

CUMMINS LIMITED

Company Registration Number: 00573951

Section 172 Companies Act 2006 ("s172") Statement

The board complied in all material respects with its s172 duties, which require the board to have regard to the matters set out in section 172(1)(a) to (f). Various measures were in place, throughout the 2020 financial year to ensure that this happened. Please refer to the Engagement with Employees, Engagement with Stakeholders and Corporate Governance statements (the "Statements") [set out below] for details. This engagement ensured that the board's actions and decisions would promote the long-term success of the Company for the benefit of its direct and ultimate shareholders. In addition, it demonstrates how regard was had to the matters listed in s172, namely:

- (a) The likely consequences of any decision in the long term;
- (b) The interests of the company's employees;
- (c) The need to foster the company's business relationships with suppliers, customers and others;
- (d) The impact of the company's operations on the community and the environment;
- (e) The desirability of the company maintaining a reputation for high standards and conduct; and
- (f) The need to act fairly as between members of the company.

Various examples of action being taken with regard to the s172 matters are set out in the Statements and elsewhere in this report. The board also highlight the following three additional significant matters, arising during 2020, to support this s172 Statement:

- COVID-19 - As mentioned above, COVID-19 was a key issue facing the Company throughout 2020. The board took a number of steps during the 2020 financial year to ensure the Company and its stakeholders were prepared for the impacts of COVID-19. A sample of the action taken included:
 - Mandatory health screenings at the Company's plants and facilities;
 - Personal protective equipment for frontline employees;
 - Masks required inside open plants and facilities;
 - Redesigned exits, entrances and production lines to encourage social distancing;
 - Enhanced cleaning protocols before, during and after shifts.

The Company furloughed some employees across the U.K. where production levels had fallen either because demand had fallen or because supplier production had reduced. The Company also furloughed individuals who were vulnerable and therefore more at risk from COVID-19..

- Brexit - As mentioned above, Brexit was a key issue facing the Company throughout 2020. The board took a number of steps during the 2020 financial year to ensure the Company and its stakeholders were prepared for the impact of Brexit, focusing on engine emission regulation, trade and customs and taking care of the workforce. A sample of the action taken included:
 - Creation of a cross-business unit focusing on Brexit preparations and other significant preparation work up to December 31st 2020 (a number of board members were part of this task force);
 - Building up raw material stock and parts to try and mitigate the impact of trade risk;
 - Providing advice and communications on Brexit issues to the Company's staff, suppliers and customers;
 - Successfully transferring type approval certificates from the UK Type Approval body to the Swedish equivalent; and
 - Advocating the Company's position and issues on trade to governments directly and through our trade associations

Engagement with Employees

Across Cummins it is recognised that an engaged workforce tends to be happier, more energised, safer, and delivers higher quality standards and better long-term business outcomes. The Company committed to developing this positive culture which has been important to the board for many years and is reflected in the core values of Integrity, Diversity & Inclusion, Caring, Excellence and Teamwork. A summary of the action that has been taken by the Company, during this financial year, to introduce, maintain and develop such arrangements, is set out below.

Cummins has a strong matrix structure and much of the Company's communication and engagement with employees takes place within this structure, as well as across the group globally. The Company has a robust approach to cascading corporate level information to ensure all employees across Europe are regularly kept up to date and informed, using a variety of different media to share news and updates, and also to seek feedback from employees. Employees are provided with, for example, quarterly results information, strategy and performance updates, key appointments and personal changes, acquisitions and strategic partnerships. Members of the board are involved in many of the aspects of this information sharing process. Throughout 2020 there was a great deal of additional communication owing to the pandemic to ensure that employees were informed as to whether to work from home or come onto a site as well as safety precautions required, and updates as circumstances changed.

The Cummins business is composed of five business units, with a number of functions sitting across each business unit and regional

structures which sit across both the business unit and the functions. Every employee of the Company sits within a function and receives regular communication on business results from the global head of the business unit to which that function belongs, as well as receiving regular communication from the global head of their function. In addition to these global communications, employees of the Company in the U.K. receive regular monthly updates from their local site, incorporating global business news within the local context of regional customers and markets, as well as highlighting precautions and instructions owing to the pandemic.

Throughout the year, business news, new corporate guidance and reminders of training are shared by email and by local managers in regular monthly presentations and discussions. In addition, presentations are converted into digital signage which is displayed on video screens throughout the shop-floor and office areas of major sites - to ensure that, so far as possible, all employees of the Company are able to access the guidance and reminders. Video presentations are also shared at different times throughout the year on specific topics. For example, during 2020 board members took part in a video presentation thanking employees for their continued work and resilience during the pandemic. A number of senior leaders also took part in videos highlighting the importance of mind health during these difficult circumstances and the help and support that can be provided by the Company's healthcare partners.

The board recognises that in-person interactions are also extremely valuable. However owing to the pandemic it has not been possible for board members to travel during 2020 and so 'town-hall' style meetings, have been held through virtual tools such as Zoom, with polling questions to understand how employees were finding new working arrangements as well as providing the opportunity for questions and feedback.

To listen to employees of the Company, and engage in two-way dialogue, a variety of channels are utilised including recognised trade unions, employee councils and more informal methods, such as skip-level meetings and surveys. During the pandemic a virtual meeting has been held every two weeks, involving members of the board, with all employee representatives, including those from the Company, known as the Cummins Employee Engagement Forum ("CEEF"). The agenda covers updates from each site, including recent business performance and short-term forecasts, as well as health and safety updates (health and safety being a key value) and in particular updates on precautions and actions being taken to protect and support employees during the pandemic. Extraordinary meetings also take place with the CEEF should there be any specific organisation announcements.

The Company also engages employees through special interest groups, called Employee Resource Groups (ERG). Each of these groups has a sponsor, who will be a senior leader in the region and often a board member. ERG are voluntary, employee-led groups that serve as a resource by fostering a diverse, inclusive workplace aligned with the Company's mission, vision and values. ERG are open to all employees and provide opportunities for leadership training, cross-cultural learning and professional development. In the UK, ERG have been formed for the following diversity dimensions: Disabilities, Gender, LGBTQ+, Veterans and Multi-cultural. During the pandemic this work continued via virtual platforms and discussions on issues and topics important to each community. Employees are also encouraged to reach out to senior leaders for ideas of new groups which may be formed.

The board takes a keen interest in employee matters. In 2020, the gender pay gap reporting in the UK was reviewed by senior leaders, including board members. The board considers that, whilst the results have been positive each year (the Company has a lower pay gap than the industry average), they recognise that the Company can do more. One area where the Company sees a disparity in the numbers of men and women is within the engineering function. A team sponsored by the board continues to work to specifically address different aspects of this topic. As a direct result of this group's work the process for recruiting graduates into the engineering function was changed. Previously recruitment had focussed on graduates with a degree in mechanical engineering - which in the U.K. has a very small percentage of women. Following internal analysis recruitment was expanded to include graduates in other engineering disciplines (electrical, chemical and general) as well as other technical disciplines such as physics and mathematics. This change in the recruitment process is increasing the number of female graduates recruited into the engineering functions. For more senior roles (director-level and above), the Company decided to create a Recruitment Council. The aim of this council is to provide consistent oversight of the recruitment process for director-level roles by ensuring a diverse slate of candidates for each role. The council meets on a bi-weekly basis.

The Cummins key ethical principles require the Company to communicate honestly and with integrity, to create a culture where all employees take responsibility for good ethical behaviour and to embrace diverse perspectives and backgrounds and treat all people with dignity and respect. The Cummins 'Treatment of Each Other at Work' policy strictly prohibits discrimination and harassment and establishes clear reporting lines, with clear consequences where the policy is breached. The Company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of age, sex, race, colour, disability, sexual identity or orientation and offers appropriate training and career development on all dimensions of diversity to enable an equitable working place. In the event of members of staff indicating a personal change in a particular dimension of diversity, the Company continues employment and arranges the appropriate training and support.

The Cummins annual variable compensation plan encourages collaboration across the organization and allows employees to collectively share in the financial success of the Company. The plan is based on the Cummins' Return on Average Net Assets (ROANA). ROANA appropriately measures growth, profitability and the management of Cummins assets - all of which combine to drive shareholder value.

Another area in which Cummins focusses on employee engagement is pensions. The Company prides itself on working closely with the trustee of the pension plan to ensure clear and effective communications with employees. A communication committee, which includes current employees and retirees, meets monthly with the pension communication provider to identify the best approaches to employee communications and tools. Recent activity has included updates to pension newsletter content and format.

The Company recognizes the importance of working flexibly as a new way of working that is more agile and inclusive. During the Pandemic, the Company has released multiple resources to support working from home. Moving forward, the Company's goal is to

harness the lessons learned over the past year to create a better workplace. To implement this vision, the Company will introduce three role categories to give employees flexibility in where they work: On-site, Hybrid and Off-site. Policies and supporting resources are being developed to support this initiative to enable employees and managers to successfully navigate new ways of working, both individually and as a team.

The Company also recognises the importance of inspiring and encouraging all employees to achieve their full potential and training plays a vital role in that encouragement. There are many training initiatives that are rolled out globally across the Cummins business focussed on functional excellence and innovation, as well as code of conduct briefings, many of which are led or sponsored by the board. In addition, several training and development programmes have been initiated regionally, also sponsored by board members, including:

- a programme for all non-managerial women at all stages in their career, helping them to build confidence and leadership skills; and
- a leadership programme for high potential senior mid-level leaders across Europe, helping them to develop self-awareness and an authentic leadership style as well as specific skills in strategy.
- a programme aimed at bringing candidates with STEM degrees back into the business after a minimum of a 2 year career break.

Engagement with Stakeholders

Customers, employees and communities have depended on Cummins to do the right thing for over 100 years. The Company's strong ethical reputation and business success have been built on doing what is right and doing what we say we will do. That is why integrity is one of the Company's core values. The 2020 financial year - saw continued activity with the Company's key stakeholders; the board were keen to ensure that everyone involved in the Company's success was involved in some way. Highlights are below.

Customers

The Company's customers and partners are highlighted at the beginning of this Strategic Report as being key to the Company's competitive strength and success. There are many varied interactions with the Company's customers at different levels and functions throughout the organisation. The highly regulated nature of the Company's business requires that it complies with many standards such as IATF 16949, and this dictates many of the interactions with customers particularly with regard to product development and product quality and safety standards. Typically, the Cummins CEO or COO meets annually, and senior leaders meet a handful of times a year, with their opposite numbers at major customers to discuss longer term strategy and any major issues or opportunities. Meetings between technical teams and engineers take place more regularly, to discuss product requirements and other long to medium term needs. Members of the board will attend a number of these meetings throughout the year, depending upon the business unit those meetings relate to and the board members' area of expertise.

Interactions between the Company's sales account managers and customers' purchasing leaders are very frequent. Customers often keep scorecards of the Company's performance and rate that performance against a list of different criteria. Regular meetings are held to discuss any particular issues and to work together to agree how the Company may support its customer in resolving specific problems.

The Company usually interacts with customers at trade shows, which could not be possible during the year 2020 due to COVID-19 restrictions.

Business updates are regularly shared with / disseminated to all of the Company's customers, for example if there has been a product change, or update to shipping terms.. The Company provided a number of bulletins throughout 2020 in relation to Brexit and had regular communications with customers to discuss Brexit planning and how the Company's business might be impacted (both for customers inside and outside of the EU).

Distributors

Distributors are a critical part of the Company's business model and the Company takes steps to ensure its distributors share Cummins values, regardless of the nature of the distributor. Compliance training, and ethics and compliance initiatives and policies are made available to distributors to encourage distributors to adopt Cummins ethical principles and values.

Communities

Cummins has a deeply rooted historical commitment to community problem solving. The Company focuses its engagement efforts on three priority areas critical to healthy communities: education, environment, and equality of opportunity and creates impact by engaging in its communities, focusing on its priorities and identifying opportunities which the Company has a unique ability to address using the knowledge and skills of its employees.

In 2020, due to COVID-19 safety concerns, employee participation in the Company's Every Employee Every Community (EEEC) volunteer programme was limited to virtual volunteerism. Even under challenging circumstances, the Company's employees continued volunteering virtually to support our communities. In addition, the Company's Foundation provided targeted emergency grants to charities addressing the needs of families and children impacted by the COVID-19 pandemic.

The Company's directors recognise the importance of community engagement. One example of a programme that the Company supported in 2020 took place at its Daventry plant and canteen, which partnered with a local charity to deliver prepared lunches to vulnerable children impacted by the COVID-19 crisis. Additionally, the Darlington plant is partnering with a local charity with the aim of making life more affordable for families by providing lower cost groceries for people in need. Throughout 2020, the Company's

employees and leaders continued engaging in the Company's strategic community program focused on gender equality

Environment

The environment is a key arm of the Company's Corporate Responsibility strategy. Cummins supports the UN's Sustainable Development goals to "end poverty, protect the planet and ensure prosperity for all". Cummins is a proud signatory to the UN Global Compact and the Company wants to play its part in making the world a better place to live. Links to the Cummins global sustainability report can be found at (<https://www.cummins.com/company/global-impact/sustainability>) and to the Cummins environmental sustainability strategy to 2050, Planet 2050, at (<https://www.cummins.com/company/sustainability/planet-2050>) which was formally launched in November 2019.

The Company regularly measures and reports on the goals set by the Cummins Planet 2050 strategy which includes (i) reducing greenhouse gases and air emissions; (ii) using natural resources in the most sustainable way possible; and (iii) helping communities address their major environmental challenges. Directors are regularly updated, briefed and trained on environmental regulation and regulatory practices by the dedicated team of professionals who manage the Company's environmental affairs on a day-to-day basis, as well as by external experts.

Independent certification of the Company's facilities is important to the directors. It demonstrates to all of the Company's stakeholders, internal and external, that the Company's environmental and energy management systems are robust and based on best practice. The Company had regular interactions with customers and other stakeholders during 2020 including with the Environment Agency and other regulators to share future strategic issues and practices learnt from others in industry.

The Cummins Planet 2050 strategy sets resource reduction targets which the Company aspires to achieve by 2030 and Cummins is targeting net-zero carbon emissions by 2050. Good progress has been made towards those targets throughout the year. In particular, during 2020 all electricity that the Company purchased was generated from renewable energy sources. In addition, in 2020 the Company:

- generated 13,240 tonnes of waste, a decrease of 16% on 2020, of which 99.99% was recycled;
- used 202,089,798 kWh of energy, a decrease of 9.20% against the previous year;
- emitted 30,344 MT of CO₂, a 4.3% reduction against the previous year; and
- used 116,833 m³ of water, a 5.2% increase reduction compared to the previous year.

Suppliers

Cummins holds suppliers to a higher standard than just compliance with local laws in the form of its Supplier Code of Conduct, which applies to all businesses that provide products or services to the Company, and its affiliates. The code helps the Company to ensure that it is doing business with other companies around the world that share the Cummins values and sustainable practices, and which treat their own stakeholders in a manner that is consistent with those values. All new suppliers receive a copy of the Supplier Code of Conduct and are encouraged to adopt it.

During the 2020 financial year the Company invested significant time in the following:

- Supply Chain Finance - Increased the implementation of Supply Chain Financing ("SCF") opportunities for suppliers providing the selected suppliers with lower cost financing, faster invoice payment, increased liquidity and improved control of invoice payments.
- Supplier Diversity - As a Charter Member, Cummins sponsored an innovation challenge programme with Minority Supplier Development UK (MSDUK) to attract and provide opportunities to Ethnic Minority Business suppliers. Starting in 2018 there has been over 400 innovative ideas, 19510 learning hours, over £250,000 in scholarships and the first virtual innovation summit held in 2020.
- Corporate environmental 2030 sustainability goals were launched and a best practice library on the Supplier Portal was set up in 2020 to showcase relevant case studies identifying and strengthening external partnerships for Cummins. <https://ecollaborate.cummins.com/sites/CSP/Pages/Sustainability-Best-Practices.aspx>
- Supplier Development focus expanded further with 24 specific supplier focused improvement projects launched during the year addressing leadtimes, on time delivery and systemic improvements whilst also extending to include implementation of material cost reduction and supplier risk mitigation actions. In the fourth quarter of 2020 the Company initiated internal preparation for planned launch in 2021 of a holistic supplier development project to comprehensively improve the capabilities of one key supplier in the region. The board expects this project to form the blueprint for future projects of this nature.
- Brexit preparation - Ensured that all suppliers with cross border supply between U.K. and EU obtained an EORI number to facilitate movement of goods from 1st January 2021. Additionally, the Company commenced a process to convert all suppliers in this category to FCA incoterms which has been determined as the optimum incoterm for the Company.

Government

Cummins is a strategic partner for the UK Government, a relationship that the Company values highly. Cummins has a strategic account manager within Westminster and has regular meetings to discuss its strategies and issues, and to understand upcoming policy from Government. Cummins maintains strong relationships with the local MPs for most of the Company's major sites and works with them on local and national issues as required. The Company is a member of various industry bodies in the UK and works with them to help the Government to understand industry perspectives on a number of topics including gender diversity, product regulation, trade and immigration. During the financial year 2020 Cummins took part in a number of meetings (including round tables with other industry representatives) with Government to discuss and consult on Brexit, trade, and transport and energy policy.

Corporate Governance Arrangements

The Company's corporate governance model strives to ensure the implementation of the Cummins "Mission, Vision and Values", enhancing value for the Company's shareholders, employees, communities and other stakeholders. In short these are:

- **Why We Exist: Our Mission**
Making people's lives better by powering a more prosperous world.
- **What We Want To Accomplish: Our Vision**
Innovating for our customers to power their success.
- **How We Will Do It: Our 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.

For the 2020 financial year, the Company operated within its ultimate parent company's, Cummins Inc., "Cummins Code of Business Conduct" and "Cummins Inc. Corporate Governance Principles" (the 'Cummins Code'). Please see copies of each on the Cummins Inc. investor relations website at <https://investor.cummins.com/board-esg/governance/governance-documents>. Cummins Inc. requires each member of its group to be committed to the Cummins standards and values, by passing down its principles, and requiring that those be upheld.

The board are also familiar with and supportive of the Wates' Corporate Governance Principles for Large Private Companies (the 'Wates Principles'). The Wates Principles are similar in numerous respects to the Cummins Code and the directors are confident that the corporate governance adopted by the Company complied in all material respects, where relevant, with the Wates Principles.

Cummins firmly believes that a sustainable company is built on a foundation of good governance, integrity and the highest ethical standards at all levels. This is considered critical to the Company's long-term sustainable success. The Cummins ethics and governance initiatives are built around the 10 Statements of Ethical Principles, which are detailed in the "Cummins Code of Business Conduct". These principles are put into practice through a comprehensive compliance training program, targeting appropriate employee groups to promote good ethical behaviour and a healthy group wide culture.

The board has the legal responsibility for overseeing the affairs of the Company, exercised through the election and appointment of competent officers. The board relies on the integrity, expertise and competency of these officers in carrying out its oversight function. The board is responsible for having the processes and internal control systems in place to identify, evaluate, manage and mitigate risks. In discharging its fiduciary duties to act in the best interests of the Company, the board have and continue to consider, among other pertinent factors and as appropriate, the effect of its actions on shareholders, employees, suppliers, customers, communities, and the interests of society. More detail on the stakeholder engagement undertaken by the board and its compliance with s172 can be found in the Strategic Report.

The Company implements a risk monitoring and review process whereby a dedicated Risk Manager reports to the board at least twice a year on any key risks identified and detailing how those risks are being monitored. Key risks reported on for 2020 included the impact of Brexit, cyber security and climate change. In 2020 a number of the board members formed part of the ABO leadership team for Europe, which considers key risks throughout the year.

The board have adopted a broad range of policies that help to govern internal affairs of the Company. These are reviewed and updated periodically. For example, during 2020 the board undertook an annual review of the Company's modern slavery policy. The board also decided to increase the frequency of its board meetings during 2020 to provide for more regular oversight of the safety and well-being of the Company's employees, particularly in the context of the continued pandemic, as well as other activities of the Company.

In 2020 the board comprised of six directors. The board continues to assess its membership to ensure that it has the right qualities, skills and experience to develop promote the Cummins Mission, Vision and Values, continue to build the Cummins culture and promote long term sustainable success. For example, in 2019 the board identified a perceived weakness in the field of engineering - a function that is critical the Cummins business. As a result, Jonathan Wood, Vice President for Components Engineering, was subsequently elected to the board (his appointment being finalised in February 2020). The retirement of long-time director John Barrowman in 2020 also reduced the experience of the board in the field of operations, and as a result Con O'Sullivan, Executive Director - Power Systems, Supply Chain & Operations, was elected to the board.

In order to comply with the Corporate Governance Principles relating to board selection, the Company operates a board selection process which complies with guidelines issued by Cummins. These guidelines emphasise that an appropriate mix of skills and experience commensurate with the complexity of the business is to be considered.

As a wholly owned private limited company it is not felt appropriate or necessary to appoint independent directors to the board. This has been addressed at the parent company level. However, the board ensures that any conflicts of interest are identified and managed to ensure they perform their duties appropriately and in accordance with their fiduciary and legal duties. The Company adopts a specific conflicts of interest policy, which was implemented throughout 2020.

All directors are expected to continue to develop and educate themselves. Training during the 2020 financial year included directors' duties and responsibilities relating to dividend distributions and corporate governance disclosures. The Company ensures that each member of the board has a clear understanding of their accountability and responsibilities and that each director commits the requisite time and attention necessary to fulfil their obligations. All new board members receive a tailored induction on joining the board which includes the provision of a comprehensive Board Pack (with details of the business operations, key stakeholders and director's legal duties and responsibilities).

The board also has a number of processes in place to build positive relationships with all stakeholders, with a particular focus on the workforce / employees, customers, suppliers and the community. One of the Companies key ethical principles is to compete fairly and honestly, and this has no exceptions. The Company ensures the board remains accountable to this principle and, in particular, directors are regularly involved in key meetings with customers and suppliers. Further details regarding engagement with the Companies key stakeholders and employees during the 2020 financial year can be found in the Engagement with Employees and Engagement with Stakeholders sections.