

POWERING WHAT'S **NEXT**



***SUSTAINABILITY
PROGRESS REPORT
2016***



ABOUT THIS REPORT

Corporate Responsibility

Right Environment

Safety

Diversity & Inclusion

Workforce

Financial Performance

Innovation

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NOTABLE

This report covers all of the calendar year of 2016. All of the statistical material covers 2016, except when data is presented from previous years for the sake of comparison.

Cummins' 2016 Sustainability Progress Report reflects the company's broad view of sustainability, including the environment, corporate responsibility, diversity and inclusion, innovation and financial performance.

The company supports the United Nation's 17 [Sustainable Development Goals](#) to "end poverty, protect the planet and ensure prosperity for all." We hope you'll see that the disclosures included in this report align with those aspirations.

We've made some changes in this year's report. A lot of the feature stories that formerly ran here regarding how our employees work towards those goals have been moved to Cummins' social media site, [The Block](#). Our hope is that the Progress Report is a now easy-to-read summary of the company's sustainability performance in 2016.

This year's report also includes a new section on serving our customers. After going through our first formal materiality study in 2015, the report team came to the conclusion that customers were a key stakeholder in the company's sustainability that weren't adequately reflected in the pages of our report. We're still working on what this content should look like in the future, but excited to be better representing this critical stakeholder.

Finally, some data and information that used to run in this report have been moved to Cummins' GRI Data Book to try and improve the readability of the report.

This report was posted in June 2016 and is Cummins' 14th edition.

Blair Claflin, Director – Sustainability Communications

CUMMINS GRI DATA BOOK

Cummins is again producing a separate data book, although its name is changing slightly. This report is now called Cummins' [GRI Data Book](#) reflecting our attempt to closely follow the format of the Global Reporting Initiative (GRI). Established by the United Nations, the GRI's goal is to develop a consistent way for companies to report on their environmental, social and economic performance. This report will be posted by the end of June.

SUSTAINABILITY OVERVIEW

Cummins has also put together an eight-panel [sustainability brochure](#) to give readers a very quick look at Cummins' sustainability efforts. The overview is posted with our other reports.



THE POWER OF CUMMINS

If you're a visual learner, check out The Power of Cummins. This compelling video shows how Cummins is working around the world to build stronger communities through its commitment to its customers, the environment and the communities where it does business. The video was updated in 2016.

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Learn more about Cummins' innovation efforts on page 47 of this report.

Through the rolling hills of southern Indiana, railroad buffs watched as the distinctive red and black Cummins' QSK95 locomotive pulled coal and mixed freight along the Indiana Rail Road in 2016. But it might be what they didn't see that's more impressive.

The Cummins locomotive recorded a 16 percent improvement in fuel economy compared to the engine it replaced, an 89 percent reduction in oxides of nitrogen and a 98 percent cut in particulate matter.

The engine has already been selected to power Siemens' ultra-low emission Charger Locomotive about to begin passenger service in several locations in the United States. Cummins re-powered a 40-year-old freight locomotive to show the QSK95 can haul freight, too.

Read about what some call the company's "[mobile locomotive testing lab](#)." It's just one of the ways Cummins is working to innovate on behalf of its customers.



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KEY PERFORMANCE INDICATORS



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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.



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

¹ Primary energy excludes sold electricity and associated fuel usage

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

³ Reduction includes consolidated entities only

ECONOMIC

	2014	2015	2016
Revenue	\$19.2 billion	\$19.1 billion	\$17.5 billion
Net Income	\$1.65 billion	\$1.40 billion	\$1.39 billion

ENVIRONMENTAL

	2014	2015	2016
GHG emissions (thousands of metric tons CO ₂ e)	788	775	765
Energy consumption ¹ (thousands of MMBtu)	12,739	12,928	12,921
Water use (millions of gallons)	972	947	934
Water intensity reduction ² (since 2010)	35%	41%	42%
Energy intensity reduction ^{2,3} (since 2010)	19%	24%	24%
GHG intensity reduction ^{2,3} (since 2010)	22%	29%	30%
Recycling rate	90%	90%	89%

SOCIAL

	2014	2015	2016
Major injury rate	0.043	0.044	0.041
Incidence rate	0.610	0.588	0.627
Women leaders in the workforce	20%	21%	21.80%
Every Employee Every Community (EEEC) participation rate	73%	80%	80%
Number of Environmental Challenge participants	13,600	21,600	17,400

A NOTE FROM THE CHAIRMAN

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Chairman and CEO Tom Linebarger also addresses sustainability at Cummins in an essay for the Business Roundtable on page 47 of "Create, Grow, Sustain" at sustainability.brt.org

Despite challenging market conditions, 2016 was a remarkable year for Cummins. We continued to focus on improving our company in every respect during the tough times, while making strategic investments in new technologies to ensure that we are better positioned than anyone else when markets return. And we did this while maintaining our deep commitment to sustainability.

Here are just a few examples:

- » We launched the X15 heavy-duty, on-highway truck engine, offering up to 20 percent better fuel economy and lower maintenance costs compared to Cummins' 2010 ISX15 diesel engine.
- » Our QSK95 engines began powering the new diesel-electric Charger locomotives built by Siemens. These ultra-low emission locomotives will be used by passenger rail systems across the United States.
- » Cummins partnered on a project to develop a Class 6 medium-duty, plug-in, hybrid-electric truck that can reduce fuel consumption by at least 50 percent. The project was awarded a \$4.5 million research grant by the U.S. Department of Energy.

These achievements all resulted from Cummins' continued spirit of innovation and our pledge that everything we do lead to a cleaner, healthier, safer environment.



Linebarger has been working at Cummins for more than 20 years. Here's a quick look at his career at the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Jan. 1, 2012, to present

PRESIDENT AND CHIEF OPERATING OFFICER

2008-2011

**EXECUTIVE VICE PRESIDENT, PRESIDENT –
POWER GENERATION BUSINESS**

2005-2008

VICE PRESIDENT – POWER GENERATION

2003-2005

VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

2000-2003

VICE PRESIDENT – SUPPLY CHAIN MANAGEMENT

1998-2000

**MANAGING DIRECTOR – HOLSET ENGINEERING COMPANY
(A DIVISION OF CUMMINS)**

1997-1998

**SENIOR MANAGER – ENGINEERING OPERATIONS
AND TECHNICAL CENTER LEADER, HOLSET**

1996-1997

**ENGINE COMPANY ASSISTANT TO GROUP
VICE PRESIDENT FOR WORLDWIDE OPERATIONS,
PROGRAM MANAGER – ADVANCED FUEL SYSTEMS**

1994-1996

**INTERNSHIP – ASSISTANT TO PLANT MANAGER
COLUMBUS MIDRANGE ENGINE PLANT**

1992

Over the years, Cummins' prosperity has become increasingly linked to our ability to produce the cleanest, most fuel-efficient engines, generators and components in the world. We want to provide customers with the power they need, while helping them meet their business and environmental challenges wherever they operate.

Cummins' commitment to sustainability and innovation is why I am confident we will emerge a stronger company when markets return. We support tough, but achievable, environmental standards and commit our people and technology investments to ensure that our customers win in the marketplace in a sustainable way.

We also make similar commitments in our supply chains, our facilities and our communities, relying on the capability and innovative nature of our people to achieve amazing results – using less energy, water and other critical materials, while producing more at lower costs.

I am troubled, however, by two recent developments.

Support seems to be waning in some places for enforcing and enacting standards to protect our natural resources. Clean air and water are vital to creating healthy communities, which are critical to a vibrant business climate. The employees Cummins needs to succeed want to live in healthy communities, and healthy communities ultimately result in stronger markets for our products. It is important that we reduce or remove unnecessary, overlapping or poorly written and enforced regulations that harm business growth and innovation.

At the same time, I'm also concerned about the increased apprehension regarding global trade. The ability to grow and provide high quality jobs is central to Cummins' view of sustainability. We exported more than \$2 billion worth of products from the United States in 2016, supporting

thousands of U.S. jobs. We need more trade, not less to help our business and communities to grow.

I truly believe that a company is only sustainable when it achieves economic success while acting as social and environmental stewards. It's a goal I hope you'll see reflected in the pages of this report.

Thank you for your interest in Cummins,



Tom Linebarger
Chairman and CEO
Cummins Inc.

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)

55,400 EMPLOYEES
WORLDWIDE

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

(approximate employee total, as of December 2016)

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**.

FORTUNE 500 RANKING (2016)

148

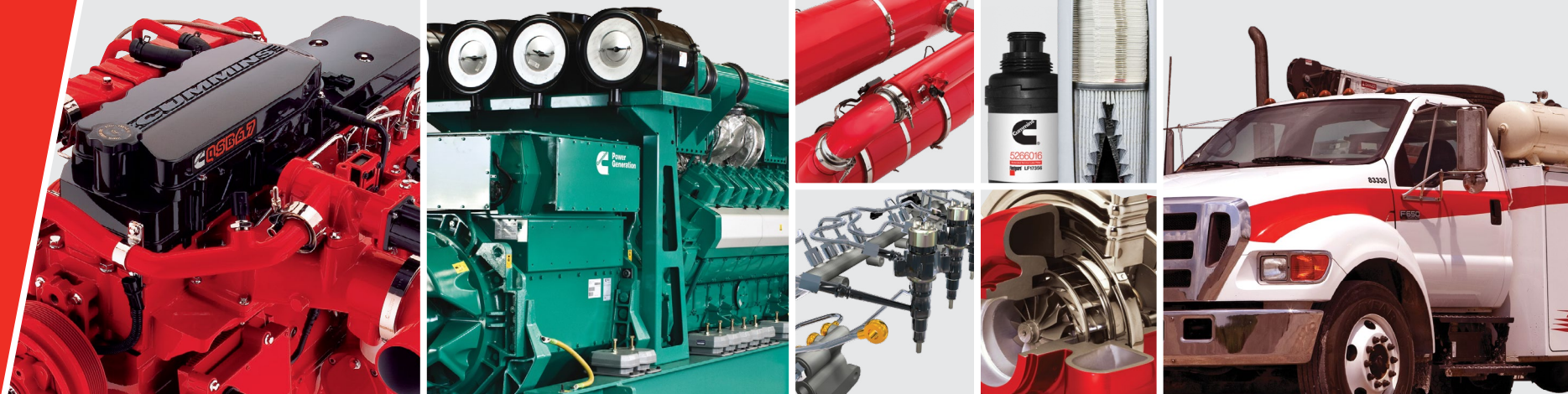
SALES / EARNINGS

In 2016, Cummins earned \$1.39 billion on revenues of

\$17.5 billion

HOW WE DO IT

Cummins is organized into four business segments. In 2016, the company went through some restructuring designed to help it innovate faster and bring more value to customers.



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 industrial uses in 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- and 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 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.

CUMMINS' STORY

Cummins' previous mission, vision and values were developed in 2002 when more than 90 percent of the company's current employees were not here. Today's business environment is different and Cummins has grown more than three times since 2002.

Our Story is the culmination of a year of work by the company's Leadership Team on Cummins' mission, vision and values and includes input from thousands of company employees around the world.

What readers will see in **Our Story** are the critical elements of Cummins culture that define who we are as a company and will lead us into the future. The Leadership Team prioritized this work because it believes who we are and how we act is as important as what we do.

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

OUR KEY TOOLS

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Learn how Cummins used Six Sigma to improve customer care.

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 11,700 current professional employees.
- » Six Sigma projects have identified an estimated **\$6.65 billion in PBIT (Profit Before Interest and Tax) savings** over the tool's 16-year history at Cummins.
- » Cummins Customers have saved an estimated **\$1.41 billion** through Six Sigma since the tool was first offered to them in 2005.

Cummins also uses Six Sigma in its community work, helping its community partners address problems. Employees completed 74 Community Impact Six Sigma projects on behalf of their community partners in 2016.

The impact of Six Sigma on the company goes beyond cost savings and community engagement. It has provided Cummins with a common language and a collective mindset that can be used to address a problem or challenge almost anywhere in the world.

In 2016, the company announced some changes to its Six Sigma program, bringing in some additional improvement tools to the training. Now called "Six Sigma and Continuous Improvement," this new approach is designed to keep projects targeted at Cummins' most important business problems. The company's top leaders play a key role in determining Six Sigma priorities with a special focus on product quality, working capital, distributor synergies, direct material cost reductions and telematics.

After 16 years as a key part of the company, Six Sigma has established itself as the principal problem solving tool used at Cummins.

CUMMINS OPERATING SYSTEM

The Cummins Operating System helps develop common practices and approaches to improve customer satisfaction. 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 team work.*
- » *Ensure equipment and tools are available and capable.*
- » *Create functional excellence.*
- » *Establish the right environment.*
- » *Treat preferred suppliers as partners.*
- » *Follow common problem solving techniques.*
- » *Use Six Sigma as the primary process improvement method.*

OUR 2016 RECOGNITION

Cummins received a number of awards in 2016 that involved the sustainability of the company.

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CORPORATE RESPONSIBILITY / ETHICS

WORLD'S MOST ETHICAL COMPANIES

Cummins was named to Ethisphere's 2016 list of the World's Most Ethical Companies for a ninth consecutive year. (Cummins was also named to Ethisphere's list in early 2017.)

AMERICA'S MOST JUST COMPANY



Cummins was recognized as America's most JUST company in the machinery sector in the inaugural JUST 100 list by JUST Capital and Forbes Magazine. They ranked companies based on six issues including fair pay and creating jobs.

ENVIRONMENT

2016 DOW JONES SUSTAINABILITY INDEX

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

Cummins was named to the 2016 Dow Jones Sustainability Index for North America. The index surveys companies on a wide range of issues. Cummins has been on the list since 2006.

ENERGY MANAGEMENT AWARD OF EXCELLENCE



Cummins in 2016 received the Clean Energy Ministerial's Award of Excellence in Energy Management, one of only three ISO 50001-certified organizations to be honored.

DIVERSITY / WORKPLACE

TOP 50 COMPANIES FOR DIVERSITY



Cummins was named one of the Top 50 companies for Diversity by DiversityInc magazine for a 10th consecutive year in 2016 (Cummins was also named to the magazine's list in early 2017.)

100% CORPORATE EQUALITY INDEX



Cummins received a perfect score for an 11th consecutive year in the 2016 Corporate Equality Index from HRC, the largest U.S. civil rights organization for LGBT employees (The company also made the list in 2017).

TOP 25 EMPLOYERS IN AMERICA

Forbes magazine named Cummins one of its Top 25 Employers in America in 2016. (Cummins was also named to the magazine's 2017 list).

BEST COMPANIES FOR WORKING WOMEN IN INDIA

Cummins India was named to the 2016 Working Mother & AVTAR 100 Best Companies for Women in India list based on a number of criteria including initiatives for women recruitment.

MILITARY FRIENDLY EMPLOYER

Cummins was named a 2016 Military Friendly Employer by the publisher of GI Jobs and Military Spouse.

BUSINESS / PRODUCT

BEST PICKUP FOR 2016

The Cummins-powered 2016 Nissan TITAN XD was named Best Pickup truck for 2016 by Cars.com, PickupTrucks.com and AutoGuide.com.

TECHNICAL ACHIEVEMENT AWARD

The Cummins X15 efficiency engine series was awarded the Truck Writers of North America's (TWNA) 2016 Technical Achievement Award. The engine won for its advanced combustion design.

BEST ENGINE SUPPLIER

Cummins received the 2016 United States Overall Best Heavy Duty Truck Engine Supplier Product Leadership award by Frost & Sullivan based on its survey of U.S. heavy duty fleet service and safety managers.

OUR HISTORY

Cummins has a rich history, replete with examples of innovation, entrepreneurship and vision. Here's a look at some highlights over the last 96 years:



CUMMINS ESTABLISHES NEW GOALS TO IMPROVE THE ENVIRONMENT

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Cummins has been working to reduce its emissions of greenhouse gases from its facilities since 2006 when the company joined the U.S. Environmental Protection Agency's Climate Leaders program and set its first goal for 2010.

Cummins continued making progress on reducing its environmental impact in 2016, especially in water and energy. The company established new 2020 goals in those areas, having reached previous targets.

“The environmental teams around the globe worked hard on making progress on our established goals and setting two new aggressive ones,” said Mark Dhennin, Cummins’ Director of Energy Efficiency and Environment.



The progress came against a backdrop of company growth. Since 2010, Cummins’ in-scope facilities increased by 250 sites to more than 450 locations by the end of 2016. The increase in footprint was due to the addition of new office buildings, regional distribution centers and the acquisition of the company’s North American distributors.

Jamestown Engine Plant electrician Fred Gable inspects the solar panel connections at Cummins’ roof-top solar array at Jamestown, New York (U.S.A.). The plant is one of the locations where the company has added renewable sources to its energy mix.

Here’s a progress report on each of the environmental goals Cummins has established.

WATER

Goals:

- » Reduce direct water use across Cummins by 50 percent by 2020, adjusted for hours worked.
- » Achieve water neutrality at 15 Cummins manufacturing, technical, and other larger sites located in regions where water is in short supply.

Baseline year: 2010

Cummins released its first water conservation goal in 2014 as part of its 2020 Environmental Sustainability Plan, pledging to reduce water use intensity by 33 percent, adjusted by labor hours. By the end of 2016, the company’s water efficiency efforts had resulted in a 42 percent water intensity reduction or 18 percent on an absolute basis. Because Cummins achieved its initial water goal ahead of schedule, the company announced

a revised goal on World Water Day, March 22, 2017.

The revised 50 percent intensity reduction goal represents a potential total water savings of more than 760 million gallons of water since 2010.

“Thanks to the hard work of our employees around the world, we surpassed our initial target, but we know we should do more so we are raising the bar with our revised goal,” said Brian Mormino, Executive Director of Environmental Strategy and Compliance.

The United Nations estimates that by 2025, 1.8 billion people will be living in countries or regions with absolute water scarcity and two-thirds of the world’s population could be living under water-stressed conditions. Projections show that by 2040, all of the United States will be considered highly water stressed.

“Businesses can’t operate, and people can’t live, without water,” said Mormino. “We have a responsibility to come together

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Cummins uses a tool that calculates the true cost of water, including the cost associated with risk and energy needed to pump water.

in collective action, and Cummins is committed to being part of the solution.”

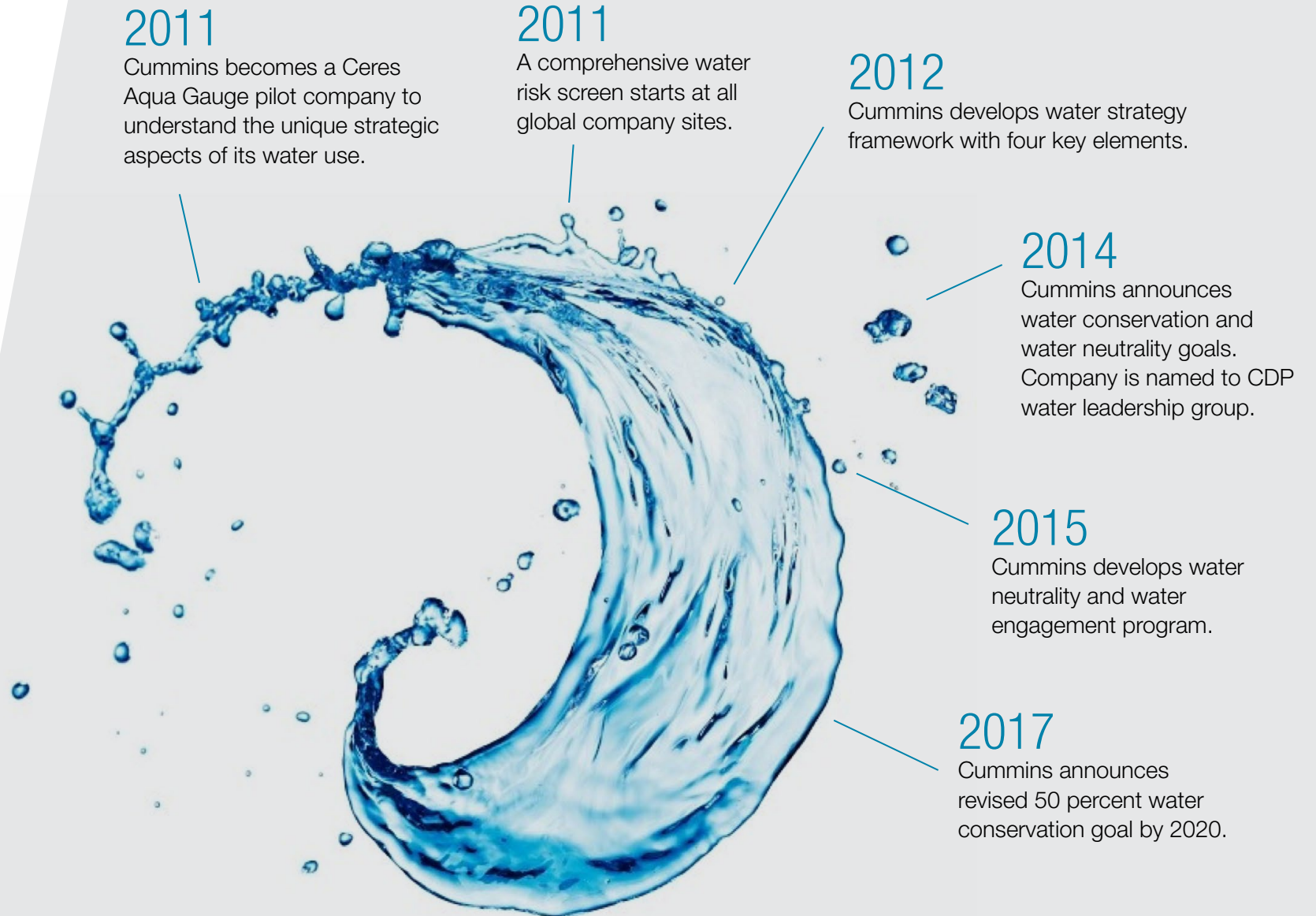
In 2016, Cummins used 934 million gallons of water, a 13 million gallon decrease from 2015. Since the goal's baseline year of 2010, direct water use is down by 18 percent, while water use adjusted for hours worked is down by 42 percent despite an increase in the number of in-scope facilities during the period.

Cummins' water neutrality work is also progressing well. Seven sites toward the company's goal of 15 have now been validated as water neutral, off-setting their water use with community improvements that either conserve water or make new sources available.

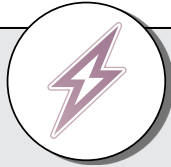
The company continues to promote awareness about the connection between water use in its plants and community needs. Over the past year, Cummins' efforts have been focused on validating calculation methodologies using site-implemented projects and defining project roadmaps leading to goal achievement.

OUR WATER JOURNEY

Cummins has made significant progress on its water reduction efforts. Here's a look at the company's journey.



ENERGY AND GHGS



Goal:

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

Baseline year: 2010

Cummins in 2016 approved its third energy goal in 10 years after exceeding its second energy and greenhouse gas (GHG) reduction goal in 2015.

The current goal's intensity factor is based on hours worked, not revenue as previously used. All consolidated operations and joint ventures subscribing to Cummins' Enterprise Environmental Management System are included.

In 2016, the company's GHG emissions decreased by 11,600 tons on an absolute basis and 2 percent adjusted for hours worked compared to the prior year. Cummins had a number of challenges in maintaining progress on the goal, including several new buildings and distributor locations included in scope as part of the Distribution Business' North American consolidation that resulted in increased emissions.

The company continues to use a facility investment plan approach, with a focus on test cell energy recovery and investments in on-site renewable projects to offset electricity purchased from the grid.

The company used tools and resources available from programs such as ISO 50001, the international energy management system, and the U.S. Department of Energy's Superior Energy Performance program to achieve its goal.

WASTE



Goals:

- » Increase company recycling rate to 95 percent by 2020.
- » Reach "Zero Disposal" status at 30 sites with 100 or more people by 2020 where 100 percent of waste is reused, recycled or recovered in a useful manner.

Baseline year: 2010

The company in 2016 recycled 89 percent of the total waste generated over the year, equivalent to approximately 169,000 tons of waste.

Cummins' sites in the United Kingdom have already achieved a collective 99.7 percent recycling rate. Since the baseline year of 2010, Cummins' total waste disposed decreased by about 6 percent in absolute terms, while experiencing a 34 percent reduction in disposal adjusted for hours worked. Compared with 2015,

SEVEN ZERO DISPOSAL SITES

Darlington Engine Plant (and operations), U.K.
 Daventry Engine Plant (and operations), U.K.
 Cummins Turbo Technologies, Huddersfield, U.K.
 Cummins Filtration, Quimper, France
 Cummins Global Logistics, Rumst, Belgium
 Cummins Global Logistics, Singapore
 Olympia Testing Center, Columbus, Indiana (U.S.A.)

SEVEN WATER NEUTRAL SITES

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

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Cummins' total waste disposed in 2016 increased by 2,600 tons or 14 percent on an absolute basis and by 14 percent adjusted for hours worked.

The five sites previously achieving Zero Disposal status were recertified in 2016, and two new sites were validated, bringing the total number certified to seven. Cummins now has five Zero Disposal sites in Europe, one in North America and one in the Asia-Pacific region.

Eighteen additional sites are approaching Zero Disposal, but face challenges such as regulatory barriers in India and China, and the absence of vendors to help handle hard-to-recycle wastes.

Under Cummins' definition of Zero Disposal, waste can only be burned as a last resort to create energy and then only if there is a net energy gain, creating more energy than is needed merely to sustain combustion.

PRODUCTS IN USE

Goal:

» Partner with customers to improve the efficiency of our products in use, reaching by 2020 an annual reduction of 3.5 million metric tons (MMT) of carbon dioxide (CO₂), saving 350 million gallons of fuel.

Baseline year: 2014



Cummins' fuel economy teams throughout the world have implemented more than 200 projects since this goal was announced in 2014. The result is that Cummins has already achieved a 2.9 million metric ton annual run rate of CO₂ reduction toward the company's goal of a 3.5 million metric ton run rate.

Global momentum with customers has yielded new initiatives, and more power systems and distribution business projects were launched in 2016. The average fuel economy

improvement of 6.7 percent across all projects is larger than the company's original projections of 2 to 5 percent.

Global fuel economy teams have been building functional capability via fuel economy forums, training and tools.

LOGISTICS

Goal:

» Use the most efficient method and mode to move goods across the Cummins network to reduce CO₂ per kilogram of goods moved by 10 percent by 2020.

Baseline year: 2014



In meeting the company's logistics goal, Cummins aims to create and maintain an efficient transportation network that reduces CO₂ emissions by improved transport planning to maximize loads, reduce miles when trucks are empty and minimize distance traveled.

Cummins recorded a 3.7 percent reduction of CO₂ per kilogram of goods moved in 2016 towards its goal of a 10 percent reduction by 2020.

In the U.S., which accounts for approximately half of the company's transportation spending, three of four operational areas are now managed through a single transportation system. Transportation leaders are analyzing their use of third-party logistics providers and are moving towards implementing a transportation data analytics system in 2017.

In sites outside the U.S., analysis is being done to determine the best region or country specific transportation solution that will enable Cummins to meet its goal.

WHAT IS THE IMPACT?

Since 2010, Cummins substantially reduced facility water and waste, adjusted for hours worked, and GHG emissions, adjusted for sales. The company avoided impacts equivalent to these real-life examples.

EMISSIONS equal to taking

68,400
passenger cars
off the road for a year

WATER for drinking, sanitation and hygiene for

352,300
people for a year

WASTE to fill

4,200
garbage trucks

THE IMPACT OF OUR GOAL

Partner with customers to improve efficiency of our products in use, resulting in an annual reduction of 3.5 MMT of CO₂ by 2020, saving 350 million gallons of fuel

Since 2014, Cummins fuel economy projects:



REDUCED fuel by
470 million gallons



SAVED customers
\$1.9 billion (U.S.)



AVOIDED 4.64 million
metric tons of CO₂

Carbon sequestered by
4,392,244 ACRES
of forests

11.1 BILLION MILES
of driving eliminated

Removal of
980,124 CARS
from the road for one year

ENVIRONMENTAL GOALS UPDATE

Corporate Responsibility

Right Environment

Safety

Diversity & Inclusion

Workforce

Financial Performance

Innovation

Customers

Governance

KEY INDICATORS

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

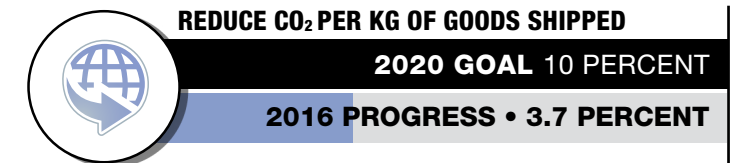
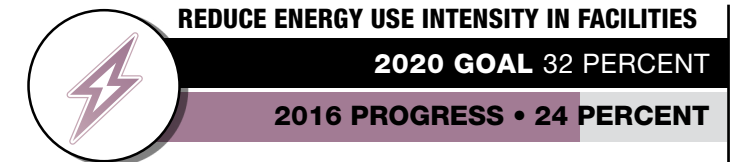
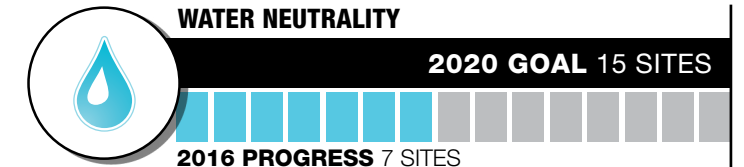
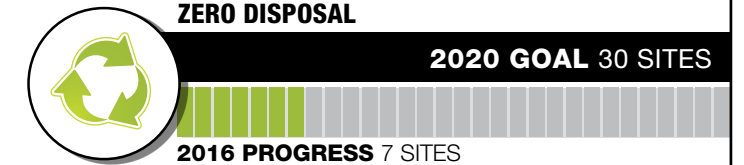
ENVIRONMENTAL PERFORMANCE	2013	2014	2015	2016
Energy consumption (thousands of MMBtu) ¹	12,080	12,739	12,928	12,921
GHG emissions (thousands of metric tons CO ₂ e)	750	788	775	765
Generated waste (thousands of metric tons)	177	183	191	190
Disposed waste (thousands of metric tons)	20	18	18	21
Recycled waste (thousands of metric tons)	157	166	173	169
Recycling rate (%)	89	90	90	89
U.S. hazardous waste (metric tons)	85	92	78	63
Water use (millions of gallons)	958	972	947	934
Enterprise ISO 14001 certified entities				108 ²
Manufacturing sites certified to ISO 14001 / OHSAS 18001 (%)				96
Energy intensity reduction since 2010 (%) ^{3,4}	14	19	24	24
GHG intensity reduction since 2010 (%) ^{3,4}	17	22	29	30
Water intensity reduction since 2010 (%) ³	28	35	41	42
Net sales (millions U.S. dollars)	17,301	19,221	19,110	17,509

¹ Primary energy excludes sold electricity and associated fuel usage

² Representing 372 HSEMS sites / corporate offices

³ Intensity defined as adjusted for sales (energy / GHG) or hours worked (water)

⁴ Energy and GHG intensity reduction includes consolidated entities only



PRODUCT STEWARDSHIP IS KEY TO SUSTAINABILITY AT CUMMINS

Corporate Responsibility

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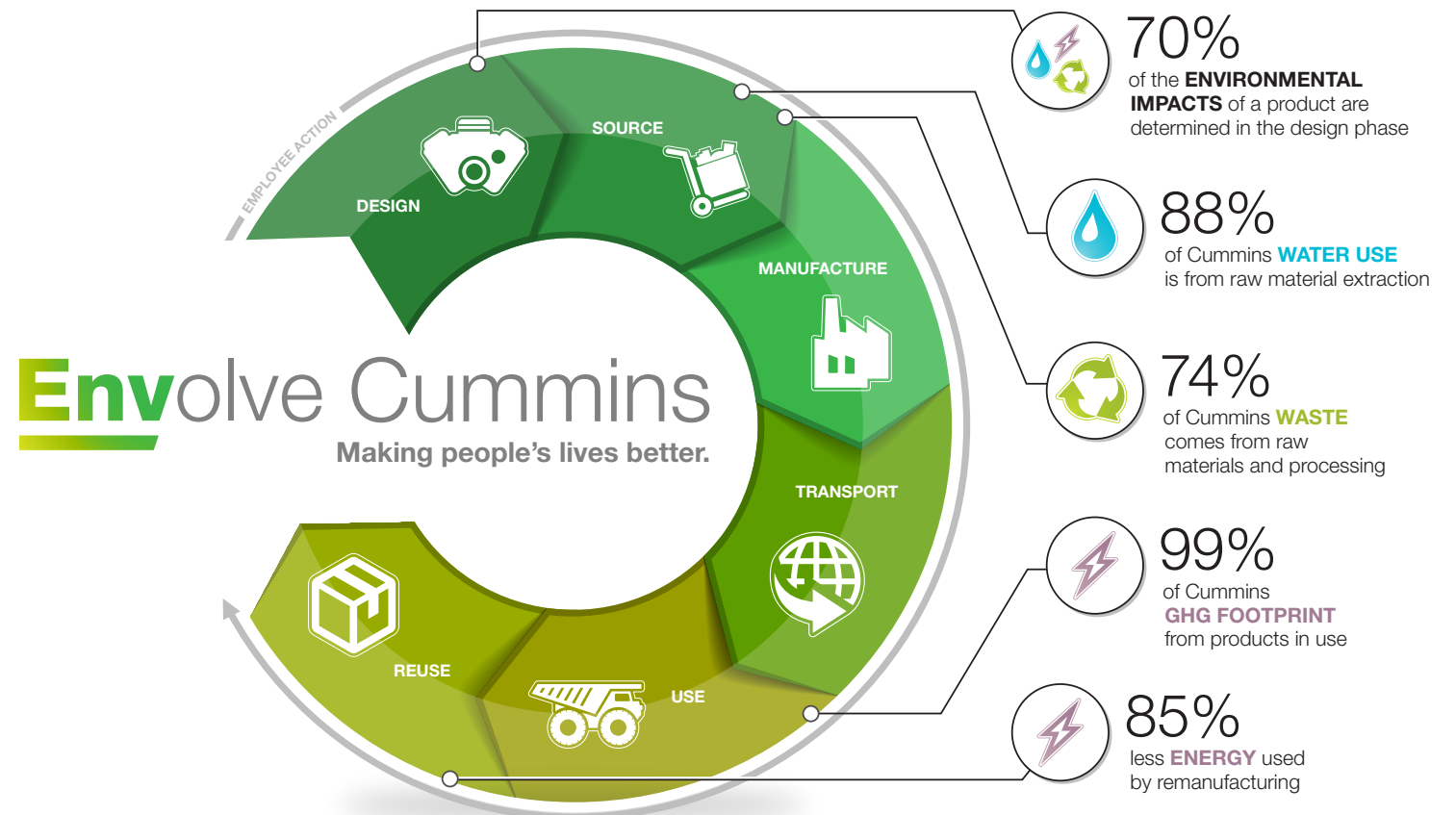
Cummins powers the interconnected world we live in today with an eye on what's ahead tomorrow.

From trucks delivering needed goods, to trains carrying passengers and freight, to generators powering hospitals, schools and data centers, Cummins works to make people's lives better with the least environmental impact possible.

The company's product stewardship goal means working with an environmental mindset about product design, use, remanufacture and end of life. Envolve Cummins (right) is the comprehensive lens through which the company views environmental sustainability. Cummins' Environmental Sustainability Plan guides the company as it strives to meet goals in three action areas:

- » Reducing Cummins' carbon footprint
- » Using fewer natural resources
- » Partnering to solve complex problems.

Envolve Cummins is the comprehensive lens through which Cummins views environmental sustainability, from design to manufacture to end of life. Our environmental sustainability plan is the way we carry out our priorities and goals and initiatives in our action areas.



USING RESOURCES RESPONSIBLY

As the largest independent diesel engine manufacturer in the world, Cummins has the means and the commitment to reduce both the resources it uses to build products and the fuel burned to operate them.

Seventy percent of a product's environmental footprint is determined during the earliest phases of the design process. The earlier the company can incorporate innovative design for the efficient use of fuel and raw materials, the greater its ability to reduce the environmental footprint of Cummins products both in their design and use.

A Cummins team for material efficiency is working now on ways to make the company's products more eco-efficient in the future.

Many of the concepts of the "circular economy" and its emphasis on re-use and recycling are not new, but this

team is connecting with the various functions in charge of materials work at Cummins to elevate their importance.

The goal is to use the right amount of material in everything the company makes to avoid unnecessary use of water and energy throughout a product's lifecycle. That means using material optimization tools to ensure structural integrity with minimized material and specifying that raw material is finished as close as possible to the ending net shape of the component.

Packaging leaders at Cummins are working to better understand what metrics and actions will drive consistent and environmentally sound packaging decisions. Their goals for sustainable packaging solutions are to reduce packaging waste and increase reusable solutions as well as the use of recyclable material.

Cummins has its own supercomputer, Clessie 2.0, which powers sophisticated design programs. It plays a key role in Cummins' efforts to reduce the amount of material it uses in its products without affecting robustness.

PRODUCTS IN USE EFFICIENCY

Greenhouse gas (GHG) emissions from Cummins products in use are the company's largest environmental impact and represent an estimated 99 percent of Cummins' GHG footprint due to fossil fuel use. Cummins' biggest opportunity to expand its product stewardship beyond the upfront design of its products is in working with customers

to improve the efficiency of the company's products in use.

One of Cummins goals (page 14) is to partner with its customers to improve the fuel efficiency of the company's products in use, and by extension reduce carbon dioxide (CO₂). The company wants to cut CO₂ emissions by nearly 16 million metric tons, saving customers up to \$6.3 billion through greater fuel efficiency, by the end of 2020.

Over the next five years, Cummins expects to work with 20 percent of its customer base, touching nearly 2 million engines as it tailors engine specifications to customer applications. The company wants to ensure customers have the latest tools to improve fuel efficiency.



PRODUCT SAFETY

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.

Each Cummins employee is expected to adhere to the spirit as well as the letter of the Product Safety Policy.

REMANUFACTURING

The need for remanufacturing will increase in a resource constrained world.

Remanufacturing, which Cummins has done for 60 years, requires far less energy and natural resources to extend life than to build new products.

Remanufacturing maximizes benefits for customers and the environment. Cummins products are designed with this in mind, enabling them to have a long, and increasingly fuel-efficient, life.

Through the common application of salvage technology, component re-use guidelines and remanufacturing-specific policies and procedures, the company has become increasingly sophisticated in what it can remanufacture and for how long it can extend a product's life.

In many cases, remanufactured products today are "upcycled" to include design, emissions, fuel economy and quality upgrades.

REGULATIONS

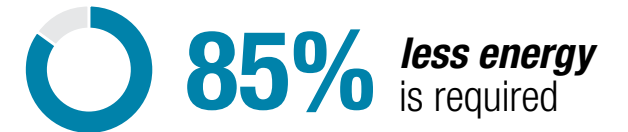
Cummins strives to have robust certification and compliance processes, adhering to all emissions regulations worldwide, including prohibiting the use of defeat devices in all of the company's products.

The company is transparent with all governing bodies in these processes, from disclosure of the design and operation of the emission control system, to test processes and

results, and later to any necessary reporting and corrective action processes if required.

The company works collaboratively with emission regulators globally to ensure emission standards are clear, appropriately stringent, and enforceable, in an effort to ensure Cummins products deliver on the company's commitments to its customers and the environment in real world use every day.

THE NUMBERS BEHIND REMANUFACTURING



Corporate Responsibility

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Cummins engines are subject to extensive statutory and regulatory requirements that directly or indirectly impose standards governing emissions and noise. The company has substantially increased its global environmental compliance presence and expertise to understand and meet emerging product environmental regulations around the world.

The company's ability to comply with these and future emission standards is an essential element in maintaining Cummins' leadership position in regulated markets. The company has made, and will continue to make, significant capital and research expenditures to comply with these standards.

To see more, go to page 12 of Cummins 2016 Annual Report on the [10K Form](#).

MATERIAL COMPLIANCE

Material compliance is key to Cummins' product stewardship.

The company maintains an internal corporate policy regarding the use of prohibited and restricted substances in its products. Cummins' policies also take into account key global environmental regulations as well as very specific ones driven by the European Union such as Registration, Evaluation, Authorization and Restriction of Chemicals (REACH); Restriction of Hazardous Substances (RoHS), and End of Life Vehicle regulations for automotive products.

REACH addresses the production and use of chemical substances and their potential impacts on both human health and the environment,

while RoHS restricts the use of certain hazardous substances in electrical and electronic products.

Compliance with the company's policies is designed into the materials Cummins uses and the company partners with its suppliers to ensure Cummins' global compliance requirements are met. The company maintains global policies to carry out key processes such as the Reasonable Country of Origin Inquiry process, consistent with the Organization for Economic Cooperation and Development (OECD) due diligence framework.

LIFECYCLE ANALYSIS EXTENDS DEEPER INTO THE PRODUCT LINE

Cummins has continued its lifecycle analysis (LCA) work on several more products in the past year to estimate their total environmental impact. While reducing products in-use fuel consumption has the greatest potential impact, the analyses revealed other interesting findings.

A team at Purdue University, for example, conducted an LCA on a Cummins turbocharger, looking into its energy and water usage, along with its greenhouse gas emissions. The team concluded that use of recycled aluminum is key to reducing water and energy consumption from "cradle-to-gate" stage and identified which manufacturing processes had the greatest impact.

In a project done by Montana State University students on a 455 kW Emergency Standby Power (ESP) diesel generator, the results revealed that, similar to on-highway engines, diesel generators consumed the most energy (greater 95 percent of the entire life cycle) during the use phase, followed by materials, transportation, and then manufacturing.

The company's LCA work began in 2011 when Cummins partnered with the Massachusetts Institute of Technology to conduct an analysis of the company's flagship product, the ISX 15L engine. In addition to use-phase fuel consumption, metals and transportation combined accounted for about three-quarters of the embodied energy required to make an engine.

"Embodied energy" is a metric used to quantify all of the energy required to make a product and is a good proxy for environmental impacts broadly.

Cummins estimates the LCAs conducted so far cover about 70 percent of the company's revenues.

PARTNERING WITH CUSTOMERS FOR BETTER FUEL EFFICIENCY

Cummins provides a complete set of collaborative solutions to help customers maximize their fuel efficiency and reduce greenhouse gas emissions. From the development of products that are optimized for specific market segments, to the use of software to assist in the truck specification process, to the ability to customize electronic engine settings and parameters. Cummins helps customers reduce their carbon footprint throughout the life of the product.



Click red circles in the photo for more detail.



CUMMINS TAKES STEPS TO IMPROVE ENVIRONMENTAL MANAGEMENT

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Cummins improved the effectiveness of its facilities’ environmental management in 2016 by aligning strategies and processes among key groups within the company so they can act faster and take better advantage of more broadly available tools, training and best practice sharing.

For example, the successful Cummins Energy Champion program, created in 2009, evolved in 2016 into the Environmental Champion program.

“We wanted sites to have a holistic view when reviewing facility projects, not just look through the lens of one media like energy,” said Nichole Morris, Environmental Manager and Cummins Water Program Leader.

“This way, you look at the benefits and the disadvantages of a project with the media of water, waste and energy in mind – as you can have good energy projects with positive or negative impacts,” she said.

“The common approach to tools for all three media makes it easier to teach, understand and support all the material.”

The Energy Champion program trained employees to look for examples where energy was wasted. In 2016, five sessions with a total of 166 attendees representing a good portion of the company’s footprint attended the much broader Environmental Champion training. The goal is to train champions to look for a host of environmental problems at 50 priority sites for the company comprising 90 percent of Cummins’ environmental footprint.

ENERGY STRATEGY



Saving energy has both environmental and bottom-line benefits. The company estimates savings of nearly \$50 million per year from its energy efficiency efforts. Cummins’ strategy focuses on four key areas:

- » Saving and conserving energy by improving existing facilities.
- » Recovering energy from the cells where engines are tested.
- » Building energy conservation into new construction.
- » Enhancing energy management.

Ten years into its energy efficiency journey, Cummins is still completing projects with very good returns. The average return on investment is 32 percent. High efficiency “smart” lighting and energy efficient windows, doors, walls and roofs

reduce heat gain or loss. Heating, cooling and recirculation systems offer opportunities for efficiency as do boilers and burners.

Cummins has been working to recover energy generated by engines and generators in its test cells by installing equipment that can capture that power for use by the plant or for sale to a local utility.

Other components of the company’s energy strategy, include:

ISO 50001 SITE IMPLEMENTATION

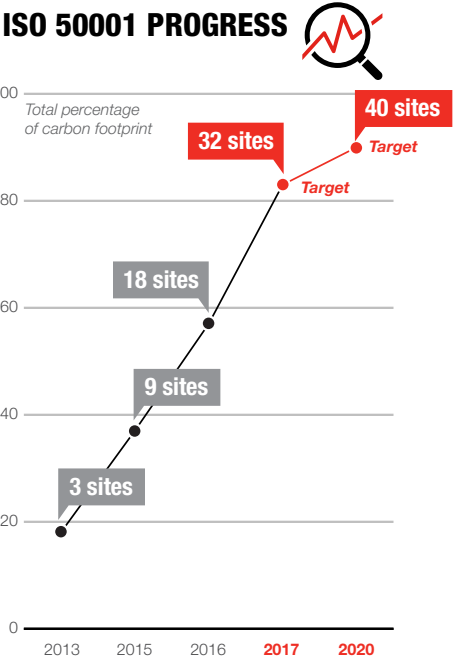
Cummins plans to implement the ISO 50001 international energy management system at 40 sites, or 90 percent of its carbon footprint by 2020. Here’s a look at the cumulative number facilities meeting those standards by year and the total percentage of the company’s carbon footprint they cover.

RENEWABLE STRATEGY

Cummins 2020 energy goal included a commitment to increase the amount of energy sourced from renewable power.

The company is looking to expand onsite renewables where it makes sense and has committed up to \$10 million for these projects,

ISO 50001 PROGRESS



which could double Cummins' current onsite capacity.

The company has eleven solar installations, the two most significant being the 3.6 megawatt installation at the Beijing Foton Cummins Engine Company Ltd. in China and the 2 megawatt installation at the Jamestown Engine Plant in Jamestown, New York. (U.S.A.).

Cummins is also exploring ways to source even larger amounts of renewable power off-site – up to 25 percent of the company's total power needs. The company has joined a power purchase consortium in China to explore opportunities there and has researched opportunities in the U.S. A team is working with a community group in Columbus, Indiana (U.S.A.) on a community solar project. To guide the company's decision making, Cummins created its own Renewable Energy Principles:

- » **Additional:** Generation and purchases must have a net positive effect in the real world, increasing capacity of renewable power that did not previously exist.

- » **Tangible:** Generation and purchases must create environmental benefit, for Cummins, the community or both.
- » **Cost effective:** Generation and purchase must be cost competitive with traditional energy sources over the long term.
- » **Transparent:** Cummins will be very transparent in its renewable accounting and in describing facility energy attributes.

WATER STRATEGY



The company's comprehensive water strategy addresses both direct water use and community engagement. Cummins has the opportunity through its more aggressive revised goal (page 14) to amplify water efficiency efforts, which is important for several reasons: to mitigate business risk; to be a good global citizen and to reduce costs and compliance risk.

In its water management program, the company uses innovative

assessment tools such as the Ceres Aqua Gauge (one of the first companies to use this framework), a global water risk screen and the "true cost of water" assessment that identifies water costs embedded in activities such as pumping, electricity and chemical use.

To achieve its 50 percent reduction, Cummins will expand the work it does with its sites in water program management, including intensive engagement with higher water use locations, water balance creation and sub-metering. The company also has plans for high impact and showcase

projects, such as an alternative bio-tech system for producing high quality treated wastewater for process reuse at one of the company's engine plants.

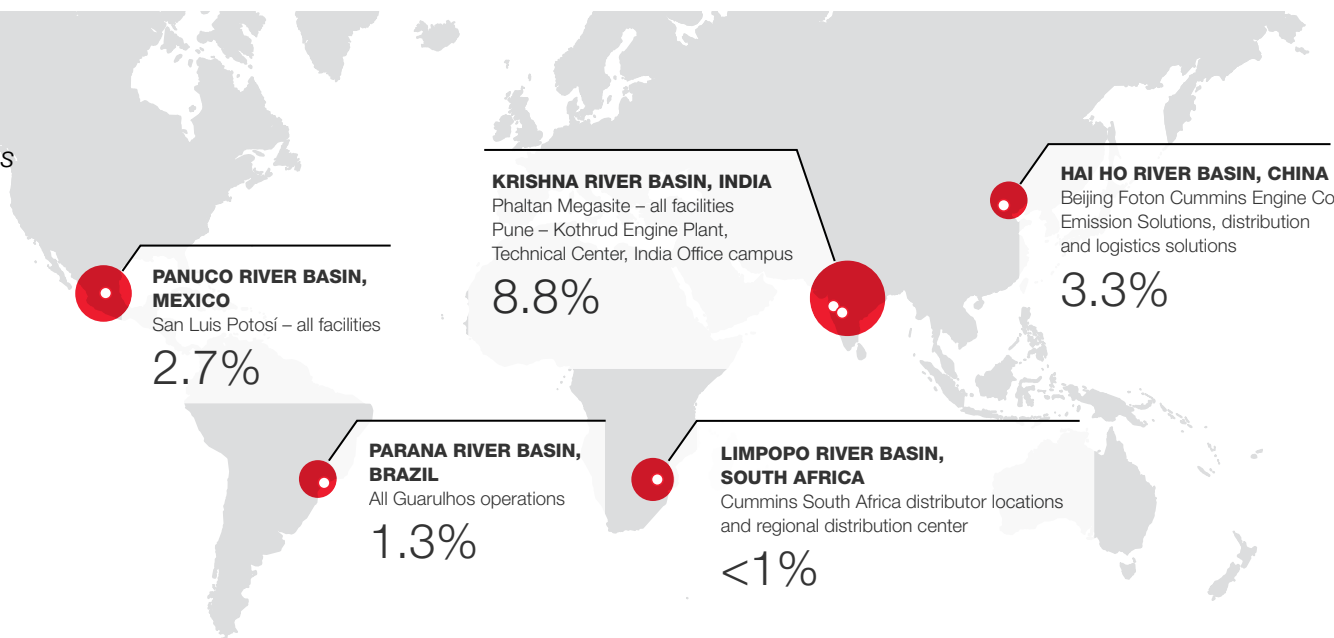
Cummins uses regenerative dynamometers (dynos) throughout the company to capture the mechanical energy of engines in test cells. The dynos also reduce cooling load, which allows cooling systems to be smaller and use less water.

Cummins' strategy also identifies the critical role water plays in the company's supply chain. Almost

WATER RISKS

*These are the five most water-stressed river basins in the regions where Cummins has operations. Each of these locations also falls within the company's priority regions for achieving **water neutrality**. 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.



NOTABLE

In 2016, Cummins completed more than 185 packaging recycling and reduction projects globally – 14 projects saved 700 metric tons of wood, cardboard and plastic waste.

90 percent of Cummins’ water footprint exists in the supply chain, mostly associated with the extraction and production of metals.

A risk analysis and mapping exercise of the company’s top 200 suppliers has been completed with Verisk Maplecroft to help Cummins better understand water risk in its supply chain. The company is beginning to work with suppliers to help them develop less water intensive techniques.

WASTE STRATEGY

The company follows waste management hierarchy consistent with current industry standards: avoid the generation of waste, reuse, recycle, and recover energy from waste.

Reducing packaging is one way Cummins tries to avoid the generation of waste. Reusing waste might involve reusing pallets or

finding an alternative use without any reprocessing. Recovery and reuse of coolants and solvents is another example. The recycling of metals, paper or wood also reduce the amount of waste that has to be disposed.

The company’s ultimate goal is “Zero Disposal” (page 16) at 30 Cummins facilities. Cummins is also committed to avoiding the generation of hazardous waste and properly handling hazardous materials in the workplace.

The definition for what constitutes hazardous waste varies widely by country. Cummins follows all appropriate local and regional regulations. For U.S. sites that produce hazardous waste, Cummins has a formal vendor pre-qualification process to ensure the waste is handled properly.

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.

AUDITING AND DATA CERTIFICATION

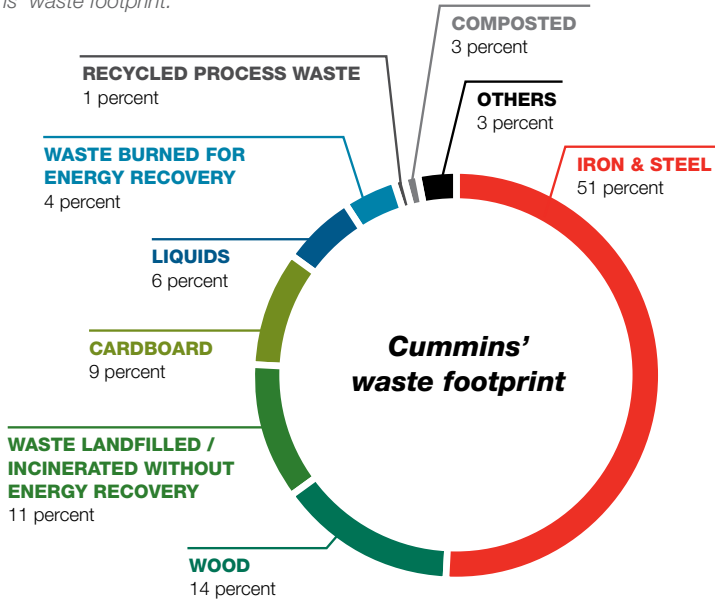
Environmental goals are measured through a structured audit process. A third party auditor, Bureau Veritas Certification (BVC), certifies the HSEMS and the environmental metrics Cummins collects.

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. In 2016, more than 40 people were trained and there is a pool of 111 Health, Safety and Environment leaders certified as HSE Lead Auditors.

CUMMINS’ WASTE FOOTPRINT

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



STRATEGIC ACTIONS AT A GLANCE

Here are some actions Cummins is taking to reach its goals in energy, waste and water.

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Jamestown Engine Plant, in Jamestown, New York (U.S.A), is Cummins' showcase project in the Department of Energy's Better Buildings Challenge.



REDUCE

Cummins' building standards are based on international standards (ASHRAE 189.1*) regarding the efficient use of energy and water.

**American Society of Heating, Refrigerating and Air Conditioning Engineers*

REUSE

Our facilities reuse 25 million gallons of water each year.

RECOVER

We use 184 regenerative dynamometers in Cummins plants around the world to capture waste heat in engine test cells and turn it into productive energy.

RECYCLE

"Dumpster dives" are a Cummins best practice to visibly show employees the trash that could have been recycled.

REPLENISH

Our definition of water neutrality is that we offset the company's own water use at a particular location through conservation and/or restoration of available water sources.

PARTNERING TO SOLVE COMPLEX PROBLEMS

Cummins' partnerships and its policy advocacy efforts play key roles in the company's environmental strategy and performance.

They help Cummins meet product emission goals, use energy more efficiently and bring environmental solutions to the marketplace.

Four of the company's 10 environmental sustainability principles focus on partnerships with legislative and regulatory entities to develop sound public policy that reduces Cummins' impact on the environment.

They are:

- » Help develop responsible regulations.
- » Promote technology development.
- » Advocate for incentives to accelerate progress.

- » Support a balanced global approach.

Cummins has a long history of demonstrating its leadership in developing the technologies needed to meet tough emissions standards and improve fuel efficiency that are the hallmarks of products across the globe.

For example, Cummins certified early to meet U.S. Phase 1 fuel efficiency standards in 2013 and 2016 and was part of a stakeholder group participating in a multi-year effort to advocate for the rule.

In August 2016, Cummins expressed its readiness to provide fuel savings and environmental benefits as the U.S. Environmental Protection

Agency (EPA) and the National Highway Traffic Safety Administration (NHTSA) finalized the second phase of their national fuel efficiency and greenhouse gas (GHG) emission regulations for medium- and heavy-duty commercial vehicles. These regulations cover Cummins' on-highway engines from 200 to more than 600 horsepower output.

The agencies released a final rule that sets new standards for engines, on-highway tractors, vocational vehicles, trailers and heavy-duty pickup trucks and vans. The Phase 2 standards, intended to drive further reductions in fuel consumption and greenhouse gas emissions, are an important step toward achieving national climate and

PARTNERING FOR CLEANER AIR, ENVIRONMENTAL RESILIENCY



Distinguished Professor of Biology Ellen Ketterson is leading IU's effort.

Cummins is a corporate partner with Indiana University (IU) in its Prepared for Environmental Change initiative, the second project funded through [IU's Grand Challenges Program](#), which launched in 2015.

IU will invest \$55 million to help Indiana, Cummins' headquarters state in the U.S., develop actionable solutions that prepare businesses, communities and individuals

for the effects of ongoing environmental change. The initiative will create an Environmental Resilience Institute to better predict the impact of these threats and facilitate collaboration between IU's faculty and Indiana residents, businesses, nonprofits and the public sector.

Cummins is also working to reduce diesel black carbon emissions in partnership with the Heavy-Duty Diesel Vehicles and Engines Initiative (HDDI) of the [Climate and Clean Air Coalition](#), co-led by the governments of Canada, the United States and Switzerland alongside the International Council on Clean Transportation (ICCT) and UN (United Nations) Environment.

Diesel engines today are responsible for about 19 percent of global black carbon emissions, a short-lived climate pollutant that contributes to rapid near-term climate change. The Soot-Free Urban Bus Fleets Project of the HDDI aims to secure commitments from 20 major cities around the world to shift all future bus procurement to soot-free engines that meet Euro VI emissions standards as a minimum.

Cummins is working in partnership with the ICCT and its implementing partners to make available Cummins Euro VI technology to all OEM partners in target cities by 2018.

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NOTABLE

The company's recent portfolio of government co-funded technology development and system integration programs stands at \$351.2 million in total public / private research investment since 2010.

energy goals and delivering cost-saving benefits to owners.

The Phase 2 rule builds on the Phase 1 regulatory framework that recognizes the diversity and complexity of the commercial vehicle sector.

“The EPA and ARB (California Air Resources Board) should work collaboratively with the goal of maintaining a national, heavy-duty NOx (oxides of nitrogen) and GHG program,” said Cummins Vice President Srikanth Padmanabhan, President of the company’s Engine Business. “Cummins is committed to working with both agencies to determine the best path for achieving real-world reductions.”

Here’s a look at other ways Cummins partnerships and policy efforts related to the environment:

GOVERNMENT PARTNERSHIPS

Cummins’ longstanding partnerships with the U.S. Departments of Energy (DOE), Defense (DOD) and other federal and state agencies directly support international and national goals of reducing GHG emissions, petroleum consumption and dependency, and ambient air quality non-attainment as well as enhanced military readiness.

These partnerships help Cummins lead the United States and other markets in competitiveness, technology and customer success while continuing to reduce criteria emissions from global transportation and distributed power generation fleets.

PARTNERING FOR PROGRESS

Cummins’ current public-private projects include (agency is the Department of Energy unless noted):

AGENCY PROJECT	PARTNERS	TECHNOLOGY	OBJECTIVE
Sustained Low Temperature NOx Reduction	Johnson-Matthey, Pacific Northwest National Laboratory (PNNL)	Low temp SCR catalyst & system technologies	Sustained 90 percent NOx Reduction at 150 degrees Celsius
55% Brake thermal efficiency (BTE) diesel	Cummins exclusive	Multiple base engine and waste heat recovery technologies	Demonstrate 55 percent BTE with heavy duty diesel 15 liter engine
SuperTruck II	Peterbilt Motors, Eaton Corporation	Advanced engine, drivetrain, and vehicle technologies for Class 8 line-haul trucks	55 percent engine BTE with strong focus on commercial viability; greater than 125 percent freight efficiency improvement versus 2009 product
Advanced Research Projects Agency – Energy (ARPA-E) high horsepower natural gas	Cummins exclusive	Advanced knock suppression and efficiency enablement technologies	Breakthrough high horsepower natural gas efficiency and power density levels
Electric truck range extender engine	Paccar, Argonne, National Renewable Energy Laboratory (NREL) , Ohio State University (OSU)	Class 6 electric truck with Range Extender Engine (diesel)	Greater than 50 percent petroleum reduction for 85 percent of Class 6 pickup and delivery applications
Solid Oxide Fuel Cell	Ceres, PNNL, University of Connecticut	Solid oxide fuel cell technology operating on natural gas	60 percent electrical efficiency for the off-grid data center market
U.S. – China Clean Energy Research Center –TRUCK	Argonne, Oak Ridge, Purdue University, OSU, University of Michigan, Freightliner Custom Chassis Corp.	Medium duty electric truck with spark-ignited range extender and other high efficiency vehicle technologies	Cost-effective achievement of more than 50 percent freight efficiency improvement compared to today's medium-and heavy duty vehicles
ARPA-E NextCar	Purdue, Peloton, Peterbilt, NREL, ZF	Multiple controls concepts capitalizing on information and connectivity technologies to save fuel	Class 8 truck fuel savings exceeding 20 percent with technology costing less than \$3,000 per truck
Department of Defense Advanced Combat Engine	Achates Power	Advanced Combat Engine based on Opposed Piston, Two Stroke Engine Technology	Demonstrate low heat rejection, high power density, high efficiency technologies for future combat vehicles

GOVERNMENT RELATIONS

The company's [Government Relations](#) staff advocates globally for policies, legislation, government research funding and regulatory guidelines that promote products and technologies that benefit the environment.

Efforts in the United States include working with Congress, the White House, state governments, trade associations and industry to support the EPA in developing fuel efficiency regulations for heavy-duty vehicles, and to broadly educate policy makers about how regulations, economic development and competitiveness can flourish if handled properly.

Outside the U.S., Cummins supported the Indian Government in moving early to Euro IV emissions regulations. Following this collaborative initiative, Cummins also supported the effort by the Indian government to transition to Euro VI norms by 2020. This includes

providing technology advice and thought leadership to the government in preparation for the standard.

Cummins has also actively supported the introduction of a Goods and Services Tax (GST) by the Indian government, which is on track to be introduced in July 2017. The company continues to work with the government and industry associations to identify sectors in India that could make the country globally competitive in the manufacturing sector. This work is part of the "Make in India" initiative of Prime Minister Narendra Modi.

Cummins is also working with multiple stakeholders including the government to help in cleaning the air of Delhi under the "Cleaner Air Delhi" initiative. This initiative will work on finding executable actions that can be taken in a scientific- and data-based manner to improve the quality of Delhi's air.

In China, Cummins is advocating for an effective enforcement environment

for emissions regulations and a nondiscriminatory certification/testing mechanism for engines and vehicles. The company has also brought together stakeholders from the U.S. Department of Energy and China's Ministry of Science and Technology to develop a joint U.S. – China research program modeled after [SuperTruck](#) with a goal to further improve engine and vehicle fuel efficiency and reduce greenhouse gases.

BUSINESS COALITIONS AND COUNCILS

Cummins is a member of several key non-profit organizations that promote sustainability and responsible technology, including:

» [The Diesel Technology Forum](#), which is dedicated to raising awareness about the importance of diesel engines, fuel and technology. Since it was founded in 2000, the forum has emerged as a leading source of information on agriculture, economics, energy,

the environment, transportation and trade issues impacting diesel technology.

» [The Health Effects Institute](#) founded by the EPA and industry leaders including Cummins, is a non-partisan organization committed to providing high-quality, impartial, and relevant science regarding the effects of air pollution on health.

» [BSR](#) (Business for Social Responsibility), which works with member companies to develop sustainable business strategies through research and cross-sector collaboration.

» [Rocky Mountain Institute Business Renewables Center](#), is a member-based platform that serves to streamline and accelerate corporate procurement of off-site, utility-scale wind and solar energy.

The company also sits on the U.S. EPA's Clean Air Act Advisory Council and the North American Council for Freight Efficiency.

THE REST OF THE STORY

Cummins frequently posts stories on its sustainability efforts on The Block, the company's social media channel. Here are some stories on environmental sustainability at Cummins you might be interested in:



Read how Cummins in the U.K. implemented a new program to develop ideas that

could help the business meet the company's environmental goals.



See how Cummins is working to become a paperless company.

Learn about how the role of the company's Energy Champions evolved, making them Environmental Champions.

See how Cummins is partnering with Purdue University to reduce fuel consumption by trucks using online cloud technology.



Read about the green features of Cummins new Distribution Business Headquarters in Indianapolis, Indiana (U.S.A.).

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NOTABLE

In 2016, Cummins introduced a vision statement for new product design:

Powering the future through product innovation that makes people's lives better and reduces our environmental footprint.

PARTNERING FOR A GLIMPSE OF WHAT THE FUTURE HOLDS



University of California at Davis Distinguished Professor Dan Sperling discusses the future of low carbon transportation with top Cummins leaders. Sperling leads the university's Institute for Transportation Studies.

The road to a low carbon future is littered with questions.

Will there be major shifts in the transportation used to move people and freight? What about autonomous vehicles? How about fuel cells? Will there be more regulations to reduce air pollution and lower greenhouse gases?

These are not only interesting questions, they are critical to Cummins' long-term success and sustainability.

Two notable guests, distinguished scholars Dan Sperling and Joan Ogden from the Institute for Transportation Studies at the University of California at Davis, met Cummins leaders and employees in Columbus, Indiana (U.S.A.) to discuss the future of low carbon transportation.

"In many ways we are seeing more change now and in the next few years than we've seen perhaps even since the Model T," Sperling told employees.

Consider one example of a technological transformation that Professors Sperling and Ogden laid out in regards to infrastructure: as use of alternative fuels expand and diversify, the placement of fueling or charging stations will be a significant challenge to support the range of power sources represented on any given stretch of highway.

As GPS technology improves, however, the world may need fewer overall stations as people are better able to anticipate their fueling needs and plan their stops.

In preparation for this transformation and many other uncertainties, Cummins leaders have been conducting scenario planning over the past year, meeting with experts

to look more than 30 years into the future to better understand the range of global regulatory, technological and societal factors that could present risks as well as opportunities.

The goal of this effort is to ensure that Cummins' business planning and investments are informed and contemplate all major scenarios that could impact the business as the future unfolds.

Put simply, scenario planning is not a prediction of the future, but a tool to establish an internally consistent view of what may lie ahead to inform planning.

"Humans are incredibly creative and inventive, but only when we focus on particular challenges – our resources, our intellectual abilities, our R&D and our policies," Sperling said. "As we focus more on efficiency, lowering pollution and sustainability, we will see an accelerating rate of change in our technologies and our transportation systems."

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In 1954, then Cummins CEO J. Irwin Miller codified the company's values, beliefs and principles in the creation of the Cummins Foundation, one of the world's first corporate philanthropic institutions.

COMMUNITY IMPROVEMENT IS A CORPORATE RESPONSIBILITY AT CUMMINS

Cummins employees worked to build stronger communities around the world in 2016, expanding opportunities for young people in technical fields, crafting innovative programs to improve the environment, and working with community leaders to help adults with challenges ranging from finding day care for their children to food insecurity.

"We all lead such busy lives, balancing things at work and at home. And yet, year after year, our dedicated and inspired employees go the extra mile to help people in our communities solve problems," said Mary Chandler, Vice President of Corporate Responsibility and CEO of the Cummins Foundation.

A team of Cummins employees checks the water quality on a stream near Shangzhuang, China, a village near Beijing. The multi-faceted project was one of the winners in the company's annual Environmental Challenge in 2016.



CORPORATE RESPONSIBILITY

Right Environment

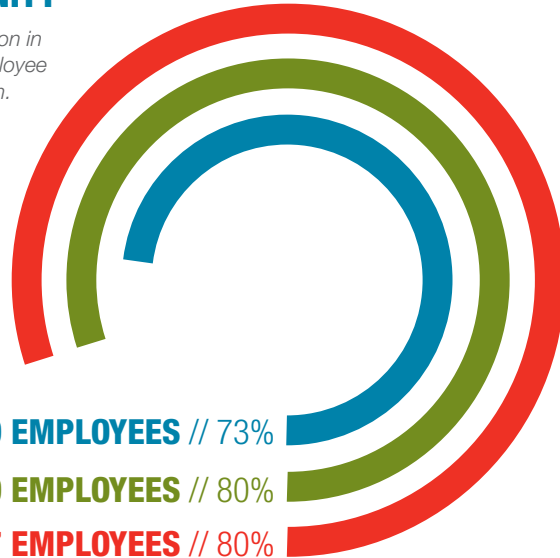
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EVERY EMPLOYEE EVERY COMMUNITY

Here's a look at participation in the company's Every Employee Every Community program.



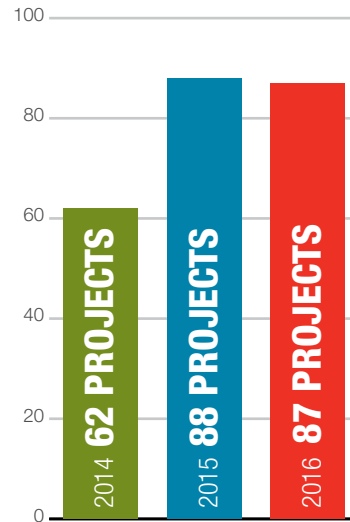
2014 **50,000 EMPLOYEES** // 73%

2015 **53,749 EMPLOYEES** // 80%

2016 **52,577 EMPLOYEES** // 80%

ENVIRONMENTAL CHALLENGE

Here's a look at the number of projects in the company's Environmental Challenge program since 2014.



Cummins' Corporate Responsibility function is not only about employees working to improve their communities. It's also about creating the right environment within the company for all employees to flourish as leaders, neighbors and engaged members of global communities.

The company encourages employees to focus their efforts on three areas where it believes their work skills most align with community needs: education, the environment and social justice/equality of opportunity.

Cummins leaders also play an important role in the company's corporate responsibility efforts, removing obstacles and focusing attention on areas most in need of help.

KEY METRICS

In 2016, Cummins employees worked on community projects across the globe. For a third consecutive year, participation in the company's Every Employee Every Community (EEEC) program exceeded the company's goal of 70 percent. In 2016, more than 50,000 employees, joint venture employees and contractors honored the company's Corporate Responsibility commitment by engaging in community improvement efforts.

Although the EEEEC program provides employees at least four hours of work time annually to devote to community improvement projects, many invest much more than that with their supervisor's approval. Employees reported spending more than 400,000 hours on community initiatives in 2016.

Cummins also operates several foundations to support its corporate responsibility efforts. In 2016, the company gave \$13.9 million through grants and other strategic community investments to support employee led projects in more than 25 countries, including four that received support for the first time. (To learn more about the company's Community Development Grants, [see page 37.](#))

THE REST OF THE STORY

Cummins frequently posts stories on its sustainability efforts on The Block, the company's social media channel. Here are some stories on corporate responsibility you might be interested in:

Read more about the company's [Every Employee Every Community initiative.](#)

Learn more about the company's [Environmental Challenge.](#)

See how the company's [TEC: Technical Education for Communities program](#) is changing lives.

Learn more about Cummins' [corporate responsibility partnership with Komatsu.](#)

BUILDING ON SUCCESS

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In 2016, Cummins employees worked on community improvement initiatives in 59 different countries.

Most community initiatives are organized by the company's Community Involvement Teams (CITs). These teams are typically site-based and structured around Cummins' three corporate responsibility focus areas.

Once again in 2016, many CITs competed in the company's Environmental Challenge. Now in its eighth year, the Challenge is a competition to produce the most impactful service projects dealing with the environment. Eighty-seven

projects, many building on the success of previous years, were completed in 2016, engaging 17,400 employees from 23 countries.

Although each Environmental Challenge project had specific strengths, 19 were determined to be the most impactful, and were declared global Challenge winners. Each global winner will receive \$10,000 to donate to a community partner of its choice. Five additional projects were awarded \$5,000 each, also to be donated to a community partner. In the past, prize money has been used to scale projects and further increase impact.

The company's TEC: Technical Education for Communities program continued to grow and thrive in 2016. TEC works with schools and other industry partners to teach students the technical and life skills needed for a productive career.

Cummins employees in South Africa engaged with a daycare center in 2016.

In 2016, Komatsu Inc., one of the world's largest equipment manufacturers, agreed to partner with Cummins in several TEC schools. The partnership is building on the already strong business relationship between Cummins and Komatsu.

TEC now operates in 18 locations around the world with more than 20 corporate partners.

KEEPING OUR COMMITMENT STRONG

In 2017, Cummins will build on the success of its community programs, always keeping in mind the fundamental purpose of corporate responsibility.

"What's most important is how steadfast and committed we are as a company to the people of our communities," Chandler said. "Community involvement is as ingrained in the culture and heart of Cummins as the color red."

MEET JUMBO INYANG

The quickest way to grasp the impact of Cummins' TEC: Technical Education for Communities program is to listen to the students involved in the initiative. For many, access to a technical education can be the catalyst needed to get a good job that will support them and their families for years to come.

For Jumbo Jeremiah Inyang, a 21-year-old living in Lagos, Nigeria, TEC provided an opportunity to revitalize his education after enrolling in the Electrotechnics program at the Institute for Industrial Technology, TEC's partner school in Lagos, in 2014. Click [here](#) to see a video on Inyang's experience.



THE CUMMINS FOUNDATION

The Cummins Foundation is governed by these individuals and committees:

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CUMMINS FOUNDATION GRANTS SUPPORT EMPLOYEES BUILDING STRONGER COMMUNITIES

As a Human Resources Manager in Cummins' Distribution Business in Buenos Aires, Argentina, Natalia Giqueaux knows how important proper job training can be for succeeding in a career. So when she and her colleagues saw people in their community struggling to get jobs, they put their skills to work to make a difference.

The Cummins employees partnered with the nonprofit TECHO Argentina to help unemployed community members receive job training and other skills. With a \$20,000 Community Development Grant (CDG) from the Cummins Foundation, the partnership reached some 250 people with classes in areas such as electricity, plumbing and more. Cummins employees participated in mock interviews and other activities to help participants prepare for the job market.

"I love encouraging young people to pursue their dreams, whatever those may be, and showing them how we achieved ours," Giqueaux said.

Cummins employee Natalia Giqueaux teaches a job training class in Buenos Aires, Argentina.

The CDG program funded projects like Giqueaux's in more than 25 countries around the world in 2016, including four that received support for the first time. Grant requests are made by Cummins employees on behalf of a community partner, providing opportunities for employees to engage in a more meaningful way.

All CDG projects must be located in communities where Cummins employees live or work. The company believes strongly that the grants should support employee efforts to build stronger communities.

In 2016, Cummins gave \$13.9 million through CDGs and other strategic community investments to support employee-led projects such as refugee language immersion, educational greenhouses, revitalizing food pantries, cleanup of polluted rivers, leadership training for children with disabilities and much more.

The projects aligned both with the company's global priority areas of education, environment and social justice/equality of opportunity, as well as defined regional or site strategies for corporate responsibility.

Cummins' leaders frequently play an important role in CDG projects, working with employees to set priorities and address obstacles. For example, Pedro Zermeno, General Manager in the Latin America Distribution Business, was instrumental in the Cummins-TECHO project.

Giqueaux said she felt tremendous satisfaction in addressing a community need in such a meaningful way.

"TECHO provides educational assistance, psychological support and job training programs, like our Cummins job program," she said. "Partnering with them meant we could help families get a home or help community members gain access to water or other vital community services. That is very rewarding to me."



HEALTH & SAFETY TO FOCUS ON ‘FANTASTIC FOUR’ IN 2017

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Cummins saw improvements in several key safety performance metrics in 2016, including a 20 percent increase in training hours for employees and an improving trend in both Major Injuries and Restricted Work Day cases.

The company’s Distribution Business, meanwhile, achieved significant improvements in several areas including 20 fewer recordable injuries in 2016 compared to 2015, resulting in a record low Incidence Rate for that business segment.

Cummins sites also completed a record number of ergonomic assessments and the company’s

Health & Safety function launched a Global Action Plan program to deploy across the company what it learned from its major injury investigations to prevent recurrences. Health & Safety also initiated multiple projects in 2016 to leverage leading indicators for performance measurement and predictive analytics.

While Cummins made important strides in strategic as well as tactical areas of health and safety, the company did miss some aggressive goals in 2016 and saw a 3.5 percent increase in total recordable injuries globally. Cummins leadership has demanded that targets for 2017 remain aggressive, demonstrating their commitment to protecting the company’s most important asset, its employees.

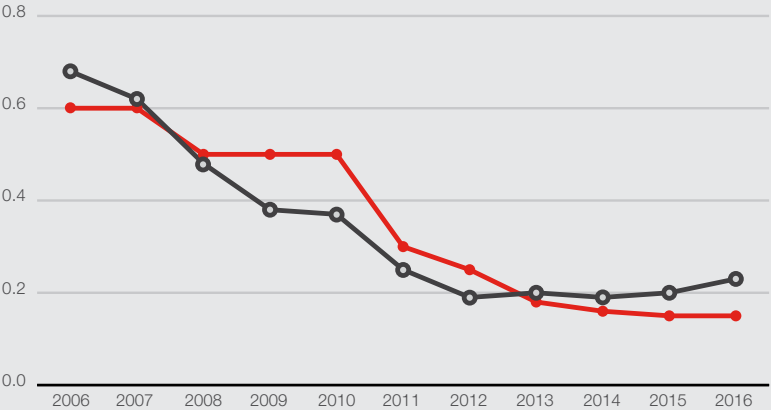
SAFETY PERFORMANCE INDICATORS



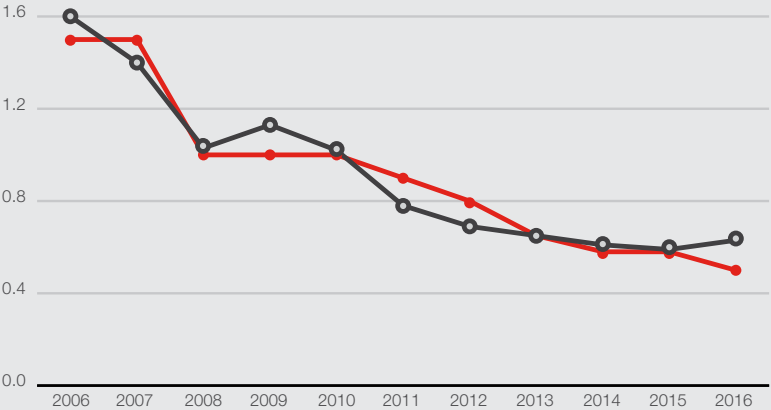
Here’s a look at key trends in health and safety at Cummins since 2006.

Actual
Target

SEVERITY CASE RATE



INCIDENCE RATE



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 is the relative number of recordable injuries and illnesses per 100 employees.

CUMMINS HEALTH & SAFETY TRENDS



Cummins’ Health & Safety team tracks a number of key performance indicators to evaluate how the company is doing. Here are four of those indicators.

	Severity Case Rate	Incidence Rate	Major Injury Rate	Ergo Incidence Rate
2016	0.225	0.627	0.041	0.158
2015	0.195	0.588	0.044	0.127
2014	0.187	0.610	0.043	0.149
2013	0.196	0.650	0.040	0.171
2012	0.191	0.690	0.035	0.173

**Because of changes made to improve the company’s Health & Safety data collection, data for 2015 was recalculated. The revised 2015 data is presented here.*

‘FANTASTIC FOUR’
FOCUS AREAS

Health & Safety leaders believe focusing on the “Fantastic Four,” a group of key health and safety initiatives it has identified, will help the company improve on its key metrics in 2017. The focus areas are:

- » Strengthening the health and safety culture
- » Major injury reduction

- » Incident investigation and root cause analysis
- » Ergonomic injury prevention

The Health & Safety function also has identified Health, Safety and Environmental Talent Management as a key strategic focus for 2017. This cross-functional led initiative is designed to attract, develop and retain high performing employees to meet the function’s strategic goals and objectives.

“The Fantastic Four initiatives have been identified as having the most significant impact on our combined health and safety performance,” said Michelle Garner-Janna, Executive Director of Corporate Health and Safety. “Building and deploying robust processes and toolkits for these areas, and ensuring sustainable systems, allows for both short and long term risk reduction and continued improvement.”

HIGHLIGHTS

Health and Safety highlights for 2016 included:

- » The Live It. Lead It. program was expanded to include a version not just for leaders but for all employees known as Passport to Safety. This training continues to bolster Cummins’ culture of interdependence in health and safety. More than 1.5 million hours were dedicated to safety training in 2016 compared to just under 1.3 million in 2015.

- » Restricted Work Day cases fell dramatically in 2016, down 26 percent compared to the year before. Restricted Work Days also fell but not as dramatically, dropping 8 percent.
- » A renewed focus on major injury reduction was implemented, including the creation of a cross-functional team to review incidents, identify key learnings and create action plans to prevent future major injuries. This led to the launch of a preventive program known as “Global Action Plans” to verify that appropriate preventive actions are deployed across the company.
- » The development and implementation of an investigation and root cause analysis program to help Health & Safety personnel systematically and thoroughly investigate incidents. By identifying the true root causes of an incident – for example, employee behaviors, uneven work surfaces, or ergonomic risks – Cummins can deploy adequate mitigation measures and prevent future incidents.

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Cummins in 2016 conducted a Safety Pledge Card campaign – the largest project of its kind to date at the company. Translated into 26 languages and shipped to more than 200 global sites, the card was designed to foster conversations about safety between site leaders, managers and employees.

- » The company continued its focus on preventing ergonomic injuries, with more than 4,000 job assessments logged in The HumanTech System – Cummins’ ergonomic software. Significant focus has been placed on reducing moderate and high risks in the future.
- » The company’s Distribution Business, which sells and services the full range of Cummins products, achieved a major turn-around in its safety metrics in 2016. Distribution implemented a campaign to improve its safety culture and saw the segment’s Incidence Rate, which was four to five times other areas of Cummins, fall roughly four-fold from its peak.

AREAS FOR IMPROVEMENT

In 2016, Cummins Major Injury Rate showed a 9 percent improvement as compared to 2015, but was still over the company’s goal.

The Severity Case Rate, the number of injuries and illnesses resulting in lost work days per 100 employees, missed its target as well. The rate was 0.225 in 2016 compared to 0.195 the previous year.

In 2016, Health and Safety leaders also identified opportunities for improving the function’s global reporting process. Data from 2015 and 2016 were revised to reflect this opportunity.

And early in 2016, a workplace violence event resulted in the death of an employee. The company has taken several steps in the wake of this incident including additional employee training led by the company’s security function.

LOOKING AHEAD

In 2017, culture will continue to be key as the company builds on existing programs to invigorate employees’ dedication to health and safety.

“What matters most for Cummins to achieve an injury free workplace is to continue to foster a culture of caring along with a spirit of interdependence in which every employee looks out not only for their own safety, but for the safety of their co-workers, family, friends and communities as well,” Garner-Janna said.

“Our expectations are high for health and safety, our leadership is fully committed to deliver and more importantly our employees and their families fully deserve it,” she added.

JAMESTOWN WINS ANOTHER ERGO CUP



A team from Cummins’ Jamestown Engine Plant in Jamestown, New York (U.S.A.) won the 5th-annual Cummins Ergo Cup award for its innovative solution to an ergonomic challenge that all engine builders face: drive belt installation.

The solution was designed and built entirely in house using pneumatics, 3D printing, and custom machined components to completely eliminate the physical force involved with installation of the drive belt. This project contributed to \$3.8 million in productivity savings the company has recorded from Ergo Cup improvement projects over the past three years.

The winning team consisted of Greg Scott, Kendrick Knight, Nick Luther, Rory Hollabaugh, and Seth Primack. Knight is now a two-time winner of the cup, having won in 2014 for the Knight Knuckle, a tool to reduce the “kick” of torque that accompanies the use of high-torque tools to tighten screws and bolts.

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Cummins held its first [Women's Conference](#) on March 11, 2016, in Columbus, Indiana (U.S.A.). More than 250 women leaders attended the day-long event, which was designed to guide and inspire them.

AN UNWAVERING COMMITMENT TO DIVERSITY AND INCLUSION

While diversity and inclusion continue to make headlines around the world, Cummins took multiple steps in 2016 to make sure its employees everywhere feel respected and valued. This work was reflected in company-wide initiatives, a new award and leadership messages.

"When we make diversity and inclusion a priority, the company benefits," said Executive Director – Global Diversity and Right Environment Kelley Creveling. "Our employees bring unique experiences, thoughts and perspectives from all over the world. It's when we have those differences of thought, working together, that we're most creative."

COMMITTING TO GENDER EQUALITY

In 2016, Cummins joined thousands of global companies who have signed the U.N. Women's Empowerment Principles. The seven principles emphasize the business case for promoting gender equality and empowering women.

The company is committed to promoting gender equality in the workplace, marketplace and in the communities where it does business.

Led by the southern Indiana Women's Affinity Group, Cummins also launched the "HeForShe" [campaign](#) in partnership with U.N. Women in early 2017. HeForShe sees gender



Alexis M. Herman, Lead Director of the Cummins Board of Directors, talks about diversity and breaking down barriers in a 2016 speech to company employees in Columbus, Indiana (USA). Herman was the first African American to lead the U.S. Department of Labor.

equality as a human rights issue and stresses the importance of men's involvement in working toward a gender-balanced world. The group generated interest in the initiative at Cummins sites across the globe, which developed their own events to support the program.

Cummins celebrated men and women champions for gender equality through a series of stories running on the company's internal website that profiled employees who advocate for others. The champions described their motivation to be part of HeForShe and their advice for empowering women.

CELEBRATING DIVERSITY

For the first time in 2016, Cummins celebrated diversity with the Chairman's Diversity Award. The award was created as an opportunity to recognize employees for their work in fostering diversity and inclusion. The inaugural award winner was a team from India chosen for its dedication to promoting a gender-balanced workplace.

The team created initiatives focused on recruiting, developing and advancing women at the company. It set out with the goal of attracting more women interns

THE REST OF THE STORY

Cummins frequently posts stories on its sustainability efforts on The Block, the company's social media channel. Here are some links to stories on diversity and inclusion you might be interested in:

[See how Cummins celebrated Women's History Month.](#)

[Learn more about Diversity Procurement's big year in 2016.](#)

[See an example of how Cummins honored Black History Month.](#)

[Learn more about Cummins' decision to support the U.N. Women's Empowerment Principles.](#)

in hopes of increasing the gender diversity in the pool of candidates to convert to full-time employees. The team also analyzed exit data and noticed that a lot of women were leaving the workforce to pursue higher education.

In order to increase the likelihood these women would return to Cummins after their studies, the team established a sabbatical policy allowing for a two-year break in employment to pursue higher education. During the sabbatical,

female engineers could return to Cummins to work as interns. The work that the India team did continues to have a measurable impact on women employees.

LEADING BY EXAMPLE

Jennifer Rumsey, Vice President – Chief Technical Officer, and Tracy Embree, President – Components Business, shared their diversity journeys with employees and challenged them to work toward more inclusive environments in Cummins

workplaces and communities. Their stories were part of a series on the company’s internal website in which leaders shared their thoughts on diversity and inclusion with employees.

Rumsey’s story focused on unconscious biases and the importance of addressing biases before they become a problem and cloud decision making and judgment. She shared a story when unconscious bias affected someone’s behavior toward her and called upon employees to acknowledge their own biases and remove barriers that

stand in the way of collaboration, innovation, creativity and success.

Embree addressed invisible diversity – how even unseen facets of diversity such as personality and values need to be embraced and celebrated if company employees want to work together and deliver for customers. She shared personal examples of the ways invisible diversity plays a large part in her team dynamic and how taking into consideration others’ work styles and preferences has helped her become a better leader.

MAINTAINING OUR CODE

A key part of creating the right environment for success is the ability to investigate complaints made about employees’ treatment of each other. Cummins has Master Investigators around the world to investigate reported violations of the company’s Code of Business Conduct. Here are some key indicators of that work.

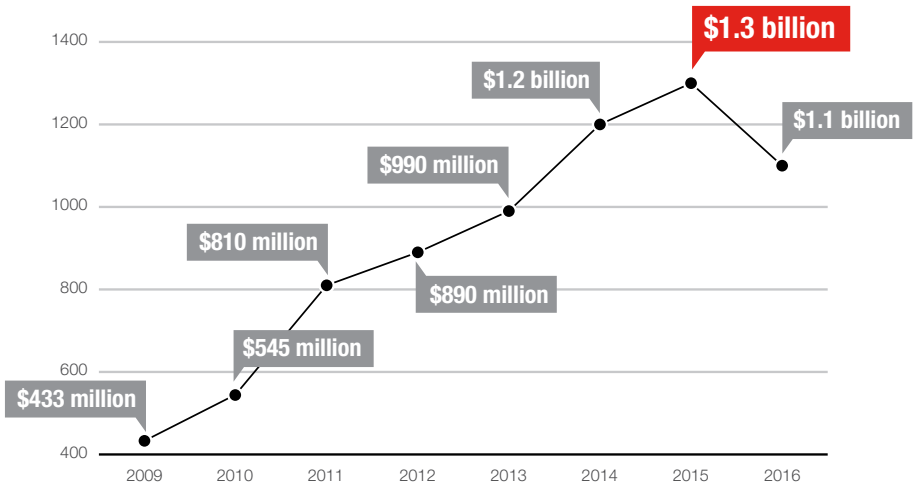
AREA	2014	2015	2016
Total cases	1,559	1,830	1,772
Cases outside U.S.	45 percent	43 percent	48.5 percent
Cases inside U.S.	55 percent	57 percent	51.5 percent
Anonymous reports	33 percent	33 percent	33 percent
Cases substantiated	48 percent	53 percent	43 percent
Terminations of substantiated cases	29 percent	27 percent	37 percent
Average time to close	13 days	13 days	13 days

SPENDING ON DIVERSE SUPPLIERS



2016 was a banner year for Cummins’ diversity procurement team. The company was recognized by the National Business Inclusion Consortium in its inaugural 2016 NBIC Best-of-the Best Top 30 Corporations for Inclusion. The company 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. Finally, Cummins was named Corporation of the Year in the Top Performers Category, its first national award from the National Minority Supplier Development Council.

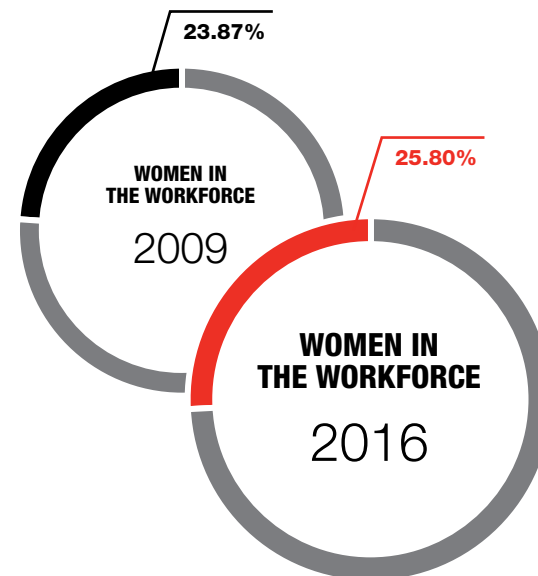
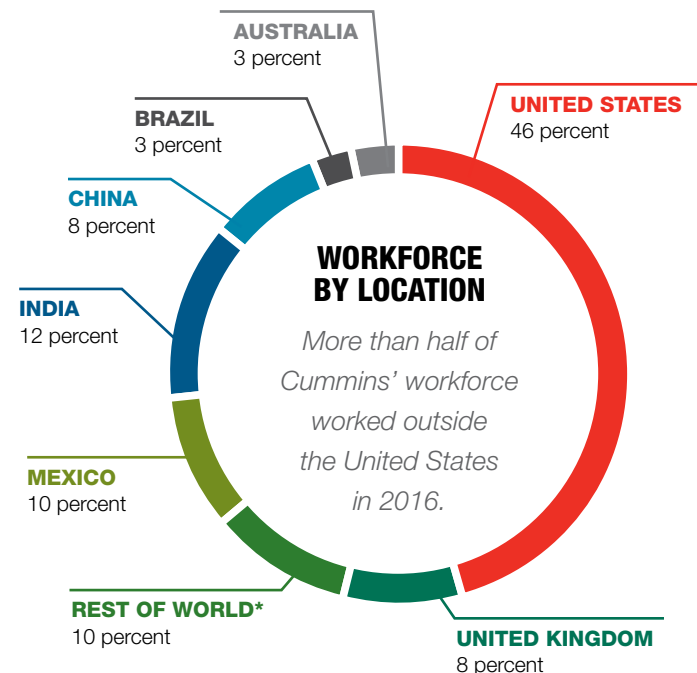
Here’s a look at the total amount of money Cummins spent in the U.S. with diverse suppliers in eight categories*.



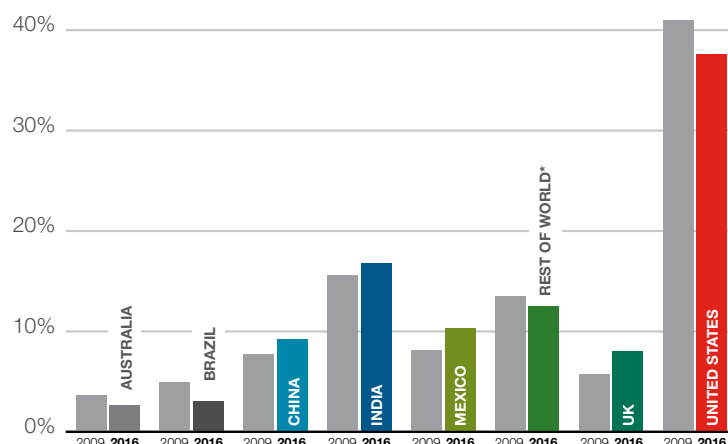
*The eight categories are: Minority Business Enterprises, Women Business Enterprises, Veteran Owned Businesses, Service-Disabled Veterans; Lesbian, Gay, Bisexual and Transgender (LGBT) Suppliers; SBA Small Disadvantaged Businesses; HUBZone Small Business Concerns and Philanthropic Suppliers.

DEVELOPING A TRULY GLOBAL WORKFORCE

Diversity and inclusion at Cummins has long been about more than representation. But to be a truly global company, Cummins wants to develop a workforce that closely resembles the demographics in the countries and markets where it does business. Company leaders pay special attention to some key metrics of under-represented groups at Cummins such as women. An employee's country of birth is another metric to ensure leadership isn't limited to one country or a small group of countries.

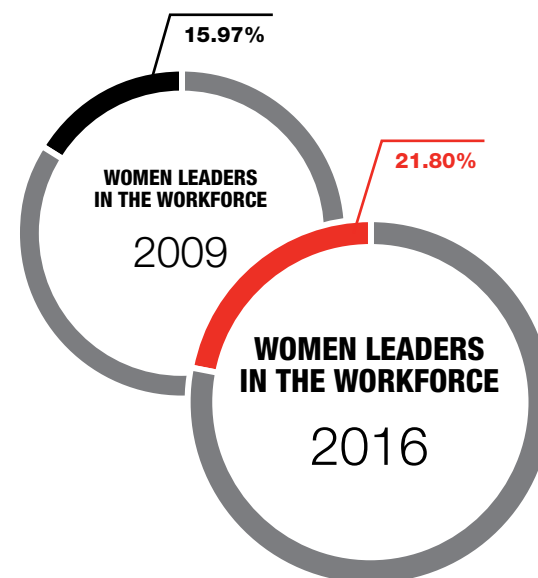
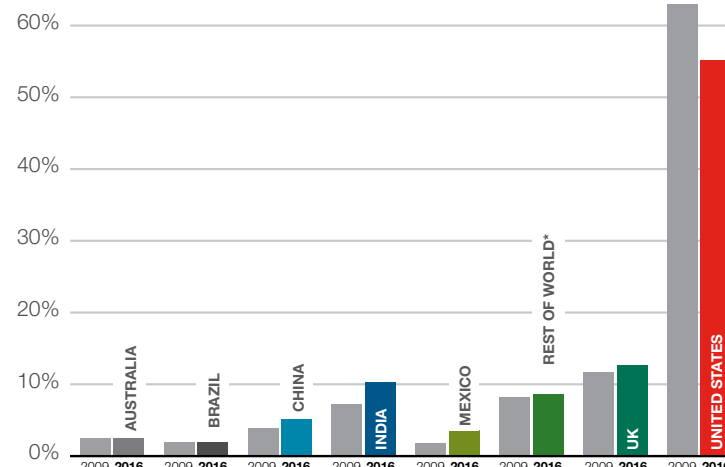


COUNTRY OF BIRTH FOR THE WORKFORCE



*Rest of world category includes countries with less than 1,000 Cummins employees.

COUNTRY OF BIRTH FOR LEADERS



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The company works hard to develop leaders who have mastered key skills, including: coaching and developing, open communications, goal setting, and managing diversity.

BUILD A CAREER, NOT JUST A STOP ALONG THE WAY

Cummins provides employees with the tools and feedback necessary to build a career at the company.

COMPENSATION

01

Our compensation and benefits are designed to be competitive within the markets where we do business. The company establishes wages independent of a person's gender or any other demographic trait.

02

TRAINING AND FEEDBACK

Cummins offers many opportunities to help employees master their current jobs and look ahead to their next positions. We provide the constructive feedback necessary to advance through a web-based tool and meaningful one-on-one conversations

FLEXIBILITY

03

Career flexibility is important at the company. Employees can chart career paths interesting to them.

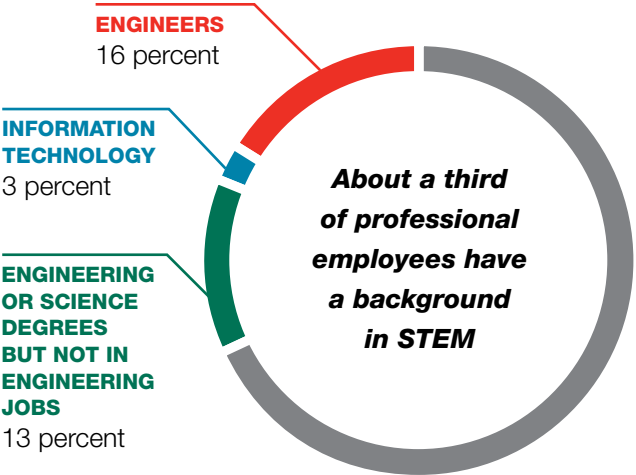
04

LEADERSHIP

Great leadership is especially critical. We work hard to develop leaders who have mastered key leadership skills.

WORKING AT CUMMINS

Cummins' workforce of 55,400 employees worldwide is the company's most important asset, providing the ingenuity and hard work that's critical to Cummins' success. Here's a quick look at who they are and where they are.



OUTSIDE UNITED STATES

54 percent

INSIDE UNITED STATES

46 percent

More employees live outside the United States

EMPLOYEES REPRESENTED BY A UNION

33 percent

NON-UNION EMPLOYEES

67 percent

About a third of the workforce is represented by unions under agreements expiring between 2017 and 2021.

CUMMINS WILL BE READY WHEN MARKETS RETURN

Corporate Responsibility

Right Environment

Safety

Diversity & Inclusion

Workforce

FINANCIAL PERFORMANCE

Innovation

Customers

Governance

NOTABLE

You can find extensive financial information about Cummins by looking at the company's [Annual Report on the 10K Form](#) on the company's [Investor Relations website](#).

Cummins continued to weather challenging markets by carefully managing costs to preserve profitability and provide strong returns to shareholders in 2016.

"We made significant progress in a number of our key initiatives in 2016, including executing our restructuring actions, completing the acquisition of our distributors in North America and continuing to invest in new products, all of which help position the company for profitable growth when markets improve," said Tom Linebarger, Chairman and CEO.

Revenues for 2016 were \$17.5 billion, an 8 percent decline from the year before, with net income attributable to Cummins of \$1.39 billion (\$8.23 per diluted share). In 2015, the company recorded \$19.1 billion in revenues and a net income of \$1.4 billion (\$7.84 per diluted share).

Earnings Before Interest and Taxes (EBIT), meanwhile, were \$2.0 billion in 2016 or 11.4 percent of sales, compared to \$2.1 billion or 10.9 percent of sales a year earlier.

Revenues in North America decreased 12 percent primarily because of reduced demand in the on-highway and industrial oil and gas and construction markets.

International sales decreased 2 percent mainly due to foreign currency movements. Excluding the impact of those movements, international revenues rose 2 percent with growth in China and India offset by weaker demand in Latin America, the Middle East and Africa.



Crews finish work on the new Cummins Distribution Business headquarters in Indianapolis, Indiana (U.S.A.) in 2016. The company completed purchasing the remaining interest in its last two partially owned North American distributors that year as part of a plan to work more closely with its customers.

Corporate Responsibility
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Cummins has major manufacturing sites in Australia, Brazil, France, Germany, India, Mexico, Nigeria, Romania, South Africa, South Korea, Turkey, the United Kingdom and Indiana, Minnesota, New Mexico, New York, North Carolina, South Carolina, Tennessee and Wisconsin in the United States.

Approximately 46 percent of the company's net sales for 2016 were attributable to customers outside the U.S. compared to 44 percent in 2015.

Cummins returned 75 percent of its Operating Cash Flow to shareholders in the form of dividends and share

repurchases. In December of 2016, the Board of Directors authorized the company to repurchase up to \$1 billion in shares of common stock upon completion of its 2015 \$1 billion share repurchase program.

Cummins took a number of steps during the year to position itself for

growth when market conditions improve. Chief among them, the company reorganized its business to combine the Power Generation segment and the high horsepower engine business to create the new Power Systems segment. Cummins' reportable operating segments now consist of Engine, Distribution, Components and Power Systems.

The change is designed to streamline the business and technical processes to accelerate innovation, grow market share and more efficiently manage Cummins' supply chain and manufacturing operations.

During 2016, the company also paid \$109 million to acquire the remaining interest in its last two partially owned

North American distributors.

In 2013, the company announced its intention to acquire the equity it did not already own in the company's partially owned U.S. and Canadian distributors. The move is part of Cummins' effort to more closely partner with its customers to help them succeed.

The company invested \$636 million into Research and Development in 2016, bringing its total investment in R&D since 2014 to more than \$2 billion to improve core products such as diesel engines, develop new features such as remote monitoring systems that improve customer uptime, and explore alternative solutions for improving powertrain performance.

With all of its 2017 on-highway engines certified by the U.S. Environmental Protection Agency and the California Air Resources Board, fewer single source suppliers in its supply chain, and promising new products like the X15 engine series, Cummins is poised for better times ahead.

THE REST OF THE STORY

Cummins posts many stories dealing with the company's sustainability on The Block on cummins.com, the company's social media channel. Here are some stories on Cummins' finances you might be interested in:



Learn more about the company's new X15 engine platform.



Read about Cummins' new Distribution Business Headquarters.

See an update on Cummins' financial picture, including the company's promising 1st quarter results in 2017.

Learn more about the company's new joint venture with the Eaton Corp. to produce automated transmissions for heavy-duty and medium-duty commercial vehicles.



FINANCIAL PERFORMANCE AT A GLANCE

YEAR	SALES	NET INCOME attributable to Cummins
2016	\$17.5 billion	\$1.39 billion
2015	\$19.1 billion	\$1.40 billion
2014	\$19.2 billion	\$1.65 billion
2013	\$17.3 billion	\$1.48 billion
2012	\$17.3 billion	\$1.65 billion



EXTERNAL SALES BY MARKET

BUSINESS UNIT	2016	2015	2014
Engine	\$5.77 billion	\$6.73 billion	\$7.46 billion
Distribution	\$6.16 billion	\$6.20 billion	\$5.14 billion
Components	\$3.51 billion	\$3.75 billion	\$3.79 billion
Power Systems	\$2.06 billion	\$2.43 billion	\$2.83 billion

INTRODUCTION

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SOCIAL

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ECONOMIC

Financial Performance

INNOVATION

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Governance

NOTABLE

In April of 2016, Cummins was awarded a \$4.5 million grant from the U.S. Department of Energy to develop a Class 6 commercial plug-in hybrid electric vehicle that can reduce fuel consumption by at least 50 percent over conventional Class 6 vehicles.

INNOVATION AT CUMMINS IS FUELED BY FORWARD THINKING

Cummins is preparing for a future beyond diesel engines with technologies such as electrified powertrains, alternative fuels and telematic systems.

“The work of the entire Cummins technical organization over the next 15 years will be defined by leading the company through this next technology change, which in many markets will include a shift away from diesel,” said Jennifer Rumsey, Cummins Vice President and Chief Technical Officer.

Even diesel engines today are moving in exciting new directions, combining with new technologies to better serve customers.

Rumsey and other Cummins leaders, for example, attended IAA in September 2016, the major truck and bus trade show held every two years in Germany. At the show, exhibit hall after exhibit hall was filled Cummins customers and competitors, both major players in the industry and others that are emerging. Only about 25 “loose” diesel engines – engines that were not integrated in a chassis – were on display throughout the entire show. In 2014, there were twice that number.



At the Cummins' Materials Science Laboratory in the Cummins Technical Center in Columbus, Indiana (U.S.A), employees use sophisticated tools to work in the realm of atoms.

7 WAYS CUMMINS IS A HIGH TECH BUSINESS

In many ways our products are more complex than your smart phone. Here are seven ways Cummins goes high-tech:

1 SUPER COMPUTERS

Our own super computer, Clessie II, powers sophisticated design programs.

2 CONNECTIVITY

We develop web-based tools to “talk” to our products.

3 3-D PRINTING

Our printers make test parts to develop great ideas faster.

4 VIRTUAL REALITY

Enables our engineers to “see” their ideas before prototypes are built.

5 ELECTRIFICATION

Our teams work on electrification and other energy alternatives.

6 ELECTRON MICROSCOPES

Powerful microscopes help our researchers work in the realm of atoms.

7 OUR PEOPLE

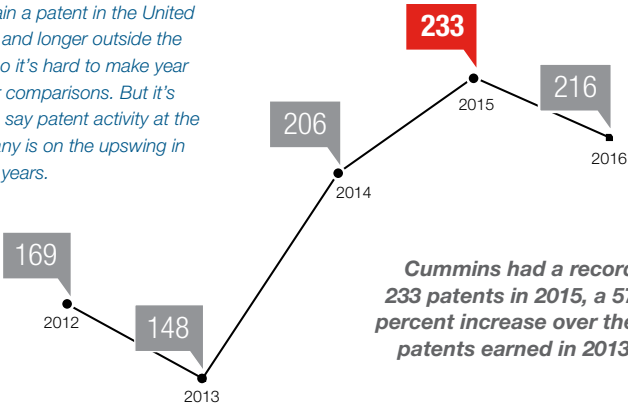
A third of our professional staff has degrees in STEM fields. Many at our tech centers have PhDs.

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PATENTS

It can take three-to-four years to obtain a patent in the United States and longer outside the U.S., so it's hard to make year to year comparisons. But it's safe to say patent activity at the company is on the upswing in recent years.



Many of the show's headlines focused on electrified powertrains with a huge emphasis on hybrid and electric concept vehicles and models in production. It can be difficult to distinguish the hyperbole from the reality, but it was clear the world is changing. Cummins is ready.

Cummins has a long history, beginning in the early 1990s, with hybrid powertrains and the company continues to innovate in this area. For example, a Cummins team is working on a pioneering project in Quebec, Canada, that is delivering range extender electric powertrains for the local bus authority. This project is

part of Cummins' work to develop a portfolio of hybrid and electric solutions for customers around the world.

Exploring these new technologies while also creating the best diesel products in the marketplace is the responsibility of Rumsey and the technical organization. The shift to something new won't happen overnight. Diesel is expected to continue dominating most markets in the coming years.

Because they offer an unmatched combination of efficiency, performance, power density, durability and reliability – coupled with near zero emissions thanks to recent innovations – diesel engines will likely be the technology of choice to power the majority of commercial trucks and buses well into the future.

RESEARCH AND DEVELOPMENT



YEAR	R&D SPENDING
2016	\$636 million
2015	\$735 million
2014	\$754 million
2013	\$713 million
2012	\$728 million
2011	\$629 million

Over the next several years, major markets around the world such as China, India, Mexico and Brazil will advance to Euro 6 emission standards. As the leading diesel engine provider in the world, Cummins has a full range of products across all applications to meet these standards and provide customers with leading performance and quality at affordable costs.

In addition to investing in the development of new power sources, Cummins has global teams finding solutions that go beyond the physical product, such as data-enabled technologies that make it possible to update calibrations over-the-air for a single engine or an entire fleet.

The company is looking both at what's ahead tomorrow and for years to come. It's part of the company's commitment to powering the future through product innovation that makes people's lives better and reduces the company's environmental footprint.

"Cummins will be ready to provide leading products and support across the entire globe because we look ahead, anticipate customers' needs, and ensure that our products are tested and ready for new regulations before our customers need them," said Cummins Chairman and CEO Tom Linebarger.

THE REST OF THE STORY

Cummins frequently posts stories on its sustainability efforts on The Block, the company's social media channel. Here are some stories on innovation at Cummins you might be interested in:



See how Cummins is working with Purdue University and others to significantly reduce fuel consumption through automated systems that interconnect trucks and transportation using sensors and online cloud technology.



Read about how Cummins is partnering again with Peterbilt Motors, a division of PACCAR, to develop and demonstrate new technologies as part of the Department of Energy's SuperTruck II program.



Learn how Cummins uses 3D printing to help develop great ideas faster.

PRODUCTS

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Cummins introduced more than two-dozen new products or product updates in 2016, a natural outgrowth of the company's emphasis on innovation. Many involved helping customers meet their own environmental goals, either through reducing emissions or achieving greater fuel efficiency. Reliability is also critically important. The company must deliver products customers can count on.

Cummins believes it has a distinct advantage over its competitors when it comes to meeting customer needs. As the only independent diesel engine manufacturer in the world, the company has the in-house capability to produce all the critical subsystems required to build an engine or generator.

Here are some of the products or product developments that made news at Cummins in 2016. You can learn more by visiting the websites managed by each product group and links are provided to specific articles with more information about each product mentioned.

City residents and Cummins employees celebrate the launch of the X15 engine in August 2016. The engine gets up to 20 percent better fuel economy compared to the 2010 ISX15 engine.



ENGINE BUSINESS

CUMMINSENGINES.COM

The Cummins Engine business produces the cleanest, most efficient engines in the world, providing the power customers need to succeed while helping them reach their own sustainability goals. Cummins offers diesel, natural gas and hybrid solutions depending on a customer's particular needs. Here's a look at a few of the products and product developments that made news in 2016:

CUMMINS ANNOUNCES PLAN TO IMPROVE ENGINE EFFICIENCY, UPTIME

February 2016

Cummins Engines unveiled its [SmartEfficiency](#) initiative, featuring product improvement plans focused on improved fuel efficiency, lower total cost of ownership and improved uptime. Over the next 12 months, the company laid out improvements including optimized calibrations, product tailoring with improved power and torque, mild-hybrid technologies, integrated powertrains and an expanded lineup of alternative-energy products.

GRANT TO FUND DEVELOPMENT OF HYBRID ELECTRIC TRUCK

April 2016

Cummins announced it would be part of a project awarded a \$4.5 million grant from the U.S. Department of Energy to develop a Class 6 commercial plug-in [hybrid electric vehicle](#) capable of reducing energy consumption by at least 50 percent over conventional Class 6 vehicles. Typical examples of Class 6 vehicles include school buses or single axle work trucks. Cummins is working with PACCAR on the project and representatives from The Ohio State University, the National Renewable Energy Laboratory and the Argonne National Laboratory.

CUMMINS INTRODUCES INLINE 7 TO IMPROVE CONNECTIVITY

February 2016



Cummins Engines released its new [INLINE 7](#), a wired and wireless datalink adapter offering Wi-Fi and Bluetooth wireless connectivity while also providing traditional wired functionality via USB. The INLINE 7 has a faster processor, more robust algorithms, larger memory buffers and more sophisticated filtering than previous models and is a key enabler for improvements in productivity and efficiency of service events for a [shop operations initiative](#) announced in early 2017.

IMPROVING OFF-HIGHWAY ENGINE DIAGNOSIS

April 2016



Cummins Engines introduced [Connected Diagnostics](#) to the off-highway engine market. Connected Diagnostics provides a lifeline for customers to the company through an active telematics connection. Cummins-powered equipment can wirelessly connect the engine to the company for immediate assessment of an engine system fault alert and have valuable information delivered to the customer within seconds. Cummins Expert Diagnostics System can instantly search for similar fault code events across the engine model and identify the most probable root causes.

NEW CRATE ENGINE PROGRAM PROVIDES GREENER OPTION FOR ENTHUSIASTS

Cummins' new crate engine program, [Cummins Repower](#), will not only give truck enthusiasts a powerful alternative for their older iconic or sentimental projects, but a cleaner and more fuel efficient option, too.

The first Cummins Repower offering will be the R2.8 Turbo Diesel. During initial testing, the R2.8 recorded significant gains in fuel economy and emissions reduction compared to an 18-year-old test vehicle's original gasoline engine.

A lot of research and development work took place in 2016. Full production is anticipated in the fall of 2017.

An Ames, Iowa company has seen significant fuel efficiency gains using the R2.8 Turbo Diesel to repower classic Scouts.



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NOTABLE

The Engine Business was the second largest business segment at Cummins in 2016, responsible for 33 percent of that year's revenue.

NOTABLE

Cummins Power Systems accounted for 12 percent of the company's revenue in 2016, the fourth largest segment.

CUMMINS LAUNCHES ULTRA-EFFICIENT ENGINE LINE

July 2016

Cummins Engines launched its X15 heavy-duty engine, ready to meet U.S. Environmental Protection Agency standards for greenhouse gas (GHG) and fuel efficiency. Available in two configurations, the X15 Efficiency Series and the X15 Performance Series, this new platform carries forward the best attributes of the ISX15. When integrated with the Cummins and Eaton SmartAdvantage Powertrain, it delivers improved fuel economy by precisely adjusting to grade, vehicle weight and driver input via throttle position.



CUMMINS EURO 6 ENGINES COMPATIBLE WITH RENEWABLE FUELS

September 2016

Cummins Engines announced Euro 6 engine compatibility for the use of hydro-treated vegetable oil (HVO) renewable diesel and other EN 15940 paraffinic fuels in Cummins-powered bus, truck and coach fleets operating in Europe. Compared with conventional fossil-based diesel, HVO offers the potential to reduce GHG emissions by 40 to 90 percent over the total life cycle of the fuel, depending on the level of sustainable feedstock used in the production process.

CUMMINS POWER SYSTEMS

POWER.CUMMINS.COM

Cummins Power Systems is committed to developing products that minimize their impact on the environment while meeting customers' power needs. The business is developing cleaner combustion techniques with natural gas and diesel engine generators, plus factory-integrated exhaust aftertreatment that allows these products to meet stringent global emissions standards. Here's a look at a few of the products and product developments that made news in 2016:

NEW GENERATOR DELIVERS USING LESS FUEL, SMALLER FOOTPRINT

September 2016

Cummins Power Systems demonstrated its new world-class C2750 D5B generator set to leading European engineering consultants and customers. The generator is designed for large manufacturing facilities, retail outlets and mission critical applications like medical facilities and data centers in global markets. It delivers 2750 kVA of power with less fuel, a smaller footprint and greater power density thanks to its fuel-efficient 60-litre QSK60 engine.



POWER SYSTEMS AND THE INTERNET OF THINGS

October 2016



Cummins Power Systems turned to the Microsoft Cloud and the Internet of Things to bring about the next generation of remote monitoring: the PowerCommand Cloud. This cloud-based remote monitoring solution is built on the Microsoft Azure IoT Suite. PowerCommand enables customers to connect to their emergency power system at any time, from anywhere – remotely managing their system from any computer or mobile device. Homeowners and facility managers can share access with their service provider, saving time and money.

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NOTABLE

Cummins Components Business was the company's third largest segment in 2016, generating 20 percent of the company's revenue.

CUMMINS COMPONENTS BUSINESS

The four businesses within the Cummins Components segment play a key role at the company. Cummins Emission Solutions, Cummins Turbo Technologies, Cummins Filtration and Cummins Fuel Systems manufacture technology critical to the company, producing the cleanest, most fuel efficient engines and generators in the world. Here's a look at a few of the products and product developments that made news in 2016:

CUMMINS EMISSION SOLUTIONS
CUMMINSEMISSIONSOLUTIONS.COM

SINGLE MODULE SYSTEM AVAILABLE
ON STAGE V MIDRANGE ENGINES

January 2016

Cummins Emission Solutions announced the use of the Single Module aftertreatment system for midrange off-highway engine customers looking to meet Stage V European emissions regulations. Compared to current product offerings in this market, this new innovation delivers an aftertreatment solution that offers up to a 30 percent reduction in weight and up to a 50 percent reduction in size. Technology enhancements allow for further reduction of both particulate matter (PM) and oxides of nitrogen (NOx) compared to Stage IV solutions. The diesel particulate filter's passive regeneration minimizes the need for preventative cleaning and maintenance.



CUMMINS TURBO TECHNOLOGIES
CUMMINSTURBOTECHNOLOGIES.COM

NEW TURBOCHARGER OFFERS
RELIABILITY AND FUEL ECONOMY

April 2016

Cummins Turbo Technologies introduced its HE250WG turbocharger for off-highway engines, designed to improve fuel economy by up to 2 percent. The turbocharger offers both durability and reliability in a compact, module design. Features include an optimized bearing design, which reduces sensitivity to contamination while maintaining excellent rotor system stability to help minimize down-time.



CUMMINS FILTRATION
CUMMINSFILTRATION.COM

FILTER ENHANCES
MARINE PERFORMANCE

March 2016



Cummins Filtration launched the Fleetguard Sea Pro FH240 Series, its latest release in state-of-the-art fuel filter/water separator technology for marine diesel engines 19 liters and larger. As engine fuel systems become increasingly sophisticated, the removal of water and other contaminants has never been more critical. The Sea Pro FH240 series is designed to reduce marine engine maintenance costs, improve the efficiency of fuel systems and maximize uptime.

IMPROVING CUSTOMER LIVES IS CUMMINS CONNECTED SOLUTIONS MISSION

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Time is money for Cummins customers whether they are hauling goods down a highway, moving material in a mine or using our products in any number of other ways. Keeping them on the job and out of the repair shop is a key focus for Cummins and critical to its sustainability.

The company's Connected Solutions business is an important interface with customers and service providers, alike. It offers a variety of tools ranging from sophisticated software and telematics, which allows the remote transfer of information, to providing solutions over the phone to solve customer problems.

"Making service provider lives easier makes customer lives better," said Lori Cobb, Vice President of Cummins Connected Solutions. "Connected Solutions is dedicated to using our vast product knowledge to innovate new solutions for customer success."

MAKING CONNECTIONS

A key focus in 2016 was preparation for the early 2017 release of the Connected Software Update, the first system that updates engine calibrations on the road through a fleet's existing telematics. With this technology, the customer's engine software stays up-to-date with minimal time and effort. Cummins also prepared for its launch of Connected Advisor, which interprets and prioritizes engine fault codes – signals that the engine may have a problem.

For each actionable fault code, Connected Advisor reports

provide valuable information with an estimated timeframe so customers can resolve potential equipment issues before they happen.

CUSTOMER AND SERVICE SUPPORT

In June 2016, Cummins released an integrated service experience with an application to guide repair technicians through a service event in real time. The application integrates Cummins many individual systems that provide service tool capabilities such as diagnostics, procedures, diagrams, etc., effectively providing technicians with access to all repair related needs in one place.

This system will be enhanced over time to include all aspects of the service event, such as creating repair plans, ordering parts, filing warranty claims, and more. This new service provider experience will be available through the mobile app Cummins



Guidanz, which was released in early 2017. Guidanz enables both service providers and customers to quickly assess engine problems so repairs can be completed faster.

Cummins spent much of 2016 preparing for the launch of its Guidanz mobile app in early 2017. The app allows both service providers and customers to quickly get information about potential engine problems so they can get back to work faster.

Corporate Responsibility

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CUSTOMERS

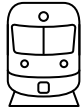
Governance

POWERING YOUR LIFE



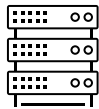
Cummins works to make people's lives better all day, every day. And we try to do it with the least environmental impact possible.

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PASSENGER TRAINS

We power trains around the world that move people to work, school and other activities.



COMPUTER SERVERS

Our generators provide dependable backup power to the computer servers you rely on at work, school and home.



HOSPITALS & SCHOOLS

We also provide backup power to schools, hospitals and any facility that must remain online in an emergency.



TUG BOATS & OTHER VESSELS

Our marine engines power the tug boats that help get ships carrying a host of goods into port.



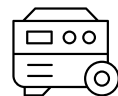
SCHOOL BUSES

Our diesel and natural gas engines power school buses that move millions of children across the United States.



MUNICIPAL BUSES

They also power buses in cities around the world from Washington, D.C. to Beijing, China.



GENERATORS

Cummins also makes home and light commercial generators that provide power when you need it most.

Over the course of 2016, Cummins also consolidated its support into one Cummins Care team and acquired the phone number 1-800-CUMMINS to eventually replace the company's more than 20 legacy support lines. 1-800-CUMMINS is currently available to all service providers, including dealers and distributors, and customers.

Cummins Care goes beyond support by helping to prevent issues, providing answers quickly and reimbursing fairly. Cummins Care engages in social media as well, with employees dedicated to listening and responding to issues raised via Cummins social media channels.

DATA ANALYTICS

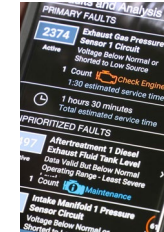
At the 2016 MINExpo, Cummins unveiled its Data Enabled Mining Solution. Experts in the company's solutions center monitor customer engines, delivering accurate, real-time operating information. Using data analytics, the solution ultimately reduces customer costs by extending engine life, preventing catastrophic failures and decreasing unplanned maintenance expenses.

WARRANTY

Cummins began the Simplified Claims Management initiative in North America in 2016, reducing the administrative burden associated with processing claims and improving claim approval cycle time. The initiative is expected to show a 40 percent reduction of claim recycles/refiles/reworks for Cummins Sales and Service.

THE REST OF THE STORY

Cummins posts many stories dealing with the company's sustainability on The Block on cummins.com, the company's social media channel. Here's a story you might want to check out regarding customer service:



See how Cummins' Guidanz app is helping reduce the time needed to assess an engine problem from hours to mere minutes.

HOW IT WORKS

The new mobile app for Cummins Connected Diagnostics™ takes engine connectivity to the next level. You can learn more by watching a short video on the feature connecting customers to Cummins, regardless of where they are.



CUMMINS MAKES ETHICS A PRIORITY

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ETHICS HELP LINE

Cummins employees can report ethical concerns at ethics.cummins.com or by calling the Ethics Help Line. In the United States and Canada, that phone number is 1-800-671-9600. The phone numbers for other countries are available at ethics.cummins.com. Employees can report matters anonymously if they wish where permitted by law.

MASTER INVESTIGATORS

Cummins has a team of Master Investigators to look into reported violations of the company's Code of Business Conduct. To learn more about their work, go to [page 42](#).

The Cummins Ethics and Compliance function built on its solid foundation in 2016 by updating the company's Code of Business Conduct, creating a new policy for third parties doing business on Cummins' behalf and upgrading training initiatives around the world.

“We continue to work on instilling a culture of ethics and compliance in all of our regions,” said Mark J. Sifferlen, Vice President – Ethics and Compliance and Corporate Secretary. “No company can truly be sustainable until this culture is embraced by every one of its employees and anyone conducting business on its behalf.”

The [Cummins Code of Business Conduct](#) is the backbone of company's commitment to ethical behavior. It guides all employees in the decisions they make and the actions they take. The code's 10 principles remain unchanged but language in the document was updated to keep it relevant.

Nearly half of Cummins' employees have been at the company less than five years. Ethics and Compliance updates the document about every two to three years to ensure that

the examples it includes to help employees are meaningful.

Ethics and Compliance has also been focused on the risk posed to Cummins by third parties doing business on the company's behalf, especially in areas such as bribery and conflicts of interest. About 90 percent of the enforcement actions brought by the U.S. government for alleged bribery involve third parties.

CUMMINS CODE OF BUSINESS CONDUCT

Cummins [Code of Business Conduct](#) is built around 10 Ethical Principles to help make Cummins a sustainable company and a great place to work:

- 01 WE WILL FOLLOW** the law everywhere.
- 02 WE WILL EMBRACE** diverse perspectives and backgrounds and treat all people with dignity and respect.
- 03 WE WILL COMPETE** fairly and honestly.
- 04 WE WILL AVOID** conflicts of interest.
- 05 WE WILL DEMAND** that everything we do leads to a cleaner, healthier and safer environment.
- 06 WE WILL PROTECT** our technology, our information and our intellectual property.
- 07 WE WILL DEMAND** that our financial records are accurate and that our reporting processes are clear and understandable.
- 08 WE WILL STRIVE** to improve our communities.
- 09 WE WILL COMMUNICATE** honestly and with integrity.
- 10 WE WILL CREATE** a culture where all employees take responsibility for ethical behavior.

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 end of the first quarter of 2017.

TRAINING	ENROLLED	COMPLETED	PERCENT COMPLETED
Anti-Bribery	27,776	27,137	98 percent
Anti-Bribery Refresher	25,791	24,508	95 percent
Careful Communications	27,776	27,143	98 percent
Code of Business Conduct Refresher 2017	29,446	22,072	75 percent
Conflicts of Interest	656	582	89 percent
Data Privacy	7,206	6,529	91 percent
Doing Business Ethically	27,776	27,098	98 percent
Export Compliance 2016	26,177	22,300	85 percent
Treatment of Each Other at Work (Refresher)	21,914	20,866	95 percent
Fair Labor Standards	695	684	98 percent
Code of Business Conduct – New Hire	51,342	48,815	95 percent
Treatment of Each Other at Work – New Hire	51,342	48,809	95 percent
Fair Competition 2016	26,938	17,903	66 percent

Cummins adopted a Sales Agents and Third Party Intermediaries Policy in 2016. This internal policy provides guidance on how to appropriately engage a sales agent and includes the company’s ethical and legal requirements for third party intermediaries.

Training for employees, independent distributors and third parties also remains a priority for Ethics and Compliance. The majority of the company’s training in areas like fair competition and anti-bribery is conducted online. A key input from regional leaders was the need to conduct more face-to-face training on both the Cummins Code of Business Conduct and major risk areas.

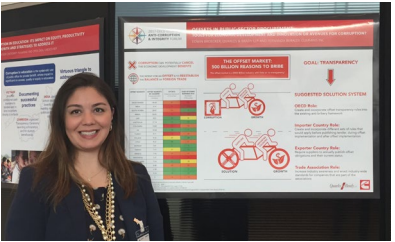
Ethics and Compliance has been focused on increasing face-to-face training in high risk countries. In 2016, more than 1,400 people attended face-to-face training sessions across Cummins.

Ethics and Compliance has also encouraged leaders from around the world to communicate with their employees about ethics and compliance, frequently in their employees’ native languages.

“We worked with our business leaders in Brazil, Mexico, Russia, Singapore and Africa to deliver written reminders to employees in those regions about the importance of ethics and compliance,” Sifferlen said. “We want this message to be delivered by multiple people, in multiple ways. It’s just that important.”

THE REST OF THE STORY

A Cummins employee is taking a lead in the fight against corruption and human trafficking.



CUMMINS SUPPLIER CODE OF CONDUCT

The Supplier Code of Conduct helps the company ensure that it’s doing business with other companies around the world sharing Cummins’ values for sustainable practices. The Supplier Code of Conduct is built around seven principles:

- 01 Suppliers must follow the law.
- 02 Suppliers must treat all people with dignity and respect.
- 03 Suppliers must do business fairly and honestly and avoid conflicts of interest.
- 04 Suppliers must protect the environment.
- 05 Suppliers must provide a safe and healthy working environment.
- 06 Suppliers must protect Cummins technology, information and intellectual property.
- 07 Suppliers must assist Cummins in enforcing the code.

BOARD REPRESENTS INTERESTS OF SHAREHOLDERS

Corporate Responsibility
Right Environment
Safety
Diversity & Inclusion
Workforce

Financial Performance
Innovation
Customers
GOVERNANCE

PROXY IMPROVEMENTS

Cummins implemented several improvements to its **2017 Proxy Statement**, making the document more user friendly for its Annual Meeting on May 9, 2017.

The document now includes a highlights box (page 2), briefly explaining everything from board member accountability to clawback and anti-hedging policies. There's an expanded statement on diversity (page 7) and you can learn more about the current board's qualifications and experience as well as a summary of the unique contributions each member makes (starting on page 10).

The Board of Directors represents and protects the interests of the company's shareholders, exercising sound and independent judgment on significant issues at cummins.

It includes nine independent directors consistent with the definition established by the U.S. Securities and Exchange Commission, and Chairman and CEO Tom Linebarger as well as President and COO Rich Freeland, the only Cummins employees on the board. All directors are elected annually.

The board has the freedom to determine the chairman and chief executive officer (CEO) based solely on what it believes is in the best interests of the company and its shareholders. Currently, the board believes those interests are best served by combining the roles of chairman and CEO. The board reviews this decision annually.

Cummins' board has six standing committees:

- » Governance and Nominating
- » Audit
- » Compensation
- » Executive
- » Finance
- » Safety, Environment and Technology

Directors may not sit on more than four other public company boards in addition to the Cummins board.

The Vice President – Internal Audit reports to the board's Audit Committee. In 2016, the Internal Audit group published 74 audit reports and memos.

CUMMINS BOARD OF DIRECTORS



ROBERT J. BERNHARD

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



DR. FRANKLIN R. CHANG DIAZ

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



BRUNO V. DI LEO

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



STEPHEN B. DOBBS

Retired Senior Group President of Fluor Corporation, which offers engineering, construction and project management services. He joined the board in 2010.



RICH J. FREELAND

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



ROBERT K. HERDMAN

Managing Director of Kalorama Partners, LLC, a consulting company. He joined the board in 2008.



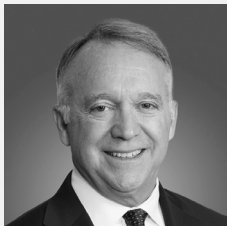
ALEXIS M. HERMAN

Chairman and CEO of New Ventures, LLC, a consulting company. She joined the board in 2001 and serves as its lead director.



N. THOMAS LINEBARGER

Chairman and CEO of Cummins Inc. He joined the board in 2009.



THOMAS J. LYNCH

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



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.



GEORGIA R. NELSON

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

Corporate Responsibility

Right Environment

- Safety
- Diversity & Inclusion
- Workforce

Financial Performance

Innovation

Customers

Governance

NOTABLE

Lumus avocrid iam tem
por hos rei se conduce
din diemperi tatus ari
fatiaci travo, simorum
que nonfecepse nis
etrum talarbe menatum
orestrares? Ivastam
patintes aur, vit?

NEW COUNCIL DRIVES CULTURE OF RISK MANAGEMENT

Cummins continued a multi-year transformation of its risk management function in 2016, establishing an Enterprise Risk Council made up of the company's top leaders who will manage oversight of risk and provide direction on risk-related matters.

The new council is part of a framework designed to drive a culture of continuous improvement in risk management at Cummins, where risk is recognized and responded to appropriately. As part of the transformation, each company leader has taken ownership of an individual risk that could have potential impact on the company's growth plans or long term sustainability.

Bindu Yadlapalli, Director – Risk Management, said the new council should help the company identify risks, determine those that present the greatest potential impact, and

develop plans to deal with them. Not all risks are bad. Some offer opportunity.

While establishment of the council was a major initiative in 2016, it was far from the only thing Enterprise Risk Management tackled.

The function continued to help sites within Cummins develop Business Continuity Plans, outlining how they would operate when facing an emergency. More than 600 locations now have plans and many conducted table-top exercises to test their effectiveness.

The Enterprise Risk Management team also helped oversee more involved stress tests administered by a third party at some of the company's 74 sites deemed most critical to Cummins' operations.

Each of the 74 sites is expected to go through a stress test at least once every four years. Enterprise Risk Management works with Risk Insurance and Global Integrated Services (formerly Global Security) on the tests.

SECURITY PART OF NEW DEPARTMENT

Cummins global security function in 2016 was combined with hospitality and aviation services in a move designed to increase the effectiveness of all three groups.

Global Integrated Services will still handle operations designed to keep employees safe and secure through programs such as the Crisis Action Management Program and the Cummins Response Center.

The aviation function operates shuttle flights to various locations in the U.S. and Mexico. Hospitality manages a variety of food and event planning services.

Corporate Responsibility
Right Environment
Safety
Diversity & Inclusion
Workforce

Financial Performance
Innovation
Customers
GOVERNANCE

NOTABLE

Cummins reports a number of risks potentially facing the company in its [2016 Annual Report on the 10-K Form](#). That section can be found starting on page 17 of the document.

ENSURING CUMMINS VOICE IS HEARD

Cummins’ Government Relations employees work around the world on issues that significantly impact the company or the communities where it does business.

Corporate Responsibility
Right Environment
Safety
Diversity & Inclusion
Workforce

Financial Performance
Innovation
Customers
GOVERNANCE

The team helps ensure Cummins’ voice is heard by government policymakers on issues such as the promotion, protection and enforcement of global emission standards; efforts to establish greenhouse gas and fuel consumption regulations for commercial vehicles, and expanding access to quality education and training. The team has also worked to oppose legislation negatively impacting diversity and fair treatment for all employees.

Government Relations is also committed to fostering greater international cooperation and understanding among the various countries where the company operates, frequently hosting international visitors at various Cummins sites.

CORPORATE CONTRIBUTIONS

Cummins bans contributions using corporate funds to candidates, political parties and independent expenditures, including advertisements that support or oppose individual candidates. The company also will not use corporate funds to contribute to 501 (c) (4) and 527 tax-exempt groups in the United States that are engaged in political activity or make payments to influence ballot issues unless the issues are directly tied to the company’s core values and business interests.

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

POLITICAL ACTION COMMITTEE

In the U.S., political contributions are made by the Cummins Inc. Political Action Committee (CIPAC), funded solely by voluntary employee contributions. CIPAC makes contributions to federal and state candidates on a bipartisan basis after review and approval by CIPAC’s Executive Committee and according to federal and state election law.

A complete list of the political action committee’s contributions to candidates is available [here](#).

CIPAC is governed by corporate policies and bylaws that state:

- » All CIPAC contributions are strictly voluntary.
- » The company will not reimburse employees directly or indirectly for political contributions.

- » Employees will not be pressured to contribute to CIPAC or make any other personal political contribution.
 - » Failure to contribute to CIPAC shall not disadvantage an employee’s career in any way.
- CIPAC contributions are based on the following criteria:
- » Public integrity of the candidate.
 - » Representation of a Cummins facility or employees.
 - » Support for issues of importance to Cummins.
 - » Timely and effective constituent service.
 - » Political leadership or organization.
 - » Support for the company’s values.

All of CIPAC’s activities are disclosed to the Cummins Board of Directors in an annual political contribution report.

MEMBERSHIPS

Cummins belongs to a number of trade organizations to further its business interests.

While the company might not agree with these associations on every issue, Cummins believes they help ensure government leaders know where the company stands on key matters.

Here’s a list of U.S. trade organizations Cummins paid dues in excess of \$50,000 during calendar year 2016, as well as the U.S. Chamber of Commerce, which fell below the \$50,000 threshold. Listed with each entity is Cummins’ estimation of the portion of these dues used for lobbying or other political expenditures:



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