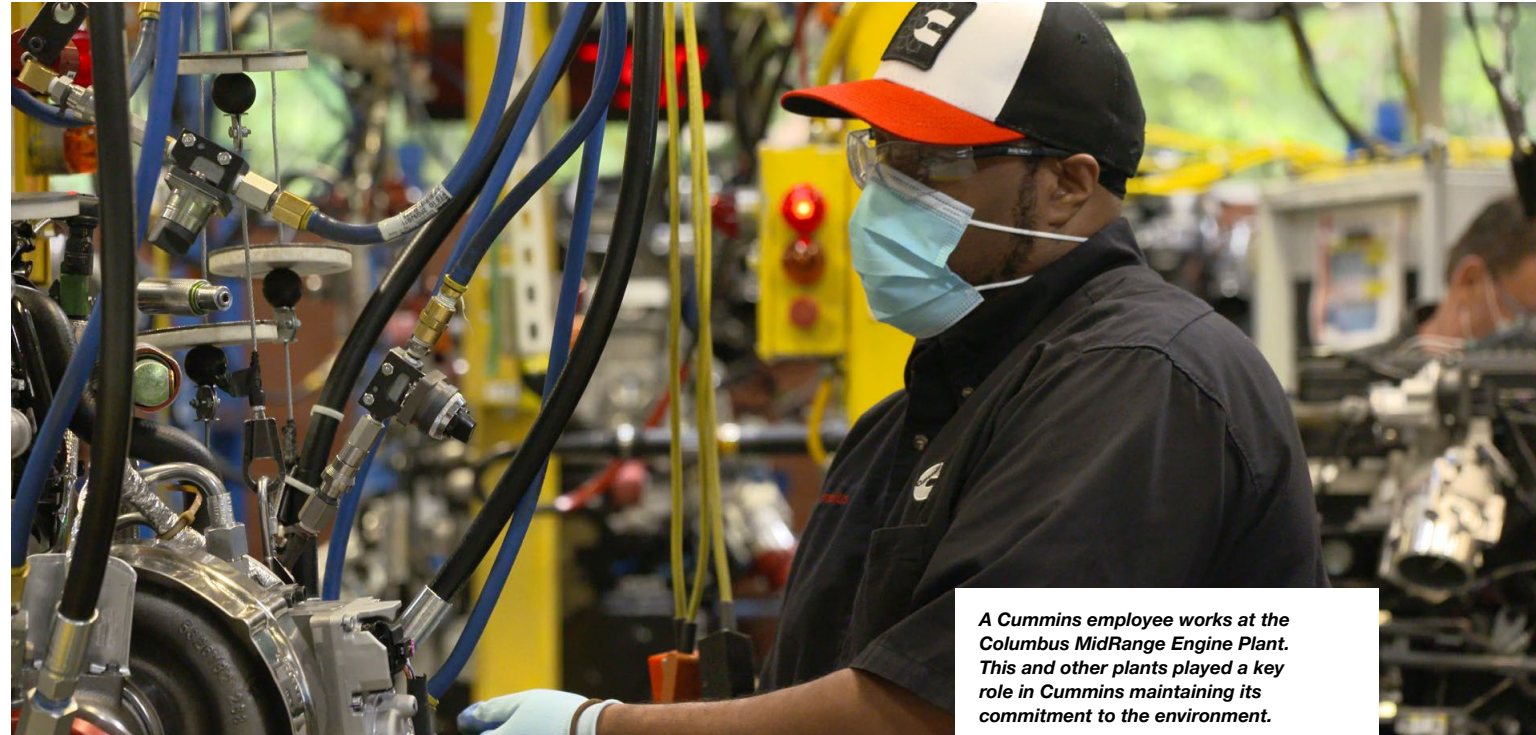
While the global pandemic dominated the year, the company's manufacturing plants worked to continue progress on both critical concerns in 2020 in pursuit of Cummins' mission to make people's lives better by powering a more prosperous world.

## ENVIRONMENT

The company's manufacturing facilities have played a critical role in Cummins' efforts to reduce the company's use of water and energy, and increase its recycling rate.

Thirty-five Cummins sites ended 2020 achieving the company's standard for zero disposal, including manufacturing locations in China, Germany, India, Mexico, the United Kingdom and the United States. The company's goal had been 30 sites. Meanwhile, 16 locations achieved the company's standard for water neutrality in water challenged areas. Cummins' goal had been 15 sites.

Manufacturing locations also played a critical role in helping the company reach in 2020 a 53% reduction in water use intensity (water use adjusted by hours worked) compared to a 2010 baseline. The company's goal was a 50% reduction.



*A Cummins employee works at the Columbus MidRange Engine Plant. This and other plants played a key role in Cummins maintaining its commitment to the environment.*

While Cummins fell short of its principal goals in energy use and recycling, the company nevertheless made significant progress in both areas. Cummins raised its overall recycling rate to 93% in 2020 from 90% in 2014 and achieved a 27% reduction in energy use intensity (energy use adjusted for hours worked) from a 19% reduction achieved in 2014 when Cummins goal of a 32% reduction was established.

Manufacturing locations are the biggest users of energy and water and handle the most waste.

The company's manufacturing facilities have been steadily adding high efficiency LED lighting and other improvements such as regenerative dynamometers, also known as regen dynos, that can capture the energy used by an engine

in a test cell and convert it into electricity to help power a facility.

The dynos also use less water in the cooling of engines being tested in Cummins' facilities.



## SUPPLY CHAIN //

Finally, manufacturing locations have also played a key role in the company's goal to make greater use of renewable power. Cummins ended 2020 with 45 sites with solar installations, the vast majority at manufacturing locations in Belgium, China, India, Mexico, the United Kingdom, and the United States.

### EMPLOYEE ENGAGEMENT

# MORE THAN 1,000

employees across the globe serve as Environmental Champions, trained to look for inefficient practices or equipment that can be replaced to either reduce the use of water or energy or increase recycling of waste. The company believes the champions know their plants best and are most qualified to look for improvements.

### SUPPLIER COMPLIANCE

The environment is also a point of emphasis for Cummins in its interactions with company suppliers. Suppliers must comply with Cummins' Supplier Code of Conduct and its sixth principle to "Protect the environment and conserve natural resources."

"We expect Cummins suppliers and their subcontractors to comply with all applicable environmental laws, regulations and standards," the code states. The top 80% of suppliers must agree in writing that they are in compliance with the code.

The company's **Supplier Portal** includes an Environmental Stewardship section to help suppliers improve their operations environmentally, including "Green Supply Chain Principles & Supplier Expectations."

"As Cummins desires to co-operate and collaborate with its suppliers, our supply base should make a similar commitment to work with its suppliers to create a process through which environmental improvements and achievements can be shared upstream and downstream," the supply chain principles state.

### HUMAN RIGHTS

Both Cummins' Supplier Code of Conduct and the company's Human Rights policy prohibit forced labor of any kind including child labor, prison labor and human trafficking.

The company's Human Rights policy states the company will take steps to "ensure our suppliers and partners that are located in high-risk locations and/or that may be more exposed to human trafficking risk due to the nature of the industry in which they operate adopt relevant measures to mitigate such risks."

"We insist that our suppliers uphold these principles and we are committed to working with all suppliers and other partners as they undertake similar assessments of their own business," the supplier code states.

The company's Human Rights policy was adopted in December of 2017. While it included many of the same provisions as the Supplier Code of Conduct, company leaders wanted to be sure it was clear where the company stood on this important issue and go into a little more depth than the code allowed.

### EYES OPEN AUDITS

As stated earlier, the top 80% of Cummins' suppliers have to sign that they are in compliance with the code. In addition, the company checks for compliance among its suppliers through Eyes Open Audits. These audits are regularly performed when purchasing and other personnel visit suppliers to review contract performance. They look specifically for problems in worker health, worker safety, protecting Cummins information, hazardous or unsafe materials, forced labor and child labor, as well as issues pertaining to the treatment of others.

While there were 391 Eyes Open Audits completed in 2019, 2020 audits were severely impacted by COVID-19. The company significantly restricted travel for most of 2020. While Cummins personnel in some cases conducted quality checks virtually that platform did not work for the Eyes Open Audits, which require the ability to see all of a supplier's operations.

### KEY NUMBERS IN 2020



Percentage recycling rate for Cummins in 2020, primarily led by the company's manufacturing sites.

# 391

Eyes Open Audits completed in 2019, before the pandemic severely limited audits in 2020.

## THIRTY-FIVE

Cummins sites, primarily manufacturing locations, achieving the company's standard for zero disposal status.



Percentage of top suppliers required to sign that they comply with the Cummins Supplier Code of Conduct.

# SUPPORTING CUSTOMERS THROUGH DIGITAL SOLUTIONS

Since its founding, Cummins has paired innovation and technology to drive improvement in every function, including how the company supports customers.

PrevenTech Mining® and RemoteConnect are just two examples of how Cummins is using digital solutions to support customers. The tools seamlessly integrate live expert assistance to provide customized recommendations to improve operations using big data, artificial intelligence, advanced analytics and the internet of things, the growing network of devices embedded with software and other technologies.

PrevenTech Mining® is a digital solution that turns noise into action by monitoring engine data remotely to provide early detection and

diagnosis of equipment issues.

**PrevenTech Mining®** has resulted in increased performance, reliability, safety, operating efficiency and uptime – the amount of time equipment stays in operation.

## RESULTS ORIENTED

Today, PrevenTech is monitored by dedicated team members centrally located throughout North America across four time zones monitoring multiple global market segments 24 hours a day. Agents are highly skilled on the Cummins products they monitor



*Cummins is putting digital solutions to work to support customers in a world that's increasingly interconnected. (Editor's Note: This photo was taken before the pandemic.)*

## CUSTOMER SUPPORT ACCESS POINTS

Cummins Care, the company's primary customer support function, can be reached:

**BY PHONE:** 1-800-CUMMINS (North America)

**ON THE WEB:** [care.cummins.com](https://care.cummins.com)



## CUSTOMER SUPPORT //

and assist customers with complex field issues, providing them with quality and development alerts. Agents are a conduit to engineering support for emerging technical issues, step-three mitigation and product development.

The results can be remarkable. Responding to a previously undetectable failure mode issue, Cummins experts using PrevenTech data uncovered a 5-year-old mystery. Once the issue was resolved, it saved the customer more than \$592,000 and increased production by more than 150 hours.

Originally available throughout North America, **RemoteConnect** is now being deployed globally, enabling business continuity, and allowing Cummins' subject matter experts and field users the ability to provide seamless support to customers.

Each RemoteConnect kit includes a cellular hot spot with a secured private cellular network, diagnostic tools, remote camera, and smart safety glasses. The smart glasses allow an expert with Cummins Care, the company's primary customer support function, to see what the on-site

technician is seeing in real-time, enabling the technician and expert to collaborate to resolve an issue.

### HELPFUL DURING PANDEMIC

RemoteConnect continues to show improved repair efficiency, reduced customer downtime and improved satisfaction. The kits have now been placed in more than 265 Cummins global locations.

The tool was especially helpful during the COVID-19 pandemic in early 2020 when travel was restricted to stop the spread of the virus. In one month, from March 2020 to April 2020, Cummins saw a 100% growth in RemoteConnect sessions.

This resulted in significant customer downtime avoidance, an 87% reduction in on-site field repair activities, and a more than \$90,000 reduction in travel costs as experts who normally would have traveled to a location for a repair were able to join by RemoteConnect instead.

Cummins has long emphasized customer support. Putting digital tools to work to assist customers is merely the latest example.

### KEY NUMBERS IN 2020

# 265+

*RemoteConnect kits deployed globally to connect Cummins experts with technicians working in the field to support customers.*

# 365

**Days per year PrevenTech is monitored by a centralized team of highly skilled experts to assist with complex issues in the field across multiple global market segments, 24-hours per day.**

# 4,261+

*Hours of total customer downtime saved in 2020 utilizing RemoteConnect support.*

## CUMMINS EXPANDS TECHNICAL TRAINING TO SUPPORT CUSTOMERS

Cummins will not let anything get in the way of providing customers with topflight technical support – even a pandemic.

As global restrictions associated with COVID-19 hindered the company's capacity to provide in-person technical training for its employees, Cummins created a more sustainable solution. Through remote instructor-led training, the company can now train four to six times the number of technicians in a remote environment when compared to in-person instructor led classes.

With the launch of Cummins remote instructor led training classes, Cummins has built a training delivery network with more than 59 remote training kits deployed globally (28 within North America). These kits include tri-pod mounted cameras and smart glasses that can provide multiple angles of view throughout the training experience.

Students can control two separate tripod mounted cameras with zoom capabilities providing a remote experience with close and wide-angle views as needed, ensuring the best learning experience available. Using Cummins Remote Training Kits and a Zoom platform for remote learning, students learn virtually with remote control and navigation of Cummins' service information and diagnostic tools such as **QuickServe Online**, **Cummins INSITE**, **Guidanz**, and **InPower**.

Cummins Service Training is also looking at other possibilities to enhance the learning experience by piloting the use of augmented reality. Pilot projects are being conducted on both engine and power generation platforms.

### MULTI-TIERED LEARNING

Along with the launch of Cummins remote instructor led classes, Cummins is now offering multiple levels of training for its full-service distributor and dealer locations. Each of these four levels of training provide warranty capabilities aligned with the various roles and technician-experience levels in service environments.

As a technician's role and experience level progresses throughout their career, Cummins is now able to provide the right training at the right time, enabling better learning retention and success in providing an efficient and accurate repair on Cummins products.

This new strategy provides the opportunity for locations to take advantage of a tailored training plan specific to their technicians; targeting the completion of training in alignment to the scope of work performed at a particular service location.

Additionally, through this tiered approach to Cummins Service Training, repair locations will be capable of expanding their Cummins service capabilities by training additional technicians on Cummins products with a reduced investment, and without the requirement of travel to complete training.



# COMPANY REBOUNDS AFTER HISTORIC DECLINE CAUSED BY PANDEMIC

In what can only be described as a roller coaster year, 2020 included historic financial highs and lows related to the COVID-19 pandemic.

Revenues for 2020 were \$19.8 billion, 16% lower than 2019. Sales in North America declined 21% and international revenues declined 7%. Sales declined in all major regions except China, where demand for trucks and construction equipment reached record levels.

Conditions improved considerably, however, in the fourth quarter of the year. Cummins had revenues of \$5.8 billion, a 5% increase over the same quarter in 2019. It was the first time the company had a year-over-year sales increase since the second quarter of 2019.

“We faced many challenges in 2020 driven by the severe global impact of the COVID-19 pandemic,” said Cummins Chairman and CEO Tom Linebarger. “I want to thank all of our employees for their dedication to our company and our customers.”

EBITDA for the year was \$3.1 billion (15.7% of sales) compared to \$3.7 billion (15.8% of sales) excluding restructuring in 2019. Net income attributable to Cummins for the full year was \$1.8 billion (\$12.01 per diluted share), compared to net income of \$2.4 billion (\$15.05 per

diluted share) excluding restructuring in 2019. The tax rate for 2020 was 22.5%.

Cummins increased its cash dividend for the 11th straight year and returned a total of \$1.4 billion to shareholders in the form of dividends and share repurchases.

The company experienced both its largest decline in revenues (Q1-Q2) and the largest increase (Q2-Q3) in company history in 2020. The pandemic resulted in facility shutdowns for Cummins, its suppliers and its customers.

In order to maintain the company’s financial strength, Cummins leadership temporarily reduced management and employee salaries.

As conditions improved and demand began to recover, Cummins facilities re-opened, and leadership reinstated full salary benefits for employees. The company in 2019 took many steps to control costs in anticipation of declining market conditions unrelated to the pandemic. Those steps would help position Cummins when the full force of the pandemic hit.

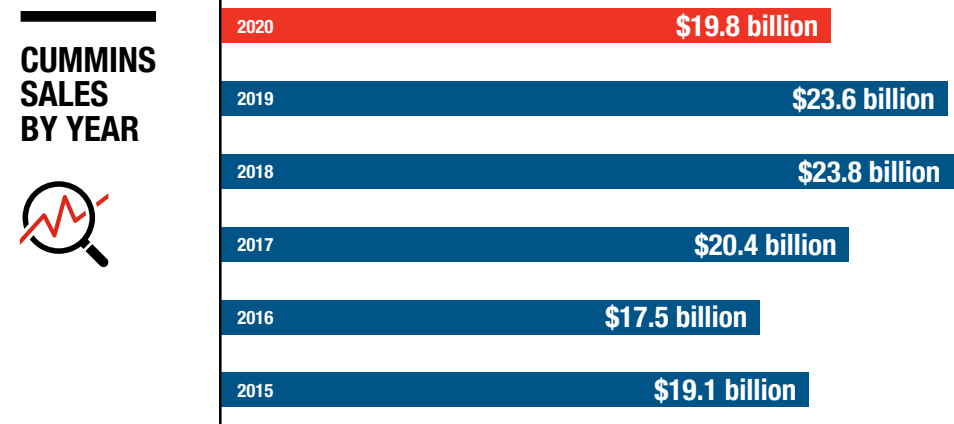
Despite the pandemic, Cummins continued launching new products across its business segments in 2020

and applications that perform more efficiently while reducing their impact on the environment. These included:

- » Shipments of the company’s X12 heavy-duty truck engine to Freightliner for use in its Cascadia day and sleeper cab models and Cummins’ B6.7 medium-duty truck engine to Mack for its MD Series platform.
- » Shipments of the company’s next generation Bharat Stage VI (BSVI) compliant aftertreatment systems in India.
- » In the battery electric market, Cummins delivered 147 fully-electric powertrains to Blue Bird in 2020 for use in the school bus market, and 19 powertrains to GILLIG for use in

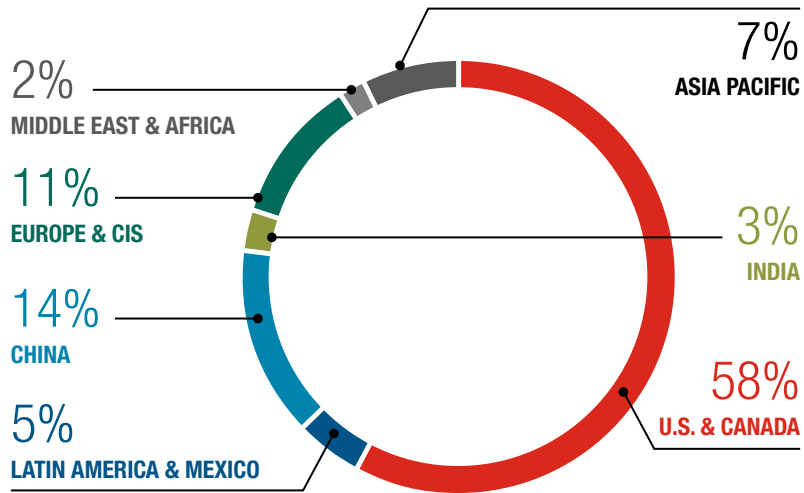
the transit bus market. The company’s products are now powering over 250 school buses, which are in service today in addition to transit buses operating in municipalities around North America.

- » Cummins now has more than 2,000 fuel cell installations as well as more than 500 electrolyzer installations and commissioned the largest proton exchange membrane (PEM) electrolysis plant in the world in Becancour, Canada, for Air Liquide.
- » The company formed the NPROXX joint venture to provide customers with high-pressure tank and storage solutions in the hydrogen and natural gas markets.

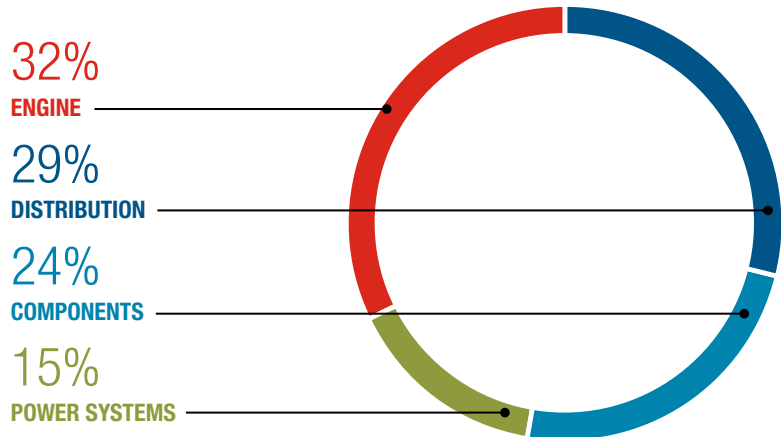


FINANCIAL //

2019 REVENUE BY MARKETING TERRITORY



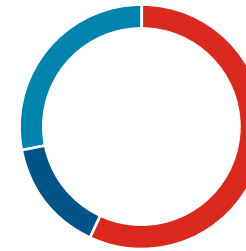
2019 REVENUE BY SEGMENT



ENGINE BUSINESS

2020 REVENUE BY PRODUCT

57% ON-HIGHWAY  
15% OFF-HIGHWAY  
28% PARTS & SERVICE

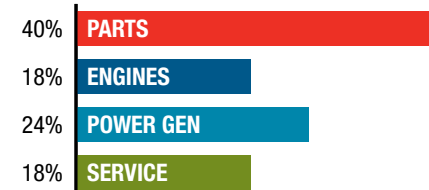


2020 REVENUE BY APPLICATION



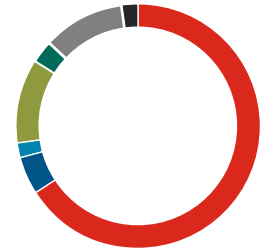
DISTRIBUTION

2020 REVENUE BY PRODUCT



2020 REVENUE BY REGION

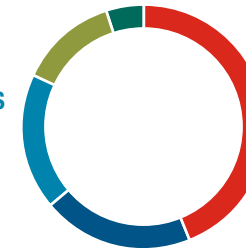
66% US & CANADA  
5% CHINA  
2% INDIA  
11% EUROPE/CIS  
3% MIDDLE EAST & AFRICA  
11% ASIA PACIFIC  
2% LATIN AMERICA & MEXICO



COMPONENTS

2020 REVENUE BY BUSINESS

44% EMISSION SOLUTIONS  
20% FILTRATION  
18% TURBO TECHNOLOGIES  
13% FUEL SYSTEMS & ELECTRONICS  
5% AUTOMATED TRANSMISSIONS



2020 REVENUE BY APPLICATION



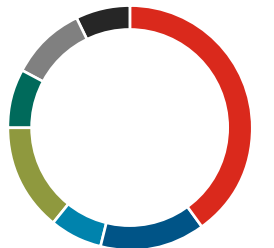
POWER SYSTEMS

2020 REVENUE BY PRODUCT

55% POWER GENERATION  
17% INDUSTRIAL  
8% GENERATOR TECHNOLOGIES  
20% PARTS

2020 SALES BY REGION

40% US & CANADA  
14% CHINA  
7% INDIA  
14% EUROPE/CIS  
8% MIDDLE EAST & AFRICA  
10% ASIA PACIFIC  
7% LATIN AMERICA & MEXICO



# 2020 SUSTAINABILITY PROGRESS REPORT



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