



EXECUTIVE SUMMARY

The power of **ENGAGEMENT**

SUSTAINABILITY REPORT 2011-2012



Zhao Yan (left) of Cummins Turbo Technologies teaches a vocational education class in Wuxi, China. Read how Cummins is engaging in these kinds of programs around the world inside and at www.cummins.com/sustainability

WELCOME to the Executive Summary of Cummins Inc.'s 2011-2012 Sustainability Report.

Cummins designs, manufactures, distributes and services diesel and natural gas engines, as well as related technologies including power generation systems. The Company's mission demands that everything we do lead to "a cleaner, healthier, safer environment."

Here's a quick look at how the Company did in fulfilling that mission in 2011-2012. Cummins' full report is posted at www.cummins.com/sustainability.

Students and instructor Jeff Cook (far left) gather around a Cummins engine donated to Nash Community College in Rocky Mount, N.C. Leaders at Cummins' Rocky Mount Engine Plant have been working to improve vocational education in the area.

COVER STORY

Changing lives and communities through vocational education

Cummins leaders across the globe have been supporting vocational education programs for several years, pairing community needs for good jobs with industry's need for skilled workers.

Now, the Company and The Cummins Foundation have launched TEC: Technical Education for Communities, an initiative to grow and develop effective vocational education programs in Cummins communities around the world.

"Solid technical training gives individuals a pathway to well-paying jobs and it creates a stable employment base for our communities," said Jean Blackwell, Executive Vice President – Corporate Responsibility and CEO of The Cummins Foundation.

A recent report by the World Economic Forum estimates that 10 million manufacturing jobs worldwide cannot

be filled today due to skills gaps. At the same time, many communities across the globe are suffering because their residents can't find work.

Cummins has identified three locations – Xiangyang, China; Phaltan, India and Casablanca, Morocco – for establishing learning laboratories on vocational education and the Company is working to establish at least three more sites.

Project leaders will test a variety of approaches prior to recommending a global strategy for community technical education. Their goal: develop students with the skills to work at Cummins or wherever their interests take them.





Disadvantaged residents got jobs sorting wet waste from dry waste as part of an Environmental Challenge project in Pune, India.

CORPORATE RESPONSIBILITY

Employees work to build stronger communities

Cummins employees engaged with their communities in a variety of ways in 2011-2012, helping with energy-related challenges, aiding people with disabilities and beautifying neighborhoods and parks.

Nearly 16,500 employees worked 130,774 hours on community projects in 2011 as part of the Company's Every Employee Every Community (EEEC) program. Under the EEEEC program, Cummins pays employees working on community projects for at least four hours per year and longer with the approval of their supervisors.

The Company's more than 200 employee-led Community Involvement Teams competed to be one of 15 winning projects in Cummins' third Environmental Challenge in 2011. Winning teams received \$10,000 grants from The Cummins Foundation for the charitable partner of their choice.

The competition drew a record 140 entries from 21 countries, up from 86 entries and 13 countries in 2010. The winning projects included:

- » An initiative that will save an Indiana school district millions on its utility bills over the next decade.
- » A project in Chongqing, China using a Cummins generator running on landfill gas to generate electricity for the community.
- » A Pune, India initiative that reduced the amount of waste sent to a troubled landfill by separating out biodegradable trash to generate gas for a generator.

Cummins employees in North America also pledged a record \$2.5 million to the United Way in 2011. The pledges were matched by The Cummins Foundation, resulting in \$5 million boost for our communities.

The matching gift program was expanded in 2011 to include the Asia-Pacific region, China and India through The Cummins Foundation and the Cummins India Foundation.

ENVIRONMENT

Cummins sets new goal for greenhouse gas reduction

Cummins has extended its greenhouse gas (GHG) reduction goal from the 28 percent reduction achieved in 2010 to a 40 percent reduction by 2015, again using 2005 as a baseline.

The Company exceeded its first goal of a 25 percent reduction in GHG emissions per dollar revenue, achieving a 28 percent reduction as part of the U.S. Environmental Protection Agency's Climate Leaders Program.

"We are ensuring we have a sound investment plan to meet this aggressive goal, which equates to double the energy efficiency improvements made over the first five-year period," said Alan Resnik, Director – Corporate Environmental Management.

Cummins was named a winner in the GHG achievement category of the inaugural Climate Leadership Awards sponsored by the EPA and three other groups.

It was one of many environmental highlights in 2011-2012, including:

- » The Company established an Action Committee for Environmental Sustainability to pull together all of its environmental efforts.
- » Cummins' Darlington Engine Plant, U.K. reached "zero landfill status," going more than 16 months and counting without sending any waste to a landfill.
- » Cummins started development on a 15-liter heavy duty natural gas engine for on-highway applications.

ENVIRONMENT

SuperTruck hits the road in Texas

Motorists along U.S. Route 287 in north-central Texas could get a glimpse of trucking's future starting in October 2012.

That's when a public-private partnership led by Cummins will unveil its vision of the SuperTruck, a 2010 Department of Energy initiative to develop the next generation of tractor-trailers.

The test vehicle will include an engine that captures waste heat and converts it to energy, an aerodynamic exterior and other energy-saving features.

"The opportunity to get out and see how all these improvements work together is very exciting," said David Koeberlein, Cummins' Principal Investigator for SuperTruck.

Cummins is working with more than 10 entities on the project including the Company's main partner, the Peterbilt Motors Company, a division of PACCAR. Cummins is one of four prime contractors leading SuperTruck Teams.

Energy officials want to see fuel economy increase from about 6.5 to 9.75 miles-per-gallon, saving an estimated \$15,000 in annual fuel costs per long-haul truck.

The total cost of the SuperTruck program is about \$270 million including DOE grants and matching expenditures from the project participants.

Members of the Cummins SuperTruck team stand next to the tractor before its trip to Texas for the start of critical testing in the fall of 2012. From left to right, Jon Dickson, Vehicle Applications Leader – Advanced Engineering; David Koeberlein, SuperTruck Principal Investigator and Wayne Eckerle, Vice President – Research & Technology.



EMPLOYEE RELATIONS // SAFETY

Cummins celebrates safest year ever

Cummins had its safest year ever in 2011 as the Company met all of its targets for key safety performance indicators.

The 2011 goals were the toughest the Company had ever set and came amid rapid growth for Cummins, especially outside the United States.

Safety leaders say they hope to build on the Company's record year to develop a culture where everyone takes responsibility for safety – leaders, managers and employees.

"We should all view 2011 as the beginning of our safety journey, not the end," said Jim Dorris, Cummins' Occupational Safety Director.

Among the notable achievements in 2011:

- » Cummins recorded a 32 percent improvement in its Incidence Rate compared to 2010.
- » The Company achieved a 34 percent decrease in the Company's Severity Lost Work Day rate over the same time period.
- » In December of 2011, Cummins recorded no Major Injuries and no Dangerous Occurrences, a first for the Company since 2009.

*Cummins East Asia
Research & Development
Center employees celebrate
1,000 accident-free days
in June 2011 by lining up
in the number 1,000.*



EMPLOYEE RELATIONS // DIVERSITY

Diversity initiative travels to Brazil, Australia



Cummins leaders in Brazil and Australia say a diversity training initiative is helping them establish the right work environment for success.

The Affirmative Development Project was launched in both countries in 2011-2012, bringing employees at all levels together to learn and practice skills that facilitate better understanding and engagement.

The project helps employees who belong to affinity groups, which at Cummins are typically organized around a specific demographic, to work more effectively together. In addition, managers learn skills to help them supervise people from different backgrounds.

"Our workshops in Brazil helped us as leaders to see opportunities to include perspectives that we may not have previously thought about," said Luis Pasquotto, Vice President – South America Area Business Organization.

Gino Butera, Executive Managing Director – Asia Pacific, agreed.

"We saw how passionate employees are about creating an inclusive work environment where everyone can realize their potential," he said.



EMPLOYEE RELATIONS // SUPPLIER DIVERSITY

Spending with diverse suppliers continues climbing

Cummins' spending with diverse suppliers in North America continued to climb in 2011, topping \$800 million, up from \$545 million in 2010.

Spending with diverse suppliers in 2011 reached well beyond pre-recession levels in 2008 and topped 12 percent of total purchases.

"I think we're finally getting away from the myth that supplier diversity is simply about giving away a slice of the business pie," said Cummins' Director of Diversity Procurement Gordon Fykes.

Supplier diversity, also known as diversity procurement, is a key business strategy at Cummins. Helping diverse suppliers develop and grow will eventually increase competition for the Company's business.

In addition, working with diverse suppliers extends economic opportunity to all of the communities where Cummins' employees live and work.

FINANCIAL

Cummins records strong financial performance in 2011

Cummins has enjoyed more than two years of outstanding growth which continued in 2011 with record revenue of \$18 billion and a 54 percent increase in Earnings Before Interest and Taxes (EBIT).

"Cummins had its best year ever in 2011, despite economic uncertainty in a number of regions," said Tom Linebarger, the Company's Chairman and Chief Executive Officer.

Overall revenue for 2011 increased 36 percent compared to 2010.

Net income attributable to Cummins for the full year was \$1.85 billion.

Cummins will make a significant investment back into the Company in 2012. Cummins anticipates making between \$800 million and \$850 million in capital expenditures in 2012 and Cummins' joint ventures are expected to invest another \$500 million to \$600 million.

Indiana Gov. Mitch Daniels, sitting closest to Chairman and CEO Tom Linebarger (far right), attended the Company's expansion announcement in Seymour, Ind. in the spring of 2012. The Company announced \$219 million in new construction in Seymour and the addition of 290 jobs in support of Cummins' global high horsepower engine business.



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