



*2017*  
***CUMMINS***  
***DATA BOOK***

# ABOUT THIS REPORT

Welcome to Cummins' 2017 GRI Data Book. The goal of this report is to essentially convert the [Cummins 2017 Sustainability Progress Report](#) into the Global Reporting Initiative (GRI) [framework](#). In many instances, this report includes links to a host of other Cummins reports and websites such as the company's [2017 Annual Report on Form 10-K](#), the [2018 Proxy Statement](#), the company's [Governance website](#), Cummins' [Ethics & Compliance website](#) and Cummins' CDP (formerly the Carbon Disclosure Project) [climate and water reports](#) to provide readers with more information on a particular topic.

It also includes data and information that wasn't in the Progress Report but might be of interest to readers who want more depth, especially on the environment. This report tries to answer as many GRI questions as possible, as directly as possible, in a straight forward manner. The GRI questions can be quite complex, so the report summarizes them as much as possible. If you want to see the complete GRI questions, please go to the GRI website.

Cummins' financial data is audited by PricewaterhouseCoopers LLP. The environmental, corporate responsibility, diversity, safety and governance data has been assured by Bureau Veritas. Bureau Veritas' assurance letters are included at the end of this report ([page 48](#)). Our sustainability materiality findings remain largely the same after re-scoring the findings in last year's report. For more please see [pages 18 and 19](#).

Thank you for your interest in Cummins.

**BLAIR CLAFLIN**  
**Director of Sustainability**  
**Communications**  
Cummins Inc.  
[blair.claflin@cummins.com](mailto:blair.claflin@cummins.com)

# THE UN'S SUSTAINABLE DEVELOPMENT GOALS

Cummins supports the UN's Sustainable Development Goals to "end poverty, protect the planet and ensure prosperity for all." As a signer of the UN's Global Compact, the company wants to do its part to make the world a better place to live.





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

# KEY PERFORMANCE INDICATORS

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

<sup>1</sup> Primary energy excludes sold electricity and associated fuel usage

<sup>2</sup> Intensity defined as adjusted for sales (energy / GHG) or hours worked (water)

<sup>3</sup> Reduction includes consolidated entities only

## ECONOMIC

	2015	2016	2017
Revenue	\$19.1 billion	\$17.5 billion	\$20.4 billion
Net Income	\$1.40 billion	\$1.39 billion	\$999 million*

\* 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 percent.

## ENVIRONMENTAL

	2015	2016	2017
GHG emissions (thousands of metric tons CO <sub>2</sub> e)	774	763	776
Energy consumption <sup>1</sup> (thousands of MMBtu)	12,958	13,014	13,798
Water use (millions of gallons)	947	930	962
Water intensity reduction <sup>2</sup> (2010 baseline)	41%	42%	44%
Energy intensity reduction <sup>2,3</sup> (2010 baseline)	24%	24%	25%
GHG intensity reduction <sup>2,3</sup> (2010 baseline)	29%	30%	33%
Recycling rate	90%	89%	90%

## SOCIAL

	2015	2016	2017
H&S severity case rate	0.195	0.225	0.251
H&S incidence rate	0.588	0.631	0.691
Code of Conduct cases	1,830	1,772	1,904
Women leaders in the workforce	21%	21.80%	23.22%
Every Employee Every Community (EEEC) participation rate	80%	81%	83%
People impacted by EEEEC projects	n/a	n/a	3.3 million**

\*\*First year for calculation

# OUR KEY TOOLS

## SIX SIGMA AND CONTINUOUS IMPROVEMENT

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. Since its introduction at Cummins in 2000:

- » *Approximately 23,000 people have been trained on Six Sigma tools at the company, including more than 11,400 current professional employees.*
- » *Six Sigma projects have identified an estimated \$6.85 billion in Profit Before Interest and Taxes (PBIT) savings over the tool's history at Cummins.*
- » *Cummins customers have saved an estimated \$1.44 billion through Six Sigma since the tool was first offered to them in 2005.*



Cummins employees also use Six Sigma when working with community partners on Corporate Responsibility projects. The tool's impact, however, goes beyond cost savings and community engagement. It provides Cummins with a common language and collective mindset across the globe that can be used to address a problem or challenge almost anywhere in the world.

The most impactful projects are honored as part of the company's Impact Awards. As a continuous improvement company, Cummins is committed to providing great employees with the tools they need to solve the most important challenges in the business, and to recognize the outstanding work they do.

Six Sigma has widely been credited with helping turn Cummins into the vibrant, innovative company it is today. After 17 years as a key part of Cummins, Six Sigma has established itself as the principal problem solving tool used at the company.

## CUMMINS OPERATING SYSTEM

*The purpose of the Cummins Operating System is to continuously improve the company's products and services by eliminating waste and reducing variation in processes. The 10 practices are:*

-  **PUT THE CUSTOMER FIRST**  
AND PROVIDE REAL VALUE.
-  **SYNCHRONIZE FLOWS**  
(MATERIAL, PHYSICAL AND INFORMATION).
-  **DESIGN QUALITY** IN EVERY  
STEP OF THE PROCESS.
-  **INVOLVE PEOPLE AND**  
**PROMOTE TEAMWORK.**
-  **ENSURE EQUIPMENT AND TOOLS**  
ARE AVAILABLE AND CAPABLE.
-  **CREATE FUNCTIONAL EXCEL-**  
**LENCE.**
-  **ESTABLISH THE**  
**RIGHT ENVIRONMENT.**
-  **TREAT PREFERRED**  
SUPPLIERS AS **PARTNERS.**
-  **FOLLOW COMMON PROBLEM**  
**SOLVING TECHNIQUES.**
-  **USE SIX SIGMA** AS THE PRIMARY  
PROCESS IMPROVEMENT METHOD.

**GRI STANDARDS**  
*GENERAL  
DISCLOSURES*

**TOPIC-SPECIFIC  
STANDARDS**

*ECONOMIC  
ENVIRONMENTAL  
SOCIAL*

# TABLE OF CONTENTS

## 2 ABOUT THIS REPORT

- 3 THE UN'S SUSTAINABLE  
DEVELOPMENT GOALS
- 4 KEY PERFORMANCE  
INDICATORS
- 5 OUR KEY TOOLS

## 7 GENERAL DISCLOSURES

- 7 **ORGANIZATIONAL  
PROFILE**
  - 8 WHO WE ARE
  - 10 HOW WE DO IT

- 12 **STRATEGY**
- 12 **ETHICS & INTEGRITY**
- 14 **GOVERNANCE**
- 17 **REMUNERATION**
- 17 **STAKEHOLDER  
ENGAGEMENT**
- 17 **REPORTING PRACTICE**
- 18 **MATERIALITY**
- 20 **MANAGEMENT APPROACH**

## 21 ECONOMIC STANDARDS

- 22 **MARKET  
PRESENCE**
- 22 **PROCUREMENT  
PRACTICES**
- 24 **ANTI-CORRUPTION**
- 25 **ANTI-COMPETITIVE  
BEHAVIOR**

## 26 ENVIRONMENT STANDARDS

- 26 CUMMINS HEALTH,  
SAFETY AND  
ENVIRONMENTAL  
POLICY
- 29 ENVIRONMENTAL  
GOALS UPDATE
- 39 HSE MANAGEMENT  
SYSTEM

## 40 SOCIAL STANDARDS

- 40 **HEALTH AND SAFETY**
- 42 **TRAINING AND EDUCATION**
- 43 **DIVERSITY AND EQUAL OPPORTUNITY**
- 44 **NON DISCRIMINATION**
- 44 **FREEDOM OF ASSOCIATION / COLLECTIVE BARGAINING**
- 44 **CHILD LABOR**
- 44 **FORCED LABOR**
- 44 **SECURITY PRACTICES**
- 44 **INDIGENOUS PEOPLE**
- 44 **HUMAN RIGHTS**
- 45 **COMMUNITY ENGAGEMENT**
- 45 **SUPPLIER ASSESSMENT**
- 45 **PUBLIC POLICY**
- 47 **CUSTOMER HEALTH & SAFETY**
- 47 **MARKETING COMMUNICATIONS**
- 47 **SOCIOECONOMIC COMPLIANCE**
- 48 **ASSURANCE**

# GENERAL DISCLOSURES

## ORGANIZATIONAL PROFILE

### 102-1

#### Name of the organization:

Extensive information about Cummins Inc. including its name, address, stock symbol and more is available on [page 8](#) of this report.

### 102-2

#### Activities, brands, products and services:

Cummins is organized into five business areas – the Engine segment, the Power Systems segment, the Components segment, the Distribution segment and the Electrified Power segment. All operate under the Cummins’ brand. Cummins is a “business to business” company. Many of our products are sold to original equipment manufacturers who use them in their products. More about the company’s products and services is available on [page 10](#) of this report.

### 102-3

#### Location of headquarters:

Cummins’ corporate headquarters is located at 500 Jackson St., Columbus, Indiana (U.S.A.) 47201.

### 102-4

#### Location of operations:

Cummins’ customers are located in approximately 190 countries and territories that the company reaches through a network of more than 500 company-owned and independent distributor locations and approximately 7,500 dealer locations. The company’s major manufacturing facilities are located in Indiana, Minnesota, North Carolina, South Carolina, Tennessee and Wisconsin in the United States; And Australia, Brazil, China, France, Germany, India, Mexico, Nigeria, Romania, South Africa, South Korea, Turkey and the United Kingdom outside the U.S.



### EXPORT SALES ARE KEY

Cummins had U.S. export sales worldwide of \$2.14 billion in 2016. The top eight buyers of the company’s products:

- |                     |                          |
|---------------------|--------------------------|
| <b>8. Singapore</b> | <b>4. United Kingdom</b> |
| <b>7. Japan</b>     | <b>3. Australia</b>      |
| <b>6. Belgium</b>   | <b>2. Canada</b>         |
| <b>5. China</b>     | <b>1. Mexico</b>         |



# WHO WE ARE

*Cummins Inc., a global power leader, is a corporation of complementary business units that design, manufacture, distribute and service engines and related technologies, including fuel systems, controls, air handling, filtration, emission solutions and electrical power generation systems.*

## WORLD HEADQUARTERS

500 Jackson St.  
Columbus, IN 47201

EST.

# 1919



# www.cummins.com

# CMI

**STOCK SYMBOL**

(New York Stock Exchange)

# 58,600

**EMPLOYEES  
WORLDWIDE**

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

(approximate employee total, as of December 2017)

**FORTUNE 500  
RANKING** (2017)

# 159

## CUSTOMERS

Cummins' customers are located in approximately **190 countries and territories** that the company reaches through a network of more than **600 company-owned and independent distributor locations** and approximately **7,400 dealer locations**.

## SALES / EARNINGS

In 2017, Cummins earned \$999 million\* on revenues of

# \$20.4 billion



## GRI STANDARDS

### GENERAL DISCLOSURES

### TOPIC-SPECIFIC STANDARDS

### ECONOMIC ENVIRONMENTAL SOCIAL

#### 102-5

##### Nature of ownership and legal form:

Cummins is a publicly traded, Fortune 200 company. It ranked 159th in 2017. Cummins' stock symbol on the New York Stock Exchange is CMI.

#### 102-6

##### Markets served:

Cummins is a global power leader made up of complementary business units that design, manufacture, distribute and service engines and related technologies including fuel systems, controls, air handling, filtration, emission solutions and electrical power generation systems. Approximately 58 percent of the company's net sales (see page 32 of the [Sustainability Progress Report](#)) in 2017 were attributable to customers in the U.S. and Canada while 42 percent came from outside those locations. Customers include original equipment manufacturers (OEMs), who in some cases make their own engines. Developing innovative, clean, dependable engines those OEMs, and by extension their customers, will desire is critical to the

company's sustainability. Cummins engines are used in long haul trucks, regional trucks and pickup trucks as well as in off-highway equipment such as tractors, trains, ships, excavators, generators and more. As the only company that produces all of the critical subsystems required to build an engine or generator in house, Cummins believes it has a competitive advantage.

#### 102-7

##### Scale of the organization:

Cummins has more than 58,000 employees with slightly more than half located outside the United States. The company has plants and technical centers around the world. More than a third of the company's employees are represented by a union. About a third of Cummins' professional staff has a background in science, technology, engineering or math (STEM). The company had \$20.4 billion in sales in 2017. The company sells more than a million engines annually as well as various related components.

#### 102-8

##### Information on employees:

Cummins has more than 58,000 employees world-wide. About a third are represented by a union. Slightly more live outside the United States than inside the United States. About 26 percent of the workforce is made up of women and women make up about 23 percent of the company's leadership. About 57 percent of the leaders of the company were born in the United States, down from 62 percent in 2010. More than 60 percent of the company's employees were born outside the U.S.

## EMPLOYEE REPRESENTATION

Just over a third of the Cummins workforce is represented by unions under collective bargaining agreements expiring between 2018 and 2022.

**35.5%**  
UNION EMPLOYEES



#### 102-9

##### Describe your supply chain:

Cummins began to transform its supply chain in 2010, focusing on ways to increase efficiency, lower costs and reduce its environmental footprint. Developing supply chain excellence is one of the company's Five Growth Accelerators approved by Cummins leadership. By working to better coordinate the production, shipment and delivery of goods, Cummins better serves its customers. The company puts a special focus on the synchronized warehousing of raw materials to provide scale and improve efficiency. The formation of the Power Systems segment, initiated in 2015 and completed in 2016, combined the Power Generation and High Horsepower businesses, which were already strongly interdependent. It will allow the company to streamline business and technical processes to accelerate innovation, grow market share and more efficiently manage its supply chain and manufacturing operations. Cummins was able to reduce material costs by about \$250 million in 2016 by working tirelessly with its global supply chain partners. To learn more about the supply chain at Cummins, go to page 10 of the [Annual Report on Form 10-K](#).

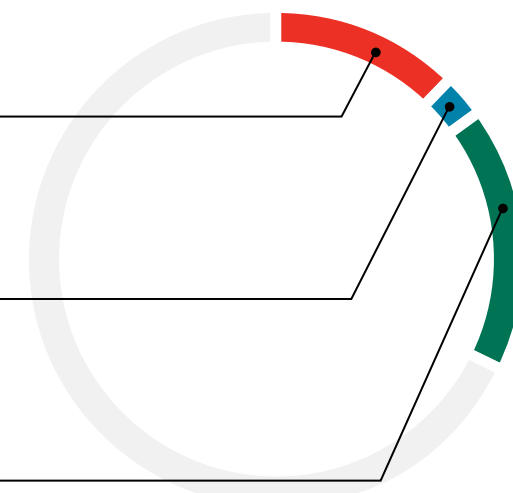
## STEM INFLUENCE

About a third of Cummins' exempt (non-union) employees have a background in Science, Technology, Engineering or Math. Here's a look:

**17%**  
ENGINEERS

**3%**  
INFORMATION  
TECHNOLOGY

**12%**  
OTHER ENGINEER  
OR SCIENCE



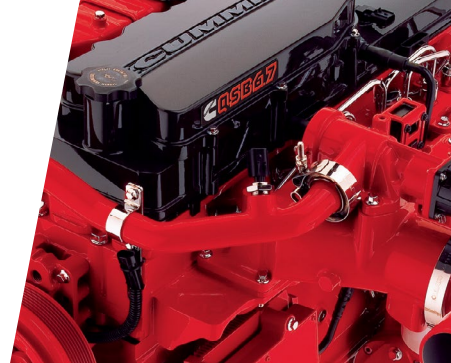
**GRI STANDARDS**  
**GENERAL**  
**DISCLOSURES**

**TOPIC-SPECIFIC**  
**STANDARDS**

**ECONOMIC**  
**ENVIRONMENTAL**  
**SOCIAL**

## HOW WE DO IT

***Cummins is organized into five business segments. In 2017, the company introduced an electrification division to manage its work in that fast growing area. In early 2018, the division was established as Cummins' fifth business segment, Electrified Power. Here's a look at the company today:***



## CUMMINS ENGINE BUSINESS

The Engine Business segment manufactures and markets diesel and natural gas engines for on- and off-highway use around the world. Markets include heavy- and medium-duty trucks, buses, light-duty trucks and areas such as agriculture, construction and military equipment.

## CUMMINS POWER SYSTEMS

In 2016, Cummins reorganized its business, combining the company's Power Generation segment and its high-horsepower engine business to create a new Power Systems segment. The segment is a global provider of power generation systems, components, and services in standby power, distributed power generation, as well as auxiliary power in mobile applications. The segment also designs, manufactures, sells and supports diesel and natural gas high horsepower engines for a wide variety of uses including power generation, marine, mining and rail.



## COMPONENTS BUSINESS

The Components segment is organized around the following businesses:

- » Cummins Emission Solutions designs and builds exhaust aftertreatment solutions to reduce emissions for light-, medium-, heavy-duty and high-horsepower engines.
- » 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 manufactures fuel systems that maximize power and fuel economy while helping to reduce emissions.
- » Cummins Turbo Technologies designs and builds turbochargers to maximize engine performance and reduce emissions and fuel consumption.

## CUMMINS DISTRIBUTION BUSINESS

Cummins Distribution Business sells and services the full range of Cummins products for over 20 application segments in more than 190 countries and territories around the world.

## ELECTRIFIED POWER

Cummins established its Electrified Power segment in early 2018. This segment brings together all of the company's electrification resources into a single reporting segment that posted its results as part of Cummins' first quarter earnings in 2018.

## GRI STANDARDS

### GENERAL DISCLOSURES

### TOPIC-SPECIFIC STANDARDS

#### ECONOMIC ENVIRONMENTAL SOCIAL

#### 102-10

##### Significant changes to the organization:

Cummins in 2016 completed the formation of the company's Power Systems segment, bringing together Cummins former Power Generation and High Horsepower segments. In many ways, it was a natural restructuring of the company. Approximately 60 percent of Cummins' high horsepower engines are used in the company's power generation products. The move was designed to create efficiencies in the new segment's supply chain and streamline the process for bringing new ideas to market. In 2017, the company created a new division, Electrified Power, to oversee its burgeoning electrified powertrain business. In the first quarter of 2018, Cummins expanded its segment reporting and added an additional segment called Electrified Power. This new segment included Brammo Inc., a low voltage battery designer the company acquired in 2017. The company began reporting the new segment effective with its first quarter of 2018.

#### 102-11

##### Precautionary approach:

While the company has not formally adopted this terminology, a key commitment has long been that "everything we do leads to a cleaner, healthier, and safer environment." When it comes to the company's operations, Cummins is not satisfied merely to meet local regulations. The company is striving to reduce its carbon footprint by recycling and using less water and energy everywhere. The company has set specific goals in these areas that apply to all Cummins' facilities, regardless of their location. To learn more about the company's goals, see page 14 of the [2017 Sustainability Progress Report](#).

#### 102-12

##### External approaches:

In 2017, Cummins signed [the U.N.'s Global Compact](#) encouraging businesses around the world to adopt socially responsible and sustainable practices, and report on their implementation. The company also began using the U.N.'s Sustainability Development Goals as a basis for goal setting, especially in its Corporate Responsibility function. Both followed Cummins joining thousands of global companies signing the U.N. Women's Empowerment Principles in 2016. The seven principles emphasize the business case for promoting gender equality and empowering women. The company embraces "science-based" targets in its efforts to reduce its carbon footprint, aligning itself with climate science. It supports the U.S. Department of Energy's Better Buildings initiative to conserve energy and reduce emissions.

#### 102-13

##### Membership of associations:

Cummins belongs to a number of organizations and associations, including: The Diesel Technology Forum, the Health Effects Institute, BSR (Business for Social Responsibility) and the Rocky Mountain Institute's Business Renewables Center. The company participates in the U.S. Department of Energy's Better Business Challenge. The company's CEO, Tom Linebarger, is chairman of the Business Roundtable's International Engagement Committee. Cummins also works frequently with the Environmental Defense Fund on projects. Here is a story about [that relationship](#).

**GRI STANDARDS**  
**GENERAL**  
**DISCLOSURES**

**TOPIC-SPECIFIC**  
**STANDARDS**

**ECONOMIC**  
**ENVIRONMENTAL**  
**SOCIAL**

## STRATEGY

### 102-14

**Statement from senior decision maker:**

Cummins Chairman and CEO Tom Linebarger writes about the relationship between sustainability and the company's strategy in his letter on page 7 of the introduction to Cummins' [2017 Sustainability Progress Report](#).

### 102-15

**Key impacts, risks:**

Extensive information on the impacts, risks and opportunities facing the company can be found starting on page 17 of the [2017 Cummins Annual Report on Form 10-K](#). They are also addressed in the [Chairman's Annual Letter to Shareholders](#) and in the Chairman's Note on page 7 of the [2017 Sustainability Progress Report](#). Cummins also has information on risk management on page 47 of the Sustainability Progress Report.

## ETHICS & INTEGRITY

### 102-16

**Values, principles, standards:**

Cummins in 2017 updated the company's mission, vision and values (MVV). The board was briefed and consulted and its input is reflected in the final version. Senior executives met extensively on this topic over 12 to 16 months. It was the first update since the MVV was established in 2000. After leadership reached a tentative approval on the MVV, it was reviewed by various employees through focus groups and other means. It then went back to leadership for more review and changes before a final version was released in late July. You can see the new version of the company's mission, vision and values on page 13.

### 102-17

**Mechanisms for advice and concern about ethics:**

Cummins employees have a variety of ways to seek advice or report their concerns about unethical and unlawful behavior. In addition to talking to their supervisor or human resources representative, they can also get help or report a concern online at [ethics.cummins.com](http://ethics.cummins.com) or by calling 1-800-671-9600 if they are in the United States. Phone numbers for other countries can also be found at [ethics.cummins.com](http://ethics.cummins.com). Wherever legally possible, employees may remain anonymous if they wish. An employee may also send an email to the [Ethics and Compliance function](#) or to the Legal function ([law\\_department@cummins.com](mailto:law_department@cummins.com)) and the appropriate person will contact them. Per company policy, an employee cannot be retaliated against for seeking advice or raising a concern. All of this information is posted on the company's internal website.



# CUMMINS' STORY

Cummins updated its mission, vision and values in 2017.

## 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*

## GOVERNANCE

### 102-18

#### Governance structure:

The Board of Directors oversee the company. The duties of the Chairman and the Lead Director as well as the six standing board committees (Governance and Nominating, Audit, Compensation, Executive, Finance, and Safety, Environment and Technology) are laid out in the documents in the [Governance section on cummins.com](#) and in the [2018 Proxy Statement](#). The Board of Directors and its committees are involved on an ongoing basis with the oversight of the company's material enterprise related risks. Senior management, led by the Chief Executive Officer and Chief Financial Officer, in conjunction with other appropriate officers, undertake a process that identifies, categorizes and analyzes the relative severity and likelihood of different types of risk. The board committees receive frequent updates from senior leaders who have functional responsibility for managing the risks related to those committees.

### 102-19

#### Delegating authority:

See answer to 102-18.

### 102-20

#### Executive level responsibility for economic, environmental and social topics:

Cummins has a Vice President – Chief Technical Officer who reports to the President and COO on several issues including the company's effort to reduce its environmental impact. The company's Vice President – Corporate Responsibility reports to company leaders on Cummins' community engagement and social efforts. Cummins Vice President – Ethics and Compliance, reports to company leaders on ethics related issues. The company's Vice President – Chief Financial Officer reports to the CEO on financial related matters.

### 102-21

#### Consulting stakeholders on economic, environmental and social topics:

There is not one single person or group at Cummins charged with communicating to external stakeholders. Investor Relations, for example, talks to and meets with investors frequently. Our Government Relations function is in frequent communications with lawmakers and regulators. Because leaders play a key role in our Corporate Responsibility efforts (see page 23 in the [Sustainability Progress Report](#)), they speak to a wide variety of people including non-governmental groups, not-for-profits and others in addition to government leaders and investors. Leaders are encouraged to be active in their communities in keeping with the stakeholder model Cummins operates under. They try to weigh the interests of all stakeholders in their decisions including communities, employees, not for profits and others in addition to our shareholders.

### 102-22

#### Composition of the highest governance body and its committees:

The company's [2018 Proxy Statement](#) includes extensive information about the board members, their duties, and the strengths they present to the board.

### 102-23

#### Chair of the highest governance body:

Tom Linebarger is Chairman of the Board of Directors and Chief Executive Officer at Cummins. He is one of two Cummins employees on the 12-member Board of Directors. This model has worked well for the company, producing strong results. The board is sufficiently empowered to provide effective oversight. Cummins is fortunate to have an outstanding Lead Director, former U.S. Secretary of Labor Alexis Herman. She joined the board in 2001. To learn more, see pages 10-21 of the [2018 Proxy Statement](#).

GRI STANDARDS

GENERAL  
DISCLOSURES

TOPIC-SPECIFIC  
STANDARDS

ECONOMIC  
ENVIRONMENTAL  
SOCIAL

102-24

Nominating and selecting the highest governance body:

The board composition guidelines are discussed in Sections 5.6 and 5.7 of the [Corporate Governance Principles](#), and pages 6-8 of the [2018 Proxy Statement](#). A statement on diversity is included on page 6 of the proxy. Independence is addressed on page 3 of the proxy. The expertise each member brings to the board is included on pages 10-21 of the proxy.

102-25

Conflicts of interest:

Every board candidate should be free of any conflict of interest that would violate any applicable law or regulation or interfere with the proper performance of his or her responsibilities including being able to represent the best long-term interests of all Cummins' shareholders. For more see the company's [Corporate Governance Principles](#).

102-26

Role of highest governance body in setting purpose, values, and strategy:

See [102-16](#). The Board of Directors reviewed Cummins' updated mission, vision and values.

102-27

Collective knowledge of the highest governance body:

The Board of Directors is briefed and provided with substantive information prior to each board meeting. New board members are provided with a timely and thorough introduction to Cummins, including information on the company's mission, vision and values as well as an introduction to the company's business segments and their respective management teams. They are also briefed about the company's risk management processes and the regulatory environment and visit company facilities. Directors with more tenure are expected to continue educating themselves with respect to the company's industries and markets as well as corporate governance and director responsibility developments. Cummins provides periodic updates or training to board members to ensure they have the knowledge and skills necessary for their service and may also apprise board members of appropriate director educational programs and encourage them to attend at the company's expense. See Section 2.6 of the [Corporate Governance Principles](#).

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](#).

BOARD

- » Size of Board: **12 members**
- » Independent Directors: **10 members**
- » Average Age of Directors: **62 years old**
- » Mandatory Retirement Age: **72 years old**
- » Annual Election of Directors: **Yes**
- » Women and Minority Board Members: **42 percent**
- » Majority Voting in Director Elections: **Yes**
- » Average Director Tenure: **9 years**
- » Board Meetings held in 2017: **6 meetings**
- 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**



## GRI STANDARDS

### GENERAL DISCLOSURES

### TOPIC-SPECIFIC STANDARDS

### ECONOMIC ENVIRONMENTAL SOCIAL

#### 102-28

Evaluating the highest governance body's performance:

The Governance and Nominating Committee is responsible for conducting an annual assessment of the Board of Directors. This assessment explores whether the board and its committees function effectively and identifies areas in which it believes improvements can be made. (See Section 5.4 of the Corporate Governance Principles.) Cummins' Chairman and CEO also conducts one-on-one evaluations with each director individually.

#### 102-29

Identifying and managing economic, environmental, and social impacts:

The board is kept informed on the company's economic, environmental and social impacts as part of its oversight responsibilities. To see more, go to the company's

Corporate Governance Principles.

#### 102-30

Effectiveness of risk management processes:

Monitoring the effectiveness of internal controls and risk management practices is one of the key oversight responsibilities of the Board of Directors at Cummins. The board receives a risk report at every regularly scheduled meeting, updating it on the significant risks facing the company. The board is regularly briefed on matters of concern for customers, employees, unions and investors. It has a keen awareness of what all stakeholders are thinking, enabling it to stay informed of key economic, environmental and social developments. To learn more go to the Audit Committee Charter.

#### 102-31

Review of economic, environmental and social topics:

The board regularly reviews economic, environmental and social developments relative to Cummins as part of its general oversight responsibilities. To see more, go to the company's Corporate Governance Principles.

#### 102-32

Highest governance body's role in sustainability reporting:

A committee of four people oversees Cummins' sustainability reporting: the Vice President – Corporate Responsibility, the Vice President – Corporate Communications, the Head of Government Relations and the Executive Director of Worldwide Environmental Strategy Compliance. Sustainability reporting is compiled and edited by the Director of Sustainability Communications. The board does not play a direct role.

#### 102-33

Communicating critical concerns:

Shareholders and other interested parties may communicate with the board, including its Lead Director and other non-management directors, by sending written communication to the directors c/o the board secretary, 301 East Market St., Indianapolis, Indiana 46204. All such communications will be reviewed by the secretary or his designee to determine which communications are appropriate to be forwarded to the directors. All communications will be forwarded except those that are related to Cummins products and services, are solicitations or otherwise relate to improper or irrelevant topics. For more see page 7 of the company's Proxy Statement.

#### 102-34

Nature and total number of critical concerns:

See Cummins' Annual Report on Form 10-K.

## REMUNERATION

### 102-35

#### Remuneration policies:

The “Compensation Discussion and Analysis” section starting on page 23 of the [2018 Annual Proxy Statement](#) provides detailed information about Cummins’ executive compensation program. See also Director Compensation starting on page 66 and a discussion of the Board of Director’s Compensation Committee starting on page 4.

### 102-36

#### Process for determining remuneration:

The board’s Compensation Committee engaged Farient Advisors LLC as its independent compensation consultant to provide input and advice to the committee. See page 5 of the [2018 Annual Proxy Statement](#). Farient’s work did not present any conflict of interest.

### 102-37

#### Stakeholders’ involvement in remuneration:

A vote is taken on the compensation plan as part of the company’s Annual Meeting of Shareholders held May 8, 2018. The vast majority of shareholders voted in support of the company’s executive compensation. There is a public comment period at the [meeting](#). No one raised compensation as an issue.

### 102-38

#### Annual total compensation ratio:

See page 57 of the [2018 Annual Proxy Statement](#) for a complete discussion of this U.S. financial requirement.

### 102-39

#### Percentage increase in annual total compensation ratio:

See pages 27 and 60 of the [2018 Annual Proxy Statement](#).

## STAKEHOLDER ENGAGEMENT

### 102-40

#### List of stakeholder groups:

In no particular order, Cummins works with customers, including fleets and OEMs; shareholders; employees and contract workers; suppliers of all sorts; state and national regulators; colleges, universities and other centers of learning; environmental and other interest groups; local and national NGOs; local communities and civil society as a whole.

### 102-41

#### Collective bargaining agreements:

About a third of the Cummins workforce belongs to unions under collective bargaining agreements expiring between 2018 and 2022. To see more, go to the chart on page 31 of the [Sustainability Progress Report](#).

### 102-42

#### Identifying and selecting stakeholders:

Stakeholders are identified in several ways, via the company’s updated vision, mission and values, and through the materiality process conducted by the sustainability team.

### 102-43

#### Approach to stakeholder engagement:

Most engagement is through everyday contact with the groups, companies, suppliers, employees and others Cummins works with in its pursuit of fulfilling the company’s vision, mission and values. Cummins has some special arrangements with NGOs such as Girls Inc. in its pursuit of initiatives like Cummins Powers Women. Leaders are encouraged to become active in their local communities to help them make better decisions. Cummins has long operated under the stakeholder model of leadership, which encourages leaders to take things like community health into their decision making.

### 102-44

#### Key topics and concerns raised:

Cummins’ engagement with customers is obvious through products such as the X15 engine platform, which makes tremendous strides in areas such as uptime and fuel economy – two major customer concerns. The company’s history is filled with examples in other areas, as well. Cummins started a sustainability report, for example, at the suggestion of a stakeholder and has now published 15 annual editions. In one of the most visible examples, the company joined activists in opposing apartheid in the 1980s, leaving the country after it was told it could not desegregate its facilities.

## REPORTING PRACTICE

### 102-45

#### Entities included in consolidated financial statements:

See the company’s [2017 Annual Report on Form 10-K](#).

MATERIALITY

- 102-46 Defining report content and boundaries
- 103-1 Material topics: definition
- 103-2 Material topics: management
- 103-3 Material topics: evaluation

For the important sustainability aspects shown in the diagram below, the company in 2015 compiled the results of more than a dozen stakeholder assessments already conducted by various functions within Cummins to determine what topics are the most relevant to the company's stakeholders in the economic, social and environmental realms.

In 2018, Cummins re-evaluated the inputs and outputs of its materiality process. The 13 important sustainability topics remained consistent even after modifying three of the weighted criteria. Cummins anticipates that in 2019 it will do a greater refresh of its materiality process as part of the development of the next phase of its global environmental sustainability plan.

Cummins' stakeholder assessments include, but are not limited to, extensive customer surveys and

analysis, interactions with regulatory bodies, risk assessment as included in the 2017 Annual Report on Form 10-K and others managed internally. The company also included the Sustainability Accounting Standards Board's sector brief to capture key topics of interest to investors in this sector.

Cummins believes the current efforts under way at the company represent, when analyzed together, a comprehensive view of the issues of importance to Cummins' sustainability. The company continues to evaluate various methods of assessment going forward.

A team of Cummins sustainability subject matter experts did an analysis using the Six Sigma tool of a prioritization matrix to evaluate more than 40 potential aspects derived from the stakeholders' assessments. Two overarching criteria were used to determine which aspects were evaluated: "importance to stakeholders" and "strategic importance to the business." Ethics and compliance as a critical part of corporate governance was presumed to be included as foundational to the company and is not listed separately.

The analysis resulted in the important aspects listed below. The intent of the current process employed was to determine the top 13 aspects but not rank them. Aspects are grouped in broad categories of partners, people, products and policy.

The assessment tools used covered a broad range of stakeholders; for example, the employee engagement survey included nearly the entire employee base (50,000+) while the internal risk assessment was sent to more than 400 executives. Customer surveys on transactional interactions are sent immediately, and a competitive loyalty study done in 2013-2014 included more than 8,000 telephone interviews with more than 15,000 brand evaluations.

Specific weighted prioritization criteria included:

- » Revenue
- » Sustainable outcomes
- » Business impact
- » Cost
- » Customer success

ASSESSMENT PROCESS		
STAKEHOLDER	ASSESSMENT TOOL	FREQUENCY
Customers	Surveys, Net Promoter score	Various; daily to every two years
Employees	Employee satisfaction survey, risk assessment	Conducted globally four years ago; annually among some business units and internal organizations
Communities	Community needs assessment	Target of every two years or as needed
Governments and NGOs	Face to face meetings, forums	Various but at least monthly with some stakeholders
Industry experts	External expert assessments (SASB)	Varies
Investors	Face to face meetings, conferences, earnings conference calls	Varies at least quarterly

**Aspect boundaries:**  
Boundaries are internal only for all aspects except for Customer Satisfaction and Promise, Partner Management and Energy Management, which in all or part include joint ventures.

CUMMINS IMPORTANT SUSTAINABILITY TOPICS

PARTNERS	PEOPLE	PRODUCTS	POLICY
Customer satisfaction and promise	Talent management	Innovation	Energy management
Procurement practices	Occupational health, safety and wellness	Fuel economy and in-use emissions	Public policy
Partner management	Community engagement	Material sourcing	Emissions regulations and enforcement
		Remanufacturing	

TOPICS DEFINED:

- » **Customer satisfaction and promise:** Customer satisfaction with product quality, service and delivery, and loyalty.
- » **Procurement practices:** Supplier engagement and sourcing.
- » **Partner management:** Joint ventures and integrated account management.
- » **Talent management:** Talent attraction and retention, performance management, incentives.
- » **Occupational health, safety and wellness:** Workplace health and safety and overall wellness.
- » **Community engagement:** Efforts to serve and improve communities to ultimately build stronger markets for Cummins products.
- » **Innovation:** New product development and iteration.
- » **Fuel economy and in-use emissions:** Product fuel economy in design and in use by customers.
- » **Material Sourcing:** The availability and type of needed materials for production including principles for responsible material consumption
- » **Remanufacturing:** Remanufacturing engines and components to as-new or better condition for sale.
- » **Energy management:** Energy use and reduction by Cummins consolidated operations and joint ventures subscribing to Cummins’ Enterprise Environmental Management System.
- » **Public policy:** Public policy that has potential or actual impact on Cummins products and operations
- » **Emissions regulation and enforcement:** Regulation that has potential or actual impact on Cummins products and operations.

**GRI STANDARDS**  
**GENERAL**  
**DISCLOSURES**

**TOPIC-SPECIFIC**  
**STANDARDS**

**ECONOMIC**  
**ENVIRONMENTAL**  
**SOCIAL**

**102-48**

**Restatements of information:**

*In 2017, Cummins changed its transportation management system provider. The new system has been rolled out to all suppliers in the U.S., with Mexico expected to be added in 2018. The change is expected to result in more accurate data, but the company will be unable to report its progress until the baseline data is stable, which is expected by mid-2018. For more see page 19 of the [2017 Sustainability Progress Report](#).*

**102-50**

**Reporting period:**

*This report covers the 2017 calendar year.*

**102-51**

**Date of most recent report:**

*This report was posted June 29, 2018.*

**102-52**

**Reporting cycle:**

*Annual*

**102-53**

**Contact point for questions regarding the report:**

*Blair Claflin, Director – Sustainability Communications, Cummins Inc., 301 E. Market Street, Indianapolis, Indiana 46201. Email: [blair.claflin@cummins.com](mailto:blair.claflin@cummins.com).*

**102-54**

**Claims of reporting in accordance with the GRI Standards:**

*Core option.*

**102-56**

**External assurance:**

*Cummins' financial data is audited by PricewaterhouseCoopers LLP. The environmental, corporate responsibility, diversity, safety and governance data has been assured by Bureau Veritas. Bureau Veritas' assurance letters are included on page 49.*

## **MANAGEMENT APPROACH**

**103-1**  
**103-2**  
**103-3**

*See materiality discussion on [pages 18 and 19](#).*

# ECONOMIC STANDARDS

## 201-1

**Direct economic value generated and distributed:**

*In 2017, Cummins earned \$999 million on revenues of \$20.4 billion. Excluding charges totaling \$777 million in connection with U.S. tax reform, full year net income attributable to Cummins in 2017 was \$1.8 billion. For a full discussion on the company's finances, please see the company's [Annual Report on Form 10-K](#).*

## 201-2

**Financial implications and other risks and opportunities due to climate change:**

*Climate change presents both risk and opportunity for Cummins. For example, 45 percent of the company's water use is in water stressed areas, potentially impacting the company's supply chain. It's an opportunity, however, in that companies wanting to do business in countries that want to reduce their production of greenhouse gases may well choose to use clean, efficient Cummins products. Cummins is engaged in the Science Based Targets initiative, which uses environmental science to support companies with GHG reduction target setting, consistent with limiting global warming to 2 degrees Celsius or lower. To learn more, go to page 19 of the company's [2017 Sustainability Progress Report](#)*

## 201-3

**Defined benefit plan obligations and other retirement plans:**

*Cummins believes strongly that sustainability begins with solid financial performance. Without that, a company doesn't have the resources to tackle other sustainability initiatives. Cummins' sustainability initiatives are built on a foundation of solid financial performance. That includes the company's pension obligations. To learn more, the company's pension obligations are outlined on page 58 and referred to throughout the company's [2017 Annual Report on Form 10-K](#).*

## 201-4

**Financial assistance received from government:**

*Cummins does not do this calculation, but the company does work in public-private partnerships to encourage innovation. To see more, go to page 39 of the [2017 Sustainability Progress Report](#). A government body, on occasion, can be a customer such as the LA Metro transit system's purchase of Cummins Westport [natural gas engines](#) for its bus fleet. Cummins is also working with Achates Power on contract with the National Advanced Mobility Consortium to develop and demonstrate a [technologically advanced engine](#) for the next generation of U.S. combat vehicles.*



MARKET  
PRESENCE

202-1

Ratios of standard entry level wage by gender compared to local minimum wage:

Cummins does business in 190 countries around the world making this kind of calculation extremely difficult. The company's Code of Conduct states that we follow the law everywhere.

202-2

Proportion of senior management hired from the local community:

As a global company, Cummins tracks leadership by country of birth. The company wants to make sure its management reflects the markets where Cummins does business and isn't concentrated in one or two countries. Between 2009 and 2016, the number of Cummins leaders born in the United States shrunk from more than 60 percent to about 55 percent. To learn more, see the chart on the next page.

PROCUREMENT  
PRACTICES

204-1

Proportion of spending on local suppliers:

As a global company, defining "local" is difficult. Cummins puts a special emphasis on diversity procurement. In August 2016, Cummins was inducted into the Billion Dollar Roundtable, a prestigious advocate for best practices in corporate supplier diversity. Members must have exceeded \$1 billion in annual spending with diverse suppliers. There are only 22 corporations in the group, which includes Ford, P&G and Microsoft. For the latest in spending, see the chart at right.

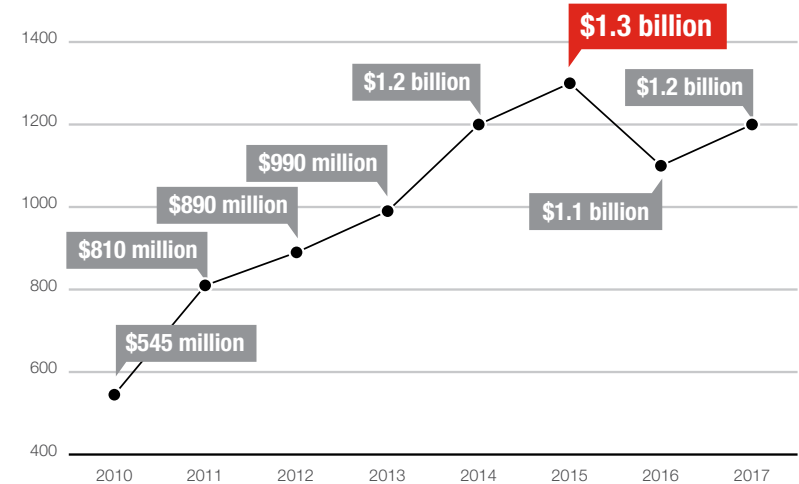
SPENDING ON  
DIVERSE SUPPLIERS



Cummins believes supplier diversity is critical to the company's sustainability efforts. Using diverse suppliers\* enables Cummins to tap into the power of diverse thoughts and approaches, increases competition for Cummins' business, and spreads the benefit of economic development to a wider number of communities.

In 2016, Cummins was inducted into the Billion Dollar Roundtable, a prestigious advocate for best practices in corporate supplier diversity. Members must have exceeded \$1 billion in annual spending with diverse suppliers.

The company's efforts are led by the Global Diversity Procurement team, which can be reached through the company's supplier portal. Here's a look at spending since 2010.



\* The eight categories of diverse suppliers are: Minority Business Enterprises, Women Business Enterprises, Veteran Owned Businesses, Service-Disabled Veterans; Lesbian, Gay, Bisexual and Transgender (LGBT) Suppliers; SBA Small Disadvantaged Businesses; HUBZone Small Business Concerns and Philanthropic Suppliers.



GRI STANDARDS

GENERAL  
DISCLOSURES

TOPIC-SPECIFIC  
STANDARDS

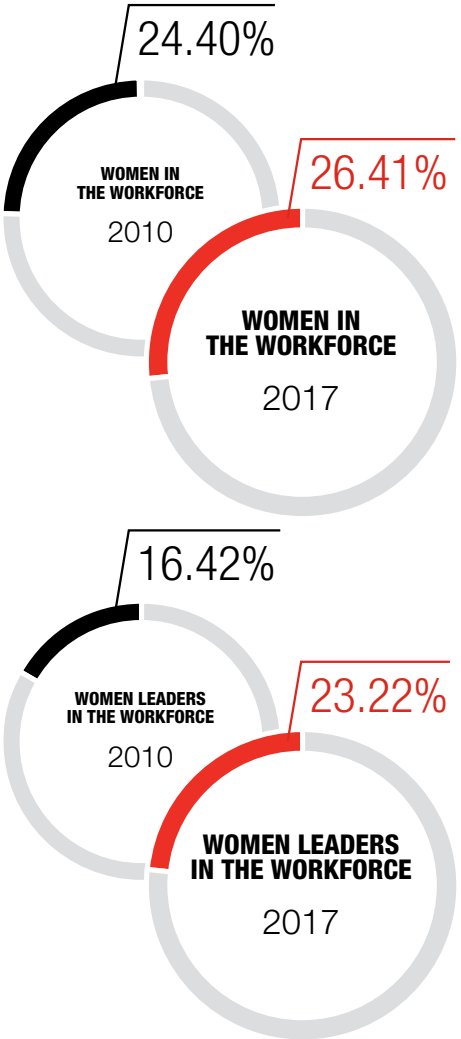
ECONOMIC

ENVIRONMENTAL

SOCIAL

WOMEN AT  
CUMMINS

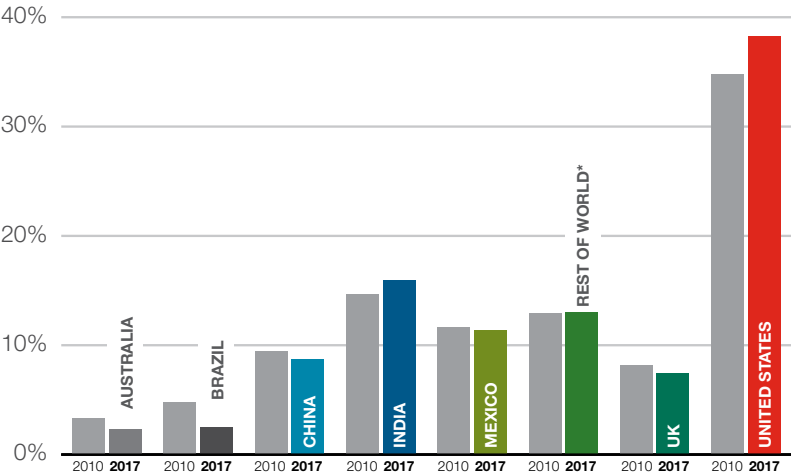
Cummins is working to bring more women to the company and foster their development into leadership. Here's a look:



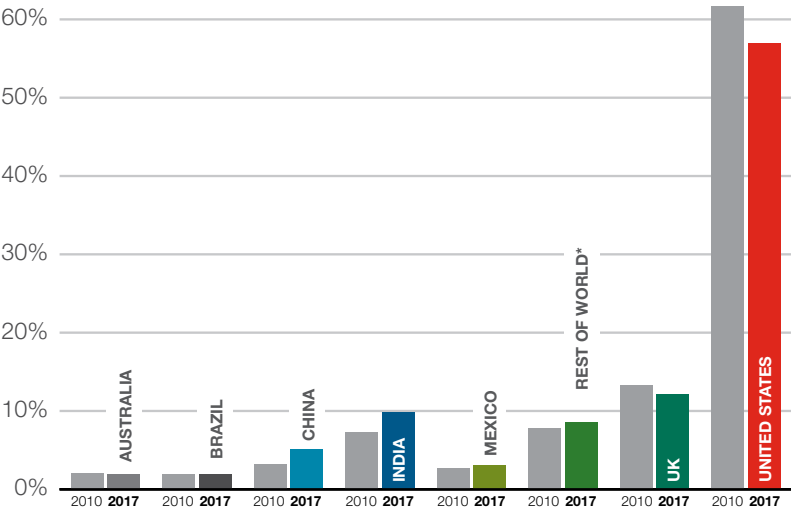
COUNTRY OF BIRTH

As a global company Cummins wants to make sure it has global representation among its leaders. Leaders and employees hail from all over the world, here's a look at the top countries:

ALL EMPLOYEES



LEADERS

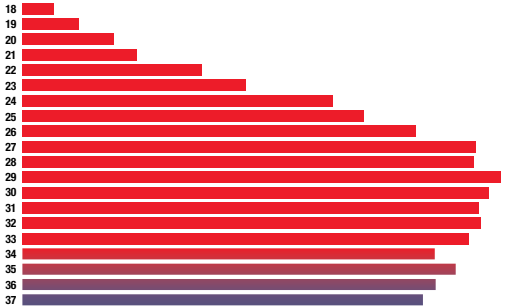


GENERATIONS

Cummins also has diversity in the ages of its employees. They are spread across a broad generational spectrum.

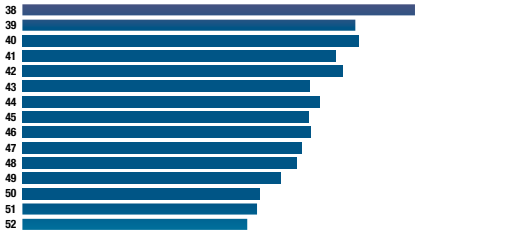
GEN Y

50 PERCENT  
OF EMPLOYEES  
ARE UNDER 37



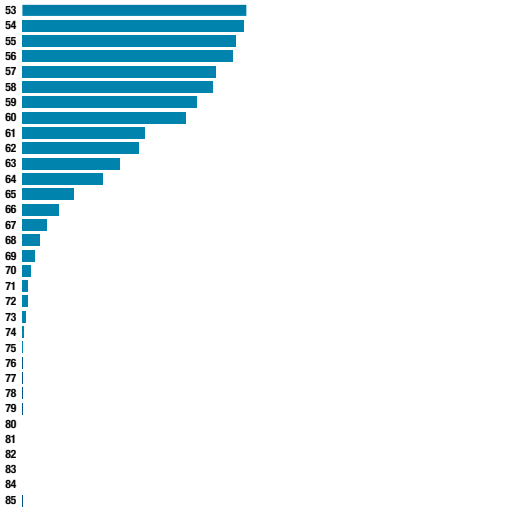
GEN X

33 PERCENT  
OF EMPLOYEES  
ARE 38 TO 52



BOOMERS

16 PERCENT  
OF EMPLOYEES  
ARE 53 AND ABOVE



## COMPLIANCE TRAINING

Thousands of employees receive ethics and compliance training every year at Cummins. These figures are accumulated enrollments of active employees since 2005, when the oldest courses were first offered. The completion rates reflect the number of completions by the first quarter of 2018.

TRAINING	ENROLLED	COMPLETED	% COMPLETED
Anti-Bribery	30,181	29,559	98 percent
Anti-Bribery Refresher	23,391	22,805	97 percent
Global Anti-Bribery	31,282	28,355	91 percent
Careful Communications	31,283	30,654	98 percent
Code of Business Conduct Refresher	26,927	25,741	96 percent
Conflicts of Interest	582	525	90 percent
Data Privacy	6,721	6,316	98 percent
Doing Business Ethically	31,283	30,501	98 percent
Export Compliance	23,947	22,163	93 percent
Treatment of Each Other at Work Refresher	19,908	19,328	97 percent
Fair Labor Standards	485	482	99 percent
Code of Business Conduct – New Hire	59,311	55,190	93 percent
Treatment of Each Other at Work – New Hire	59,311	55,139	93 percent
Fair Competition	28,312	25,120	89 percent

## ANTI-CORRUPTION

205-1

Operations assessed for risks related to corruption:

Cummins assesses ethics related risk as much by position as by facility. The company offers more than a dozen ethics and compliance training courses, which can be mandatory for people working in certain occupations. Anti-corruption training has been rolled out to the vast majority of employees and contractors and Cummins is working on expanding training in the company's joint ventures. To learn more about the company's efforts, go to the Ethics & Compliance section on page 42 of the company's [2017 Sustainability Progress Report](#).

205-2

Communication and training about anti-corruption policies and procedures:

In 2017, 24,533 employees and officers, including all members of the Board of Directors, completed Cummins’ annual Ethics Certification. The Ethics & Compliance function reviewed any exceptions and worked with Cummins’ Human Resources staff to ensure they were documented and investigated. Since anti-bribery training started in 2005, 98 percent of the more than 30,000 Cummins employees targeted for the training have completed it. For other trainings, see the chart on the previous page. The Vice President of Ethics and Compliance speaks extensively on the topic of ethics and company leaders also reach out to employees on the subject, often speaking in their native languages. The Ethics & Compliance function has focused on increasing face-to-face training in high risk countries. Cummins’ Board of Directors is periodically updated on the company’s ethics and compliance efforts, including an annual briefing from the Ethics & Compliance function (the Vice President of Ethics & Compliance is also the Board Secretary). To learn more about the company’s efforts, go to the Ethics and Compliance section on page 42 of the company’s [2017 Sustainability Progress Report](#).

205-3

Confirmed incidents of corruption and actions taken:

Cummins compiles and reports on any violation of its Code of Conduct. It does not distinguish by the type of violation. The company has a team of master investigators who investigate complaints in countries around the world. The company in 2017 did not report any court case material to its financial performance. It did report that 38 percent of the total cases (1,904) were substantiated and 38 percent of those resulted in terminations. The complete chart is to the right:

MAINTAINING  
THE CODE



Training and guidance are not enough to ensure compliance. Cummins relies on its employees to speak up if they witness behavior they believe violates the Code of Conduct.

Once a potential issue is reported, Cummins has a global team of Master Investigators who investigate alleged Code of Conduct violations. In 2017, nearly 2,000 cases were investigated. Thirty-eight percent of those cases were substantiated and 38 percent of the substantiated cases led to terminations.

	2014	2015	2016	2017
Total cases	1,559	1,830	1,772	1,904
Cases outside U.S.	45%	43%	48.5%	49.7%
Cases in the U.S.	55%	57%	51.5%	50.3%
Anonymous reports	33%	33%	33%	32%
Cases substantiated	48%	53%	43%	38%
Terminations*	29%	27%	37%	38%
Average days to close	13	13	13	16

\* Termination data based on percentages of substantiated cases.

ANTI-  
COMPETITIVE  
BEHAVIOR

206-1

Legal actions for anti-competitive behavior, anti-trust, and monopoly practices:

Cummins reported no such cases material to the company’s financial performance in the [2017 Annual Report on Form 10-K](#).

# ENVIRONMENT STANDARDS

## CUMMINS HEALTH, SAFETY AND ENVIRONMENTAL POLICY

Cummins mission demands that everything we do leads to a cleaner, healthier and safer environment.

To fulfill this mission, we must achieve performance greater than what the applicable compliance requirements and standards demand of our operations for health, safety and environment.

Cummins' leadership will facilitate this mission by providing the necessary resources and information to meet aggressive improvement targets in the areas of:

- » illness and injury prevention;
- » health and wellbeing promotion;
- » pollution prevention; and
- » natural resources conservation.

Cummins has implemented the Enterprise Health, Safety and Environmental Management System (HSEMS), consisting of procedures, processes and tools, to deliver on the commitments of this policy. The key elements of the HSEMS are defined in Cummins' HSEMS Manual, CORP-08-01-00-00, and can be found in the company document control database. Every Cummins employee and person working for or on behalf of Cummins is expected to comply with this policy.

Cummins must do the following things to meet the objectives of this policy:

- » Cummins will set substantial and measurable objectives in managing health, safety and the environment and commit to continual improvement in these areas.

- » We will identify and pursue opportunities to use our talents and capabilities to improve the environment and quality of life in the communities where we operate.
- » We will continue to implement management programs developed to ensure that our products, services and activities always comply with applicable laws and other requirements established to protect health, safety and the environment.
- » We will continually work to reduce our emissions and discharges to air, land and water; the amount of waste we generate; and the amount of natural resources that we use, including water, energy and raw materials.

- » We will systemically assess operations that have the potential to harm people or impact the environment and aggressively work towards risk elimination.
- » We will evaluate the machinery, equipment, products and services we use, preferring those with the best possible health, safety and environmental performance.
- » We will be transparent in our efforts to improve health, safety, and environment by reporting details of our performance to the public; and
- » We will periodically review and communicate our progress toward our objectives.

Finally, our efforts to pursue excellence in health, safety and environment require the attention and care of every employee, especially leadership, throughout Cummins.

This policy will be reviewed and communicated to all persons working for or on behalf of our company at least annually.

**N. Thomas Linebarger**  
Chairman & CEO  
May 7, 2015

## GRI STANDARDS

### GENERAL DISCLOSURES

### TOPIC-SPECIFIC STANDARDS

### ECONOMIC ENVIRONMENTAL SOCIAL

#### 301-1

##### Materials used by weight or volume:

Cummins estimates 95 percent of the materials used to produce the organization's primary products are non-renewable (metals, oil, plastic) and 5 percent are renewable (rubber, paper, wood).

Cummins estimates it uses 900,00 metric tons of metal for one year's production.

#### 301-2

##### Recycled input materials used:

We know that 95 percent of our products are made from metal and that six major metals (pig iron, steel, copper, platinum group metals, nickel and aluminum) comprise 90 percent of our metal spend. Applying industry averages regarding use of recycled metal, we estimate that between 20-40 percent of our input materials are from recycled materials.

#### 301-3

##### Percentage of products sold and their packaging materials that are reclaimed by category:

Since 95 percent of Cummins products are made of metal, many of its components are inherently recyclable.

Cummins' remanufacturing business is the company's first and oldest "green business" and the ultimate form of the "three Rs" – reduce, reuse and recycle. Remanufacturing returns Cummins' engines and parts to productive use, keeping them out of landfills longer. In addition, the practice saves energy that would otherwise be used to manufacture new products.

Specifically within the remanufacturing business, 90 percent of products sold are returned to be remanufactured. The company estimates that approximately 5 percent of Cummins total products sold (not all are candidates for remanufacture) are returned to be remanufactured. Some countries do not permit the sale of remanufactured items. Others will only allow remanufactured items to be sold in the country of their original manufacture. In still other cases, Cummins engines and components are remanufactured by other third parties. See more on the company's commitment to [product stewardship](#).

## ABOUT REMANUFACTURING

- » **Percent of an engine that can be remanufactured**  
85 percent
- » **GHGs avoided per year**  
200 million pounds = ~90,700 metric tons
- » **Amount of material reclaimed**  
60 million pounds = ~27,000 metric tons
- » **Number of part numbers offered**  
1,000 component and 2,000 engine
- » **Cummins Remanufacturing portfolio**
  - » Engines and long blocks (3.3 to 19 liter) including internal components
  - » Turbochargers
  - » Cylinder heads
  - » Injectors
  - » EGR valves
  - » Connecting rods
  - » Air compressors / accessory drives
  - » Diesel particulate filters, diesel oxidation catalysts
  - » Water pumps / lube pumps
  - » Fuel injection pumps
  - » Electronic Control Modules (ECMs)
  - » Urea dosers

GRI STANDARDS

GENERAL  
DISCLOSURES

TOPIC-SPECIFIC  
STANDARDS

ECONOMIC  
ENVIRONMENTAL  
SOCIAL

302-1

Energy consumption within  
the organization.

See table on page 20 of the  
[2017 Sustainability Progress  
Report](#) and the charts to the right.

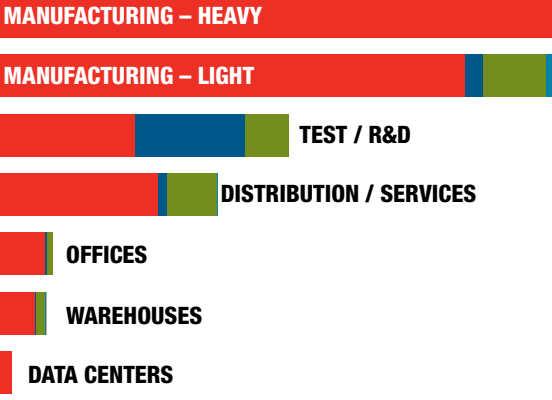
302-2

Energy consumption outside  
of the organization.

See [2017 CDP Climate  
Change Report](#) question 14  
posted on our Sustainability page.

ENERGY USE BY FACILITY TYPE

in millions of British thermal units



Facility Type	Purchased Electricity*	Diesel	Natural Gas	Other fuels	On-site Renewable Electricity*
Manufacturing – Heavy	5,374,874	1,050,666	731,827	46,698	17,754
Manufacturing – Light	2,467,312	90,581	327,324	31,173	459
Test / R&D	756,111	572,507	222,813	1,432	-
Distribution / Services	876,637	46,053	259,003	5,119	268
Offices	292,941	9,831	30,761	34	-
Warehouses	242,507	2,364	47,823	4,801	651
Data Centers	120,180	37	1,594	-	-

\*includes 3x factor for purchased electricity to account for T&D losses and 1x for on-site renewable electricity

ASSURANCE

Since 2011, Bureau Veritas (BV) has audited Cummins' environmental footprint and data collection and verification processes. BV's audit included GHGs, water used, landfilled waste and recycled materials. BV provided an audit report with "limited independent assurance," which is included as part of Cummins' CDP (previously Carbon Disclosure Project) submissions.

**NOTE:** Energy and emissions data includes all consolidated operations and joint ventures subscribing to the Enterprise Environmental Management System.

ENERGY USE BY FUEL TYPE

in millions of British thermal units

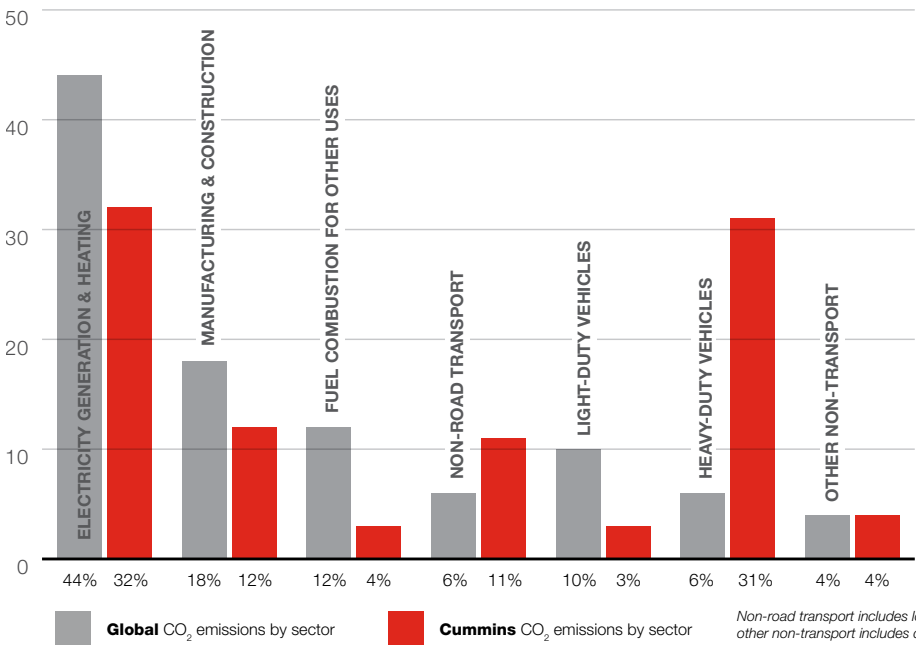
Includes all consolidated operations and joint ventures subscribing to the Enterprise Environmental Management System.

United States	2013*	2014*	2015*	2016*	2017*
Diesel	876,011	954,603	1,002,861	1,038,832	1,023,244
Natural gas	1,152,396	1,209,263	1,137,624	1,133,717	1,160,199
Other fuels	13,068	49,426	36,980	20,599	21,289
Purchased electricity*	4,929,914	5,227,521	5,354,055	5,320,361	5,509,620
On-site renewable electricity*	184	184	4,759	7,497	7,125
<b>U.S. Total Energy</b>	<b>6,971,573</b>	<b>7,440,593</b>	<b>7,536,280</b>	<b>7,521,007</b>	<b>7,721,477</b>
Non-U.S.					
Diesel	772,757	778,660	812,268	697,841	748,794
Natural gas	438,960	431,321	448,916	432,198	460,947
Other fuels	96,540	74,000	47,494	62,282	67,968
Purchased electricity*	3,799,113	4,013,328	4,066,871	4,169,428	4,620,942
On-site renewable electricity*	537	565	576	6,689	12,191
<b>Non-U.S. Total Energy</b>	<b>5,107,907</b>	<b>5,297,874</b>	<b>5,376,125</b>	<b>5,368,439</b>	<b>5,910,841</b>
<b>Total primary energy use</b>	<b>12,079,479</b>	<b>12,738,467</b>	<b>12,912,404</b>	<b>12,889,446</b>	<b>13,632,317</b>

\*includes 3x factor for purchased electricity to account for T&D losses and 1x for on-site renewable electricity

CUMMINS PRODUCT CO<sub>2</sub> EMISSIONS COMPOSITION

compared with the global composition of CO<sub>2</sub> emissions



Approximately two-thirds of Cummins CO<sub>2</sub> emissions from our products in use come from generators and heavy-duty engines.

Non-road transport includes locomotive and marine; other non-transport includes defense and agriculture.

# ENVIRONMENTAL GOALS UPDATE

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

## KEY INDICATORS

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

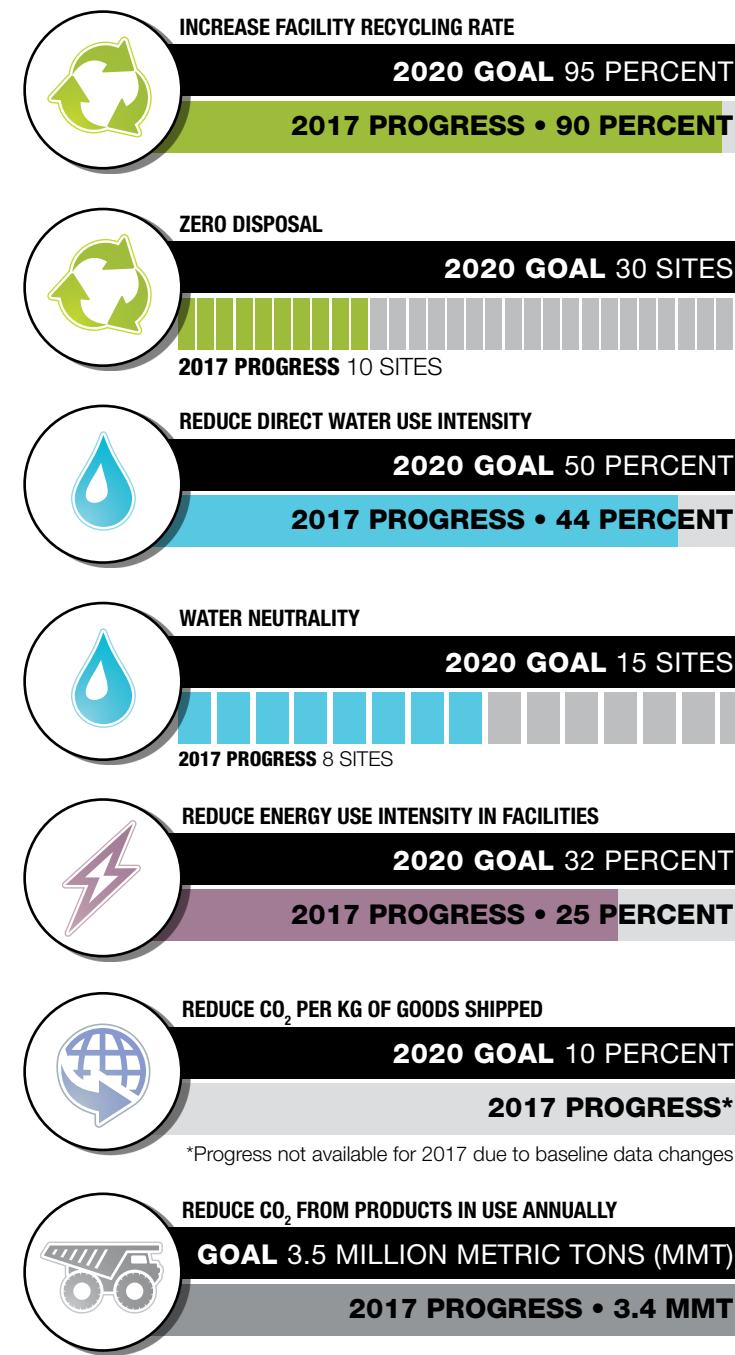
ENVIRONMENTAL PERFORMANCE	2014	2015	2016	2017
Energy consumption (thousands of MMBtu) <sup>1</sup>	12,743	13,959	13,015	13,804
GHG emissions (thousands of metric tons CO <sub>2</sub> e)	788	774	763	777
Generated waste (thousands of metric tons)	183	186	186	208
Disposed waste (thousands of metric tons)	17	18	21	22
Recycled waste (thousands of metric tons)	165	168	165	186
Recycling rate (%)	90	90	89	90
Hazardous waste (metric tons)	n/a	n/a	3,100	3,989
Water use (millions of gallons)	972	947	930	962
Enterprise ISO 14001 certified entities	102	112	108	108
Manufacturing sites certified to ISO 14001 / OHSAS 18001 (%)	92	92	96	95
Net sales (millions U.S. dollars)	19,221	19,110	17,509	20,428
Water intensity reduction since 2010 (%) <sup>3</sup>	35	41	42	44
Energy intensity reduction since 2010 (%) <sup>3,4</sup>	19	24	24	25
GHG intensity reduction since 2010 (%) <sup>3,4</sup>	22	29	30	33

<sup>1</sup> Primary energy excludes sold electricity and associated fuel usage

<sup>2</sup> Includes global CMI managed facilities and 50:50 JV non-managed facilities

<sup>3</sup> Intensity defined as adjusted for hours worked for energy, GHG and water

<sup>4</sup> Reduction includes consolidated entities only





**302-4**

Reduction of energy consumption:

See [2017 CDP Climate Change Report](#) question 3.3 posted on our Sustainability page.

**302-5**

Reductions in energy requirements of products and services.

See pages 16 and 19 of the Cummins [2017 Sustainability Progress Report](#).

**303-1**

Total water withdrawal by source:

See charts at right.

**306-5**

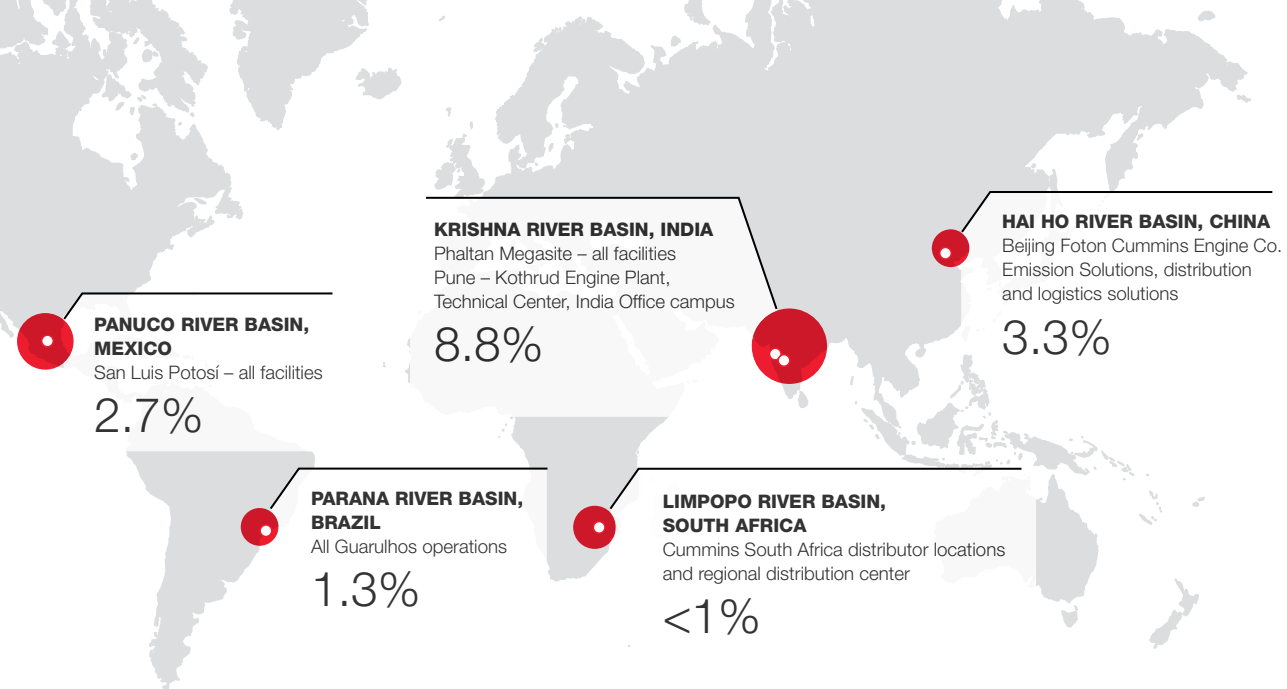
Water sources significantly affected by withdrawal of water:

See water strategy on page 16 of the [2017 Sustainability Progress Report](#) and Cummins performance relative to its water goals on page

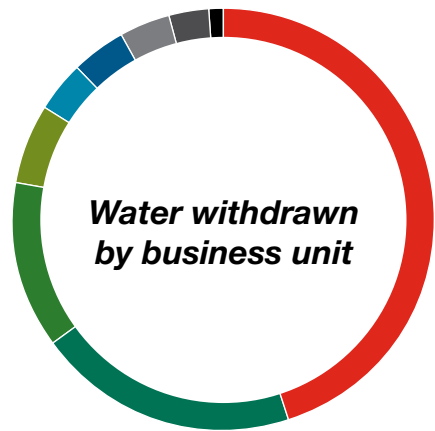
**WATER RISKS**

These are the five most water-stressed river basins in the regions where Cummins has operations. Each falls within the company's priority regions for achieving water neutrality (see page 15 of the [2017 Sustainability Progress Report](#) ). Overall, 45 percent of Cummins' water use is in water-stressed areas.

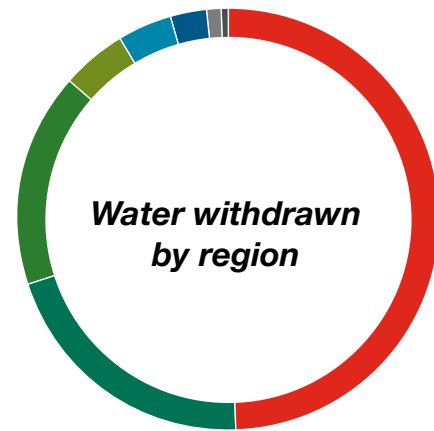
The size of the dot represents the size of the water basin in a particular region. The percentages refer to the amount of water removed relative to Cummins' total water use.



**WATER WITHDRAWN BY BUSINESS UNIT AND BY REGION**



EBU	45%
PS & CGT	20%
DBU	13%
CF	6%
NRP & CSCO	4%
CSS	4%
CEFS	4%
CTT	3%
CES	1%



North America	49%
China	20%
India	17%
Latin America	5%
Europe	4%
Asia Pacific	3%
Africa	1%
Middle East	<1%

GRI STANDARDS  
GENERAL  
DISCLOSURES

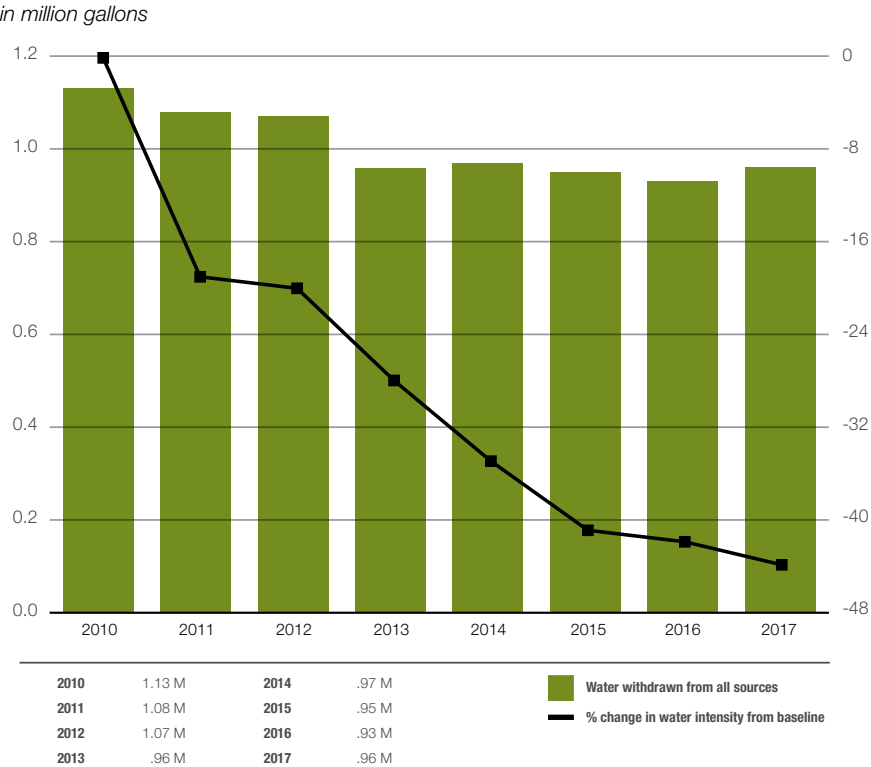
TOPIC-SPECIFIC  
STANDARDS

ECONOMIC  
ENVIRONMENTAL  
SOCIAL

WATER INDICATOR DATA

	in gallons	in mega liters	
Water recycled and reused	14,174,838	53.7	Reuse and Recycle
Fresh surface water	53,983,968	204.4	Discharges
Municipal Treatment Plant	442,436,177	1,674.8	
Wastewater for another organization	8,110,541	30.7	
Aquifer Recharge	98,703,629	373.6	
Groundwater (renewable)	58,669,602	222.0	Withdrawals
Municipal supply	902,884,260	3,418.0	
Rain Water	938,791	4.0	
Consumption	279,150,221	1,056.7	Consumption

WATER USE AND INTENSITY CHANGE FROM BASELINE



EXPLAINING  
WATER NEUTRAL  
AND ZERO DISPOSAL

WATER  
NEUTRAL

ZERO  
DISPOSAL

01 Consistent with the waste and water management hierarchies (reduce first)

02 Protects the environment and the communities where the company operates

03 Completes annual validation reviews (new and renewal sites)

Successfully offsets 100 percent of its water consumption within the community.

Must be in a water scarce region (Mexico, China, India, Africa, Brazil) to be counted in the goal of 15 sites.

Successfully recycles 100 percent of its waste. Waste burned for energy recovery must produce a net energy gain to be considered in recycling.

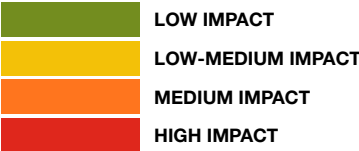
Must have a headcount of 100 or more to be counted in the goal of 30 sites.

10 in the same document and the charts and graphics to the right.

304-1

Operational sites owned, leased, managed in, or adjacent to protected areas and areas of high biodiversity value outside protected areas

Cummins evaluated 121 global sites in its biodiversity hot spot analysis. Of those sites, 15 sites were identified as high priority based upon a composite average of all data sources above a certain point. It is important to note that while the majority of sites are not located directly within biodiversity hotspots, especially with the relatively urban or developed locations of many Cummins facilities, a conservative approach was utilized to help Cummins prioritize where their operations could positively or negatively interact (or be perceived by stakeholders to interact) with defined biodiversity hotspots.



CUMMINS BIODIVERSITY HOTSPOTS

Site name	Country	WRI Baseline Water Stress	Conservation International Biodiversity Hotspot	IUCN Threatened Amphibians	Alliance for Zero Extinction	WWF 2020 Priority Places	Ramsar Wetlands
CPG India - Pirangut	India	High Impact	High Impact	Low-Medium Impact	High Impact	High Impact	Low Impact
Singapore Data Center	Singapore	High Impact	High Impact	Low Impact	Low Impact	High Impact	Medium Impact
Parts Distribution Center Singapore	Singapore	High Impact	High Impact	Low Impact	Low Impact	High Impact	Medium Impact
Cummins Global Logistics Xi'an	China	High Impact	Low Impact	Medium Impact	High Impact	High Impact	Low Impact
Xi'an Cummins Engine Co., China	China	High Impact	Low Impact	Medium Impact	High Impact	High Impact	Low Impact
Cummins Filtration - Kilsyth	Australia	Medium Impact	Low Impact	Low Impact	Low-Medium Impact	Medium Impact	High Impact
Cummins Filtration - San Luis Potosí	Mexico	High Impact	Low Impact	Low-Medium Impact	Low-Medium Impact	Low-Medium Impact	High Impact
New Recon & Parts SLP, Mexico	Mexico	High Impact	Low Impact	Low-Medium Impact	Low-Medium Impact	Low-Medium Impact	High Impact
CFBU Turkey	Turkey	Low-Medium Impact	High Impact	Low Impact	Low Impact	High Impact	Medium Impact
CPG China	China	Low-Medium Impact	Low Impact	Low-Medium Impact	High Impact	High Impact	Low Impact
Bogota Regional Distribution Center	Colombia	Low Impact	High Impact	Low Impact	High Impact	High Impact	Low Impact
Cummins Global Logistic SLP	Mexico	High Impact	Low Impact	Low Impact	Low-Medium Impact	Low-Medium Impact	High Impact
Cummins India Office Campus	India	Medium Impact	Low Impact	Low-Medium Impact	High Impact	High Impact	Low Impact
Cummins India Limited, India	India	Medium Impact	Low Impact	Low-Medium Impact	High Impact	High Impact	Low Impact
Cummins Fuel System Juarez (JFS)	Mexico	Medium Impact	Low Impact	Low-Medium Impact	Low Impact	High Impact	Medium Impact

GRI STANDARDS

GENERAL  
DISCLOSURES

TOPIC-SPECIFIC  
STANDARDS

ECONOMIC  
ENVIRONMENTAL  
SOCIAL

305-1

Direct greenhouse gas (GHG) emissions (Scope 1).

305-2

Energy indirect greenhouse gas (GHG) emissions (Scope 2).

See graphics to the right.

DIRECT AND INDIRECT EMISSIONS

(Facilities + power solutions business + mobile sources) Metric tons CO<sub>2</sub>e

U.S. EMISSIONS					
DIRECT	2013	2014	2015	2016	2017
Stationary combustion	126,929	138,083	137,096	138,597	138,888
Mobile sources	13,016	23,739	21,274	36,138	32,6111
Process / fugitive	3,599	3,697	4,259	4,827	5,260
Generation of sold electricity	0	0	0	0	0
Total Direct Emissions	143,545	165,503	162,520	179,454	176,758
INDIRECT EMISSIONS					
Electricity	289,513	306,040	286,923	282,434	261,122
Hot water	0	0	14	1	0
Total Indirect Emissions	289,513	306,040	286,938	282,435	261,122
DIRECT + INDIRECT					
Total U.S. Emissions	433,057	471,542	449,457	461,889	437,880

NON-U.S. EMISSIONS					
DIRECT	2013	2014	2015	2016	2017
Stationary combustion	82,396	81,909	85,271	75,590	81,340
Mobile sources	17,075	20,469	17,199	21,284	18,883
Process / Fugitive	8,200	9,495	9,823	10,567	10,464
Generation of sold electricity	18,880	14,857	17,199	17,049	17,360
Total Direct Emissions	126,551	126,730	129,493	124,490	128,048
INDIRECT EMISSIONS					
Electricity	232,264	244,072	247,930	246,214	274,954
Hot water	677	344	183	113	0
Steam	5,960	4,198	2,627	4,401	4,590
Total Indirect Emissions	238,847	248,615	250,740	250,727	279,544
DIRECT + INDIRECT					
Total Non-U.S. Emissions	365,398	375,345	380,233	375,218	407,592

TOTAL U.S. EMISSIONS AND NON-U.S. EMISSIONS					
DIRECT	2013	2014	2015	2016	2017
Stationary combustion	209,324	219,992	222,367	214,187	220,228
Mobile sources	30,092	44,208	38,473	57,423	51,494
Process / Fugitive	11,799	13,176	13,973	15,285	15,724
Generation of sold electricity	18,880	14,857	17,199	17,049	17,360
Total Direct Emissions	270,096	292,233	292,012	303,944	304,806
INDIRECT EMISSIONS					
Electricity	521,722	550,112	534,853	528,648	536,076
Hot water	677	344	198	114	0
Steam	5,960	4,198	2,627	4,401	4,590
Total Indirect Emissions	528,360	554,654	537,677	533,162	540,666
DIRECT + INDIRECT					
Total Emissions	798,455	846,887	829,690	837,107	845,472

DIRECT AND INDIRECT ENERGY AND EMISSIONS

NOTE: Energy and emissions data includes all consolidated operations and joint ventures subscribing to the Enterprise Environmental Management System.

Direct Air Emissions	2013	2014	2015	2016	2017
NOx (Metric Tons)	3,515	3,695	3,851	3,674	3,767
CO (Metric Tons)	774	813	846	811	828
PM 10 (Metric Tons)	238	251	262	251	253
VOC (Metric Tons)	754	772	695	716	813
Direct (gigajoules)					
Diesel	1,748,156	1,837,744	1,924,545	1,841,359	1,878,855
Natural gas	1,680,513	1,735,877	1,678,694	1,656,871	1,715,309
Propane	39,699	78,119	55,996	35,270	41,995
Indirect					
Electricity (gigajoules)	3,070,934	3,250,840	3,319,157	3,352,716	3,583,501
Electricity (Kwh)	853,037,202	903,011,095	921,988,057	931,310,077	995,416,963

## GRI STANDARDS

### GENERAL DISCLOSURES

### TOPIC-SPECIFIC STANDARDS

### ECONOMIC ENVIRONMENTAL SOCIAL

#### 305-3

Other indirect greenhouse gas (GHG) emissions (Scope 2)

Please see the [2017 CDP Climate Change Report](#) on question 10 posted on our Sustainability page.

#### 305-4

GHG emissions intensity ratio.

Please see the [2017 CDP Climate Change Report](#) on question 12 posted on our Sustainability page.

#### 305-5

Reduction of greenhouse gas (GHG) emissions intensity.

See Cummins' response to question 3.3 in the company's [2017 CDP Climate Change Report](#) posted on our Sustainability page and Cummins' report on its progress against its waste, water and energy goals starting on page 14 of the [2017 Sustainability Progress Report](#) posted in the same location.

#### 305-6

Emissions of ozone-depleting substances (ODS).

Cummins is working on a policy to phase out ODS from Cummins operations in the future. Therefore, the company is not collecting ODS emission data from the corporate level at this time.

The current ODS management procedure (CORP-08-04-02-00) is to define the management process to minimize Cummins' environmental impact from ozone depleting substance (ODS) and ensure compliance with the requirements applicable to Cummins facilities as the end user of ODS containing equipment. The procedure define the requirements on record keeping, labeling, leak prevention, ODS recycling/disposal, substitutes consideration and technician certification.

#### 305-7

NOx, SOx and other significant air emissions.

Cummins uses AP 42 factors for the respective fuel usage (diesel, natural gas, propane and gasoline) to calculate the NOx, CO and PM. For volatile organic compounds (VOC), sites report directly.

Cummins does not calculate SOx.

2017 calculated air emissions are as follows:

- » NOx associated with Diesel, NG, Propane and Gasoline usage – 8,304, 797 lbs
- » CO associated with Diesel, NG, Propane and Gasoline usage – 1,826,057 lbs
- » PM associated with Diesel, NG, Propane and Gasoline usage – 564,381 lbs

POP and HAP are not significant air emissions from Cummins operations.

## CONFLICT MINERALS

Cummins takes materials compliance in general, and conflict minerals in particular, very seriously.

The company developed a cross-functional team with representatives from Purchasing, Quality, Legal and Ethics and Compliance to develop and implement a conflict minerals program.

The company's policy is to eliminate procurement, as soon as commercially practicable, of products containing conflict minerals obtained from sources that fund or support inhumane treatment in covered countries.

To learn more, see Cummins' policy summary on [conflict minerals](#) and the company's [most recent report](#) to the SEC in the United States. There are more on materials compliance on page 11 of the [Product Stewardship Report](#).

GRI STANDARDS

GENERAL  
DISCLOSURES

TOPIC-SPECIFIC  
STANDARDS

ECONOMIC  
ENVIRONMENTAL  
SOCIAL

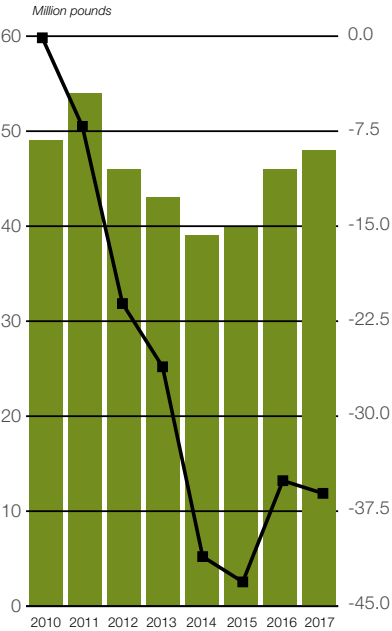
306-2

Total weight of waste by type  
and disposal method.

See graphics below and on following page.

TOTAL WASTE DISPOSED  
AND INTENSITY CHANGE  
FROM BASELINE

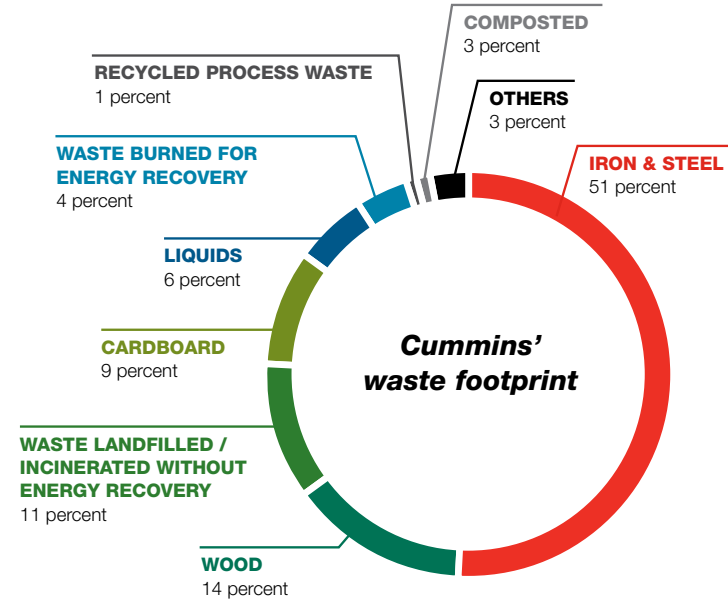
in million pounds



2010	49,284,016	Disposal (lb)
2011	54,421,040	% change in waste disposal intensity from baseline
2012	46,143,083	
2013	43,345,184	
2014	38,591,190	
2015	40,482,202	
2016	45,976,883	
2017	47,969,546	

CUMMINS' WASTE FOOTPRINT

Iron and steel make up the largest component  
of Cummins' waste footprint.



RECYCLED METALS

in metric tons

RECYCLED METALS	2013	2014	2015	2016	2017
Iron and steel	99,006	102,619	94,482	96,030	107,940
Aluminum	995	814	850	804	787
Copper and brass	693	627	649	667	915
E-waste	75	76	103	102	95
RECYCLED NON-METALS					
Wood	20,580	22,720	28,488	24,930	26,630
Cardboard	15,106	16,008	18,563	17,732	19,595
Liquid Waste	8,839	9,842	11,554	10,667	13,065
Burned for energy recovery	4,403	5,595	7,232	8,283	9,787
Composted	5,171	4,410	1,722	1,422	997
Plastic	1,606	1,905	2,011	2,302	2,741
Office paper	889	833	953	995	1,375
Hazardous waste	4*	2*	1*	651	434
Other process derived industrial waste	Not tracked	Not tracked	999	902	1,792
Total Recycled Waste	157,358	165,493	167,608	165,486	186,151

\* Includes only US EPA RCRA Hazardous waste

GRI STANDARDS

GENERAL  
DISCLOSURES

TOPIC-SPECIFIC  
STANDARDS

ECONOMIC  
ENVIRONMENTAL  
SOCIAL

TEN ZERO  
DISPOSAL SITES

Darlington Engine Plant (and operations), U.K.  
Cummins Power Systems, Daventry (and operations), U.K.  
Cummins Turbo Technologies, Huddersfield, U.K.  
Cummins Filtration, Quimper, France  
Cummins Global Logistics, Rumst, Belgium  
Cummins Global Logistics, Singapore  
Columbus Engine Plant, Columbus, Indiana (U.S.A.)  
Distribution site, Wellingborough, U.K.  
Cummins Turbo Technologies, Wuxi, China  
Cummins Generator Technologies Fountain Park, Peterborough, U.K.

EIGHT WATER  
NEUTRAL SITES

Cummins Filtration, Shanghai, China

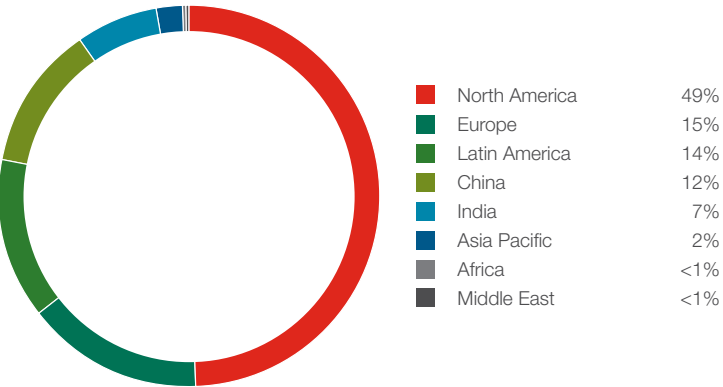
PHALTAN, INDIA “MEGASITE”:

Tata Cummins Pvt Ltd 2  
Cummins Technologies India Limited, High Horsepower  
Parts Distribution Center  
Cummins Shared Services

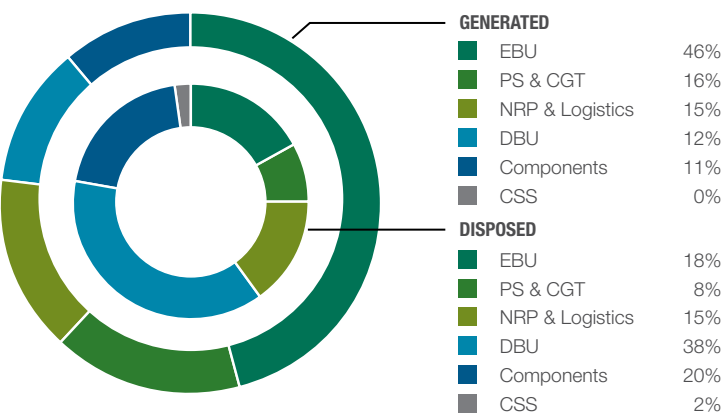
PUNE, INDIA:

Kothrud Engine Plant  
Cummins India Technical Center  
India Office Campus

WASTE BY REGION



WASTE GENERATION AND DISPOSAL BY BUSINESS UNIT





GRI STANDARDS

GENERAL  
DISCLOSURES

TOPIC-SPECIFIC  
STANDARDS

ECONOMIC  
ENVIRONMENTAL  
SOCIAL

306-4

Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention2 Annex 1, II, III, and VIII, and percentage of transported waste shipped internationally.

Cummins is unable to uniformly track its hazardous waste internationally because of lack of conformity surrounding definition. The company does, however, comply with all regulations in the countries where it operates.

306-5

Identify, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff.

Cummins is unaware of any such discharges.

307-1

Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.

CUMMINS BRIDGEWAY  
DISTRIBUTOR BRANCH

The Grand Rapids, Michigan branch of a Cummins distributor shipped a fuel pump that leaked residual diesel fuel onto the box in which it was packed. This leakage was detected by the air freight company and reported to the Federal Aviation Administration (FAA). Cummins Bridgeway was issued a fine in 2015 of \$32,000 (consequently paid in early 2016) for not complying with FAA regulations for air shipment of hazardous material.

CUMMINS EMISSIONS  
SOLUTIONS – STOUGHTON,  
WISCONSIN

Cummins Emissions Solutions was issued a fine of \$20,000 in November 2015 (consequently paid in January 2016) for the Stoughton, Wisconsin facility's failure to comply with the size of engine permitted for testing in the site's test cells and related reporting requirements.

JAMESTOWN ENGINE PLANT

In July 2014, the Cummins Jamestown Engine Plant voluntarily disclosed to the EPA regarding the plant's failure to submit timely Toxic Release Inventory Form R reports for zinc compounds and certain glycol ethers for calendar years 2010, 2011, 2012 and secbutyl alcohol for 2012. After a full review of Cummins' voluntary disclosure documentation, the EPA agreed to a 75 percent mitigation of penalties under the Audit Policy guidelines. The final settlement was \$54,200.

CUMMINS GENERATOR  
TECHNOLOGIES - ROMANIA

This site was fined because it could not demonstrate compliance in regards to its waste recycling tax. As a result, this site has implemented a strong process to ensure records are appropriately kept moving forward.

	2014	2015	2016	2017
Number of violations of legal obligations / regulations	1	2	0	1
Amount of fines/penalties related to above	\$54,200	\$52,000	\$0	\$62,550
Environmental liability accrued at year end	\$54,200	\$52,000	\$0	\$62,550

A violation occurs when an authorized body determines that a law, regulation, code, etc. related to environmental or ecological issues has been breached, and the fine or penalty is over \$10,000. The chart to the left refers only to Cummins facilities. This definition is essentially in line with the GRI G4 Sustainability Reporting Guidelines definition of environmental laws and regulations. It refers to regulations related to all types of environmental issues (that is, emissions, effluents, and waste, as well as material use, energy, water, and biodiversity) applicable to the organization.

Percentage of new suppliers that were screened using environmental criteria.

*Cummins uses environmental data for indirect supplier selection. In its requests for proposal, the company asks specifically if they measure and trend GHG and about climate change strategy. 100 percent of global indirect suppliers are asked these questions. Cummins uses the answers to these questions as a measure of supplier maturity in this area.*

*Cummins spends approximately \$1 billion per month in goods and services with its supplier partners. This translates into thousands of tons of material, which must be mined, milled, packaged and shipped to the company's facilities. Therefore being good stewards of Cummins' spend means taking responsibility for the environmental footprint of the company's supply chain.*

*With that in mind, Cummins has introduced five initiatives as expectations of its supply base. Cummins currently maintains policies and procedures to support these initiatives and has also established goals that suppliers are expected to join the company in achieving.*

*The company is introducing its goals to the top suppliers by spend. They are the approximately top 250 suppliers, which represent about 50 percent of Cummins' direct material spend. The company is setting the expectation that these suppliers comply with the company's transportation management programs, its disposable packaging waste requirements, Cummins' responsible mineral sourcing requirements, prohibited materials disclosures, and participate in energy/water management programs to reduce their consumption and costs. The company gives them the tools to meet its requirements and provides an email address (supplier.compliance@cummins.com) so that they may ask questions as necessary.*

# HSE MANAGEMENT SYSTEM

*The company’s Enterprise Environmental Management System (EMS), created in 2003, plays a critical role in Cummins’ global environmental footprint reductions and other improvements. The company adopted a model that includes a common framework to ensure a similar look, feel and fundamental approach throughout the organization.*

The EMS has the flexibility to allow individual sites and businesses to address risks and opportunities most important to them. Cummins has integrated health and safety processes and procedures with the environment since 2007, in accordance with the international standard OHSAS 18001 Occupational Health & Safety Management System, to create the company’s Enterprise Health, Safety and Management System (HSEMS).

The system has served as the framework for driving continual improvement and efforts beyond compliance at Cummins operations around the world.

The company expects all sites to comply with its policy, procedures and initiatives. Broad objectives and targets are set at the corporate level to establish direction for critical corporate initiatives. Cummins’ business units and sites then build upon them to establish site-specific objectives that align with company priorities but address site-specific needs and challenges.

Cummins policies apply to more than just its employees, extending to contingent workers, suppliers, contractors and even customers working at company facilities. Cummins’ expectations also extend beyond the company’s

physical boundaries, encompassing maintenance and support services that occur at off-site locations. Cummins strategically drives certification to recognized international standards.

Since 2003, the company has focused on its manufacturing locations with 96 percent of manufacturing sites certified to ISO14001 and OHSAS 18001. The company continues to work toward having 100 percent of the company’s manufacturing and distribution locations toward HSEMS Enterprise dual-certified sites. By the end of 2017, the company’s independent auditor certified 108 entities, representing 372 sites and corporate offices as part of the HSEMS. Cummins’ HSEMS scope has been extended to encompass manufacturing joint ventures and distributors. In 2017 Cummins focused on transitioning certified sites to the ISO 14001:2015 Standard. This transition will continue into 2018. Cummins has expanded the ISO 14001:2015 at their Corporate Level to encompass Corporate Environmental Suitability Committee and Product Certification & Compliance – enabling Cummins to strategically plan beyond Manufacturing Facilities and Operations.

By incorporating practices and procedures into the HSEMS to meet the new ISO 50001 Energy Management Standard, Cummins has delivered a common global approach to make energy efficiency a standard practice across the company. Cummins’ business units and sites then build upon them to establish site-specific objectives that align with company priorities but address site specific needs and challenges. At the global level, by end of 2017, 26 sites were certified to the ISO 50001 energy management system, including 7 sites certified to the Superior Energy Performance Standard (ANSI/MSE 50021). Twelve more sites are working on their ISO 50001 implementation, and two more sites are working Superior Energy Performance implementation, with certification target by end of 2018.

## AUDITING AND DATA CERTIFICATION

Environmental goals are measured through a structured audit process. A third party auditor, Bureau Veritas Certification (BVC), certifies the HSEMS and the environmental metrics Cummins collects. Since 2011, BVC has also audited Cummins’ environmental footprint and the company’s data collection and verification processes. Cummins supplements the audit sampling conducted by BVC by conducting its own annual audits using internally trained HSE auditors. Every site is audited on an annual basis. The company has developed an internal environmental auditor certification process, where employees complete a training course and then a series of audit levels. At the end of 2017, there is a pool of 120 Health, Safety and Environment leaders certified as HSE Lead Auditors.

# SOCIAL STANDARDS

## HEALTH AND SAFETY

403-1

**Workers representation in formal joint management-worker health and safety committees:**

Cummins does not have worker representation on the corporate leadership committee that oversees health and safety at the company. However, most Cummins’ sites have health and safety committees that include significant workforce representation as part of Cummins’ efforts to make safety personal to its employees. That’s critical to the company’s efforts to create a culture of interdependency where everyone looks out for one another. For more on the company’s safety performance, see the health and safety section on page 26 of the [2017 Sustainability Progress Report](#).

403-2

**Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities:**

According to the most recent U.S. Bureau of Labor Statistics data published in 2016, the average Injury/Illness Rate (per 200,000 hours worked) is 3.6 for manufacturing and 2.8 for the engine equipment manufacturing industry. By comparison, Cummins’ Injury / Illness Rate, also known as its Incidence Rate, was 0.691 for employees in 2017 and 0.926 for contractors. There were no employee fatalities in 2017. While the company’s average Injury/Illness Rate for employees and contractors showed small increases over 2016, Cummins believes the company is strongly positioned to achieve its long term goals, including a 38 percent improvement in the Injury/Illness Rate over the next five years. The company has proven this historically, reporting over the past decade a 47 percent reduction in Cummins’ overall recordable injuries and an over 60 percent reduction in injuries resulting in lost days. Cummins believes what matters most to achieve an injury free workplace is fostering a culture of caring along with a spirit of interdependence. Every employee must look out not only for their own safety, but for the safety of their co-workers, family, friends and communities. The chart on the following page captures trends in Cummins’ health and safety performance and its goals for the future.

403-3

**Workers with high incidence or high risk of diseases related to their occupation:**

Cummins does have employees who occasionally work in hazardous situations, such as jobs involving moving / rotating machinery or handling hazardous chemicals / substances. The company makes every effort to protect these employees from exposure to risks associated with these activities. Cummins safety leaders know of no situation where employees have a high incidence or high risk of specific diseases related to their work.

### MORE SAFETY METRICS

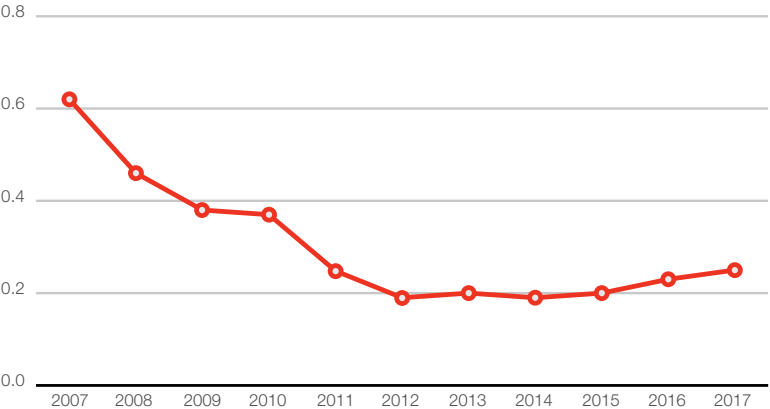
Cummins is committed to the health and safety of its employees. Here are two safety metrics followed by the Dow Jones Sustainability Indices: Lost-Time Injury Frequency Rate for employees (per 1 million hours worked) and Occupational Illness Frequency Rate for employees (per 1 million hours worked). Both rates include 100 percent of employees.

	2014	2015	2016	2017
Lost-Time Injury Frequency Rate	N/A	0.974	1.123	1.256
Occupational Illness Frequency Rate	N/A	0.078	0.202	0.171

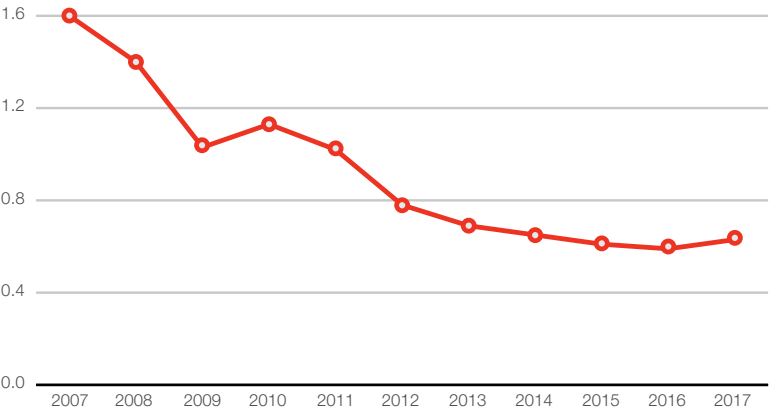
# SAFETY PERFORMANCE INDICATORS

Here’s a look at key trends in safety at Cummins since 2007.

## SEVERITY CASE RATE



## INCIDENCE RATE



**NOTE:** The company’s Severity Case Rate is calculated based on the number of injuries and illnesses resulting in lost work days per 100 employees. Cummins Incidence Rate, also known as the average Injury/Illness Rate, is the relative number of recordable injuries and illnesses per 100 employees.

# GOALS FOR 2023

Cummins’ Health & Safety team believes progress can be driven by setting aggressive, but achievable goals. Here are the 2023 goals:

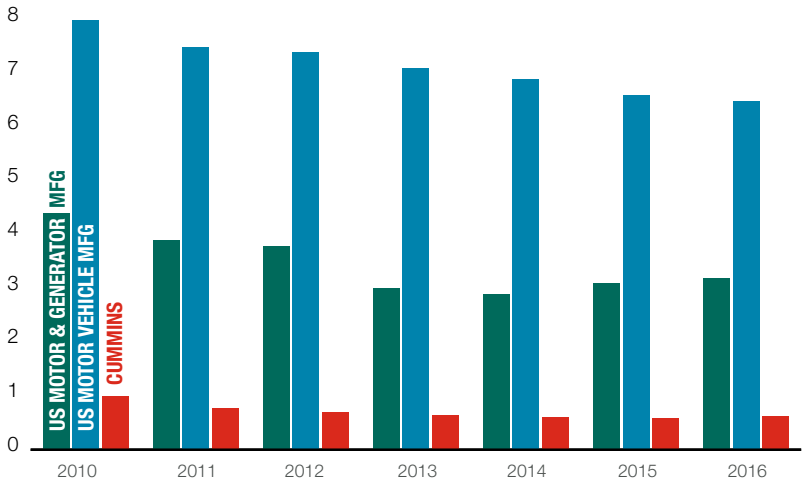
» *Improve the company’s average Injury/ Illness Rate (Incidence Rate) by 38 percent*

» *Improve the company’s Major Injury Rate by 30 percent*

» *Improve the company’s Lost Day Case Rate by 39 percent*

» *Improve the company’s Lost Day Work Rate by 30 percent*

# CUMMINS INCIDENCE RATE COMPARED TO INDUSTRY RATES



# CENTER PROMOTES HEALTHY LIFESTYLES



Cummins’ LiveWell Center in Columbus, Indiana (U.S.A.) is off to a promising start. The facility for employees and their families offers a broad range of services to get to the root of health issues, treating the cause of disease rather than just symptoms. Patients learn to prevent disease by addressing lifestyle choices such as what they eat and how much activity they get. Company officials are looking for ways that lessons from the center, which is separate from the company’s Health & Safety function, can be extended throughout the company. The center celebrated its first year in existence in 2017.

TRAINING AND  
EDUCATION

404-1

Average hours of training  
per year per employee:

*This varies widely by job and the nature of the training, making it difficult to come up with a meaningful number for all of Cummins. For example, office and professional employees have easy access to the company’s vast array of online training opportunities. The Cummins Learning Center offers online training in areas such as engineering, finance, Information Technology and more. The center also has mandatory trainings in ethics and compliance on topics such as conflicts of interest, import/export laws, the company’s Business Code of Conduct and the Supplier Code of Conduct. Professional employees can also get in-person training in Six Sigma, the business problem solving tool used extensively at Cummins. And there are training opportunities for people interested in leadership positions at Cummins. Employees can also get Cummins-supported training at universities and colleges. While shop employees don’t have the same, easy access to online training, they get many hours of training on their job as well as safety training. More than a million hours are regularly dedicated to safety. Cummins’ plants frequently send employees to community colleges and elsewhere for training on specific pieces of equipment and tasks.*

404-2

Programs to upgrade skills:

*See answer to 404-1.*

404-3

Percentage of employees receiving  
regular performance and career  
development reviews:

*All office and professional employees should get regular performance reviews regardless of location or any demographic trait. Employees receive training during onboarding on the company’s OnTrack system. The web-based system is designed to ensure employees know what is expected of them. The system also guides the most important work conversation of all – the conversation between a manager and his or her employee.*

EMPLOYEES  
GET THE TOOLS  
TO SUCCEED  
AT CUMMINS

WORKFORCE

Cummins provides employees with the tools and feedback necessary to build a career at the company – not just a stop along their career path.

The company offers many opportunities to help employees master their jobs and look ahead to their next positions, including extensive in-person and online training as well as the constructive feedback necessary to advance.

Cummins also believes great leadership is critical to an employee’s experience. The company offers extensive training to develop leaders who have mastered key skills.

Compensation and benefits are designed to be competitive within the markets where Cummins does business. And the company establishes wages independent of a person’s gender or any other demographic trait.



## DIVERSITY AND EQUAL OPPORTUNITY

**405-1**

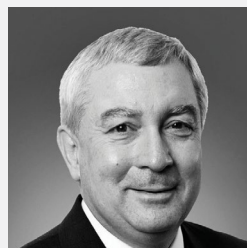
**Diversity of governance bodies  
and employees:**

*The 12-member Cummins Board of Directors, the company's top governance level, has three women, an African American, and two Latino men, within its ranks. Board members have a variety of backgrounds, ranging from a rocket scientist/astronaut to a former U.S. Secretary of Labor, to the president of a not-for-profit promoting the arts and learning for disadvantaged children.*

*The board members range in age from 54 to 70. For more on their backgrounds, see page 10 the [2018 Annual Proxy Statement](#).*

*The definition of minority groups varies widely around the world. Cummins believes strongly in having a workforce that reflects the locations where it does business. The company pays particular attention to female representation and the "country of origin" of its workforce. See the chart on [page 23](#) (under 202-2) of this report for more on the workforce's makeup or the section on Diversity and Inclusion starting on page 30 of the [2017 Sustainability Progress Report](#).*

## 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.

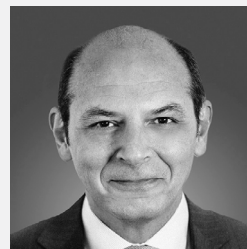
**Committees:**  
Audit Committee; Safety, Environment and Technology Committee; Governance and Nominating Committee



**DR. FRANKLIN R. CHANG DIAZ**

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

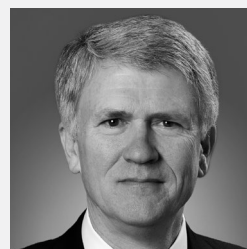
**Committees:**  
Finance Committee; Safety, Environment and Technology Committee; Governance and Nominating Committee



**BRUNO V. DI LEO**

Senior Vice President, IBM Corporation, a global technology and consulting company. He joined the board in 2015.

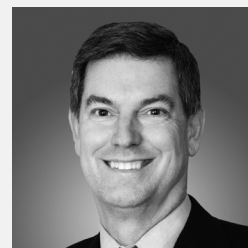
**Committees:**  
Finance Committee; Safety, Environment and Technology Committee; Governance and Nominating Committee



**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.

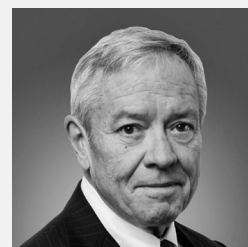
**Committees:**  
Audit Committee; Safety, Environment and Technology Committee; Governance and Nominating Committee



**RICH J. FREELAND**

President and Chief Operating Officer, Cummins Inc. He joined the board in 2017.

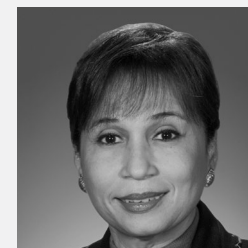
**Committees:** He does not serve on any committees.



**ROBERT K. HERDMAN**

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

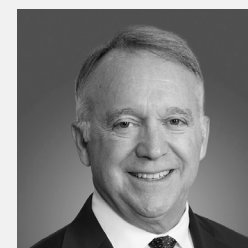
**Committees:**  
Audit Committee; Compensation Committee; Governance and Nominating Committee



**ALEXIS M. HERMAN**

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

**Committees:**  
Finance Committee; Safety, Environment and Technology Committee; Governance and Nominating Committee; Lead Director; Executive Committee of the Board of Directors



**THOMAS J. LYNCH**

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

**Committees:**  
Compensation Committee; Finance Committee; Governance and Nominating Committee



**WILLIAM I. MILLER**

President of the New York-based Wallace Foundation focused on K-12 education and the arts. He joined the board in 1989.

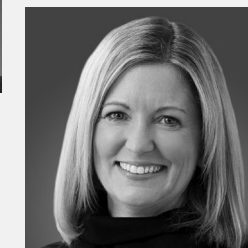
**Committees:**  
Audit Committee; Compensation Committee; Governance and Nominating Committee; Executive Committee of the Board



**GEORGIA R. NELSON**

President and CEO of PTI Resources, LLC, an independent consulting firm. She joined the board in 2004.

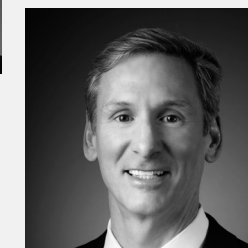
**Committees:**  
Audit Committee; Compensation Committee; Governance and Nominating Committee



**KAREN H. QUINTOS**

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

**Committees:**  
Audit Committee; Safety, Environment and Technology Committee; Governance and Nominating Committee



**N. THOMAS LINEBARGER**

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

**Committees:**  
Executive Committee of the Board



## NON DISCRIMINATION

### 406-1

Incidents of discrimination and corrective actions taken:

Cummins does not disclose a breakdown of its Code of Conduct violations but does report overall numbers. See [Disclosure 205-3](#) on page 25.

## FREEDOM OF ASSOCIATION / COLLECTIVE BARGAINING

### 407-1

Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk:

Both [Cummins' Business Code of Conduct](#) and its [Supplier Code of Conduct](#) call for respecting the right of employees to bargain collectively. "We support human rights around the world, and will comply with all applicable laws regarding the treatment of our employees and other stakeholders," the Business Code of Conduct states. "We will not tolerate child or forced labor anywhere and we will not do business with any company that does. We respect employees' freedom of association, right to bargain collectively and all other workplace rights." Suppliers must be in agreement with the code. "Suppliers must respect employees' freedom of association, right to bargain collectively and all other workplace rights," the Supplier Code of Conduct states. "Employees should be able to choose whether or not to join a union and should not be subject to discrimination based on that choice."

## CHILD LABOR

### 408-1

Operations and suppliers at significant risk for incidents of child labor:

Cummins' new [Human Rights Policy](#) strictly prohibits the use of child labor in any form, stating: "Cummins prohibits the use of all forms of child labor and forced labor, including threat of force or penalty, prison labor, indentured labor, bonded labor, military labor, slave labor and any form of human trafficking, as described below (herein collectively designated 'forced labor')." It goes on to state that "Cummins will also take appropriate 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 risk." The company also states in the [Supplier Code of Conduct](#) that "Suppliers must comply with all applicable child labor laws, including those related to hiring, wages, hours worked, overtime and working conditions. Vocational or developmental programs for young people may require an exception to the age requirements."

## FORCED LABOR

### 409-1

Operations and suppliers at significant risk for incidents of forced or compulsory labor:

See answer to Disclosure 408-1.

## SECURITY PRACTICES

### 410-1

Security personnel trained in human rights policies or procedures:

Security personnel go through a host of training initiatives including diversity training, the company's Treatment of Others training, Code of Conduct training and more. They also go through numerous trainings on safety and security issues and the legal aspects of their jobs.

## INDIGENOUS PEOPLE

### 411-1

Incidents of violations involving rights of indigenous peoples:

Cummins knows of no such incidents.

## HUMAN RIGHTS

### 412-1

Operations that have been subject to human rights reviews or impact assessments:

Cummins in December 2017 adopted its first [Human Rights Policy](#). The company's [Code of Business Conduct](#) also includes many elements of the policy. You can find a report on 2017 enforcement of the Code of Business Conduct on page 43 of the [2017 Sustainability Progress Report](#).

COMMUNITY  
ENGAGEMENT

413-1

Operations with local community engagement, impact assessments, and development programs:

A complete review of the company’s community engagement efforts in 2017 can be found in the Corporate Responsibility section of the [2017 Sustainability Progress Report](#) starting on page 23. Also see the chart on the following page.

413-2

Operations with significant actual and potential negative impacts on local communities:

Cummins believes its sites are important sources of economic growth for the communities where they are located. The company is working diligently to reduce the environmental impact of its facilities (see the environment section of this report starting on page 25) to improve environmental conditions. Cummins also believes its Corporate Responsibility initiatives help build stronger communities by using employee skills to help address community challenges (see page 23 of the [Sustainability Progress Report](#)). And in some areas these efforts overlap such as the company’s goal to develop 15 water neutral sites in water challenged areas. In these locations the company offsets its water use with community improvements that either conserve water or make new sources available. Cummins believes building stronger communities is not only the right thing to do but ultimately results in stronger markets for its products.

SUPPLIER  
ASSESSMENT

414-1

New suppliers screened using social criteria:

All suppliers must comply with the company’s [Supplier Code of Conduct](#) and its requirement that suppliers must respect the right to collectively bargain and refrain from practices such as child labor, forced labor and other human rights related violations. Screening is part of the hiring process, especially for strategic Tier I suppliers.

414-2

Negative social impacts in the supply chain and actions taken:

Cummins’ supply chain is working to reduce the company’s carbon footprint. Principles and expectations are laid out in the company’s [Supplier Portal](#) as are prohibited substances and a materials disclosure guide. An update on the company’s logistics strategy and goal can be found on page 19 of the [Sustainability Progress Report](#).

PUBLIC POLICY

415-1

Political contributions:

A complete description of Cummins’ policy on political contributions is available starting on page 48 of the [2017 Sustainability Progress Report](#).

TRADE ORGANIZATION	LOBBYING ESTIMATE	KEY ISSUES
American Benefits Council	\$1,560.00	Employer sponsored benefits
American Trucking Association	\$13,428.24	Trade, environment
Business Roundtable	\$237,150.00	Trade, taxes
National Association of Manufacturers	\$40,429.50	Immigration, trade, manufacturing
The Truck and Engine Manufacturers Association	\$2,398.00	Truck and engine manufacturing
U.S. Chamber of Commerce	\$7,500.00	Taxes, immigration
TOTAL	\$302,465.74	

GRI STANDARDS

GENERAL  
DISCLOSURES

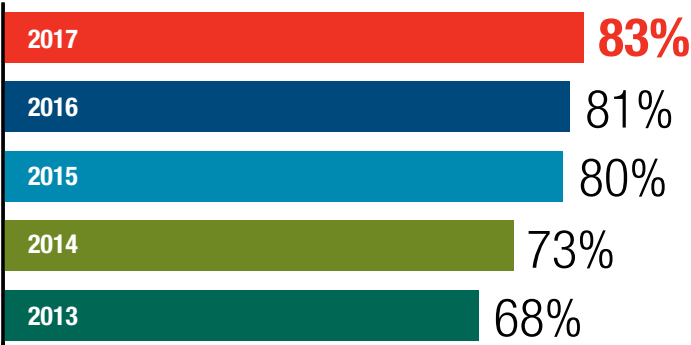
TOPIC-SPECIFIC  
STANDARDS

ECONOMIC  
ENVIRONMENTAL  
SOCIAL

CUMMINS EMPLOYEES  
ARE ENGAGED



Cummins shows its commitment to the communities it serves in part through community engagement. Every employee can work at least four hours on company time on engagement activities. This has benefits beyond helping build more prosperous communities. Cummins believes engaged employees help create the right environment for business success. The company had a record year for engagement in 2017:



\* Rate includes employees and eligible contractors participating in the Every Employee Every Community program.



Cummins employees in Malaysia used solar power to bring lights to villages without electricity in 2017. To learn more about this project, and the company's record setting year for engagement, [click here](#).

IMPACT BY  
THE NUMBERS

Cummins worked in 2017 to measure the impact of its community engagement efforts.

3.3 MILLION

Estimated number of people served.

46,968

Estimated metric tons of greenhouse gas reduced through community environmental work.

4,964,882

Kiloliters of water conserved by Cummins employees engaged in community projects.

2,429

Jobs secured through Cummins education and equality of opportunity outreach efforts.

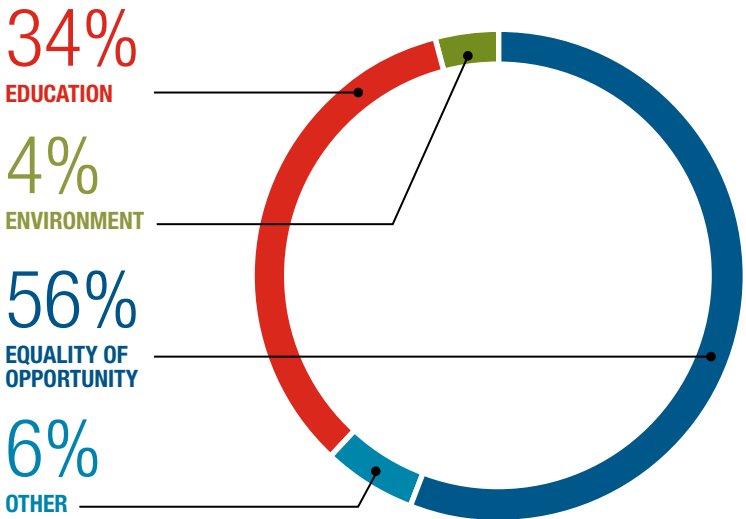
CUMMINS GIVING

Cummins financially supports community engagement projects around the world. In 2017, Cummins gave \$18.7 million to communities through Community Development Grants and other strategic community investments in Cummins' three global priority areas. The vast majority went to not-for-profit groups.

\$18.7  
MILLION

GRANT-MAKING  
BY FOCUS AREA

Here's a look at 2017 grant-making by Cummins by priority area:



CUSTOMER  
HEALTH & SAFETY

416-1

Assessment of the health and safety impacts of product and service categories:

Product safety is a top priority at Cummins.

The company's Product Safety Policy states:

- » Cummins will design, manufacture, sell, distribute and service all products so that they are safe to use for the described and intended purpose.
- » Cummins will provide its customers, its partners, the company's employees and society with products that are safe to operate, maintain, adjust and repair when used as intended.
- » Each Cummins employee will regard product safety as a top priority.
- » Each Cummins employee is responsible for applying the policy in his or her individual and collective work activity.

In 2017, a Product Safety Policy compliance attestation statement was added to the Cummins annual employee ethics certification process.

In compliance with the company's Product Safety Policy in 2017, Cummins voluntarily initiated ten product safety campaigns, impacting approximately 16,300 Cummins generators, engines and/or Cummins components. These campaigns were reported to the relevant public agencies as required by applicable laws and improvements were made on each of the Cummins products at issue.

To further enforce its product safety policy, Cummins has a set of standardized corporate and local policies and procedures in order to meet the company's Corporate Product Safety Policy. Each Cummins business unit has a Product Safety Committee that is accountable for applying the policies and procedures in its area. These Product Safety Committees integrate into the Corporate Product Safety Council, which is managed by the corporate Director of Product Safety. This network allows for collaboration and rapid communication on safety-related matters.

416-2

Assessment of the health and safety impacts of product and service categories:

See 416-1.

MARKETING  
COMMUNICATIONS

417-3

Incidents of non-compliance concerning marketing communications:

Cummins knows of no such incidents.

418-1

Substantiated complaints concerning breaches of customer privacy and losses of customer data:

Cummins knows of no such breeches.

SOCIOECONOMIC  
COMPLIANCE

419-1

Non-compliance with laws and regulations in the social and economic area:

Cummins knows of no such cases.

# ASSURANCE



## INDEPENDENT ASSURANCE STATEMENT

### Introduction and objectives of work

Bureau Veritas North America, Inc. (Bureau Veritas) was engaged by Cummins, Inc. (Cummins) to conduct an independent assurance of select 2017 social data metrics to be published in Cummins' Sustainability Report (Report) and/or included in the Dow Jones Sustainability Index (DJSI) assessment. This Assurance Statement applies to the related information included within the scope of work described below. The intended users of the Assurance Statement are the stakeholders of Cummins. The overall aim of this process is to provide assurance to Cummins' stakeholders on the accuracy, reliability and objectivity of the information included in the Report and the DJSI assessment as described in the scope of work. The assurance process also evaluated Cummins' management of sustainability in accordance with the principles of inclusivity, materiality and responsiveness.

The information that was assured and its presentation in the Report and the DJSI assessment are the sole responsibility of the management of Cummins. Bureau Veritas was not involved in the drafting of the Report or the DJSI assessment. Our sole responsibility was to provide independent assurance on select content.

### Scope of work

Cummins requested Bureau Veritas to include in its independent assurance of the following select metrics for calendar year 2017:

- Corporate Responsibility Metrics
  - "Every Employee Every Community" Participation Rate
  - Number of jobs secured through the company's education and equality of opportunity outreach efforts
  - Estimated number of people served by community engagement efforts
  - Kiloliters of water conserved per Cummins employee engaged in community projects (tracking and calculation process only)
  - Estimated metric tons of GHG emissions reduced through community engagement efforts (tracking and calculation process only)
- Talent Attraction & Retention
  - Percent employee coverage of individual performance appraisals
  - Percent employee turnover
- Diversity
  - Workforce by location
  - Country of birth for workforce
  - Country of birth for leaders
- Health and Safety Metrics
  - Severity Case Rate
  - Recordable Incidence Case Rate
  - Major Injury Case Rate
  - Severity Lost Work Day Rate
  - Ergonomics Incidence Rate
  - Occupational Illness Frequency Rate
  - Lost Time Injury Frequency Rate
- Business Ethics Metrics
  - Percent of employees who completed Global Anti-Bribery Training
  - Percent of employees who completed Fair Competition Training
  - Number of officers and employees who completed Ethics Certification

- Appropriateness and robustness of underlying reporting systems and processes, used to collect, analyze and review the data subject to the assurance process; and
- Evaluation of the select metrics (as shown above) in accordance with the Assurance Standard AA1000AS (2008)<sup>1</sup>, Type 2 engagement, to a moderate assurance level.

Excluded from the scope of our work is any assurance of information relating to:

- Text or other written statements associated with the Report and DJSI assessment;
- Activities outside the defined assurance period; and
- Financial data and data reported that is not included in the Scope of Work and Summary of Assured Information.

### Methodology

Bureau Veritas undertook the following activities:

1. Interviews with relevant personnel of Cummins (including managers and staff members at the corporate level);
2. Review of internal and external documentary evidence produced by Cummins;
3. Audit of performance data including a detailed review of a sample of data (except for metrics noted as "tracking and calculation process only" in Scope of Work); and
4. Review of Cummins' data and information systems for collection, aggregation, analysis and internal verification and review.

The work was planned and carried out to provide a moderate level of assurance and we believe it provides a sound basis for our conclusions.

### Our findings

On the basis of our methodology and the activities described above:

- Nothing has come to our attention to indicate that the reviewed information within the scope of our assurance is not materially correct.
- Nothing has come to our attention to indicate that the reviewed information is not a fair representation of the corporate responsibility, human resources, health and safety, or business ethics activities for calendar year 2017.
- It is our opinion that Cummins has established appropriate systems for the collection, aggregation and analysis of quantitative data, including corporate responsibility data, human resources data, health and safety data, and business ethics data.

A summary of reported data within the scope of assurance for 2017 is attached.

### Adherence to the AA1000 Accountability Principles

Based on the work undertaken during this assurance process, we are of the opinion that Cummins adheres to the Accountability Principles of inclusivity, materiality and responsiveness as discussed below.

### Inclusivity

Based on discussions with Cummins, their processes appear to be inclusive of stakeholders. For example, Cummins is active in community engagement that includes community investment (Cummins Grants), Corporate Responsibility Projects, and humanitarian projects.

### Materiality

In 2015, the company compiled the results of stakeholder assessments conducted by various functions within Cummins to determine what topics are the most relevant to the company's stakeholders in the economic, social and environmental realms. Cummins continues to review this process for modifications and relevant updates to its core business strategies.

<sup>1</sup> Published by AccountAbility: The Institute of Social and Ethical Accountability

### Responsiveness

Some examples of how Cummins responds to stakeholders regarding sustainability issues are through their submissions to CDP and the DJSI. The Board of Directors also communicates with stakeholders regarding sustainability issues.

### Statement of independence, impartiality and competence

Bureau Veritas is an independent professional services company that specializes in Quality, Health, Safety, Social and Environmental management with over 185 years history in providing independent assurance services.

No member of the assurance team has a business relationship with Cummins, its Directors or Managers beyond that of verification and assurance of sustainability data and reporting. We have conducted this verification independently and we believe there to have been no conflict of interest. Bureau Veritas has implemented a Code of Ethics across the business to maintain high ethical standards among staff in their day-to-day business activities.

The assurance team has extensive experience in conducting assurance over environmental, social, ethical and health and safety information, systems and processes, has over 20 years combined experience in this field and an excellent understanding of Bureau Veritas standard methodology for the Assurance of Sustainability Reports.

### Attestation:

David Reilly, Lead Verifier  
Senior Project Manager  
Sustainability and Climate Change Services

Lisa Barnes, Technical Reviewer  
Principal Sustainability Consultant  
Sustainability and Climate Change Services



**Bureau Veritas North America, Inc.**  
**Santa Ana, California**  
**June 1, 2018**







VERIFICATION STATEMENT  
GREENHOUSE GAS EMISSIONS

Bureau Veritas North America, Inc. (BVNA) was engaged to conduct an independent verification of the greenhouse gas (GHG) emissions reported by Cummins, Inc. (Cummins) for the calendar year 2017. This Verification Statement applies to the related information included within the scope of work described below.

The determination of the GHG emissions is the sole responsibility of Cummins. BVNA's sole responsibility was to provide independent verification on the accuracy of the GHG emissions reported, and on the underlying systems and processes used to collect, analyze and review the information.

Boundaries of the reporting company GHG emissions covered by the verification:

- Operational Control
- Worldwide

Emissions data verified:

Cummins Entity Wide GHG Emissions for 2017	
Scope 1 Emissions 304,806 metric tons (mt) of CO <sub>2</sub> equivalent (CO <sub>2</sub> e)	
Scope 2 Emissions – Location Based 540,666 mtCO <sub>2</sub> e	Scope 2 Emissions – Market Based 537,451 mtCO <sub>2</sub> e
Scope 3 Emissions	
Category 1 – Purchased Goods and Services	3,728,000 mt CO <sub>2</sub> e
Category 2 – Capital Goods	408,000 mt CO <sub>2</sub> e
Category 3 – Fuel & Energy Related Activities	166,000 mt CO <sub>2</sub> e

Bureau Veritas North America, Inc.

Health, Safety and Environmental Services

1940 E. Deere Avenue, Suite 210

Santa Ana, CA 92705

Main : (714) 431.4100

Fax : (714) 825.0685

www.BureauVeritasHSE.com



Cummins  
June 29, 2018

Page 2

Scope 3 Emissions (continued)	
Category 4 – Upstream Transportation & Distribution	735,000 mt CO <sub>2</sub> e
Category 5 – Waste Generated in Operations	7,200 mt CO <sub>2</sub> e
Category 6 – Business Travel (air travel and rental cars)	38,500 mt CO <sub>2</sub> e
Category 7 – Employee Commuting	117,000 mt CO <sub>2</sub> e
Category 8 – Upstream Leased Assets	6,500 mt CO <sub>2</sub> e
Category 10 – Processing of Sold Products	2,700 mt CO <sub>2</sub> e
Category 11 – Use of Sold Products	1,000,000,000 mt CO <sub>2</sub> e
Category 12 – End Of Life Treatment of Sold Products	57,000 mt CO <sub>2</sub> e
Category 13 – Downstream Leased Assets	46,000 mt CO <sub>2</sub> e

Data and information supporting the Scope 1 and Scope 2 GHG emissions assertion were in most cases historical in nature.

Data and information supporting the Scope 3 GHG emissions assertion were in many cases estimated rather than historical in nature.

Period covered by GHG emissions verification:

- January 1, 2017 to December 31, 2017

GHG Reporting Protocols against which verification was conducted:

- World Resources Institute (WRI)/World Business Council for Sustainable Development (WBCSD) Greenhouse Gas (GHG) Protocol, Corporate Accounting and Reporting Standard, Revised Edition (Scope 1 and 2) and the GHG Protocol Scope 2 Guidance, an amendment to the GHG Protocol Corporate Standard.
- WRI/WBCSD Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (Scope 3)

GHG Verification Protocols used to conduct the verification:

- ISO 14064-3: Greenhouse gases -- Part 3: Specification with guidance for the validation and verification of greenhouse gas assertions





Cummins  
June 29, 2018

Page 3

Level of Assurance and Qualifications:

- Limited
- This verification used a materiality threshold of 5% for aggregate errors in sampled data for each of the above emission scopes.
- Qualifications: None

GHG Verification Methodology:

- Interviews with relevant personnel of Cummins;
- Review of documentary evidence produced by Cummins;
- Review of Cummins data and information systems and methodology for collection, aggregation, analysis and review of information used to determine GHG emissions at Cummins' Columbus, Indiana headquarters office.
- Audit of samples of data used by Cummins to determine GHG emissions.

Assurance Opinion:

Based on the process and procedures conducted, there is no evidence that the GHG emissions assertion shown above:

- is not materially correct
- is not a fair representation of the GHG emissions data and information; and
- has not been prepared in accordance with the WRI/WBCSD GHG Protocol Corporate Accounting and Reporting Standard.

It is our opinion that Cummins has established appropriate systems for the collection, aggregation and analysis of quantitative data for determination of these GHG emissions for the stated period and boundaries.



Cummins  
June 29, 2018

Page 4

Statement of independence, impartiality and competence

The Bureau Veritas Group is an independent professional services company that specializes in Quality, Health, Safety, Social and Environmental management with over 185 years history in providing independent assurance services.

No member of the verification team has a business relationship with Cummins, its Directors or Managers beyond that required of this assignment. We conducted this verification independently and to our knowledge there has been no conflict of interest.

The Bureau Veritas Group has implemented a Code of Ethics across the business to maintain high ethical standards among staff in their day-to-day business activities.

The verification team has extensive experience in conducting assurance over environmental, social, ethical and health and safety information, systems and processes, has over 20 years combined experience in this field and an excellent understanding of The Bureau Veritas Group standard methodology for the verification of greenhouse gas emissions data.

Attestation:

David Reilly, Lead Verifier  
Senior Project Manager  
Bureau Veritas North America, Inc.  
Costa Mesa, California

Trevor Donaghu, Technical Reviewer  
Technical Director, Climate Change Services  
Bureau Veritas North America, Inc.  
San Ramon, California

June 29, 2018

*This verification statement, including the opinion expressed herein, is provided to Cummins and is solely for the benefit of Cummins in accordance with the terms of our agreement. We consent to the release of this statement by you to the CDP in order to satisfy the terms of CDP disclosure requirements but without accepting or assuming any responsibility or liability on our part to CDP or to any other party who may have access to this statement.*

GRI STANDARDS

GENERAL  
DISCLOSURES

TOPIC-SPECIFIC  
STANDARDS

ECONOMIC  
ENVIRONMENTAL  
SOCIAL



VERIFICATION STATEMENT  
WASTE and RECYCLING

Bureau Veritas North America, Inc. (BVNA) was engaged to conduct an independent verification of the waste data reported by Cummins, Inc. (Cummins) for the calendar year 2017. This Verification Statement applies to the related information included within the scope of work described below.

The determination of the waste quantities is the sole responsibility of Cummins. BVNA's sole responsibility was to provide independent verification on the accuracy of the waste quantities reported, and on the underlying systems and processes used to collect, analyze and review the information.

Boundaries of the reporting company waste activities covered by the verification:

- Operational Control
- Worldwide

Data Verified:

2017 Reported Waste Data	Metric Tons
Total Waste Generated	207,910
Total Waste Disposed - includes total landfilled waste and incinerated waste without energy recovery	21,759
US Process Hazardous Waste	292
Non-US Process Hazardous Waste	3,697
Total Waste Recycled	186,151
Recycled Waste Categories	
Aluminium	787
Cardboard	19,595
Composted Waste	997
Copper & Brass	915
E Waste	95
Iron & Steel	107,940
Liquid Waste (Used Oils, Paints, Solvents, etc.)	13,065
Other Process Derived Waste (Recycled)	1,792
Paper	1,375
Plastic	2,741

Bureau Veritas North America, Inc.

Health, Safety and Environmental Services  
1940 E. Deere Avenue, Suite 210  
Santa Ana, CA 92705

Main : (714) 431.4100  
Fax : (714) 825.0685  
www.BureauVeritasHSE.com



Cummins  
June 29, 2018

Page 2

Recycled Waste Categories (continued)	Metric Tons
Hazardous Waste (Recycled)	434
Waste Burned for Energy Recovery	9,787
Wood	26,630

Data and information supporting the waste assertion were in some cases estimated rather than historical in nature.

Period covered by Waste verification:

- January 1, 2017 to December 31, 2017

Verification Protocols used to conduct the verification:

- International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information (effective for assurance reports dated on or after Dec. 15, 2015), issued by the International Auditing and Assurance Standards Board.

Level of Assurance

- Limited
- This verification used a materiality threshold of 5% for aggregate errors in sampled data for the above primary indicators.

Verification Methodology:

- Interviews with relevant personnel of Cummins;
- Review of documentary evidence produced by Cummins;
- Review of Cummins data and information systems and methodology for collection, aggregation, analysis and review of information used to determine waste totals at Cummins', Columbus, Indiana headquarters office.
- Audit of samples of data from Cummins Operations used to determine waste and recycling volumes.

Assurance Opinion:

Based on the process and procedures conducted, there is no evidence that the waste and recycling assertion shown above:

- is not materially correct; and,
- is not a fair representation of the waste and recycling data and information.

It is our opinion that Cummins has established appropriate systems for the collection, aggregation and analysis of quantitative data for determination of its waste and recycling totals for the stated period and boundaries.

Statement of independence, impartiality and competence

The Bureau Veritas Group is an independent professional services company that specializes in Quality, Health, Safety, Social and Environmental management with over 185 years history in providing independent assurance services.



Cummins  
June 29, 2018

Page 3

No member of the verification team has a business relationship with Cummins, its Directors or Managers beyond that required of this assignment. We conducted this verification independently and to our knowledge there has been no conflict of interest. The Bureau Veritas Group has implemented a Code of Ethics across the business to maintain high ethical standards among staff in their day-to-day business activities.

The verification team has extensive experience in conducting assurance over environmental, social, ethical and health and safety information, systems and processes, has over 20 years combined experience in this field and an excellent understanding of The Bureau Veritas Group standard methodology for the verification of environmental data.

Attestation:

David Reilly, Lead Verifier  
Sr. Project Manager, Climate Change Services  
Bureau Veritas North America, Inc.  
Santa Ana, California

Trevor Donaghu, Technical Reviewer  
Technical Director, Climate Change Services  
Bureau Veritas North America, Inc.  
San Ramon, California

June 29, 2018

*This verification statement, including the opinion expressed herein, is provided to Cummins and is solely for the benefit of Cummins in accordance with the terms of our agreement. We consent to the release of this statement by you to public or private entities in order to satisfy the terms of disclosure requirements but without accepting or assuming any responsibility or liability on our part to any other party who may have access to this statement.*

GRI STANDARDS

GENERAL  
DISCLOSURES

TOPIC-SPECIFIC  
STANDARDS

ECONOMIC  
ENVIRONMENTAL  
SOCIAL



VERIFICATION STATEMENT  
WATER WITHDRAWAL

Bureau Veritas North America, Inc. (BVNA) was engaged to conduct an independent verification of the water withdrawal reported by Cummins, Inc. (Cummins) for the calendar year 2017. This Verification Statement applies to the related information included within the scope of work described below.

The determination of the water withdrawal is the sole responsibility of Cummins. BVNA's sole responsibility was to provide independent verification on the accuracy of the water withdrawal reported, and on the underlying systems and processes used to collect, analyze and review the information.

Boundaries of the reporting company water withdrawal activities covered by the verification:

- Operational Control
- Worldwide

Data Verified:

2017 Reported Water Withdrawal	Gallons	Megaliters
Groundwater	58,669,602	222
Rainwater	938,791	4
Municipal Water	902,884,260	3,418
Total Water Withdrawal	962,492,653	3,643

Data and information supporting the water withdrawal assertion were in most cases historical in nature, but in some cases estimated.

Period covered by Water Withdrawal verification:

- January 1, 2017 to December 31, 2017

Reporting Protocols against which verification was conducted:

- CDP Water Disclosure Reporting Guidelines

Verification Protocols used to conduct the verification:

- International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information (effective for assurance reports dated on or after Dec. 15, 2015), issued by the International Auditing and Assurance Standards Board.

Level of Assurance

- Limited
- This verification used a materiality threshold of 5% for aggregate errors in sampled data for each of the above indicators.

Bureau Veritas North America, Inc.

Health, Safety and Environmental Services

1940 E. Deere Avenue, Suite 210

Santa Ana, CA 92705

Main : (714) 431.4100

Fax : (714) 825.0685

www.BureauVeritasHSE.com



VERIFICATION STATEMENT  
WATER WITHDRAWAL

Bureau Veritas North America, Inc. (BVNA) was engaged to conduct an independent verification of the water withdrawal reported by Cummins, Inc. (Cummins) for the calendar year 2017. This Verification Statement applies to the related information included within the scope of work described below.

The determination of the water withdrawal is the sole responsibility of Cummins. BVNA's sole responsibility was to provide independent verification on the accuracy of the water withdrawal reported, and on the underlying systems and processes used to collect, analyze and review the information.

Boundaries of the reporting company water withdrawal activities covered by the verification:

- Operational Control
- Worldwide

Data Verified:

2017 Reported Water Withdrawal	Gallons	Megaliters
Groundwater	58,669,602	222
Rainwater	938,791	4
Municipal Water	902,884,260	3,418
Total Water Withdrawal	962,492,653	3,643

Data and information supporting the water withdrawal assertion were in most cases historical in nature, but in some cases estimated.

Period covered by Water Withdrawal verification:

- January 1, 2017 to December 31, 2017

Reporting Protocols against which verification was conducted:

- CDP Water Disclosure Reporting Guidelines

Verification Protocols used to conduct the verification:

- International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information (effective for assurance reports dated on or after Dec. 15, 2015), issued by the International Auditing and Assurance Standards Board.

Level of Assurance

- Limited
- This verification used a materiality threshold of 5% for aggregate errors in sampled data for each of the above indicators.

Bureau Veritas North America, Inc.

Health, Safety and Environmental Services

1940 E. Deere Avenue, Suite 210

Santa Ana, CA 92705

Main : (714) 431.4100

Fax : (714) 825.0685

www.BureauVeritasHSE.com

GRI STANDARDS

GENERAL  
DISCLOSURES

TOPIC-SPECIFIC  
STANDARDS

ECONOMIC  
ENVIRONMENTAL  
SOCIAL

Summary of Assured Information  
Reporting Year 2017  
Cummins, Inc.



Corporate Responsibility	Metric	RY-2017
Every Employee Every Community Participation Rate	Percent	83%
Jobs secured through the company's education and equality of opportunity outreach efforts	Number of jobs secured	2,429
Estimated number of people served by community engagement efforts	Number of people served	3.3 million
Kiloliters of water conserved per Cummins employee engaged in community projects	Water conserved per employee (kiloliters)*	88*
Estimated metric tons of GHG emissions reduced through community engagement efforts	GHG emissions reduced (metric tons)*	45,980*

\*Process used to track and calculate water conserved and GHG emissions reduced were reviewed, but reported numbers were not assured.

Talent Attraction & Retention	Metric	RY-2017
Employee coverage of individual performance appraisals	percent	nearly 100%
Employee turnover	percent	12%

Diversity	Metric	RY-2017
Women in the workforce	percent	26.4%
Women leaders in the workforce	percent	23.2%

Health and Safety	Unit of Measure	RY-2017
Severity Case Rate*	Lost work day cases per 100 employees	0.251
Incidence Rate*	Recordable incidents per 100 employees	0.691
Major Injury Rate *	Major injuries per 100 employees	0.047
Severity Lost Work Day Rate*	Lost work days per 100 employees	7.989
Ergonomics Incidence Rate *	Ergonomic incidents per 100 employees	0.154
Occupational Illness Frequency Rate**	Occupational Illness Frequency Rate per 1,000,000 hours worked	0.171
Lost Time Injury Frequency Rate**	Lost time injury frequency rate per 1,000,000 hours worked	1.231

\*Rate per 100 employees = (number reported\*200,000)/(Hours worked) for 2017  
\*\* Rate = (number of illnesses or lost time injuries\*1,000,000)/(Hours worked) for 2017

Business and Ethics	Metric	RY-2017
Global Anti-Bribery Training 2017	percent of employees completed (based on 31,283 employees assigned to take the training)	91%
Fair Competition 2017 Training	percent of employees completed (based on 28,312 employees assigned to take the training)	89%
Ethics Certification 2017	Total number	46 Company Officers and 24,487 Employees

Workforce by Location (%)	RY-2017
Australia	2.8
Brazil	2.4
China	8.0
India	12.6
Mexico	10.8
ROW	9.2
UK	8.0
United States	46.2

Country of Birth for Workforce (%)	RY-2017
Australia	2.3
Brazil	2.5
China	8.7
India	16.0
Mexico	11.4
Rest of World	13.2
UK	7.5
United States	38.3

Country of Birth for Leaders (%)	RY-2017
Australia	1.9
Brazil	1.9
China	5.6
India	9.8
Mexico	3.1
Rest of World	8.6
UK	12.2
United States	56.9

## CONTACTS

### **BLAIR CLAFLIN (EDITOR)**

Director – Sustainability Communications  
301 E. Market St.  
Indianapolis, IN 46204  
blair.clafin@cummins.com

### **LAURIE COUNSEL**

Global Environmental Relations Director  
500 Jackson St.  
Columbus, IN 47201  
laurie.counsel@cummins.com



**Cummins Inc.**  
**Box 3005**  
**Columbus, Indiana**  
**47202-3005**  
**U.S.A.**

cummins.com  
©2017 Cummins Inc.

*Products mentioned in this report  
are covered by copyright and  
trademark protections.*

## SPONSORS

### **CAROLE CASTO**

Vice President – Corporate Communications  
301 E. Market St.  
Indianapolis, IN 46204

### **MARY CHANDLER**

Vice President – Corporate Responsibility  
Chief Executive Officer – The Cummins Foundation  
301 E. Market St.  
Indianapolis, IN 46204

### **BRIAN MORMINO**

Executive Director –  
Worldwide Environmental Strategy and Compliance  
500 Jackson St.  
Columbus, IN 47201

### **CATHERINE VAN WAY**

Head of Government Relations  
601 Pennsylvania Ave., Suite 1100  
Washington, D.C. 20004