



# Meeting the Challenges of Global Sustainability



Cummins supports EARTH University's mission to promote sustainable agriculture

**On the cover**

Students get hands-on experience when they learn about sustainable agriculture at EARTH University in Costa Rica. These students are weighing beans to determine who had the biggest yield. Students come from all over the world to the university, which is supported by Cummins both financially and in employees' time and expertise.

# Who we are

## Vision

**Making people's lives better by unleashing the Power of Cummins**

## Mission

**We unleash the Power of Cummins by**

- Motivating people to act like owners working together.
- Exceeding customer expectations by always being the first to market with the best products.
- Partnering with our customers to make sure they succeed.
- Demanding that everything we do leads to a cleaner, healthier, safer environment.
- Creating wealth for all stakeholders.

## Values

**What do we value?**

**Integrity:** Strive to do what is right and do what we say we will do

**Innovation:** Apply the creative ingenuity necessary to make us better, faster, first

**Deliver Superior Results:**  
Exceed expectations, consistently

**Corporate Responsibility:** Serve and improve the communities in which we live

**Diversity:** Embrace the diverse perspectives of all people and honor both with dignity and respect

**Global Involvement:** Seek a world view and act without boundaries

## Strategic Principles

**Leverage Complementary Businesses**

Cummins is a family of complementary businesses that create value for our customers by leveraging relationships and applying innovative technology across business boundaries.

**Increase Shareholder Value**

Cummins' financial success is measured by growth in shareholder value. We will focus on ROE/ROANA and Earnings growth (not revenue growth) as the principal drivers of shareholder value.

**Become the Low Cost Producer**

Cummins will pursue an operational strategy of cost leadership.

**Lead in Critical Technologies**

Cummins will be the market leader in technologies most critical to our customers' success and our company's performance.

**Seek Profitable Growth**

Cummins will seek profitable growth by leveraging our assets and capabilities to grow in market segments with favorable industry dynamics and where Cummins can establish an advantage.

**Create the Right Work Environment**

Cummins will assure that the physical and cultural work environment is conducive to excellent performance and continuous improvement.

## Personality

**What is our personality?**

Decisive • Driven to Win • Agile • Passionate • Caring

I am Cummins. You can depend on me.

## About this report

The information in this report is presented in the spirit of the Global Reporting Initiative (GRI). The goal of the initiative is to develop a consistent way for companies around the world to voluntarily report on the economic, environmental and social components of their businesses. The GRI was started in 1997 by the Coalition for Environmentally Responsible Economies and then became independent in 2002 and today works in collaboration with the United Nations Environment Program and the UN Secretary-General's Global Compact.

Cummins takes pride in the positive impact our people and products have on society. As a global company, Cummins wants to make a difference today and for future generations as well. This report was published in July 2010 and is the Company's seventh annual edition.

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## About the cover

The cover of this year's Sustainability Report feels and looks different because it is made out of a blend of banana stalk fibers and post-consumer paper at Cummins-supported EARTH University in Costa Rica.

Typically, after the fruit is harvested the banana stalk is disposed of in landfills or by other means. In Costa Rica alone, hundreds of thousands of tons of banana stalks are disposed of annually. Paper is only one of several ways the university is putting banana stalks to work. EARTH has also pioneered the use of a fertilizer made from banana stalks for fruit growers in Central America.

To learn more about EARTH University, go to page 14.

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## Letter from the chairman



### **Cummins Stakeholder:**

Over the past year, Cummins has continued to focus its efforts on keeping the Company strong during the global recession, which began late in 2008.

Our work to reduce costs, align manufacturing capacity with demand and serve customers well when they need us the most has allowed us to meet our goals of earning a solid profit and generating the cash necessary to invest in critical technologies for the future.

In these challenging economic times, I also am pleased to say that Cummins has not lost sight of the importance of delivering on our commitments to customers, shareholders, employees, government and the communities in which we operate. In fact, the stakeholder model first introduced at Cummins 40 years ago by then-Chairman J. Irwin Miller, remains a critical component to our long-term success.

As we look to a future that offers significant growth prospects, our ability to create a sustainable global organization that is responsive to the needs of our stakeholders has never been more important. Our response to the complex challenges facing Cummins today is rooted in the values that define Cummins.

Acting with integrity. Doing our part to improve the communities where we live and work. Embracing diversity. Operating with a global vision. Striving to always exceed the expectations of our customers. Being first to market with innovative products and services.

These statements represent Cummins' core values, and our 36,000 employees worldwide continue to demonstrate their commitment to bringing these words to life every day. Cummins' seventh annual

Sustainability Report highlights the progress we have made in the past year around these values.

As in past years, this year's report contains a significant emphasis on the Company's corporate responsibility work.

Broadly speaking, Cummins operates under the philosophy that corporate responsibility is not simply something that is "nice to do," but is a way of doing business that contributes directly to the financial health of our company over the long-term.

Building successful, vibrant communities leads to stronger markets for our products. Being seen as a company that cares about all its stakeholders is essential to our efforts to attract and retain the most talented workers from around the world, which is critical to the success of any global company.

In a similar fashion, part of Cummins' Mission demands that everything we do leads to a cleaner, healthier, safer environment.

That commitment drives our work as a worldwide leader in emissions technology, which provides Cummins with a significant competitive advantage. It also is behind ongoing efforts to reduce the environmental impact of our facilities, strengthen our voice in the public policy debate around issues such as climate change and to engage our employees on ways they can make a difference.

This year's Sustainability Report also focuses on the global nature of Cummins' operations, and the challenges and opportunities that come with doing business in 190 countries worldwide.

More than half of Cummins' employees work outside the United States, and approximately 60 percent of the Company's revenues are generated from international markets, which offer some of our strongest future growth prospects.

To address the global challenges we face, we must have processes in place to ensure that our values effectively translate across the range of cultures in which we operate. It also is more important than ever that we embrace and respect the diverse perspectives of our employees and use those differences to strengthen our business.

The global nature of our approach to sustainability is highlighted throughout this year's report.

Here are just a few examples:

- **Our “signature” Corporate Responsibility partnership with EARTH University in Costa Rica, which is profiled starting on page 14.**

In addition to being the recipient of funds from The Cummins Foundation, EARTH is receiving significant help from Cummins employees across several areas of expertise in support of its mission to provide world-class education in sustainable agricultural techniques. In addition, we have included stories about other significant Corporate Responsibility partnerships throughout the report.

- **Work by Cummins engineers to provide power to a rural village in India by converting a Cummins generator to run on vegetable oil extracted from the inedible seeds of a local tree.**

The project was one of five “President’s Award” winners in the Company’s first-ever Environmental Challenge held in 2009. All five projects are profiled beginning on page 70.

- **The significant investment made in the Cummins Power Generation plant in Craiova, Romania, over the past year to create a more efficient and safer workplace.** More than \$700,000 was spent to replace old equipment, create a new walkway for employees and improve lighting throughout the plant.

- **A Q&A with Cummins’ newest Board member, Dr. Franklin Chang-Diaz, which starts on page 56.**

Dr. Chang-Diaz, Cummins’ first non U.S.-born Director, is a former NASA astronaut and renowned rocket scientist who is leading an ambitious long-term effort to transform Costa Rica’s economy. His commitment to the environment, the community and technical leadership aligns well with Cummins’ sustainability goals.

Just as we are constantly looking for ways to better serve our stakeholders around the world through our actions as a Company, we also have raised the bar this year on our sustainability reporting efforts.

For the first time, this year’s report contains a section devoted specifically to employee relations, and we have expanded on our safety and diversity discussions from past years. Perhaps most exciting, though, is the launch of our new Sustainability Web site.

The site will contain links to both the full and summary printed reports, and visitors will be able to quickly access material of their choosing through links to individual sections of the report. The site also will offer additional stories, data, multimedia content and links to social media tools.

I hope you will read our current Sustainability Report and visit the Sustainability site at [www.cummins.com](http://www.cummins.com) to learn more about our work to remain a responsible global corporate citizen that is responsive to the needs of all our stakeholders.



**Tim Solso**

Chairman and Chief Executive Officer  
Cummins Inc.

# Cummins by the numbers

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## Corporate responsibility

70,000+

hours of paid employee time devoted annually to community projects as part of the Every Employee Every Community program

**150+** Community Involvement Teams at Cummins engaged in corporate responsibility activities

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## Corporate governance

80+

Cummins locations that updated their Business Continuity plans in 2009 for emergencies such as natural disasters

10 ethical principles that guide Cummins on Governance and related initiatives

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## Employee safety

**0** fatalities at Cummins locations during 2009

40% drop in the Company's Severity Lost Work Day Rate representing a reduction of more 2,400 lost work days

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## Employee diversity

**19** languages spoken by Cummins employees at locations around the world

\$1 BILLION

Diversity Procurement goal for Cummins spending with minority-owned suppliers by 2012

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## Workforce

36,000

Cummins employees across all Company locations

**60** percent of Cummins employees who live and work outside the United States



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## Environment

# 9,000

tons of CO<sub>2</sub> emissions saved as a result of the Cummins Unplugged Challenge between 2008 and 2010



# \$54 MILLION

grants from the U.S. Department of Energy to Cummins to develop more efficient trucks as part of the SuperTruck and light-duty diesel projects



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## Financial

**\$10.8 BILLION** total sales in 2009, down 24 percent from \$14.3 billion in 2008

# 13%

average annual sales growth per year expected by Cummins from 2010-2014, about twice the annual growth rate over the last 30 years

# \$774 MILLION

or 7.2 percent of sales in 2009 — Cummins fourth best Earnings Before Interest and Taxes as a percentage of sales in the last 25 years as Company employees became more efficient in the midst of the global recession

## Our commitment

Cummins has recognized its commitment to a broad group of stakeholders for more than 35 years. Longtime Chairman and CEO J. Irwin Miller laid out his philosophy in the 1972 Annual Report:



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

Cummins strives to responsibly and effectively serve all stakeholders, including customers, employees, shareholders, business partners, suppliers and the communities in which we operate. The Company understands that its actions affect a broad range of constituents and works hard to engage them when making business decisions.

Cummins is committed to financial excellence, environmental stewardship, creating a great place to work, community engagement and fair competition.

### Customers

Our goal is to care as much about our customers' success as they do, especially during difficult times such as those we have endured during the recent global recession. Cummins works with key customers during development and production to ensure our products are manufactured to meet their needs. The Company uses tools like Six Sigma to help both Cummins customers and suppliers improve quality, reduce costs and improve profitability for all involved.

Each business unit is responsible for developing projects to meet the needs of its customers and is expected to develop customer-focused Six Sigma projects to tackle problems facing individual customers.

Our Customer Support Excellence training includes a different approach to meeting customer needs by looking at a situation through the customer's perspective. Cummins' "Through the Lens of the Customer" training initiative has trained more than 25,000 employees.

### Employees

Cummins has a long history of being an employer of choice, offering competitive salaries and benefits, training and career development opportunities and a positive work environment. Benefits were made available to non-spousal domestic partners in 2000.

The Company places a premium on its workers treating one another with respect and dignity. Treatment of Others at Work is a key component

# The Cummins Operating System

The Cummins Operating System helps develop common practices and approaches to improve customer satisfaction and profitability.

Here's a quick look at the 10 practices:

- 1 Put the customer first and provide real value
- 2 Synchronize flows  
(material, physical and information)
- 3 Design quality in every step of the process
- 4 Involve people and promote team work
- 5 Ensure equipment and tools are available and capable
- 6 Create functional excellence
- 7 Establish the right environment
- 8 Treat preferred suppliers as partners
- 9 Follow common problem solving techniques
- 10 Use Six Sigma as the primary process improvement method

of Cummins' Code of Business Conduct and is the subject of mandatory training for all new hires. The policy applies to everyone who enters a Cummins facility with the goal of creating an atmosphere where everyone is treated with dignity and respect.

Cummins offers its employees opportunities for growth within the Company as their skills and interests dictate. The Company has a history of "growing its own" leaders, and employees regularly move freely from one part of Cummins to another.

## **Business partners and suppliers**

Cummins has been able to build strong bonds with its business partners whether the Company is acting as a supplier of components or working with one of its 56 joint venture partnerships in 18 countries.

A key principle at the Company is to treat all preferred suppliers as business partners. Cummins regularly shares key practices such as Six Sigma and Lean Manufacturing with those suppliers to help our partners reduce costs and improve quality.

Critical suppliers to Cummins must meet specific Six Sigma performance requirements because Cummins quality is heavily dependent on the quality of our suppliers' products. If our suppliers and business partners succeed, Cummins will succeed and so will our customers.

## **Shareholders**

Beyond returning value in terms of profits, rising stock prices and dividends, Cummins believes it owes investors transparency in financial reporting.

Top executives hold quarterly teleconferences with industry analysts to discuss financial results. Company representatives also attend or host a number of investor events during the year.

To learn more about Cummins' governance practices, please see the Governance and Risk Management section that starts on page 50.

## History

# Firmly rooted as we reach higher

Cummins' pursuit of innovation and the Company's commitment to both principled leadership and a long-term vision is rooted in the men who played a critical role in the company's creation in 1919.

Clessie Cummins was a Columbus, Ind. man with a lifelong fascination for machines. W.G. Irwin, whose family fortune backed the Company's launch 91 years ago, pursued profits with a sense of community mission and a desire to help local entrepreneurs.

Cummins was Irwin's driver and a mechanic who opened an auto repair shop in a vacant forge building with his boss' blessing in 1913. The business evolved into a machine shop that performed a variety of Army and Navy ordnance jobs during World War I.

Clessie Cummins was increasingly fascinated by diesel technology, which had been introduced in the late 19th century in Europe but had not gained widespread commercial success. Fourteen weeks after the end of the war, the Cummins Engine Company was born, backed by Irwin.

***Cummins corporate headquarters preserved part of the factory that was an early home for Clessie Cummins' diesel engine company.***



*Clessie Cummins*

Thanks in large part to the incredible patience of Irwin and his wife, who championed the business as a way to provide jobs to the young men of Columbus, Cummins survived a rocky start in which it didn't turn a profit until 19 years after the Company was founded.

A third pivotal figure in the Cummins history would enter the picture around that time. J. Irwin Miller was the grand-nephew of W.G. Irwin. Miller had been involved in Cummins' operations for more than a decade before being elected president of the Company in 1947. He would play a key role at Cummins for the next three decades.

Educated at Yale and Oxford, Mr. Miller is largely responsible for Cummins taking on the qualities it is so closely associated with today: environmental consciousness, integrity, diversity, global involvement and community service. It was under Miller's leadership that Cummins first became a global company, entering India, China and other locations outside the United States.

Today, Cummins is a global power leader – the world's largest independent manufacturer of diesel engines and related components. What started as a business to manufacture diesel engines for farm irrigation pumps is today a family of four interrelated, yet diversified business segments. Diesel engines provide about 49 percent of our revenues; Power Generation, 19 percent; Components, 18 percent and Distribution, 14 percent.



*Clessie Cummins was known for his barnstorming to promote the diesel engine, demonstrating its benefits by among other things fielding a diesel-powered race car at the Indianapolis 500 and conducting coast-to-coast tours, for example with this diesel-powered bus. He is shown (top right) with his two younger brothers later in his career.*



The Company has 56 joint venture partnerships in 18 countries with some of the largest companies in our industry, including Komatsu in Japan, Scania in Sweden, Tata in India, Dong Feng and Foton in China and Brunswick-Mercury Marine in the United States. The Company has 87 manufacturing sites across the globe and 36,000 employees.

Cummins products can today be found in nearly every type of vehicle, from the heavy-duty diesel powered

trucks that travel the world's highways, to tractors that till the soil, to large trucks that carry natural resources from mines and ships that travel the world's waterways.

Cummins generators supply both prime and auxiliary power around the globe and our worldwide distribution business of parts and service serves customers in more than 190 countries.

# Recognition

Here's a look at some of the awards Cummins has won in the past year:

## Environmental

Cummins' facilities in the United Kingdom were awarded the Carbon Trust Standard in 2010, which recognizes companies with effective energy management systems and multi-year energy efficiency improvements. Receiving the standard is a significant achievement, as fewer than 300 U.K. companies, with only a small percentage in the industrial sector, have met the criteria.



Cummins continued to be a member of the FTSE4Good index series in 2010. The FTSE Group selects companies for the FTSE4Good index based on their environmental records, whether

they develop positive relationships with their stakeholders and whether they support universal human rights.

Cummins' efforts to minimize its environmental footprint and reduce greenhouse gas emissions helped the Company achieve a ranking in the top 20 percent of the 500 largest companies in United States in Newsweek's inaugural "green" survey in 2009. Cummins placed seventh among 47 industrial goods companies.

Cummins Generator Technologies India Limited received a Green Leader Award for 2009 from Frost and Sullivan, the global research, analysis and growth consulting company. The business was honored for its commitment to the environment including its "green facility" at Ranjangaon that practices lean manufacturing.

Cummins became a charter member of the Save Energy Now LEADER program in 2009.



The program is an ambitious national public-private initiative to drive significant energy intensity and carbon emission reductions across the U.S. industrial sector. Through partnerships with states, local entities, utilities, associations and end-users, industry can leverage resources to increase energy efficiency and save energy and money.

## Governance, ethics and sustainability

Cummins was named one of the "World's Most Ethical Companies" in 2010 by the Ethisphere Institute. The institute recognizes commitment to ethical leadership, compliance practices and corporate social responsibility. This is the fourth straight year that the Ethisphere Institute has selected Cummins as one of the world's most ethical companies.



Cummins was named by Corporate Responsibility magazine in 2010 as one of the world's 100 best corporate citizens. It was the

10th time in 11 years the Company has been named to the magazine's "best corporate citizens" list. Overall, the Company finished No. 11 on the magazine's list.

Cummins was named to the Dow Jones Sustainability Index for the fifth consecutive year in 2009.

The index represents the top 10 percent of the world's largest companies rated by Dow Jones across a range of economic, environmental and social responsibility measures.



## Social issues, diversity and people



Cummins in 2010 was named to DiversityInc's List of the Top 50 Companies for Diversity for the fourth consecutive year. The Company finished 26th on the 2010 list compared to 42nd in 2009.

Cummins was named one of the top 50 companies for Generation Y employees in 2010 by Brazen Careerist, which describes itself as the experts on what Generation Y wants from their workplace. Generation Y is often defined as those born from the mid-to-late 1970s to the early 2000s.

Cummins received a perfect rating for a fifth consecutive year from the largest U.S. advocacy group for gay, lesbian, bisexual and transgender employees. The Human Rights Campaign rated 590 businesses as part of its 2010 Corporate Equality Index, reviewing companies on their LGBT policies, practices and more.



Cummins was named as one of the top 25 companies for leaders in North America in 2009 by Fortune magazine. More than 500 companies of all sizes were considered for inclusion on the list ranking leadership development programs.

Cummins China was selected as one of 11 finalists for the U.S. State Department's Award for Corporate Excellence in 2009. The award recognizes U.S. businesses for advancing good corporate citizenship, innovation, and democratic principles abroad.

## In the marketplace

The 2010 Dodge Ram Heavy Duty Truck featuring the Cummins 6.7 liter Turbo Diesel was selected Motor Trend magazine's Truck of the Year. Motor Trend judges cited the engine's design of a non-urea based system to meet 2010 emissions standards in a pickup truck, while also providing great performance and fuel efficiency.

Cummins finished 12th on Bloomberg BusinessWeek's list of the top performing stocks over the past five years. BusinessWeek calculated the value of a \$10,000 investment made in each company on the S&P 500 in March 2005 compared to the same date this March. Cummins stock appreciated 278 percent over the five years compared to an average of 10 percent over that time period.

Cummins won the Modern Consumer Magazine award for Client Excellency in the auto parts category. The award is given out by Padrão Editorial and its partner GFK Indicator, a German company specializing in brand evaluation, one of the most renowned companies in this sector.

Cummins B3.3 engine powered the Mecalac 12MTX Hybrid wheeled excavator to dual-award success at the Intermat show in Paris in 2009, winning a prestigious Gold Award for Innovation as well as a Special Environmental Award. The B3.3 engine drives an electrical generator and lithium-ion battery system to achieve 25 percent lower fuel consumption with reduced CO<sub>2</sub> emissions and quieter operation.



**Earth University**

Guácimo, Limón  
Costa Rica



## EARTH University's mission rooted in sustainability

*Editor's note: This year's Sustainability Report is celebrating Cummins' significant partnerships in Corporate Responsibility. The Company's Corporate Responsibility value calls for Cummins to "serve and improve the communities in which we live."*

EARTH University professor Carlos Montoya walks down a neatly tended row of healthy lettuce, explaining how the vegetable typically doesn't grow well in the hot, moist climate of Costa Rica's humid tropics. And that's the point of everything growing in the peri-urban garden tucked away in a corner of EARTH's bucolic campus in Guácimo, Limón.

*EARTH's vision is to produce ethical agricultural entrepreneurs who are committed to promoting economic, social and environmental well-being in their home communities.*

"We are trying to develop techniques to help people grow their own vegetables in small spaces and in places where they don't naturally grow well," said Montoya. He went on to add that as many people across Central America have moved from rural areas to cities and towns over the past few decades, peri-urban gardening – the practice of growing and distributing food in or near an urban area – has become an increasingly important means of providing food independence and financial support.

Behind the lettuce plot, plants take root in "soil" that consists largely of carbon, rice and coconut husks with pieces of aluminum cans buried in to add volume while keeping the weight of the planting boxes as low as possible. Nearby, vertical rows of vegetables grow in hanging plastic bags, demonstrating how to make the best use of limited growing space.

The concepts behind the peri-urban garden are repeated across EARTH's 8,100-acre campus where 400 students from two dozen countries learn sustainable, low-cost, low-impact agricultural techniques. At EARTH, little is wasted.

Formed in 1986 with assistance from the Costa Rican government, the U.S. Agency for International Development and the Kellogg Foundation, EARTH University was created in response to political and economic turmoil in Central America that reached a crisis point in the mid-1980s. As a result, dramatic social inequities and a dangerous increase in unsustainable agricultural practices posed a significant environmental and economic threat to the entire region.

EARTH's vision is to produce ethical agricultural entrepreneurs who are committed to promoting economic, social and environmental well-being in their home communities. So far, that vision has translated into a growing group of graduates who have started businesses and are creating jobs.



The university's emphasis on education, the environment and social justice dovetails perfectly with Cummins' corporate responsibility focus areas – education, the environment and social justice/ improving the human condition. That's why EARTH became the Company's first "signature" corporate responsibility partnership in 2009.

"More so than any other effort in which we are involved, EARTH's mission cuts across all our corporate responsibility priorities at Cummins," said Tracy Souza, Executive Director of Corporate Engagement at Cummins and Executive on Loan to EARTH. "The work being done at EARTH has the potential to make profound positive environmental, social and economic changes and we are proud to partner with EARTH."

#### **Small classes, rigorous classwork**

EARTH welcomes approximately 100 new students each year, following an intensive application process that includes personal interviews with as many as 800 applicants. Students are selected without regard for their financial resources based on their potential,

commitment to the concepts being taught at EARTH and with an eye toward developing a diverse student body that is likely to use what is learned to improve their home communities. Half of EARTH's students are on full scholarship and no student pays more than half of the full cost of his or her education.

Once at EARTH, students engage in a rigorous year-round, four-year course of study that provides a mix of technical education, entrepreneurial experience, community involvement and hands-on agricultural and community oriented work. Classes routinely start at 6:30 a.m. and all students spend parts of two days each week working in the fields, local communities or with livestock on campus.

Students are required work in teams to use loans from the university, which must be repaid with interest, to develop and run a business. Students also are required to spend several weeks assisting "a local farming family during their time at EARTH, which also allows the university to share its sustainable farming techniques more broadly. In addition, every student must secure an agriculture-related internship, preferably in their home country.

#### **EARTH University**

**Location:** Costa Rica (main campus - Guácimo, Limón; satellite campus – La Flor).

**Mission:** Prepare leaders with ethical values to contribute to the sustainable development of the humid tropics and to construct a prosperous and just society.

**History:** Founded in 1986 with the support of the Costa Rican government, the U.S. Agency for International Development and the Kellogg Foundation.

**Special features:** All students must create and run a university-funded agriculture-related business



during their first year and spend one academic term as an intern during their third year.

**Cummins involvement:** Designated a "signature" Corporate Responsibility project in 2009; awarded \$6 million challenge grant by Cummins Foundation; several senior leaders serve on EARTH boards or provide volunteer support to EARTH initiatives.



*EARTH professor Carlos Montoya talks with staff member Junior Solano López about the lettuce being grown at the university. Plants take root in “soil” that consists largely of carbon, rice and coconut husks with pieces of aluminum cans buried in to add volume.*

### **Cummins’ commitment**

As part of the Company’s support for EARTH, The Cummins Foundation approved a \$6 million challenge grant in June 2009 to be awarded over five years. The grant, is conditional on EARTH meeting established fund-raising goals and will be used to fund several endowed scholarships and an endowed professorship at the university.

Cummins’ support of EARTH goes well beyond the Foundation grant. Consistent with the Company’s philosophy of “unleashing the power” of its employees, Cummins is providing EARTH with significant human capital.

A senior Cummins executive serves as a member of the EARTH University Board of Directors and the EARTH University Foundation Board of Trustees, and the Company has established an executive on loan to coordinate Cummins’ work with EARTH. The Company’s government relations team in Washington, D.C., also is helping the university build relationships with government officials from around the world.

In addition, a number of Cummins leaders are assisting with projects designed to help EARTH create a long-term strategic financial plan, to improve the operating efficiency of its business ventures and to better assess the impact its graduates are having on their communities. Other examples of Cummins’ commitment to EARTH include:

- Cummins is helping EARTH build on its already successful efforts to create a sustainable model for growing bananas. In addition to being served in the university’s cafeteria every day, a portion of the banana harvest is sold to Whole Foods Market, the U.S.-based natural supermarket chain.
- Cummins Master Black Belts from Mexico have trained EARTH employees in Six Sigma project methodology to drive improvement and efficiencies throughout the campus.
- Cummins employees are working with EARTH to explore possible commercial markets for the “smart microbes” mixtures that are developed from recycled animal waste and which can be used to repel insects on livestock, fight fungus on plants and even be converted into a cleaning solution to reduce odor in livestock barns.

- Cummins is a major participant in the university's "EARTH Plants the Future" program in 2010 by planting 100,000 trees – including 33,000 on EARTH's main campus representing the hours Cummins employees have devoted to the Company's Environmental Challenge program.

"EARTH has been fortunate to work with a lot of very good organizations, and Cummins is certainly one of the very best," said EARTH University Provost Daniel Sherrard. "The support EARTH has received from Cummins is a real inspiration to all of us, and with no exceptions the people we have been fortunate to work with from the company have been wonderful collaborators."

## One student's story

In a university known for its diversity – the school's 400 students come from 24 countries – John Lomurut's story still stands out.

One of four current students from Kenya attending EARTH University, John is the only one in his family of 12 children to attend college. He's the only family member, parents and children, who can read and write. John was the lucky one: the only child from the family that his uncle could afford to take in and educate.

Today, John is on the verge of doing the unimaginable for most from his home village in Kenya: Graduate from college. A fourth-year student at EARTH, John is symbolic of EARTH's mission. He plans to return to Kenya after graduation to spread the sustainable agricultural techniques he has learned in the humid tropics to his arid home region.

Soft-spoken, but poised and keenly intelligent with an easy smile, John also hopes to run for political office in Kenya some day. It's a far cry from the uncertain young man who arrived at EARTH four years ago never having been out of Kenya and without knowing a single word of Spanish.

"The first few months were very difficult," John admitted. "But it has definitely been worth it."

John has been home only once since arriving at EARTH – to complete an internship with the African Wildlife Foundation and Starbucks. Using skills learned at EARTH, he worked with struggling local coffee



*John Lomurut grew up in this village in Kenya.*



farmers to help them improve the yield of their crops so that they wouldn't need to poach animals or engage in illegal logging from a nearby wildlife reserve to support themselves.

Now, he looks forward to returning to Kenya to help his family and his country, and becoming among the latest group of graduates to carry on the EARTH mission.

# Raising the stakes on our environmental performance

## Highlights

- ▶ **Cummins successfully meets 2010 EPA emission regulations for on-highway diesel engines in the United States.**
- ▶ **Company sees producing cleaner, more efficient products as a strategic advantage.**
- ▶ **Cummins partners with employees to address climate change, reduce environmental footprint.**

Demanding that everything we do leads to a cleaner, healthier environment has been part of Cummins' Mission Statement for many years. In practice, it means the Company is unwavering in our commitment to produce the cleanest products in the world and reduce the Company's environmental footprint.

Cummins has raised the stakes on many environmental fronts in the past year. Because we have invested significantly in new products and technologies to further lower exhaust emissions from our products, the Company was able to successfully launch our 2010 diesel engines, meeting even more stringent U.S. Environmental Protection Administration regulations.

*Dr. Steven Chu, U.S. Secretary of Energy, visits with John Wall, Cummins Chief Technical Officer, at Cummins' Columbus Technical Center earlier this year.*

Other accomplishments include:

- Greenhouse gas reduction at Cummins' facilities since 2005 has reached 167,000 tons, a reduction of 19 percent.
- Product remanufacturing recycled more than 50 million pounds of material in the past year. The energy savings from this reclamation is equivalent to the consumption of about 10,000 homes in the United States.
- Eight more sites were certified to Cummins Environmental Management System, which drives regulatory compliance and ongoing environmental improvement.





*Chairman and CEO Tim Solso (fourth from right) stands behind President Barack Obama this spring as he signs an order to develop the first-ever fuel efficiency standards for medium and heavy-duty commercial vehicles.*

Going forward, more of Cummins' annual investment in research and development will be focused on improving the efficiency of our engines and reducing greenhouse gases (GHGs), specifically carbon dioxide (CO<sub>2</sub>), to the mutual benefit of our customers and the environment. We see our ability to produce cleaner, more fuel efficient products as a key strategic advantage in the future.

### **Greater fuel economy, reduced product emissions**

In January 2010, U.S. Secretary of Energy Dr. Steven Chu chose Cummins' Columbus, Ind. Technical Center as the setting to announce the awarding of \$187 million to nine projects across the country dedicated to improving fuel efficiency, reducing waste energy, and cutting emissions. Cummins was awarded \$54 million, by far the highest award, for two projects aimed at improving fuel efficiency in heavy-duty and light-duty vehicles.

The Company's 20-year partnership with the Department of Energy has helped Cummins bring evolutionary and break-through clean diesel technology to the market faster and at a lower cost than we could have on our own.

We are also partnering with the government to establish the first-ever standards governing greenhouse gas emissions and fuel efficiency for medium- and heavy-duty commercial vehicles.

Cummins wrote a white paper at the request of the National Academy of Sciences (NAS) on the regulation of greenhouse gases in commercial vehicles following a site visit by academy leaders to Cummins in May 2009. The paper details Cummins' perspective on a regulatory framework that could also provide a useful structure for technology assessment, improved fuel efficiency and greenhouse gas reduction from medium- and heavy-duty commercial vehicles.

The regulatory framework has been part of the Company's ongoing dialogue with regulators and lawmakers about the need for a consistent and responsible set of standards to address GHGs.

Cummins Chairman and Chief Executive Officer Tim Solso stood with U.S. President Barack Obama in May 2010 as the president signed an order at the White House for the development of these standards.

## Addressing climate change in our facilities

The Company's efforts to address climate change continue to expand. We have reduced Cummins' carbon footprint through initiatives like the Unplugged Challenge, the Energy Champions program and the Engaged employee engagement campaign (see story on page 44).

The Company's Environmental Management System is making the Unplugged Challenge, an effort to reduce power consumption at Cummins facilities during holiday shutdowns, sustainable year round. Through training and steps to control processes, the goal is to make reducing electricity consumption part of our everyday lives.

Meanwhile, Cummins' facilities in the United Kingdom have worked hard to comply with the Carbon Reduction Commitment Energy Efficiency program, legislation designed to reduce energy use in businesses.

From wastewater reduction to waterless bathroom fixtures, Cummins facilities met the challenge of water conservation over the past year. Annual water use reductions from specific water projects exceeded 47 million gallons – that's the equivalent of a glass of water for over 725 million people.

## Better performance tools

A key part of Cummins' environmental initiatives is improving the Company's ability to measure its performance at the facility level on environmental issues.

In 2009, the Company implemented a new data collection/tracking system that made the gathering and public reporting of performance data for Cummins locations easier and more accurate.

The system has better tools for data and trend analysis for all of the environmental data tracked so Cummins has an even better understanding of its environmental performance at all levels of the Company.

## 'Print Smart' reduces paper use

Savings are up and the number of printed pages is down across Cummins thanks to a 2009 initiative the Company calls Print Smart.

The program, now in its second generation, globally refreshes the Company's printing devices. Cummins is well on its way to printing 36 million fewer pages than last year – a projected annual savings of \$2 million.

Under Print Smart II, employees have to confirm their intent to print at the printer by entering a code. This step gives them one more chance to decide if they really need a printed copy.

Since color copies cost three times as much as black and white, Cummins has also achieved significant savings – an average of \$1.5 million a year – by limiting both the number of color printers and which employees can print in color. Printing out a 30-page presentation that isn't used doesn't seem like a big deal until the cost is multiplied by thousands of users.

By printing 36 million fewer pages annually, Cummins is predicting a greenhouse gas avoidance of 605 metric tons, which could generate an additional \$7,400 in energy savings. With the completion of Print Smart II, Cummins is saving both money and close to 4,000 trees per year.

## Challenges ahead: The environment

Inherent in our commitment to the environment is our commitment to continuous improvement.

Here are some of the key environmental challenges facing the Company:

**1 Regulations and global compliance:** Cummins is planning for greenhouse gas regulation, both in its products and facilities. The Company has developed extensive technology road maps to meet various possible reduction deadlines for its products. As nations address emissions and regulate air pollutants, fuel efficiency and greenhouse gas emissions from our products, we must understand and comply fully with these regulations. Our challenge is to improve our global emissions compliance processes – from the point when a regulation is considered to when we design and make a product and then the sales and service of that product in the market.

**2 Products and supply chain:** The Company's new products must be environmentally friendly. We are constantly reviewing "green" product ideas that take advantage of our technological leadership. Cummins also plans to expand our efforts to do more low-carbon manufacturing, an area of

currently untapped potential. We are also stepping up our efforts to "green" our supply chain. One project under way in 2010 will recommend a method and tools to evaluate the carbon footprint of Cummins extended supply chain, while another will recommend an overall strategy to reduce that footprint.

**3 Energy:** The good news is there are many efforts going on around the globe, but we could do better at making sure they are leveraging, not duplicating, efforts and knowledge. An umbrella Six Sigma project will look at ways to coordinate global efforts in facilities, supply chain, products and processes. GHG reduction gets incrementally more difficult after meeting initial targets.

The Company has embedded energy efficiency as a focus area within its global Environmental Management System to ensure that these efforts become sustainable parts of how we work every day.



*Cummins employee Mike Garrett looks for potential energy savings as part of the Company's Energy Champions program. The low and no-cost improvements uncovered by Energy Champions and Leaders are critical to energy efficiency efforts going forward.*

# Environmental Stewardship

*At Cummins, our Company models good environmental stewardship through our products, our practices and our partnerships. Here's a summary of our activity in all three areas. A more in-depth presentation is available at [www.cummins.com](http://www.cummins.com).*

## Products

Cummins' leadership in combustion research, fuel systems, air-handling systems, electronics, filtration and aftertreatment allows the Company to maximize customer value by providing the most appropriate emissions control for each market Cummins serves.

The Company's diverse product portfolio meets or exceeds all emissions requirements, and at the same time delivers on our customers' needs for fuel economy, performance, reliability and durability.

### Engines

Since the 1970s, Cummins on-highway engines have been regulated by the U.S. EPA and similar regulatory agencies around the world for combustion emissions, including Nitrogen Oxide (NOx) Carbon Monoxide (CO), Hydrocarbons (HC) and Particulate Matter (PM), also known as soot.

When compared to emissions from unregulated engines in the early 1970s, today's on-highway diesel engines emit 99 percent less PM and NOx.

Off-highway engines produced by Cummins are also subject to stringent emission standards.

The combustion process for off-highway engines is fundamentally the same as for on-highway engines.

Between 1995 and 2006, off-highway engine emissions for NOx and PM have been reduced by 80 percent and 85 percent, respectively. And from 2011 to 2014, off-highway engines will be held to essentially the same level of emissions as their on-highway engine counterparts.

### 2010 EPA emissions and fuel rules

In 2010, all heavy-duty diesel engines had to meet the NOx standard of 0.20 grams per brake-horsepower hour (g/bhp-hr) and the PM standard of 0.01g/bhp-hr.

Both NOx and PM were reduced by 90 percent from 2004 levels. The 2010 regulations required the phase-in of advanced on-board diagnostics with additional sensors to monitor the effectiveness of emission-control systems on the engine, which alert the driver if a failed emission-reduction device needs to be repaired.

In addition to the new exhaust emission standards, the EPA lowered the limit for diesel sulfur fuel from 500 parts per million (ppm) to 15 ppm. The new fuel standard began to be phased in October 2006 and will be completed by September 1, 2010.

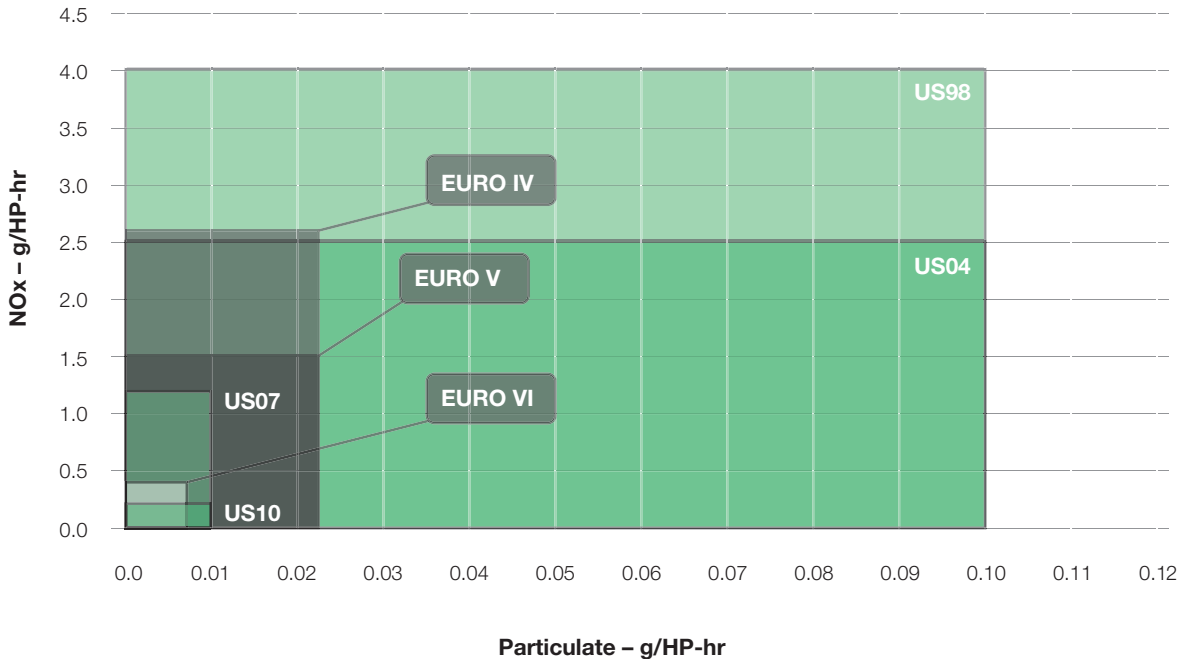
Cummins was among the first companies to meet these standards. For 2010, the Company introduced the ISX15, providing five percent greater fuel economy, stronger performance, faster throttle response and overall best-in-class drivability and reliability compared to our previous industry leading ISX engine.

The ISX15 features the Cummins XPI fuel system, next generation cooled Exhaust Gas Recirculation (EGR) system, an advanced turbocharger and a new Cummins Aftertreatment System that incorporates Selective Catalytic Reduction (SCR) catalyst technology.

Cummins also introduced the new ISX11.9 for commercial trucks, emergency vehicles and motor coach applications.



## Global on-highway standards



*This chart shows how countries' standards have significantly reduced the allowable amount of particulate and NOx emissions.*

Today the ISX engine is the market leader in the North American heavy-duty on-highway truck market. Cummins' market share of the heavy-duty on-highway business has grown from 27 percent in 2006 to more than 50 percent in 2009.

Cummins' off-highway product range is ready to meet U.S. EPA Tier 4 Interim and EU Stage IIIB emissions standards which take effect Jan. 1, 2011, for the 174 hp to 751 hp power category covering construction, agricultural and industrial equipment.

Meeting the new regulations requires the use of advanced combustion and fuel injection systems, combined with exhaust aftertreatment to reduce PM emissions by over 90 percent compared to the current Tier 3 and Stage IIIA standards.

While this technology is new to off-highway, it is not new to Cummins. We are able to leverage our proven on-highway technologies to provide our off-highway customers with fully integrated systems which go beyond meeting the low emissions standards to achieve up to five percent improved fuel efficiency.

## Alternative fuels

Cummins continues to support the development of engines capable of running on alternative fuels that will give an option to our customers while providing environmental benefits. Biodiesel is a clean-burning alternative fuel made from renewable resources including plant oils and animal fats.

In February 2009, Cummins announced that B20 biodiesel fuel could be used in our high-horsepower engines and later in September announced B20 compatibility for EPA 2010, Euro 4 and Euro 5 engines. Most of Cummins engines are now approved to operate with B20 biodiesel blends, as will all future engines.

Cummins also has a joint venture with Westport Innovations Inc. called Cummins Westport Inc. (CWI) that is headquartered in Vancouver, British Columbia. CWI manufactures and sells the world's widest range of low-emissions natural gas engines for commercial transportation applications such as trucks and buses, with more than 24,000 engines in service worldwide.

# Technology for fuel efficiency

Technology innovations that deliver greater fuel economy for our customers also mean CO<sub>2</sub> reduction. Cummins first demonstrated a hybrid system in 1995 and continues to be the world's number one supplier of diesel engines to the commercial diesel hybrid market.

A hybrid vehicle, moved by two or more distinct power sources, uses less fuel than one with a traditional powertrain and therefore emits less CO<sub>2</sub>. As commercial hybrids progress and advanced technologies from Cummins are introduced, the degree of system integration will become more important.

Further engine optimization for hybrid powertrains will result in new levels of fuel efficiency driven by design considerations

and integrated engine features. Engine-optimized hybrid systems are estimated to achieve a 40 to 50 percent fuel consumption reduction over conventional powertrains.

Meanwhile, the engine component of Cummins SuperTruck program, a program to improve fuel efficiency, reduce waste energy and cut emissions, uses waste heat recovery to get more mileage out of the fuel. The concept is to direct waste heat back to the engine via a small steam turbine, 1-1/2 inches in diameter.

This technology, funded in part by the Department of Energy, will help Cummins customers achieve greater fuel economy in light of rising fuel prices.

Cummins Westport natural gas engines, available as a factory option from over 50 truck and bus manufacturers worldwide, can operate on compressed (CNG) or liquid (LNG) natural gas and on zero-carbon biomethane, a renewable fuel made from biogas or landfill gas.

## Outside the United States

Cummins meets or exceeds emission regulations in every country where it operates. In Taiwan, for example, emissions regulations require EPA 2004 or Euro IV standards, and Cummins sells both types of certified engines. In Mexico, emission regulations recently enacted require EPA 2004 certified engines. Cummins has been very active in the latest rulemaking and has been selling EPA 2004 certified engines years prior to the latest requirements.

Cummins has worked closely with the Chinese government and Original Equipment Manufacturers (OEMs) to introduce "green engines" to China.

Cummins is committed to bringing in advanced, low-emission, fuel efficient and environmentally friendly products to Chinese customers concurrently with international markets, including the United States and Europe.

In late 2009, Cummins' joint ventures in China – Dongfeng Cummins and Xi'an Cummins – introduced Euro IV diesel engines in advance of the Chinese government's requirements for production in 2011. Also in 2009, Cummins' Wuhan Technical Center began projects with all of our joint ventures in China to develop clean diesel engines to meet the stringent Euro V emission standards worldwide in addition to local production of Euro IV engines.

In 2010, Cummins' latest joint venture with Beijing Foton began production of the all new ISF2.8 and ISF3.8 Euro IV engines in Beijing. Cummins is the first foreign diesel maker to invest in the local manufacturing of key sub-systems, including turbochargers, filtration products, fuel systems and after-treatment products.

## Remanufacturing Cummins products

Remanufacturing Cummins components and engines provides our customers with high performing ReCon products at a value price. The business of providing genuine, factory remanufactured products has long been a mainstay of Cummins sustainable operations.

Remanufacturing provides benefits for the environment by using about 85 percent less energy compared to the mining, refining, melting and machining of new material. Cummins reuses or recycles more than 50 million pounds of material each year. The energy savings from this reclamation is equivalent to the consumption of about 10,000 homes in the U.S. Since most of that energy is fossil-fuel based, the savings also add up to greenhouse gas reductions of about 200 million pounds.

ReCon Parts and Engines is a global initiative. Two India locations are now in operation producing for the domestic market and export. Chinese remanufacturing operations are expected to start in July 2010, while fuel system remanufacturing operations have now begun in a new facility in Juarez, Mexico.

## Filtration

More than 50 years ago, Cummins developed its first filtration product. Since then, the business unit has developed thousands of innovative technologies and industry-leading manufacturing processes that support a cleaner, healthier and safer environment.

For example, a current program underway at Cummins Filtration will reduce the amount of steel needed to make nut plate components used in liquid filtration by 11 percent. By reducing the amount of steel used to make filters, while still meeting or exceeding performance expectations, less material will be needed from steel service centers and mills.

This design change equates to a reduction in steel purchased by Cummins Filtration of 1 million pounds or 454 metric tons. From a transportation standpoint, the reduction means 25 fewer truckloads of steel transported for Cummins Filtration per year, though the same volume and quantity of filters are still produced. Studies suggest that for every ton of steel produced by a mill, approximately 1.8 tons of CO<sub>2</sub> are emitted into the atmosphere.

The business unit designs high performance products that remove contamination from engine systems, reduce engine emissions and minimize disposal issues. As the only filter manufacturer that is part of a company that produces engines, Cummins Filtration has developed new technologies in concert with 2010 engine platforms to reduce environmental impact, as in the following examples:

- Crankcase Ventilation systems that filter up to 99 percent of oil drip, up to 95 percent of aerosol vapors and 100 percent of engine compartment fumes.
- Direct Flow™ Air Filtration design utilizes a straight air flow path allowing filter media to be packaged in a smaller profile for longer service intervals, easier service and environmentally-friendly disposal with no metal components.
- Filter-in-Filter combines two filters in a single reusable cartridge that reduces the amount of waste material during regular fuel system maintenance.

From the state-of-the-art Media Center, Cummins Filtration engineers design advanced filter media to meet the goal of reducing our carbon footprint, such as the award-winning, multi-layered StrataPore™ synthetic media with superior sludge removal capability and StrataPore Coalescing media specifically tailored for optimal oil droplet removal from blow-by gases in Crankcase Ventilation systems.

## About our charts

The charts on this page and the next illustrate Cummins' commitment to the environment by often exceeding U.S. emissions standards.

The on-road charts for North America compare the estimated maximum allowable emissions by U.S. EPA standards compared to Cummins' estimate of its engines' actual emissions for the past three years.

Estimates are based on the number of engines, both heavy-duty and midrange, manufactured in the United States for on-highway use per year.

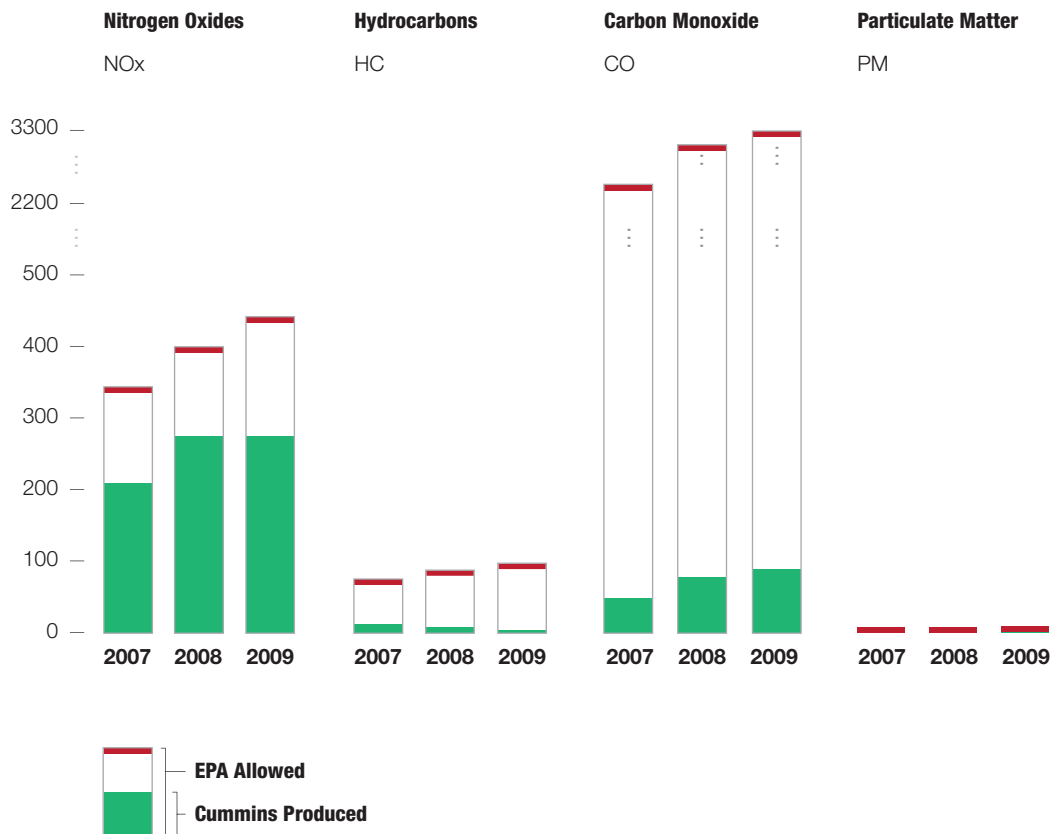
Cummins engines have released far less Hydrocarbon and Carbon Monoxide into the

environment than the maximum allowed by the EPA. And even by the tough Nitrogen Oxide and Particulate Matter measures, Cummins has been under the standards.

The figures in the non-road charts are based on the number of midrange, heavy-duty and high-horsepower engines produced to EPA standards. As with Cummins' on-road engines, these non-road engines release far less HC and CO into the environment than the maximum allowed by regulatory agencies. Likewise, NOx and PM actual emission levels are under the applicable standards.

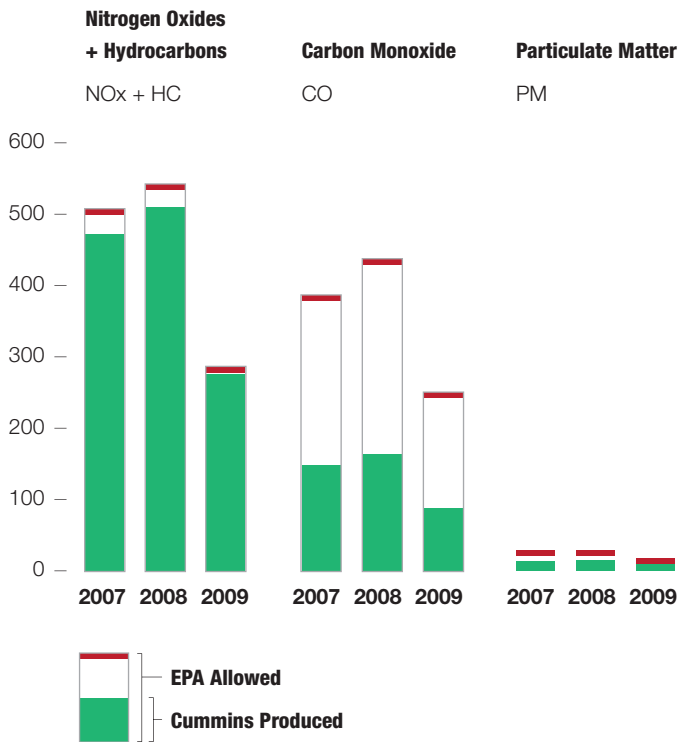
### Automotive useful life emissions total

in thousands of tons



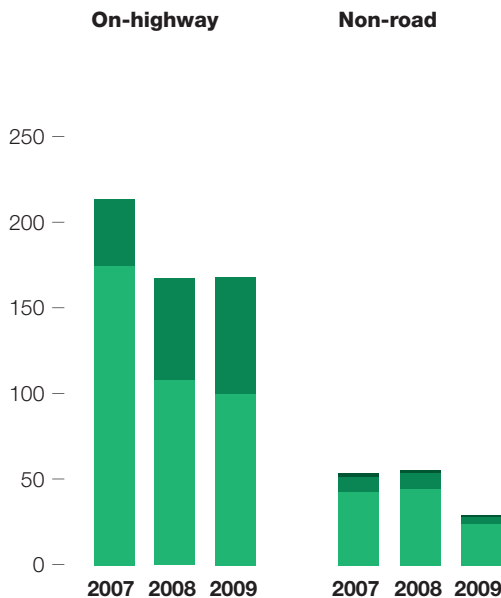
## Non-road useful life emissions total

in thousands of tons



## Diesel engine volumes

in thousands



	2007	2008	2009	2007	2008	2009
<b>High Horsepower</b> (19-78 liters)				2	2	1
<b>Heavy Duty</b> (10-15 liters)	39	60	68	9	9	4
<b>MidRange</b> (3-9 liters)	175	108	100	42	44	24

## Cummins MerCruiser Diesel uses solar power



A new concept vessel is combining diesel-electric hybrid technology with renewable solar energy and a high-capacity battery, resulting in a clean, quiet, safe and more enjoyable boating experience.

The boat is a project of Mercury Marine, Cummins' joint venture partner for marine propulsion using Cummins diesel engines 15 liters and smaller.

The boat reduces energy consumption by using solar power to recharge the lithium ion batteries and advanced automatic control strategies for optimal efficiency. The environmental benefits include cleaner air and water and greenhouse gas reduction through better fuel efficiency and the use of renewable energy.



The hybrid propulsion combines reliable diesel engines and electrical systems so they can operate together or independently, providing built-in backups. Solar power is independent of shore power and provides electrical backup to bilge pumps, starting batteries and other critical components.

This new technology was shown at the Miami International Boat Show earlier this year to positive reviews.

## India's green ambassador

Pradeep Bhargava says development doesn't have to come at the expense of the environment.

"We need doable, replicable and simple tasks by which each one of us can contribute towards a harmony between development and environment without compromising either," says the Managing Director of Cummins Generator Technologies India.

Under Bhargava's leadership, CGT India built the first truly "green" manufacturing plant at Cummins in 2007. The facility in Ranjangaon, India, is energy efficient, expected to save over 14 million kilowatt hours of electricity over the first 10 years of operation.

The facility has been widely recognized for its green design and earlier this year Bhargava was honored by Cummins Health, Safety and Environmental Council for his leadership on environmental issues.



"Our lean and green factory at Ranjangaon is testimony to our commitment towards our Mission Statement demanding that everything we do leads to a cleaner, healthier and safer environment," Bhargava said. "The facility also demonstrates the possibility of achieving a viable balance between commercial profitability of the business and the interests of the environment."

The plant at Ranjangaon uses high efficiency glass for windows and skylights, fly ash in the building's bricks and landscaping on the roof to name just a few of the plant's environmentally friendly features

While Bhargava has become something of a green ambassador in the business world, he doesn't consider himself a "shaker" – someone warning humanity about impending environmental disaster. He said there are already enough "shakers."

"I put two simple guidelines for my colleagues and I to follow," he says when asked about the development of the plant in Ranjangaon. "One, don't abuse nature. Two, use nature."



*The Cummins Generator Technologies plant at Ranjangaon.*

## ReCon plant opens in India

Cummins New and ReCon Parts business, which re-manufactures components and engines, began operations at its new facility near Pune in September 2009.



*Tim Solso cuts the ribbon on the new plant near Pune.*

The ReCon plant, which shares a location with Cummins Generator Technologies in Ranjangaon, is one of three divisions of Cummins Technologies India Limited (CTIL). CTIL is a 100 percent Cummins owned legal entity in India.

Remanufacturing operations will introduce low cost, high quality ReCon parts and engines to domestic Indian markets. The remanufacturing process gives new life to parts that might otherwise be thrown away.

The plant “uses” nature in several ways. For example, the facility features a wind tower to provide natural ventilation, reducing both temperatures in the shop and the heat load for the office air conditioning.

Treated “gray water” from the plant canteen and sinks is used for landscape irrigation. And an aggressive tree planting program with the goal of planting 3,000 trees will help offset the facility’s carbon emissions.

After stints in both government and private industry in India, Bhargava joined Cummins Power Generation business in India in 2000. He became the leader of Cummins Generator Technologies in 2003, where he was asked to oversee the development of the new factory in Ranjangaon.

Initially, the goal was establishing a world-class factory using lean manufacturing concepts focused on the needs of the customer and eliminating waste. Bhargava and his colleagues decided to make it “lean and green – something that seemed wholesome and in line with Cummins stated values,” he said.

Now, Bhargava is quoted frequently on balancing the needs of the environment with the needs of business. He leads a national task force on establishing codes for green factories in India.

“For us in corporate life, ‘lean’ is a business compulsion, but ‘green’ is societal obligation,” Bhargava says. “If long-term sustainability is a question mark in the context of climate and environment changes, it has to be addressed wholeheartedly by industry as a key member of civic society. Hence we took this as part of our social responsibility – one of the key values of our organization.”

### Further reducing our footprint

A second green factory in India was opened in Pithampur in late 2008. This Turbo Technologies plant incorporates many environmentally friendly features in both its office environment (energy efficient lighting, occupancy sensors) and the shop floor (skylights, efficient air conditioning). The building was designed to the land contour of the site to minimize excavation, and materials that were excavated were used in the construction.

# Practices

*Cummins doesn't just talk about environmental stewardship. The Company puts its words into action. Here's a look at some of the ways we ensure that "everything we do leads to a cleaner, healthier and safer environment."*

## Climate change

Early in 2007, Cummins formed a climate change team to take both a strategic and tactical view of climate change and sustainability at Cummins.

The team's members, from across business units and functions, represent facilities, product planning, corporate strategy, environmental policy, supply chain and government relations, among others.

The team has evolved into an active working group that takes a very structured and results-oriented approach to our 10 climate change principles developed to meet the challenges of climate change going forward.

Six of these principles direct company actions for our products, businesses, employees and communities, while four of them shape our partnerships with legislative and regulatory entities to develop sound public policy. The outreach of the corporate group is expanding to include forming business-specific and regional working groups to address climate change.

Many examples of the working group's efforts are included elsewhere in this report:

- The support of greenhouse gas regulation (GHG) in commercial vehicles and collaborative work with the EPA in developing future GHG regulation;
- Engaging employees to reduce their carbon footprints both at work and at home;
- Closing in on our 25 percent facility GHG reduction goal; and
- Pursuing new business opportunities like hybrids and combined heat and power systems.

## Energy efficiency

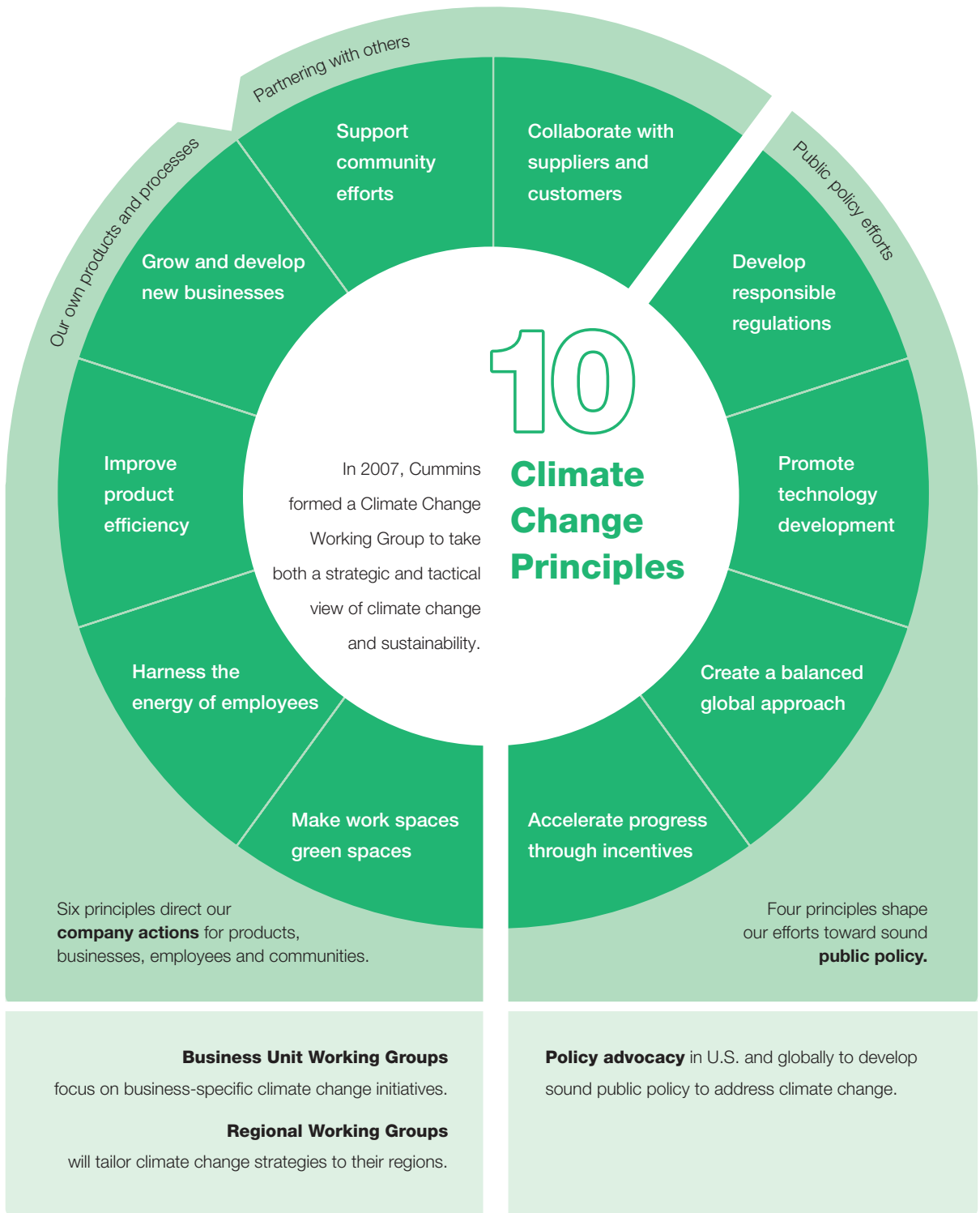
The EPA's Climate Leaders program offers a rigorous approach to greenhouse gas reduction that yields credible and consistently measurable results. When Cummins committed to a 25 percent GHG intensity reduction goal by 2010 from a 2005 baseline, we took the most comprehensive stance possible, choosing to include in our baseline audit all management-controlled entities worldwide.

A corporate Energy Efficiency Team with leaders from each business unit and related environmental functions drives the Company's efforts to meet its Climate Leaders goal.

The team manages the capital fund allocated specifically for energy efficiency, analyzes proposed capital projects for energy efficiency and greenhouse gas reduction and tracks our progress toward our Climate Leaders goals. Capital projects in our seven identified energy efficiency themes have resulted in annual energy savings of \$11 million.

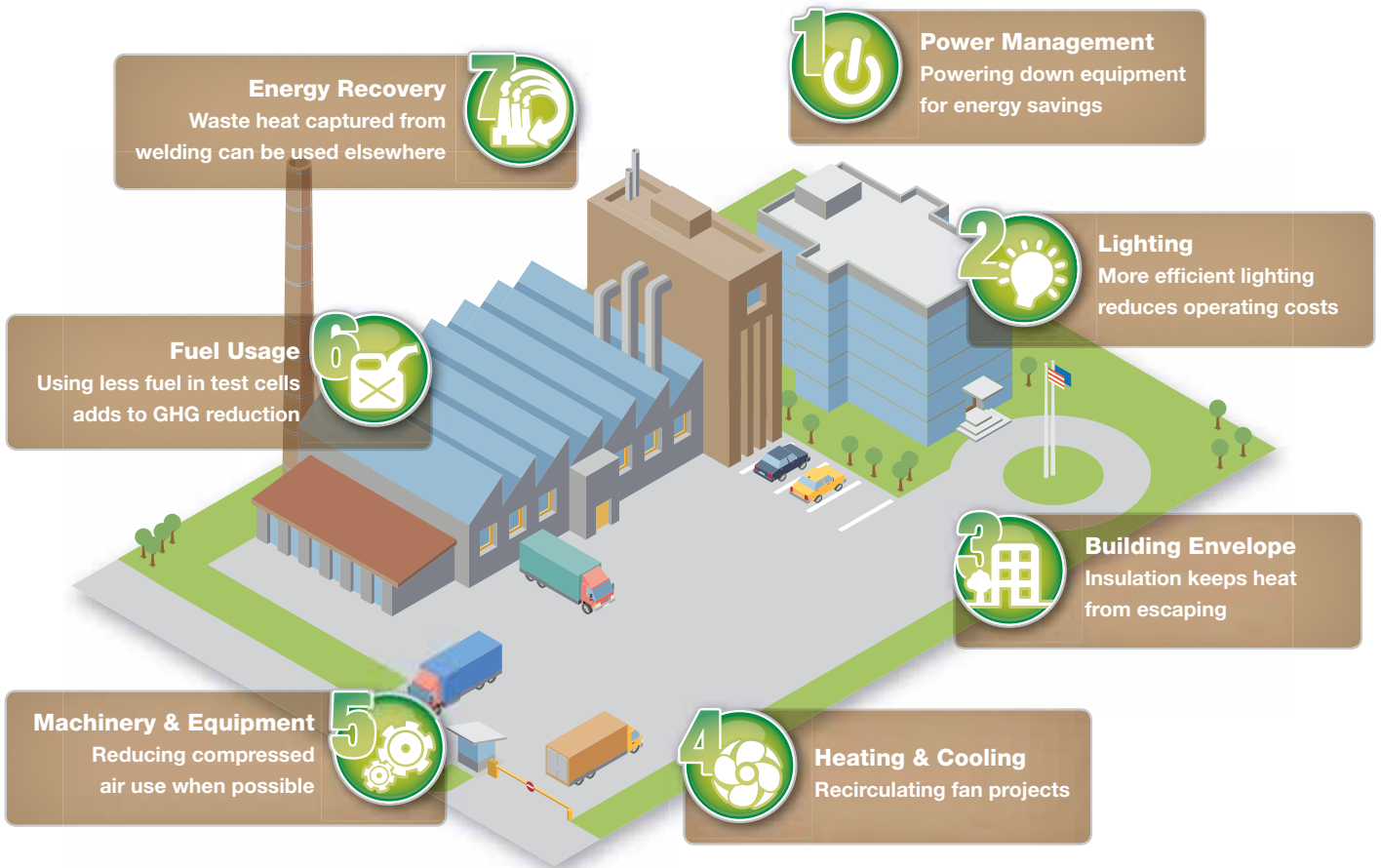
The team was also important in developing the Company's Energy Champions program and training materials. Energy Champions and Energy Leaders are energy experts at their sites and seek and carry out low or no cost energy improvements. It is estimated those improvements could save Cummins \$10 million to \$15 million per year.





# Seven ways our sites save energy

These themes provide structure for our energy reduction efforts.



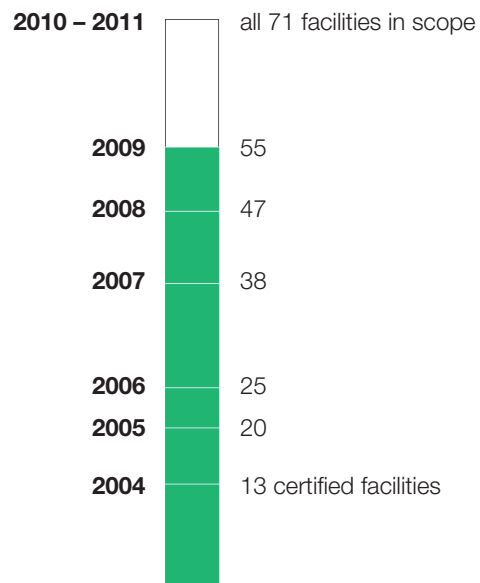
## Cummins Environmental Management System

Cummins Environmental Management System (EMS) ensures a common approach to implementing Cummins' environmental standards at its sites worldwide.

The EMS drives regulatory compliance and ongoing environmental improvement projects reflecting site, business unit and corporate priorities. Cummins has incorporated the elements of the international industry environmental standard ISO 14001 into its EMS and submits the EMS registration to independent third party auditing and verification with our global registrar, Bureau Veritas Certification.

By the end of 2009, Cummins had 55 sites and the corporate entity registered to the ISO 14001 standard and expects to have the remainder of in-scope sites registered by the end of 2011.

## Certified EMS enterprise sites



## Environmental objectives and targets

Each year, the Health, Safety and Environmental Council agrees on objectives and targets for the organization to ensure the improvement of Cummins' environmental performance.

These corporate objectives are in addition to business unit initiatives that are of special importance and address a unique risk exposure or opportunity for that group.

In 2009, each business was asked to use Six Sigma tools on a reduction project of their choice and to begin to develop a water balance by identifying key uses of water onsite.

The water balance analysis will help identify reduction opportunities that support Cummins' continuing focus on water conservation. In addition, objectives and

targets have been set to generate organizational and other support for GHG reduction and energy efficiency initiatives across the organization.

At the end of 2009, the EMS was able to quantify \$2 million in savings and the following environmental improvements as a result of the objectives and targets completed:

- 8 metric tons of waste reduced
- 47 million gallons of water conserved
- 1,000,000 BTUs (British Thermal Unit) of natural gas reduced
- 2.5 megawatts of electricity reduced
- 4,000 pounds of solvent usage reduced

## Cummins Southern Plains implements integrated Environment Safety System

Many sites at Cummins are developing integrated health, safety and environmental systems to meet both environmental and safety standards.

Cummins has developed a number of tools to support these activities including integrated Corporate Health, Safety and Environmental procedures.

Cummins Southern Plains, headquartered in Texas with 10 branch locations, is our first distributor in the corporate enterprise to implement such an integrated system.

Having multiple locations across two states required good communications and common systems to achieve consistency and excellence for health, safety and the environment. Implementation teams set up at all branch locations helped make the process smoother.

"Since all of our branches perform the same basic functions, deploying the HSEMS (Health, Safety and Environmental System) to all branches added a lot of value for little additional effort at Southern Plains," said Charles Glynn – Southern Plains Health, Safety and Environmental Leader. "Implementing a formal HSEMS has allowed us to identify gaps in our approach and significantly improved our safety and environmental performance."

"The environmental and safety management system provides standardized processes to drive continual improvement, while retaining site level flexibility that is critical to address the diverse challenges in the Distribution Business Unit," said Adam Tucker, Cummins Distribution Business Unit HSE leader. "The achievement of Southern Plains is significant as more distributors will move to these systems."

## Greenhouse gas emissions

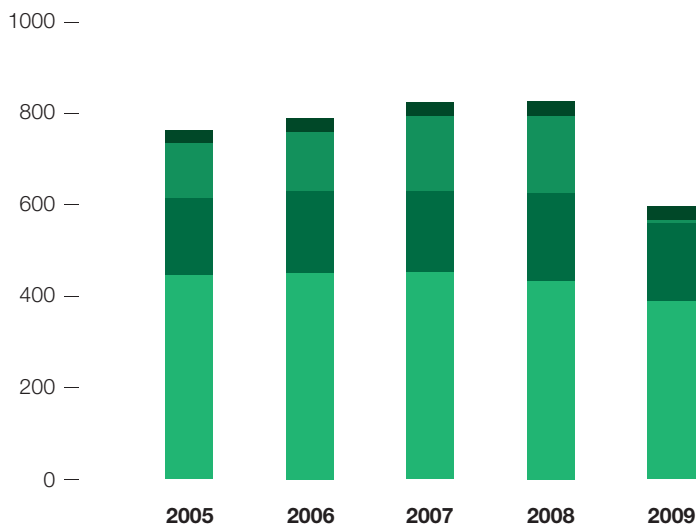
Cummins has achieved dramatic reductions in greenhouse gas emissions due in large part to a structured approach to energy efficiency. From the end of 2005 to the end of 2009, Cummins has decreased its actual greenhouse gas emissions by 167,000 tons.

Our reduction goal, however, is an intensity goal, which expresses GHG reduction per unit of sales. Meeting an intensity reduction goal is typically harder during a period of declining sales, which occurred during the economic downturn starting at the end of 2008, as plants were not running at full capacity. Still, Cummins has achieved a 19.4 percent GHG reduction since base year 2005, and is on track to meeting its 25 percent goal.

In addition to energy reduction, site specific reduction initiatives through the Environmental Management System have yielded performance improvements relative to non-GHG emissions, as well as in wastes generated and resources used.

### Total GHG emissions

in thousands of metric tons CO<sub>2</sub>e



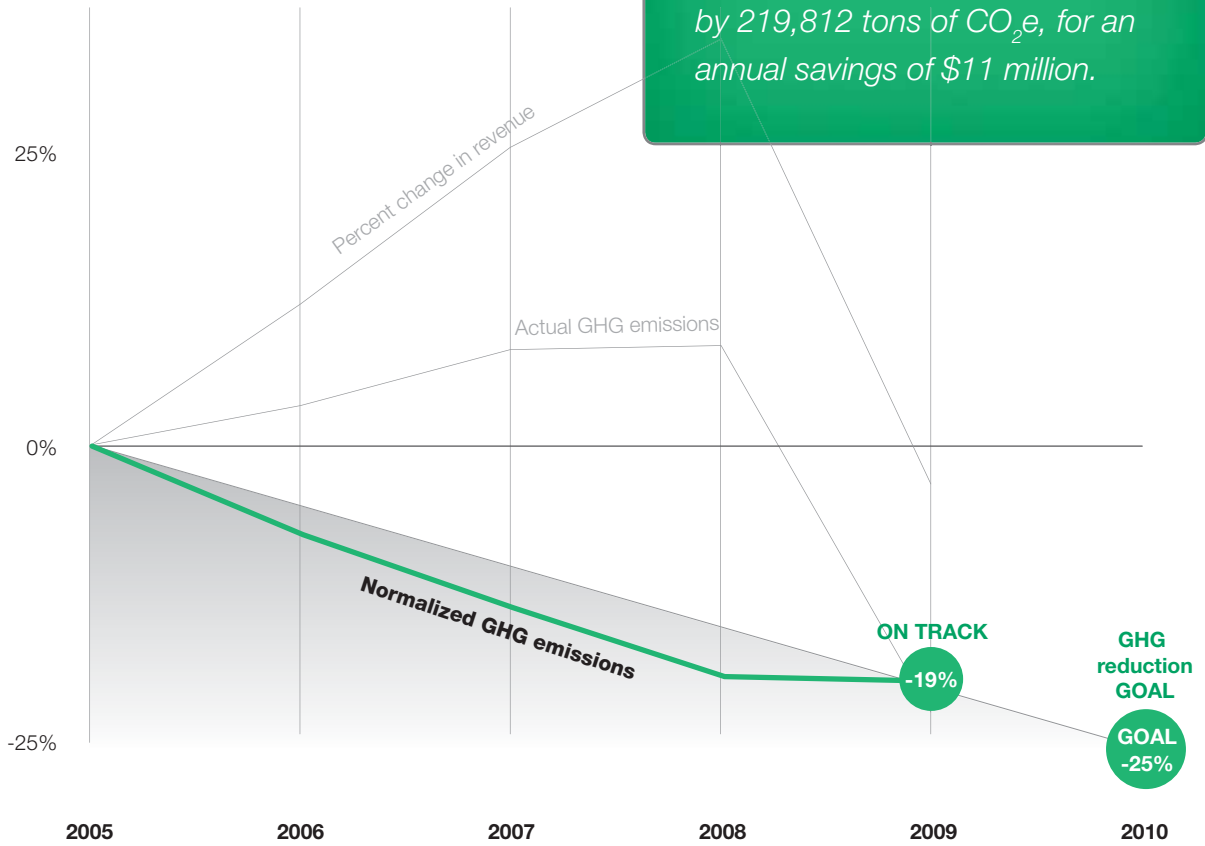
These metrics have generally held steady in spite of substantial increases in production and sales from 2006 through 2008 coupled with an increasing number of reporting sites each year.

The year 2009 saw sharply declining sales from the prior year. Although 2009 sales totals were similar to sales in 2006, total water use and waste placed in landfills were substantially lower in 2009 — evidence that the Company improvement efforts are paying dividends beyond any reductions associated with decreases in production.

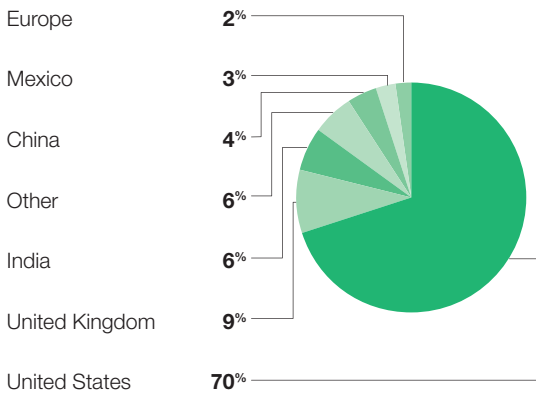
Water use in particular has been cut in half over the reporting time-frame. Although recycled materials are difficult to trend for improvements due to the various influences on materials used in product and packaging, Cummins has well-developed recycling programs in all 55 Environmental Management System (EMS) sites and most other non-manufacturing sites.

Efforts at better management of packaging are being implemented within Cummins' supply chain, which will contribute to efforts to minimize wastes generated associated with company operations.

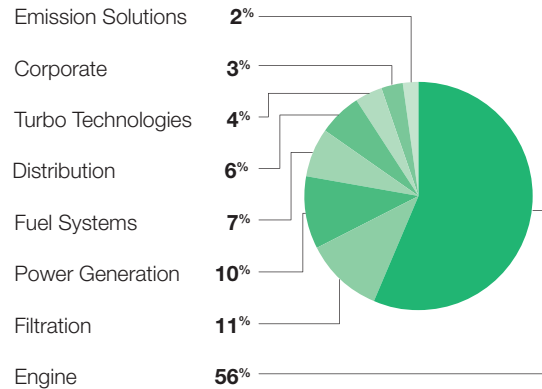
Since 2005, Cummins has implemented 202 capital projects, reducing annual GHG emissions by 219,812 tons of CO<sub>2</sub>e, for an annual savings of \$11 million.



### GHG emissions by country

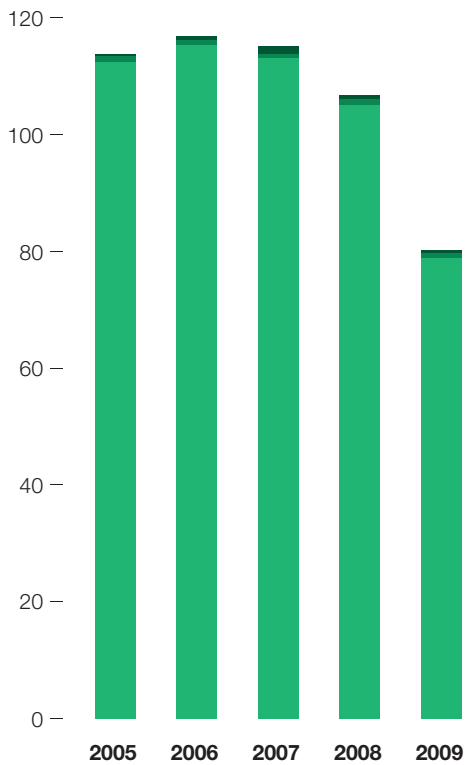


### GHG emissions by business unit



## Recycled metals

in thousands of metric tons



<b>Copper and brass</b>	331	552	1,394	674	582
<b>Aluminum</b>	1,015	877	665	1,127	748
<b>Iron</b>	112,344	115,293	113,045	104,974	78,839

## Other recycled materials

in thousands of metric tons



<b>Plastic</b>	296	399	752	930	796
<b>Wood</b>	11,157	16,478	21,966	17,874	13,471
<b>Paper</b>	287	359	452	435	508
<b>Cardboard</b>	7,513	8,444	9,777	10,992	10,704

## Landfill waste

in thousands of metric tons

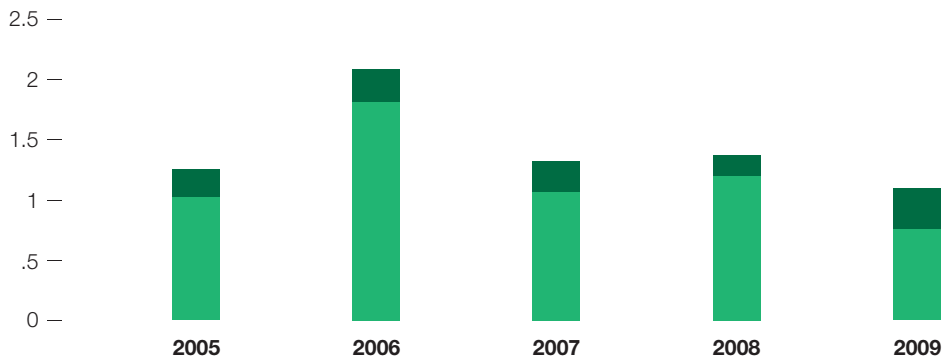


<b>Total</b>	13,432	16,010	16,645	18,588	15,012
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Lower sales in 2009 affected the volume of material recycled at Cummins locations.

## Total water use

in billions of gallons



<b>Total water use</b>	1,247,727,052	2,072,377,694	1,317,534,849	1,365,684,528	1,095,309,981
<b>Significant discharges</b>	1,013,908,131	1,806,549,812	1,059,347,098	1,193,712,064	749,978,113

# Cummins and climate change



Here are excerpts from a conversation on Cummins and climate change with President and Chief Operating Officer Tom Linebarger:

## **Q. Why does Cummins care about climate change?**

A: Climate change is an important issue to Cummins for several reasons. First, our mission statement says that everything we do needs to lead to a cleaner, healthier and safer environment. And we're concerned that climate change is a serious threat to the environment.

Second, we can make a difference. The great thing is our products can have a positive impact on the environment, as can lowering the impact of our facilities.

And third, our customers care about climate change. They may not even know it yet, but fuel economy is directly impacted by carbon emissions. And fuel economy is a major cost driver for most of our customers. They care about how much fuel they use.

## **Q. What else can Cummins do?**

A: There are 10 climate change principles which really define how we want to address this issue. And six of those 10 are things that the Company can do to be more energy efficient on its own. We can also do things related to how we involve our employees, getting them involved in doing energy savings everywhere including their own homes. They feel good about it and so do we. But also government can play a role, and Cummins can help on that part.

## **Q. How can government play a role?**

A: Four of our 10 climate change principles relate to how we can help government think through how to make responsible regulations in this area.

Responsible regulations help companies focus on what we need to do and how to have an even playing field and make sure we're all competing on the same basis. And we know a lot about that.

And by government ensuring that companies can continue to trade internationally by promoting technology at home and allowing companies the opportunity to make sure that we can sell those technologies abroad, we can also promote U.S. industry.

We've seen that in environmental regulations for air we have today. So Cummins has developed leading technologies to meet air emissions. And that's allowed us to sell those technologies not only in the U.S. but abroad and build jobs and create positive economic activity in the U.S.

The same opportunity exists on climate change. If we can be developing those technologies, we have the opportunity to sell those technologies and trade with other countries around the world using those technologies to drive American industry.



*British TV naturalist Professor David Bellamy helps the Darlington Engine Plant celebrate Cummins' 90th Anniversary by visiting local schools, colleges and charitable organizations to plant trees and participate in other environmental activities.*

## Darlington plant, environmental engineer recognized

Cummins' Darlington Engine Plant has been honored by a prominent business group in North East England for its environmental work in the region.

The 2009 Tees Valley One North East Business Awards specifically recognized the plant's community work through its Environmental Management System, the Unplugged Challenge and the 90th Anniversary Environmental Challenge.

The Unplugged Challenge urged employees to save energy during holiday shutdowns while the Environmental Challenge encouraged employees to work on community efforts to improve local environments.

Children at Firthmoor Primary School (10-11 year olds) learned about electricity reduction from a Six Sigma project run by the Cummins Darlington staff.

*Cummins employees seek to engage students in energy conservation in the Darlington area through programs like the Cummins Energy Leaders of the Future initiative at Firthmoor Primary School.*

The theme of the project: "Life without Electricity." Participants used "kill-a-watt" meters to measure the amount of electricity used by various pieces of equipment and then encouraged staff and pupils to turn equipment off when not in use.





## Cummins accepted into U.K. Carbon Trust Energy efficiency efforts recognized

On April 1, 2010, the Carbon Reduction Commitment (CRC) Energy Efficiency program was enacted in the U.K., requiring approximately 5,000 companies to reduce their energy use and receive a reward, or do nothing and pay a penalty.

For the first year, the CRC will reward those companies that have been awarded the Carbon Trust Standard (CTS). The CTS certificate recognizes companies that can demonstrate an effective energy management system, show improving energy efficiency over the last several years and pass site audits that focus on evidence of energy management policies and programs.



Cummins' award of the Carbon Trust certificate will ensure the Company's position on the upper half of the CRC performance list and a monetary reward in the first couple of years of the program. Fewer than 300 U.K. organizations have achieved the Carbon Trust standard.

When the program is fully operational, a carbon emissions trading market in the U.K. will be established. In the first few years the price is fixed at £12 a metric ton of CO<sub>2</sub>, which means about £600,000 for Cummins in the U.K., to be deposited and returned six months later with a monetary reward or penalty. The reward or penalty increases over time and is based on the company's position on the performance list reflecting their efforts in energy efficiency.

The Tees Valley awards panel also noted the number of Every Employee Every Community projects the engine plant had completed, including support for campaigns to encourage bicycle use, garden maintenance initiatives and a tree planting project.

The plant was also congratulated on its commitment to reduce greenhouse gases. Darlington has seen a 48 percent reduction in Carbon Dioxide (CO<sub>2</sub>) through activities such as the Unplugged Challenge (47 percent reduction in weekend consumption), saving the facility £98k (\$141,000) per year.

In a related award, Environmental Engineer Paul Hayes was honored individually for his work both inside and outside the plant by Cummins Health Safety and Environmental Council.

Hayes shared the award with Pradeep Bhargava, Managing Director of Cummins Generator Technologies India.



*Sadiq Khan (left), Minister of State for Transport for the United Kingdom, meets with Paul Hayes (right), Environmental Engineer, during Khan's 2009 visit to learn more about the use of Cummins diesel engines in public transportation and a campaign at the facility to encourage bicycling as an alternative to driving.*

# Partnerships

*Cummins has long believed in the power of partnerships and that has helped us meet our product and emissions goals and become more energy efficient. Here's a look at some of those partnerships.*

## Science and Technology Advisory Council

In developing products to meet various standards, as well as the demands of our customers, Cummins seeks advice and counsel from its Science and Technology Advisory Council.

The Council, formed in 1993, has given the Company access to some of the country's leading scientific thinkers and policymakers from the worlds of academia, industry and government. The Council was restructured in 2010 to facilitate access to a broader group of international specialists and align their expertise with the specific topics being addressed by the Council at a particular time.

Permanent members are Chairman Dr. Gerald Wilson, former Dean of Engineering at the Massachusetts Institute of Technology, and Dr. Harold Brown, former U.S. Secretary of Defense and former President of the California Institute of Technology. Other senior international scientists and engineers are invited to participate as advisors depending on the topic.

The Safety, Environment and Technology Committee of the Cummins Board of Directors advises senior leaders and the technical leadership of Cummins regarding:

- Environmental and technological strategies, compliance programs and major projects as they relate to the Company and its products.
- Public policy developments, strategies and positions taken by the Company with respect to safety, environmental and technological matters that significantly impact the Company or its products.
- Progress of strategic environmental programs and policies.

## American Energy Innovation Council

Cummins Chairman and CEO Tim Solso has joined key U.S. business leaders, including General Electric Co. CEO Jeff Immelt and Microsoft Chairman Bill Gates to create the American Energy Innovation Council, a group advocating for development of clean energy to boost the nation's economic competitiveness.



The Council has called for more research into nuclear, solar and wind power, fossil fuels and other energy technologies. The council has also asked Congress to create an energy strategy board charged with developing and monitoring a national energy plan as well as overseeing what the executives call a new "Energy Challenge Program" for large-scale demonstration projects.

## The U.S. Department of Energy

In January 2010, Cummins received \$54 million for two projects aimed at improving fuel efficiency in heavy-duty and light-duty vehicles. This award is the latest chapter in the Company's 20-year collaborative partnership with the U.S. Department of Energy (DOE).

Previous Cummins programs funded by the DOE have created both evolutionary and breakthrough technologies and analytical approaches, speeding up time for commercialization of vehicles powered by advanced combustion engines.

In 2007, Cummins introduced its 6.7 liter Turbo Diesel, which met 2010 emissions standards three years early. The 6.7 liter Turbo Diesel uses a Nitrogen Oxide (NOx) Adsorber Catalyst, which was first developed and demonstrated in collaboration with the DOE.

In December 2009, Cummins became a charter member of the DOE's Save Energy Now LEADERS program. Cummins pledges to improve energy efficiency at least 25 percent by 2015.

### **U.S. EPA**

The EPA is charged with developing and enforcing environmental regulations. By working with a trusted business resource such as Cummins, the agency can better match its technology mandates with realistic timelines to meet those regulations.

Cummins has shared its perspective on a regulatory framework that could also provide a useful structure for technology assessment, improved fuel efficiency and greenhouse gas reduction from medium and heavy-duty commercial vehicles.

### **Duke Energy**

Cummins has partnered with Duke Energy to find energy efficiencies at Company facilities, receiving the U.S. power company's "2009 Power Partner" Award.

Duke provides power to several Cummins facilities in the United States and also has a deregulated energy services group that has partnered with the Company on energy efficiency assessments, technical standards, educational materials and dozens of major capital projects.

Duke lauded Cummins for launching a corporate-wide energy efficiency campaign. Duke conducted detailed energy efficiency assessments at Cummins' largest U.S. sites and helped identify nearly 1,000 potential capital projects.



*Jim Stanley, President of Duke Indiana (left), presents the Power Partner Award to Ignacio Garcia, Chief Manufacturing and Procurement Officer at Cummins.*

Duke also helped Cummins develop new efficiency standards for production equipment and facility design, along with developing an Energy Champions training program to improve energy use.

### **Sustainability reporting**

For the past five years, Cummins has participated in the Carbon Disclosure Project (CDP), an institutional investor consortium that seeks to encourage greater environmental reporting among companies. CDP asks companies to provide details on their carbon emissions, their positioning in response to the impact of climate change on their markets and regulatory environment, their use of energy and planning for the future.

In addition, Cummins is a member of the Business Roundtable Climate RESOLVE (Responsible Environmental Steps, Opportunities to Lead by Voluntary Efforts), whose members have voluntarily committed to reduce or offset greenhouse gas (GHG) emissions.

Cummins also is a member of the Business Environmental Leadership Council of the Pew Center on Climate Change and sits on the President's Council of Resources for the Future.

# Collaborating with customers for better performance

Since 2004, Cummins has collaborated with its end user truck fleet customers on 57 customer-focused Six Sigma projects, which saved 49 million gallons of fuel and avoided 495,000 tons of CO<sub>2</sub> emissions. That's equivalent to taking 95,000 cars off the road.

## PowerSpec

This tool helps customers specify the correct vehicle and electronic parameters using inputs such as gross vehicle weight, terrain, and engine type to determine proper axle and transmission configuration.

## Greater fuel economy: driver assist

Reduced vehicle speed saves fuel. Road Speed and Cruise Control Governors limit the maximum vehicle speed while Smart Torque allows high torque in the top two gears, minimizing the number of down shifts required to maintain speed.

## Fuel economy reference library

Customers have access to information resources describing the best fuel economy configuration for electronic parameters, transmission, tires, axle ratio and other settings.

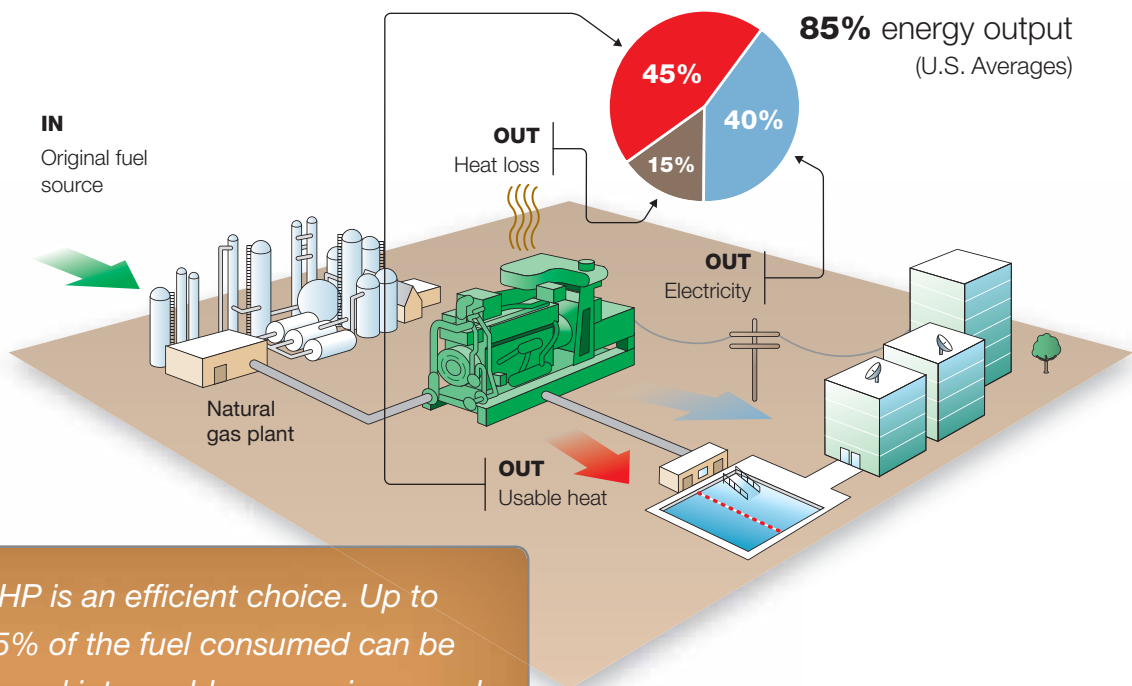
## Fleet management

In addition to "active" features, Cummins engines also have a number of "information features" where "trip" or "duty cycle" information is stored. Fleet managers can analyze data for variations between drivers or trucks, look for trends and use the data for driver coaching.

## Greater fuel economy: engine fine-tuning

Customers achieve greater fuel economy through optimization of duty cycles, calibration and hardware as well as Cummins' help with transmission integration, accessory management and down speeding.

## Combined heat and power



*CHP is an efficient choice. Up to 85% of the fuel consumed can be turned into usable energy in properly sized and operated systems.*

### Customers and cogeneration

Another way Cummins partners with its customers is on cogeneration.

Also known as Combined Heat and Power (CHP), cogeneration is the production of two kinds of energy — usually electricity and heat — from a single source of fuel. Cogeneration can replace the traditional method of supplying energy from multiple sources — for example, purchasing electricity from the power grid and burning natural gas or oil separately in a furnace to produce heat or steam.

These methods can waste up to two-thirds of the energy in the original fuel. With cogeneration, 70 to 90 percent of the energy in the original fuel is put to productive use, and total energy savings can be 30 percent or more.

A cogeneration system normally consists of some kind of machine turning an alternator to produce electricity and a waste heat recovery system to capture the heat from the exhaust and cooling water jacket.

Cummins Power Generation designs and builds cogeneration systems used around the globe in various applications. CHP applications include hospitals, schools, sports complexes and commercial facilities.

Cummins has 430 MW of cogeneration installations globally with an average project size of 2 MW.

These installations represent a greenhouse gas reduction of about 500,000 metric tons of CO<sub>2</sub> per year for our customers.

## Cummins employees embrace “involvement”

Cummins employees are working to reduce their carbon footprint both at work and at home.

What started as a voluntary commitment to the EPA to reduce greenhouse gases in 2006 has led to a series of initiatives to improve energy efficiency that depend on the skill and passion of Cummins employees.

Two successful Unplugged Challenge campaigns to keep energy use to a minimum over site holiday shutdowns at the end of 2008 and 2009 saved a combined 1,900 tons of greenhouse gases from being emitted and \$1.2 million.

Smart capital expenditures on energy efficiency projects have yielded excellent returns, but in a tough

economic climate, Cummins has excelled in creating a culture of energy champions to do low or no cost energy improvements.

The Company now has 85 trained Energy Champions and their deputies who provide leadership, coaching and mentoring on energy efficiency to site Energy Leaders. The Energy Leaders are the energy experts at their particular locations.

In addition, Cummins leaders have been on the road, talking personally to employees about the Company's many opportunities to improve energy efficiency both at its facilities and in its products.

## Tower conserves millions of gallons of water

Cummins is no longer discharging millions of gallons of water used to cool the Company's corporate headquarters into a Columbus, Ind. waterway.

The Corporate Office Building (COB) occupies three city blocks and can hold about 1,000 workers. When the building was completed in 1982, three ground water wells were installed around the perimeter of the building.

The extracted groundwater was circulated through the building's heating and cooling system to support the three chillers for air conditioning.

The original plan to re-inject the ground water back into the aquifer failed, but since there was no cooling tower to conserve and re-circulate the water, the water was redirected to a storm sewer that empties into a nearby river.

This solution was far from ideal. Not only did it use a lot of water, it took a lot of time and effort to monitor the discharges to meet the requirements of the site's discharge permit. In addition, the well water caused the air conditioning system's mechanical equipment to deteriorate more quickly.

Cummins officials considered building a tower several times, but cost and design challenges proved too much to overcome until a more aesthetically pleasing tower design was suggested. The tower was completed in May of 2009 – 27 years after the COB opened. The wells have been closed and no more ground water – an estimated 22 million gallons per month – is being discharged to the river.

Cummins is now purchasing water from the city of Columbus to cool the COB, and that water is re-circulated, reducing volumes significantly. With the new cooling tower, water use is on pace to being reduced to an average of 500,000 gallons per month.

## India campus wins Chairman's Award for energy efficiency

The Cummins India Limited (CIL) campus in Pune, which is primarily engine business manufacturing, won the 2010 Cummins Energy Efficiency Award for its body of energy savings projects over the past two years.

Those projects delivered a greenhouse gas reduction of 1,507 tons and energy savings of \$118,000. The team also completed an energy audit using Six Sigma tools that could save an additional \$122,000.

The CIL team was recognized for its work in particular on two innovative projects – turning

waste heat into air conditioning for the shop floor and the use of canteen waste by the biogas plant.

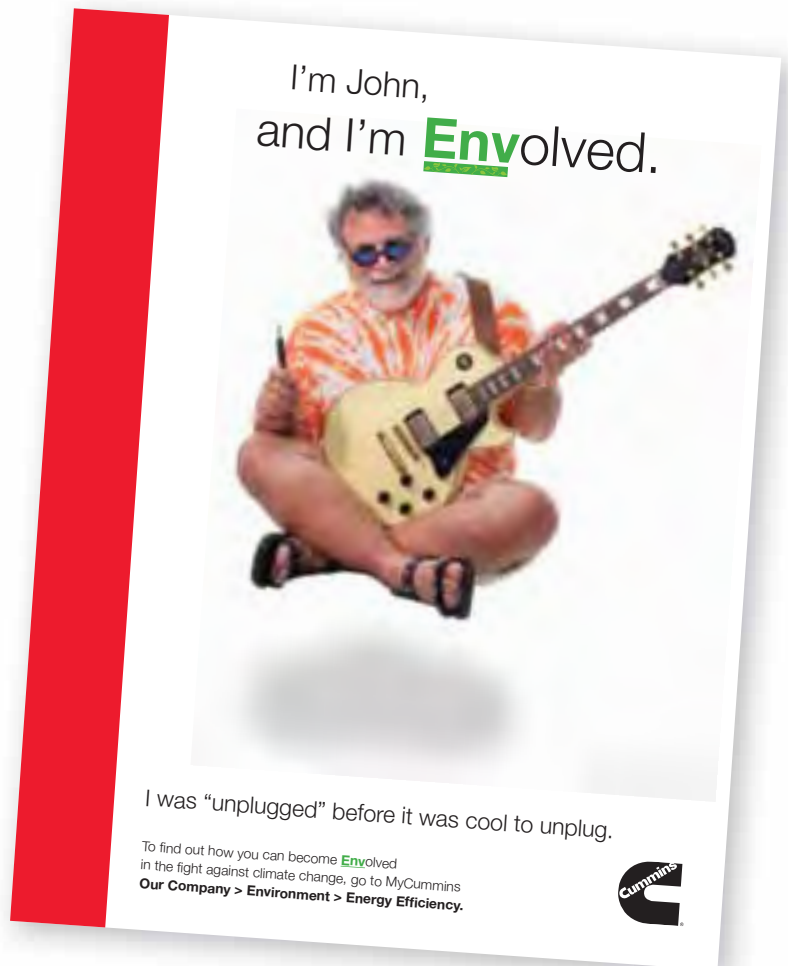
CIL installed a waste heat recovery system that runs on exhaust heat coming from generators. The system reduces water temperature to 7°C. This water is circulated through fan coil units installed in the machine shop areas to produce an air conditioning effect.

The team also used the biogas generated from thrown away, cooked food to fuel the cooking of more food.

As part of the Envolved campaign, John Wall, Cummins Chief Technical Officer, met with more than 4,000 employees at 24 town hall meetings in the first half of 2010 to share Cummins' views on climate change, reducing energy consumption and opportunities for employees to become more engaged. In addition, his presentation was videotaped and distributed to Cummins locations around the world this spring.

The campaign is also helping employees become aware of energy use in their own homes and transportation. A tool on the Company's Energy Efficiency Web site allows employees to measure their personal carbon footprint.

Speaking to employees at the Cummins facility in Fridley, Minn. this spring, Wall said, "Climate change is a global problem that will affect everyone and we won't solve it unless everyone gets involved."



The "Envolved" campaign poster featuring John Forte, Business Manager of Cummins Television Network.

**Cummins College of Engineering for Women**  
Pune and Nagpur, India



## Engineering college opens doors for women

*Editor's note: Cummins is engaged in a number of significant partnerships on the key topics of education, the environment and social justice/ improving the human condition.*

*Here's a look at one:*

Since it opened its doors in 1991 thanks to a grant from the Cummins India Foundation, Cummins College of Engineering for Women (CCEW), based in Pune, India, has given more than 4,000 women the opportunity to pursue careers in the male-dominated world of engineering.

*"CCEW has contributed to my professionalism, communication and the 'never-say-die' attitude that makes us CCEW students stand apart!"*

**Sayali Marathe**  
CCEW Graduate

With the opening of a new campus earlier this year in Nagpur, school officials are striving to provide the same opportunities for women hundreds of miles away, across the Indian subcontinent.

"Higher education continues to be a focus area for our foundation," said Anant J. Talaulicar, President, Components Group, Cummins Inc. and Managing Director of Cummins India ABO.

"In line with this, we are humbled with the opportunity of being able to support Maharshi Karve Stree-Shikshan Samstha (MKSSS), helping female students fulfill their educational aspirations and become independent individuals capable of making significant contributions to their families and society."

MKSSS is a 114-year-old Indian institution dedicated to the cause of women's education and social progress. It runs more than 64 educational establishments for women, including the CCEW. Preference for enrollment at the college is given to young women from disadvantaged sections of society.

CCEW graduate Sayali Marathe began her career with IBM in 2005, and then moved on to become a senior consultant with Computer Sciences Corporation. "CCEW," she says, "has contributed to my professionalism, communication and the 'never-say-die' attitude that makes us CCEW students stand apart!" School officials hope the expansion in Nagpur will lead to more stories like Sayali's.





*Inside a classroom at Cummins College of Engineering for Women in Pune, which will celebrate its 20th anniversary in 2011.*

“The respect and recognition garnered by the College in Pune encouraged us to look at expanding our endeavors in Nagpur,” said Vishwas Deval, Chairman of MKSSS. “We are grateful for the support and funding that has been provided by the Cummins India Foundation in helping us realize our efforts.”



The Cummins India Foundation, which contributed 50 million rupees (\$1.1 million) toward the new Nagpur campus, has pledged an additional 30 million rupees (\$667,000) over three years, through 2012.

Cummins India’s support for the CCEW doesn’t stop with financial contributions. It also offers significant technical assistance to the college’s Department of Mechanical Engineering, whose degree program it helps promote. Cummins also sponsors student projects, provides experts for lectures, and fosters recruitment of students through campus placement activities.

Companies recruiting at the CCEW have included Cisco, Emerson, Honeywell, John Deere, Tata Motors, Oracle, Microsoft, and Coca Cola — in addition to Cummins.

*Anant J. Talaulicar, President, Components Group and Managing Director of Cummins India ABO, participates in the dedication of the Nagpur campus earlier this year.*



*The new Cummins College of Engineering for Women campus in Nagpur.*

The Pune campus, which opened in 1991, has more than 400 students. In addition to offering undergraduate courses in Mechanical Engineering, which started in 2007, the college's curriculum includes courses in Electronics and Telecommunications, Computer Engineering, Instrumentation and Control, and Information Technology. Last year, Cummins welcomed 35 interns from the college.

The Nagpur campus accepted 240 students initially, 60 in each of the four degree programs it offers—Information Technology, Mechanical Engineering, Computer Engineering & Electronics and Telecommunications.

College officials hope to expand in the coming years. For example, the current hostel connected to the college is home to about 180 women. There are plans to increase that to 700 over the next three years.



*More than 4,000 women have attended the Cummins College of Engineering for Women. Women from disadvantaged sections of Indian society are given preference for enrollment.*

## Partnering with Purdue, Rose Hulman

The Cummins College of Engineering for Women partners with Rose Hulman and Purdue Universities in Cummins' home state of Indiana. Outstanding young women engineers from CCEW are invited to attend these universities on scholarships to pursue their master's and doctoral studies.

To date, 31 students have taken advantage of the program, supported through the Cummins India Foundation. Cummins actively recruits Purdue and Rose Hulman students to add to its engineering staff.

**PURDUE**  
UNIVERSITY

**ROSE-HULMAN**  
INSTITUTE OF TECHNOLOGY

### Cummins College of Engineering for Women

**Location:** Pune and Nagpur, India

**Mission:** To develop women professionals who are academically and technically sound with a strong work ethic.

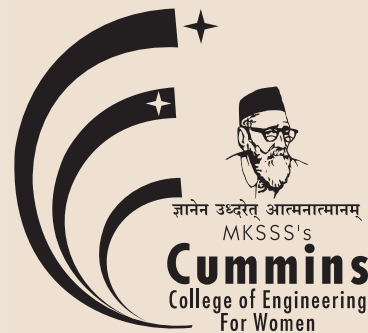
“शीलं परं भूषणम्”



**History:** Founded in 1991 with a grant from the Cummins India Foundation.

The college is run by Maharshi Karve Stree-Shikshan Samstha (MKSSS),

a 114-year-old Indian institution dedicated to the cause of women's education.



**Special features:** The school recently opened a second campus in Nagpur.

**Cummins involvement:** In addition to financial support, Cummins contributes technical expertise, experts for lectures, and programs to aid placement.

# Governance lays foundation for business success

## Highlights

- ▶ **Ten ethical principles guide Cummins.**
- ▶ **Ethics investigators ensure principles are upheld.**
- ▶ **International technical talent added to Cummins Board of Directors.**

*Cummins believes strongly that business success starts with good governance.*

Good governance, in turn, is built on policies and procedures that promote ethical behavior by Company leaders and employees and responsiveness to all stakeholders – shareholders, employees, suppliers, customers, communities, regulators and broader society.

Cummins is guided by the Company's Code of Conduct and 10 Statements of Ethical Principles. These principles guide a host of initiatives designed to help Cummins navigate the complexities of the global marketplace. Cummins' 10 Ethical Principles are:

- 1** We will follow the law everywhere.
- 2** We will embrace diverse perspectives and backgrounds and treat all people with dignity and respect.
- 3** We will compete fairly and honestly.
- 4** We will avoid conflicts of interest.
- 5** We will demand that everything we do leads to a cleaner, healthier and safer environment.
- 6** We will protect our technology, our information and our intellectual property.
- 7** We will demand that our financial records and processes are accurate and that our reporting processes are clear and understandable.
- 8** We will strive to improve our communities.
- 9** We will communicate with honesty and integrity.
- 10** We will create a culture where all employees take responsibility for ethical behavior.



Indiana Gov. Mitch Daniels (left) and Cummins' top official in China, Steve Chapman (right), examine a hybrid transit bus powered by a Cummins Euro IV ISB engine in Hangzhou, China, the provincial capital of Indiana's sister province Zhejiang. The governor led a delegation from Indiana on a six-day visit to China in the fall of 2009.

### On-line training

A key way Cummins puts these principles into action is through 10 on-line compliance training programs targeting appropriate employee groups.

The training includes:

- Cummins Code of Business Conduct
- The Treatment of Each Other at Work policy
- Export Controls
- Anti-bribery/Foreign Corrupt Practices Act
- Antitrust
- European Union Competition
- Careful Communication
- Intellectual Property
- Managing within the Law
- Lobbying and Political Action

### Compliance training (2009)

Course	Enrolled	Completion rate	
Code of Conduct	16,219	97%	
Treatment of Each Other	16,188	98%	
Anti-bribery	11,394	92%	
Export Controls	10,930	85%	
Antitrust	3,608	99%	
EU Competition	1,139	99%	
Careful Communication	12,395	98%	
Intellectual Property	3,176	98%	
Lobbying and Political Action	331	100%	
Managing with the Law	223	91%	

The Company's policies and processes in these areas are periodically updated. The Treatment Policy, for example, was revised in 2009 to provide more guidance on manager-subordinate relationships. Both the Export Controls and Anti-Bribery/Foreign Corrupt Practices Act courses were updated in 2009 and offered to targeted employees to make sure they had up-to-date information.

In 2010, Cummins started an 11th Internet-based compliance course that provides Information Protection training. The course covers sending classified or confidential data by email, protection of electronic identity, acceptable use of the Internet, telecommuting and reporting procedures.

### **Ethics violations, reporting and investigations**

In addition to training, Cummins has a global team of Master Investigators who investigate ethics complaints and make sure that appropriate action is taken in a timely fashion.

In 2009, the Company investigated 699 ethics-related complaints compared to 541 in 2007 and 682 in 2008. Of those cases investigated in 2009, 53 percent resulted in a finding that the complaint had some merit and 36 percent of those resulted in employee termination.

Complaints of unprofessional behavior and those grouped into the category of Human Relations accounted for more than half of the total ethics cases investigated in 2009.

The Company believes employees are becoming more comfortable with Cummins' reporting and investigation process. The EthicsPoint system used at Cummins allows employees around the world to report concerns either through toll-free telephone numbers or on-line. Both services are available in multiple languages.

Employees can report concerns anonymously where allowed by law, but only 30 percent of the reports in 2009 were made that way. Most employees feel confident enough in the process to report by name. Those reporting about any topic are protected under the Company's anti-retaliation policy.

Cummins' average closure of ethics cases in 2009 was under the Company's goal of 24 days. A Six Sigma project is being implemented in 2010 that seeks to lower the goal to 15 days.

The Company closely monitors complaints. Each quarter, Business Unit leaders receive an update on complaints in their regions. Chairman and CEO Tim Solso also receives an update, and an annual update is reviewed by the Audit Committee of the Cummins Board of Directors.

### **Ethics certification process**

During the fourth quarter of 2009, 12,655 employees completed their annual Ethics Certification. Employees certified their compliance with the Company's Code of Business Conduct and underlying policies and reported any exceptions to Company policy. Internal Audit and Cummins Law Department reviewed all exceptions to ensure they were documented and investigated according to Company policy.

# Challenges ahead: Governance and Risk Management

Here are three areas in Governance and Risk Management that Cummins will be working to improve in 2010:

**1 Ethics investigations:** The average closure of ethics cases at Cummins was under the Company's goal of 24 days in 2009 but a Six Sigma project being implemented in 2010 seeks to lower the goal to 15 days.

**2 Economic forecasts:** Cummins wants to develop a better way to predict when economic downturns will end so the Company can be more precise in

planning for production increases. Some manufacturing plants saw significant swings in demand from quarter to quarter in 2009 and early 2010.

**3 Business Continuity Plans:** Cummins wants to continue implementing Business Continuity Plans at our most critical sites, working with site leadership, which will assume responsibility for updating them.

## Supplier Code of Conduct

Cummins wants to do business with companies that share its values. The Company's Supplier Code of Conduct includes provisions banning child or forced labor, respecting employee rights and providing a safe workplace for employees.

The Supplier Code was updated in 2009 to align with Cummins' own internal Code of Conduct, making it clear that the Company holds suppliers to a higher standard than just compliance with local laws.

Cummins' purchasing department solicits a response from suppliers on their conduct codes and addresses any areas of concern. If the Company has a contract with a supplier, the Supplier Code of Conduct is included in the legal agreement.

The code has been translated into more than a dozen languages. By the end of 2009, Cummins had sent it to more than 6,000 suppliers with 98 percent reporting that they were in compliance.

## Joint venture relationships

In a number of instances around the world, Cummins does business through alliances with business partners and joint venture agreements to increase market penetration, streamline supply chain management, expand product lines and/or develop new technologies.

Regardless of whether Cummins directly manages these alliances and joint ventures, the Company takes appropriate steps to ensure they share Cummins' values. Cummins screens potential partners carefully and only initiates a joint venture with partners whom Company leaders know and trust. The Company makes sure Cummins' values are included in a joint venture by making them a part of the negotiations and by ensuring Cummins employees are included on the joint venture's board of directors.

In 2009, all North American joint-venture partners and distributors adopted Cummins' Code of Business Conduct or substantially similar codes embodying the same principles.

# Cummins Board of Directors

Cummins is governed by a nine-member Board of Directors. Seven of the nine directors are independent of the Company. Cummins Chairman and CEO Tim Solso and President and Chief Operating Officer Tom Linebarger are the only Cummins employees on the Board. Each Board Director must stand for election annually.

In 2010, Robert Darnall, retired Chairman and CEO of Inland Steel Industries, retired from the Cummins Board after serving for 21 years. The Board welcomed a new member, Dr. Franklin Chang-Diaz, Founder, Chairman and CEO of Ad Astra Rocket Company and former NASA astronaut. (To learn more about Dr. Chang-Diaz, go to page 56)

## About the Board

The Board of Directors represents and protects the interests of the Company's stakeholders. The Board has the legal responsibility for overseeing the affairs of the Company, including:

- Adopting corporate governance principles consistent with the Company's Vision, Mission and Values.
- Exercising sound and independent business judgment with respect to significant strategic and operational issues.
- Advising senior management.

The board monitors:

- The performance of the Company.
- The performance of senior management.
- The effectiveness of internal controls and risk management practices.
- Compliance with all applicable laws and regulations.
- Communications and relationships with stakeholders.

Cummins Board of Directors has six standing committees:

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

The Company complies with all New York Stock Exchange and regulatory requirements concerning the membership of certain committees.

## Internal Audit

Cummins' Internal Audit department provides the Board of Directors and management with independent, objective information on the performance of the Company's control environment. The Executive Director – Internal Audit reports to the Audit Committee of the Board of Directors. In 2009, Internal Audit published 94 audit reports and memos.

Internal Audit has a formal follow-up process to ensure management has addressed identified risks and implemented corrective action. A business unit leader must present a corrective action plan directly to the Audit Committee of the Board of Directors when a function or business receives an "Unacceptable" audit grade.





**Robert J. Bernhard**

Vice President for Research and an engineering professor at the University of Notre Dame. He joined the Board in 2008.



**N. Thomas Linebarger**

President and Chief Operating Officer of Cummins Inc. He joined the Board in 2009.



**Franklin R. Chang-Diaz**

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



**William I. Miller**

Chairman and CEO of Irwin Management Co., a Columbus, Ind. private investment firm. He joined the Board in 1989.



**Robert K. Herdman**

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



**Georgia R. Nelson**

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



**Alexis M. Herman**

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



**Theodore (Tim) M. Solso**

Chairman and CEO of Cummins Inc. since 2000, after serving as Company President since 1995.



**Carl Ware**

Retired Executive Vice President, Public Affairs and Administration, the Coca-Cola Co. He joined the Board in 2004.

## For Chang-Diaz, it *is* rocket science



*Dr. Franklin Chang-Diaz, Chairman and CEO of Ad Astra Rocket Company, joined the Cummins Board of Directors in December 2009. The native of Costa Rica is the Company's first foreign-born board member and brings a wealth of technical expertise to Cummins. Prior to forming his own company in 2005 to commercialize a plasma rocket technology he helped to develop, Dr. Chang-Diaz worked at NASA for 25 years, during which time he flew seven missions on the Space Shuttle. In May 2010, Dr. Chang-Diaz sat down and shared his early impressions of Cummins and the role he hopes to play as a Director.*

**Q:** How were you introduced to Cummins?

**A:** I actually met (Cummins Chairman and CEO) Tim Solso at EARTH University last year when he came to visit the west campus (in La Flor, Costa Rica). He also visited my rocket facility there. It was pretty much instant chemistry.

I have been aware of Cummins engines for most of my life. My father worked in construction, so I knew the Cummins name since I was a young boy. I even took some of the engines apart and put them together when I was young.

About two months after we first met, Tim brought a group of about two dozen top Cummins leaders to visit our facility in Houston, and there was a lot of interest in what we were doing. When I was asked to consider joining the board, I was humbled and excited.

**Q:** What attracted you to the idea of being a Director at Cummins?

**A:** I have always been interested in energy and power. In fact, there are a lot of synergies between rocket technology and power. Cummins has a tremendous amount of technology that is poised to make a difference in a changing world. I am really excited to be joining at this important time.

**Q:** So, you see parallels between your work with rocket technology and space travel with what Cummins does?

**A:** Yes, especially when it comes to power generation and materials. In my company, we deal with fluids and materials that get very hot. It's the same thing that happens inside an internal combustion engine.

That requires very advanced materials and very advanced thermal management strategies. So there's a tremendous amount of synergy between the kind of things I have been doing and what the company does. Who knows, we could see Cummins materials on the moon or Mars in the future (chuckling).

## Dr. Franklin Chang-Diaz

**Title:** Chairman and CEO of Ad Astra Rocket Company. Member, Cummins Board of Directors (December 2009).

**Education:** Bachelor of Science degree in mechanical engineering from the University of Connecticut in 1973. Doctorate in applied plasma physics from the Massachusetts Institute of Technology in 1977.

**Career:** Dr. Chang-Diaz began working on rocket propulsion shortly after getting his doctorate at MIT. He worked as a visiting scientist with the MIT

Plasma Fusion Center from 1983 to 1993, and then served as Director of the Advanced Space Propulsion Laboratory at Johnson Space Center until 2005 when he founded Ad Astra.

**In space:** Chang-Diaz became an astronaut in 1981. He was in space seven times (1986, 1989, 1992, 1994, 1996, 1998, and 2002), logging more than 1,600 hours in space, including 19 hours and 31 minutes in three spacewalks.

Q: You are very active in an ambitious economic and social development effort in Costa Rica, called the 21st Century Strategy. Can you talk about that a bit?

A: For the last four years, I have been involved with a very large group of scientists, politicians and thinkers, and we have developed something of a master plan. The whole concept is to make Costa Rica a first-world country by the middle of this century.

Costa Rica is a very small country, but it is a country that has a lot of future and ambition. It is a country that has all the ingredients to achieve success. Politically, it is very stable and economically it is very diversified. It is also a country that has invested a great deal in education.

But, there are still a lot of needs. There is still a great deal of poverty and a widening gap between the rich and poor.

Our role is like that of a flight controller. All these projects are funded by some other group, but we act like a very large radar screen and monitor them. Our role is to make sure they all fly in the right direction and nobody crashes.

Q: Have you found your work with the strategy group to be good fit for Cummins' interests in corporate responsibility?

A: Yes. Tim is interested in diversity, in new ideas and reaching out to the developing world and he is very interested in education. All these things are in concert with the work the 21st Century Strategy group is doing. There aren't many companies that see the big picture and care as much about improving the world around them as Cummins does.

Q: What does being an effective board member mean to you?

A: I have a certain background that gives me a set of skills that aren't better or worse than other board members, but are different. I hope that difference will allow me to identify or see certain things that might improve the company or might contribute to making the company more effective, more prosperous ... make it a better company.

# Managing risks key to sustainability

Cummins believes risk management is a key component of sustainability. By managing risk effectively, the Company can enjoy the kind of financial success that enables it to engage in initiatives such as strengthening communities.

In 2009, the Company expanded its risk management efforts to include supplier financial health, customer financial health and health pandemics. The Risk Management staff developed a risk dashboard for the Board of Directors to help them monitor the Company's efforts in these important areas.

*“Companies with policies and procedures in place to manage risk effectively are much more likely to survive a significant event than those that don't or whose plans are incomplete,” said Brian McBroom, Cummins Director of Risk Management.*

## Business Continuity Plans

In the past year, there have been earthquakes in China, Haiti and Chile and a flood in Nashville, Tenn. Those disasters impacted some of Cummins distributors and served as a reminder of the importance of risk management and emergency planning.

In 2009, the Risk Management staff, working with site leadership, completed Business Continuity Plans for more than 80 Cummins locations. These plans include detailed information on crisis communications, operational recovery and emergency preparedness.

## Highlights

- ▶ **Business Continuity Plans updated for more than 80 Cummins locations.**
- ▶ **Information Risk Management strives to protect Cummins' digital resources.**
- ▶ **New Web site supports Cummins' international travelers.**

Ownership of the plans has been transferred to local site contacts who will update them on an annual maintenance schedule.

To protect Cummins' supply chain against similar risks, suppliers have also been asked to create and maintain their own Business Continuity Plans.

## Information risk management

As computers and digital information become more important, so does global information risk management. The mission of Cummins' Information Risk Management (IRM) program is to reduce and mitigate information risks and secure Cummins information with practical and appropriate business solutions based on risk assessment.

IRM identifies, analyzes, prioritizes and develops mitigation strategies to address the top information risks for Cummins. It also supports regulatory compliance activities through updates to information security policies and procedures and manages the IT security infrastructure that protects Cummins information assets.

The team also responds to attacks against the Company's information assets and works to limit any impact to the business.

Cummins started an Internet-based compliance course in 2010 that provides information protection training. The course covers such topics as sending classified or confidential data by email, protection of electronic identity and acceptable use of the Internet.

### **International travel**

As a global company, Cummins works with customers in countries and territories around the world. Global travel is a key part of many employees' jobs. Travel management is crucial to reducing risk to the Company.

Working closely with global travel management companies and security intelligence suppliers, Cummins is able track and monitor the Company's global travelers. Cummins is updated on the latest developments worldwide, whether they involve the risk of an insurrection in an unstable region or the status of a viral outbreak.

Cummins has established a new Web site on the Company's intranet to help employees traveling internationally. The site links employees to iJET Intelligent Risk Systems, which provides around-the-clock medical, security and travel support to help employees as part of the Company's Travel Smart Travel Safe initiative.

### **Pandemic planning**

Concerns about H1N1 influenza in 2009 and 2010 served as a reminder of the importance of pandemic planning, especially for a global company like Cummins.

Cummins has taken extensive steps to ensure the health and safety of employees as well as the continued functioning of the Company. Cummins formed a



*A Company shuttle provides air service for interplant travel between Columbus, Ind. and seven other U.S. cities including Jamestown, N.Y.; Charleston, S.C. and Nashville, Tenn.*

Pandemic Planning Team to help create a strategic response plan to the pandemic.

To learn more about Cummins' response, please see the story on page 61.

### **Government relations and political activity**

Cummins maintains an office in Washington, D.C., to coordinate government relations activities and monitor changes that might have a significant impact on the Company, such as energy policy, environmental legislation, taxes, trade and transportation policy to name just a few.

The Company belongs to a number of trade organizations to further its business interests. These organizations help Cummins by leveraging the Company's resources with other companies on issues where we share similar interests. While Cummins might not agree with the positions these associations take on every issue, the Company believes participating in these groups helps ensure the Company's voice is heard.

In 2010, Cummins strengthened its current policy banning political contributions using corporate funds to candidates, political parties or independent expenditure campaigns.

Political contributions are still made by the Cummins Inc. Political Action Committee (CIPAC), but the committee is funded solely by voluntary employee contributions. CIPAC makes contributions to candidates on a bi-partisan basis after review and approval by CIPAC's Executive Committee and according to federal law.

For a complete list of the political action committee's contributions to candidates, go to [www.fec.gov](http://www.fec.gov).

### Lobbying

Here is a list of the trade organizations that Cummins paid dues to in excess of \$50,000 during calendar year 2009 and the U.S. Chamber of Commerce, which fell below that \$50,000 threshold. Listed with each entity is Cummins' estimation of the portion of these dues used by the organization for lobbying or other political expenditures.

Group	Amount for lobbying
The American Trucking Associations	\$11,930
The Business Roundtable	\$35,718
The Diesel Technology Forum	\$1,250
The Engine Manufacturers Association	\$12,800
The National Association of Manufacturers	\$21,012
U.S. Chamber of Commerce	\$10,000

### Cummins PAC

The Cummins Inc. Political Action Committee (CIPAC) is governed by corporate policies and by-laws 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.
- A decision not to contribute to CIPAC shall not disadvantage anyone in any way.

Contributions to political candidates and political organizations 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 our core values.

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

## Flu outbreak puts pandemic plan into action

While the 2009 outbreak of H1N1 influenza didn't hit as hard as many feared, it provided a good opportunity for global companies like Cummins to test their response plans.

The Company already had a pandemic plan in place based on an earlier threat of avian flu. A new H1N1 team just had to adapt it to the new conditions.

A year ago this spring, H1N1 was very much on people's minds. The virus, first widely reported in Mexico, seemed to be striking the young and healthy. Anxiety grew in workplaces across the world whenever anyone sneezed. In June 2009, the World Health Organization classified the outbreak as a global pandemic.

Cummins moved quickly to produce and distribute posters describing symptoms of H1N1 influenza along with tips on preventive hygiene. These posters were translated and placed at the entry points of Cummins facilities everywhere. Employees and visitors were urged to screen themselves and to stay home if they displayed symptoms.

At Cummins and elsewhere, people changed their behaviors at work, sneezing into their elbows and making liberal use of hand sanitizer, which is still available at the entrance to many Company facilities.

To determine the appropriate local response to H1N1, Cummins cued off of the World Health Organization's pandemic levels, translating these levels into specific actions for Cummins managers.

The team created response stages corresponding to the intensity of local conditions and arranged for all major facilities to receive up-to-date medical and travel information.

It was also important to adhere to local rules and regulations. For example, at Cummins facilities in Mexico the government asked businesses to close in the early stages of the pandemic.

A Six Sigma team was launched to refine and improve the Company's approach to pandemics. A diagram now details several specific activities and responsibilities for each department in the event of a pandemic. These steps will prepare Cummins for new H1N1 issues should the flu return in the winters of 2010 and 2011 as some predict, as well as any future pandemics.



### The pandemic team

The pandemic team was led by Brenda Ball, Executive Director - Global Compensation & Benefits, and also included:

- Theodosia Rush, Director - HR Strategy
- Rob Norris, Corporate Communications Manager
- Kelli Smith, Corporate Safety Manager
- Jill Olds, Director - Health Care Strategy
- Pat D. Breeden, Global Travel Director
- Shelley Stewart, Executive Director – Global Security
- Dr. Marianne Lindroth

**Ithemba Institute  
of Technology**  
Soweto, South Africa



Significant partnerships

## Ithemba's win-win proposition

*Editor's note: Cummins is engaged in a number of significant partnerships on the key topics of education, the environment and social justice/ improving the human condition.*

*Here's a look at one:*

With more than 800,000 residents and double-digit unemployment, Soweto in South Africa can be a pretty daunting place to grow up.

But the Itthemba Institute of Technology offers a little bit of hope in the impoverished township along with the job skills necessary to lift youth out of poverty.

*"Our committed involvement in Itthemba is a clear win-win for all. Not only do the students get hands-on, relevant training, education and apprenticeships, we get the diesel mechanics with the knowledge and experience we need."*

**John Shuttleworth**

Cummins Aftermarket Director  
South Africa

Ithemba founder Uzendt Peters, a public school teacher, saw the gap growing between students who finished school and a job market that was skills-dependent.

He converted a run-down school into the institute and brought in companies like Cummins to help with the curriculum. Itthemba is now filling that skills gap and at the same time, helping to make dreams of a better life come true for a growing number of Soweto residents.

"Our committed involvement in Itthemba is a clear win-win for all," says John Shuttleworth, Cummins Aftermarket Director in South Africa who has worked closely with Itthemba. "Not only do the students get hands-on, relevant training, education and apprenticeships, we get the diesel mechanics with the knowledge and experience we need."

Ithemba is divided into three parts – a FET (Further Education and Training) school for grades 10-12, a FET college that teaches technical skills, and an adult college with evening classes. The school teaches skills in welding, diesel mechanics, electrical engineering, fitting and turning, and hydraulics.

"South Africa has seen a severe drop in apprenticed artisans – in 1975 the numbers were around 33,000," Shuttleworth said. "In 2007, the numbers had dropped to 1,500. The engineering industry faces a critical shortage of skilled diesel mechanics, particularly in the mining sector. It's up to big industry players like Cummins to invest in addressing this now, or face major HR difficulties in the near future."



Cummins has been working with Ithemba since Peters approached the Company at the outset of the project in 1991. In 2009, The Cummins Foundation pledged financial support of \$325,000 to match other fundraising to help the school become sustainable.

The Company also works with Ithemba through its Every Employee, Every Community program and on learning opportunities like apprenticeships, "Take a Girl Child to Work Day," motivational speeches and job shadows.

Eighteen-year old Mmabatho Kekana spent three years as an Ithemba student before she chose to



*Pamela Carter, Vice President – President of the Distribution Business, helps officially open a new mechanical workshop for Ithemba students in the fall of 2009.*

become a diesel mechanic (DM) learnership student and get the practical knowledge required for an apprenticeship. In just six months, she learned how to strip and rebuild three diesel engines.

Kekana sees a world of career possibilities in her future.

"There's a huge shortage of DMs in South Africa, and South Africa is definitely where I want to be. I know I'm lucky to know what I want so young. A lot of people in my neighborhood are really confused, and it shows," Kekana said.

"Passion for your work is really important if you want to be successful but you need to know what it is you're passionate about first – that's the hard bit," Kekana added.

Pamela Carter, Vice President – President of the Distribution Business, visited Soweto last year, where she officially opened a mechanical workshop for students. The workshop includes state-of-the-art tools and equipment.

"I am both humbled and excited," Carter said during the opening.

"From a Company taking 20 years to make a profit to a multi-national leader in power generation and related fields, Cummins hopes to be in partnership with Ithemba for a long, long time," she said.

### **Ithemba Institute of Technology**

**Location:** Soweto, South Africa

**Mission:** Educate students in impoverished Soweto so they can get jobs in modern manufacturing.

**History:** Started by a former teacher, Uzendt Peters. The school is now supported by several industries in the area like Cummins.

**Special features:** By working closely with manufacturers, Ithemba aligns its curriculum to include classes on the skills most needed by the industry so its graduates are ready.

**Cummins involvement:** Cummins contributes money, expertise and employee volunteer time. Beyond financial support, examples include apprenticeships, job shadows, motivational speeches and more.

# Corporate responsibility: building stronger communities

## Highlights

- ▶ **Cummins supports hundreds of community involvement projects around the world.**
- ▶ **The Company is extending its Environmental Challenge to get more employees engaged in “green” projects in 2010.**
- ▶ **Cummins focuses its corporate responsibility efforts on three priority areas: the environment, education and social justice/improving the human condition.**

The ways that Cummins employees help strengthen their communities are as varied as the employees themselves.

Often working in concert with The Cummins Foundation, one of the oldest corporate charities in the United States, they initiated projects over the past year to:

- Extend electricity to a remote village in India.
- Raise environmental awareness in China.
- Support a technical school for impoverished students in South Africa.
- Improve the financial stability of a historically black college in Memphis, Tenn.

Community involvement is nothing new at Cummins. Next year, for example, the Clessie Cummins Health Clinic outside São Paulo, Brazil will celebrate 20 years serving the residents who live in the community of Guarulhos near a Cummins plant.

Cummins employees worked on hundreds of projects in 2009 to fulfill the Company’s Corporate Responsibility Value to “serve and improve the communities in which we live.”

Longtime Chairman and CEO J. Irwin Miller, who led Cummins for nearly 40 years, believed passionately that a company is only as strong as the communities where it does business. Our Corporate Responsibility value has evolved since then to become more global but Cummins’ core beliefs have not changed.

The Company helps build stronger communities today through Cummins’ network of more than 150 employee-led Community Involvement Teams around the world and the Every Employee Every Community (EEEEC) program, which allows employees to be paid for up to four hours of community work. Fifty-three percent of the Company’s employees participate in EEEEC, donating over 70,000 hours annually. Despite difficult economic conditions, United Way participation by Cummins employees in the United States increased to an all-time high in 2009, reaching 55 percent.



*Employees from the Dongfeng Cummins Engine Company pass out 3,500 re-useable bags to the local community in Xiangfan, China, to reduce the use of plastic bags, a major pollutant in the area.*

Cummins is also active philanthropically, both as a company and through The Cummins Foundation, as well as its philanthropic affiliates, the Cummins India Foundation and the Philanthropic Association of Cummins in Mexico.

Cummins encourages Company leaders to get involved in their communities and to practice responsible decision making by weighing the potential impact of their actions on all stakeholders including those in their home communities.

“At Cummins, we believe our Company has an obligation to improve the communities where it does business, working together with other stakeholders to solve problems,” said Jean Blackwell, Executive Vice President of Corporate Responsibility.

“We want a long-term relationship with these communities and any long term relationship is built on trust. We see corporate responsibility first and foremost as building the trust necessary so we can be an effective partner in problem solving.”

### **Meeting our goals**

Last year’s Sustainability Report outlined several key goals for corporate responsibility, including:

- Improving global engagement to reflect the growing importance of Cummins’ business operations outside the United States.
- Providing greater focus to philanthropy worldwide by establishing three key areas where Cummins believes it can have a significant impact: the environment, education and social justice/improving the human condition.
- Increasing leadership responsibility for community involvement and incorporating corporate responsibility in the Company’s strategies.

Progress was made on all three goals in the past year through initiatives such as Cummins’ 90th Anniversary Environmental Challenge.

To celebrate the Company’s 90th anniversary in 2009, The Cummins Foundation challenged Cummins entities around the globe to develop and implement projects

to improve the environment within their communities. The Foundation pledged to award the best initiatives \$10,000 grants that Community Involvement Teams could donate to the community partner of their choice.

Thirteen initiatives received \$10,000 grants from The Cummins Foundation, and five were also honored as President's Award winners. Here's a brief description of the President's Award winning projects:

- A Cummins team developed a way to bring electricity to the rural village of Kolha in India by using Cummins generators running on a locally available, renewable and clean energy source – vegetable oil produced from the seeds of Pongamia trees.
- A team of Cummins employees developed a sustainable solution to providing drinking water at a school and orphanage in Wagholi, India.
- Cummins employees in Kent in the United Kingdom helped turn a 300-year-old former orchard into a teaching garden for 120 disabled students.

- Employees at Stamford, United Kingdom, worked on a small stream suffering from high loads of sediment, creating a more diverse flow for the waterway to help remove fine silts.
- Cummins employees working in Fridley, Minn. removed barriers to recycling at a public housing site and significantly increased the amount of material collected there.

"If our efforts are going to have the maximum impact possible, we need to focus them," said Carole Casto, Cummins Director of Community Engagement.

"The Environmental Challenge helped us do that while leveraging our employees' skills in the critically important area of our environment."

The project was so successful, the Foundation committed to a five-year environmental challenge initiative and this year will again award \$10,000 each to up to 15 environmental projects from Cummins' Community Involvement Teams.



*Cummins employees in Korea participate in a Habitat for Humanity building project as part of an Every Employee Every Community opportunity.*

# Challenges ahead: Corporate responsibility

Cummins is committed to continuous improvement in Corporate Responsibility.

Three areas of focus in the coming year will be:

**1 Strategy:** Cummins is developing engagement strategies focused on ensuring vibrant and healthy communities that support Cummins as a great place to work.

**2 Impact:** The Company is developing metrics to ensure the maximum impact of our corporate responsibility efforts.

**3 Leadership:** Strong leadership is an important component of corporate responsibility at all levels, from the Company's employee-led Community Involvement Teams to site leadership. Developing expectations and providing leaders with benchmarks and metrics so they can measure success are key steps.

## Significant partnerships

Cummins also continued work on many partnerships around the world in 2009 to address issues such as sustainable agriculture, help those with developmental disabilities and educate disadvantaged young people. These partnerships include:

### **Cummins College of Engineering for Women:**

The mission of this college based in Pune, India is to educate women who have been under-represented in the field of engineering. The college recently opened a second campus in Nagpur (page 46).

**The Courage Center:** Cummins employees in Fridley, Minn. work with the Minneapolis-based center whose mission is to help those with brain and spinal cord injuries and developmental disabilities. Company employees modify a wide-range of equipment and toys so the center's clients can experience more productive and fulfilling lives (page 82).

**Ithemba Institute of Technology:** The institute in Soweto, South Africa, provides a technical education to students who otherwise would have no access to higher education. The training provides students with critical job skills while also preparing Cummins' workforce of tomorrow (page 62).

**LeMoyne-Owen College:** Cummins has helped this historically black college in Memphis, Tenn. restore its financial viability and create a strategic plan for a sustainable future (page 102).

**EARTH University:** This institution based in Costa Rica teaches sustainable agriculture and entrepreneurship to students who might never have afforded college in the hope that they will return to their home countries and share what they learned.

"When we can partner with an organization and leverage the full array of Cummins resources, we can engage employees and achieve a sustainable impact on a problem, and ultimately a healthier community," Blackwell said (page 14).

## Philanthropy: A track record of commitment

Cummins donates millions of dollars annually to initiatives and organizations around the globe through its affiliated foundations and the Company's operating funds. The Company invested \$12.9 million in its corporate responsibility efforts in 2009, including \$6.5 million in donations to The Cummins Foundation.

The Cummins Foundation has played a critical role in hundreds of initiatives since its inception. They range from programs to encourage the internationally-acclaimed architecture in the Company's headquarters city of Columbus, Ind. to financial support for EARTH University in Costa Rica and its mission to teach sustainable agriculture to young people from around the world (see page 14).

While the Foundation has been working to increase its involvement in international efforts, the Company has separate foundations in India and Mexico that operate with very similar priorities in those countries.

Grants from the Cummins India Foundation target higher education, energy and the environment, and local infrastructure improvements.

The Philanthropic Association of Cummins in Mexico supports employment programs for marginalized individuals and other charitable projects.

To see a complete list of The Cummins Foundation's grants and a statement of its financial position, go to the Sustainability/Corporate Responsibility section on Cummins.com.

### **The Cummins Foundation**

#### *Board of Directors*

- Chairman Tim Solso, Chairman and CEO, Cummins Inc.
- Director Jean Blackwell, Executive Vice President of Corporate Responsibility, Cummins
- Director Mark Gerstle, Vice President & Chief Administrative Officer, Cummins
- Director Tom Linebarger, President and COO, Cummins
- Director Will Miller, Chairman and CEO of Irwin Management Co. and Cummins Board of Directors
- Director Marya Rose, Vice President – General Counsel, Cummins
- Director Pat Ward, Vice President – Chief Financial Officer, Cummins

#### *Foundation Officers*

- Chief Executive Officer Jean Blackwell
- President and Secretary Tracy Souza, Executive Director of Corporate Engagement, Cummins
- Treasurer Marsha Allamanno, Corporate Responsibility Finance Director, Cummins



*A Cummins employee works on toys at one of the Children's Houses charity orphanages, a charity Cummins supports in Russia.*

#### *Audit Committee*

- Chairman Marsha Hunt, Vice President – Controller, Cummins
- Luther Peters, Executive Director of Internal Audit, Cummins
- James Guilfoyle, Executive Director – Corporate Accounting, Cummins

#### *Investment Committee*

- Chairman Richard Harris, Vice President – Chief Investment Officer, Cummins
- Gloria Griesinger, Director – Global Treasury and Pensions, Cummins
- Marsha Hunt



*A Cummins employee donates time at the Clessie Cummins Health Clinic outside São Paulo, Brazil.*

## Responding to disasters

While disaster relief is not a primary focus of Cummins' philanthropic effort, the Company and the Foundation respond when communities are impacted where we have facilities or distributors. Here's a look at what we've done in the past year:

**Haiti:** After the earthquake in Haiti in January, Cummins Foundation committed \$250,000 to relief efforts with an additional \$100,000 from U.S. and Canadian distributors. In addition, five 600-kilowatt Cummins generators provided power to the U.S. Embassy shortly after the quake struck. A group of employees is working now to determine how to donate the committed funds in a way that will be sustainable and benefit an underserved population.

**Chile:** The Cummins Foundation committed to a \$100,000 donation for earthquake relief in Chile, which was supplemented with \$50,000 from the distribution network. Working through our Distribution joint venture in Chile, we determined how the funds could be effectively used. Ten fishing boats and engines will be purchased for families whose homes and livelihoods were destroyed by the February quake



*Dave Smitson, President of Cummins Crosspoint LLC, presents a donation of \$100,000 from all 16 U.S. and Canadian distributors who donated equally to contribute to the rebuilding effort in Haiti. Cummins employees Alex Duge and Jacquelyn Jean-Claude, who have ties to Haiti, are serving on a group to help identify projects for The Cummins Foundation to fund.*

in the coastal town of Pelluhue. Cummins partnered on the project with Komatsu, which contributed equipment to help with the cleanup as well as a truck to provide safe drinking water to residents.

**Nashville, Tenn:** The Foundation has donated \$100,000 to the Community Foundation of Middle Tennessee for flood relief and has set up a Disaster Recovery Assistance Fund where employees can contribute directly to other employees who were impacted by the May flood.

# Rising to our environmental challenges



At Cummins, our employees love a good challenge.

So perhaps it's no surprise that when challenged to harness their knowledge, skills and muscle for the environmental benefit of the communities where they live and work, the response was overwhelming.

More than 3,200 employees from 11 countries worked an estimated 33,450 hours on projects. Greenhouse gases were reduced by 538 tons, the equivalent of 54,000 gallons of gasoline.

The Foundation awarded 13 grants of \$10,000 each in 2009. Five of the 13 projects were judged to be President's Award winners. Here are their stories:

## Positively illuminating

### Lighting up Kolha, India

Like many remote villages in India, activity pretty much stopped in the village of Kolha not long after sunset.

That is until August 2009 when a Cummins team developed a way to power the rural village of 65 households by using Cummins generators running on a locally available renewable energy source – non-edible vegetable oil produced from the seeds of Pongamia trees.

"Ever since Cummins forayed in India half a century ago, we have been committed to deploying our technology and human expertise towards the development of both the nation's economy and its people," said Anant J. Talaulicar, President, Components Group, Cummins Inc., and Managing Director – Cummins India.

"We believe that this rural electrification initiative using locally available, low cost, renewable energy sources is an important first step taken in the direction of electrifying remote villages and making people's lives better in the rural sections of our nation," he added at a ceremony earlier this year celebrating the



*A family in the village of Kolha in India enjoys the benefits of electricity thanks to a Cummins project using generators fueled by an inedible vegetable oil.*

first phase of the initiative, one of the Environmental Challenge's President's Award winners.

The Kolha project started two years ago when Cummins India Limited collaborated with the Cummins Engine Research Facility at IIT (Indian Institute of Technology) Bombay and the READ Foundation to develop a sustainable electrification model for remote villages across India. The collaboration wanted to use locally renewable energy sources that would minimize overall carbon emissions.



A generator set operating on vegetable oil was designed and tested at the Cummins Engine Research Facility. In August 2009, the generator was successfully installed and shortly thereafter villagers had electricity.

The project meant light for the village residents so they can more comfortably enjoy activities at night, said Subramaniam Ravichandran, Senior General Manager of the Growth Office at the Power Generation Business Unit of Cummins India Ltd. In addition, there is reserve power to run a water pump for irrigation and drinking water in the future.

“We developed this project and concept under three simple principles: green, sustainable, and scalable,” said Beau Lintereur, Vice President of the Power Generation Business Unit at Cummins India. “For me, the most interesting and satisfying aspect of the project is the focus on economic sustainability. In addition to benefiting the lives of the people of Kolha, the installation serves as our living laboratory to evaluate the performance of the technology in a real social setting.”

The system at Kolha holds the potential to create demand for greater quantities of vegetable oil for sale, creating an additional income source for villagers. The next phase of the project will be developing a system so in addition to vegetable oil, the generator can also run on biogas.

“Cummins is humbled to play a small, yet significant role in improving the lives of the 65 families living in Kolha,” said Jean Blackwell, Executive Vice President



*Village residents help with the installation of the poles and wires necessary to bring power from the Cummins' generator to individual homes.*

– Corporate Responsibility and Chief Executive Officer of The Cummins Foundation, who also attended the celebration in Kolha.

The Foundation grant money will go towards efforts to provide power to two more remote villages in a cooperative effort with the Indian government.



## Going with the flow

### **The River Chater project, Stamford, UK**

If the River Chater wasn't dead, it was fading fast.

Located near Stamford in the United Kingdom, the river for years has been plagued by high loads of sediment due to intensive agricultural practices in the area. In addition, it suffered from the impact of a fine grit and mud from quarrying operations within the river's watershed.

The sediment made the area inhospitable for fish, aquatic plants and the invertebrates upon which all life in a river ultimately depends.

Part of the river runs near the Cummins Generator Technologies Plant in Stamford. The waterway's fortunes started to change when a team from the plant as well as some Cummins retirees joined forces with several groups, including the Grantham Angling Association, the Wild Trout Trust and the Natural England environmental group.

They worked together to encourage the river to meander a little more and create deeper pools to speed up the flow of the water. That, in turn, helped to remove fine silts from the gravel along the river bottom and began to create the kind of environment where fish can thrive.

"It was a superb project to be involved with, and we really enjoyed working on it," said volunteer coordinator Heulwen Summerfield. "I think it was the simplicity of using recycled materials from our site to benefit the environment that really made the project special."

Using recycled timbers from CGT Stamford, the river keepers from Grantham Angling created a mid-stream timber island. The recycled wood held hazel bundles in place to trap the silt and over time create an island of reeds and marsh. The river flows around the island



*The mid-stream island begins to take shape.*

now at an increased velocity, which cleans the gravel and scours pools downstream of the structure.

In addition, the team used live willow stakes along the river's edge to stop erosion. The team hopes the live pieces of willow will take root and become trees that will provide additional bank support.

The Environmental Challenge President's Award winning project will take several years to achieve its full potential. However, during a recent site inspection, team members observed more aquatic plant diversity, and trout were seen to have moved into the work area.

"We felt it was a special project and we're all really pleased with how it turned out," Summerfield said.

The team has given its \$10,000 grant from the Cummins Foundation to the Grantham Angling Association to pay for additional projects. It also plans to make environmental work a regular part of its Every Employee Every Community program.

## Harvesting water

### **The Wagholi School project near Pune, India**

The Wagholi School and Orphanage near Pune, India provides food, shelter and education to the children in its care. But from November to April during the dry season, the school has trouble providing one very basic necessity: water.

The school has regularly had to go to the expense of using water tankers to get through the dry season. Money spent on the tankers can't go to other needs at the school.

So volunteers from Cummins Research & Technology India (CRTI) Pune initiated the Rain Water Harvesting Project to improve the water table in the area and keep the school and orphanage from having to go to the expense of trucking in water. Other Cummins entities across India also contributed to the effort.

"It was an excellent opportunity to identify and contribute to a grass roots project," said Team Leader

Lokesh Agrawal, Customer Interface Leader at CRTI in Pune. "As an engineer, this provided me with a huge sense of contentment."

Cummins' operations have an ongoing relationship with the school and orphanage, working together on a variety of initiatives. On the water harvesting project, Cummins employees and school personnel took several steps, including:

- Planting trees to help hold water on the school grounds.
- Developing a roof-top system to redirect rainwater to better recharge the water table in the area.
- Replacing an electrical pump with a hand pump to reduce the school's carbon footprint. The pump also reminds students that pumping water is hard work and that water should not be wasted.
- Using an existing well on the grounds as a storage tank to improve the efficiency of storage efforts and tap any water source nearby the well.
- Creating trenches on the property to encourage rain water storage and percolation.

Getting anything to grow on the school grounds is a challenge but the team reports that about 30 of the 70 trees it planted survived.



*The team on the Wagholi project installs a hand pump to help teach students that pumping water is hard work and that water should not be wasted.*

Since the improvements were made at the Wagholi school, the local school authority has started implementing the same concepts at several other buildings.

"When we heard that, it was a feeling of 'Wow, we made a difference!'" Agrawal said. "It was a tremendous learning for me and I think the team as well. We felt like we were contributing back to nature."

The project team is using its \$10,000 grant to support a non-profit charitable trust that is creating awareness about global warming and helping with renovation efforts to keep three biogas plants operating.

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## Bearing fruit

### **Inspire Orchard offers opportunities to special needs students**

Where others could perhaps only see an overgrown former orchard, the team at Cummins Power Generation in Kent in the United Kingdom saw a way to inspire disabled students.

Working with the Royal School for Deaf Children Margate, they helped transform a 300-year-old orchard on the school property into a teaching garden for the more than 120 students at the school.

"For some students, this may be the only opportunity they have to experience the environment up close due to physical limitations or health issues," said Tracy Day, the Community Involvement Leader at Cummins Power Generation in Kent.

The project, called Inspire Orchard, isn't the first initiative that Cummins Power Generation in Kent and the school have joined forces on. They have



*By restoring the overgrown orchard (above and below), Cummins employees in Kent, United Kingdom, may be providing some disabled students their best opportunity to experience nature.*

collaborated on projects to paint student dormitory rooms, provide classroom painting supplies, create accessible paths at Monkshill Farm nearby and provide a holiday outing for students.

Cummins offered volunteer muscle as well as funding for the refurbished orchard area, which is now accessible by wheelchair from student housing areas and the school through a series of sidewalks. There is also a fenced-in pond area and an observation building for safe viewing.

Careful consideration was taken in planning the location of the composting site, planting boxes and even outdoor seating at the orchard to create an inviting open space.

Students and staff will now be able to make observations about the bio-diverse pond, experience bird watching, hunt for insects, enjoy nature walks, participate in and learn about composting and take part in other outdoor learning opportunities.

The project also included the renovation of an old shed to bring it up to acceptable safety and code standards. With the shed, students and staff will have an indoor area to meet and a place to store supplies for student-maintained vegetable patches nearby.

“It is vital that these young people develop knowledge and skills that will make them more employable, and also that they understand the links between food and healthy lifestyles,” Day said.

The Community Involvement Team at Kent is donating its \$10,000 Foundation grant to a trust fund for the school.





*Cummins employees regularly visit Parkview Villa to work on beautification projects and to interact with residents in addition to the recycling initiative. Here, Antonio Almeida (left), Director of Materials, and Mehdi Kalantarzadeh (right), Director of Power Electronics, visit with two residents.*

## A green machine

### **Parkview Villa project in Fridley, Minn. demonstrates the power of collaboration.**

It started rather simply with an observation about the recycling program at the Cummins Power Generation plant in Fridley, Minn.

But it wasn't long before the plant's Parkview Villa project was building stronger communities, protecting animals, giving disabled individuals the job skills they need to one day find a job and, oh yes, increasing recycling.

This Environmental Challenge President's Award winner is testament to the power of collaboration when it comes to addressing community concerns.

"The ease of working with our community partners has been the highlight of the project," says David McGinty, a Six Sigma black belt and a Community Involvement Team leader in Fridley. "We made an incredible team and achieved outstanding results."

The roots of the project go back to the plant's arrangement with Rise Inc. to pick up recyclable material. Rise's mission is to support people who have disabilities and other barriers to employment. Several Cummins employees admired Rise's work and wondered if they could help find other opportunities for its employees.

Coincidentally, McGinty had been active with a separate group called CommonBond, whose mission is to build affordable housing as a stepping stone to success. The team at Fridley started to look for ways the two groups could work together.

Noting that recycling participation is low at many low-income housing facilities, particularly among older residents, the team in Fridley wondered if employees from Rise could help residents boost recycling rates at Parkview Villa, an affordable housing development near Fridley.

The Cummins team completed a survey in multiple languages to reach out to Parkview's diverse residents and discovered they were willing to recycle if the process was simple. Many had difficulty walking down to the area where the recyclable material was picked up.

Participation would increase even higher, the survey showed, if the activity was tied to another cause like animal welfare and the local Humane Society. So the team set out containers for residents to drop off not only recyclables but also items requested by the Humane Society.

The number of Villa residents recycling increased from 38 to more than 80. Rise is getting more work. And the animals at the Humane Society are benefitting, too. Residents at Parkview today proudly display stickers on their doors that they are

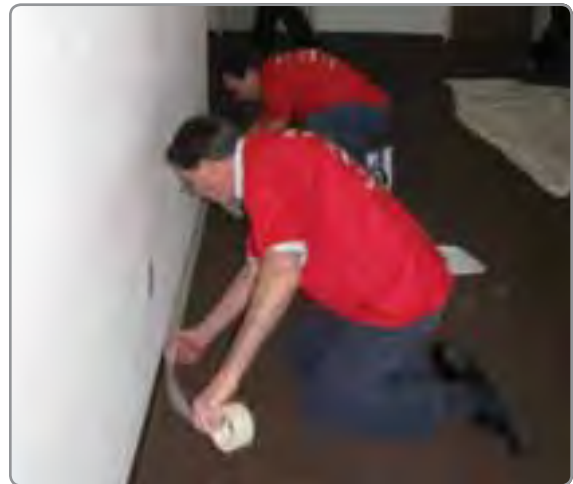
participating in the program, creating a stronger sense of community.

And Cummins employees now visit monthly to help with beautification efforts and to interact with Parkview's residents.

McGinty said the Environmental Challenge grant will go toward replicating the success of the Parkview project at other housing centers.

"We can turn the \$10,000 into \$20,000 and expand the program at other sites throughout the Twin Cities," he said.

*The Cummins project has built a sense of community at Parkview Villa through the recycling initiative and improvement projects.*



### Other Environmental Challenge grant winners

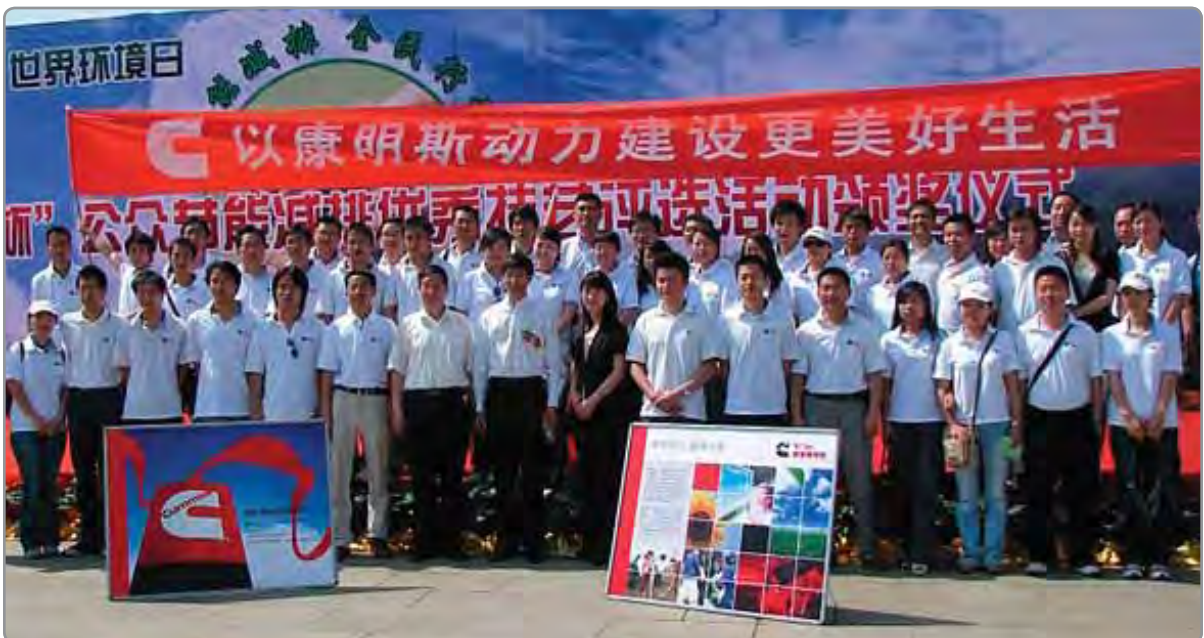
As part of the 90th Anniversary Environmental Challenge, projects were reviewed evaluating the environmental benefit of each initiative, the level of employee engagement and the sustainability of each project.

In addition to the President's Award winners, the following Community Involvement Team projects also won \$10,000 grants from The Cummins Foundation for use by the non-profit, non-governmental community partner of their choice:

- A project urging people to replace their cars with bicycles and increase recycling in Xiangfan, China.
- An initiative to increase public energy savings and reduce emissions in Xi'an, China.
- A tree planting and beautification effort in a wooded area of Wuxi, China.
- The cleanup of a community site in preparation for the World Expo in 2010 in Shanghai, China.
- A water harvesting project at the Village of Chaufula, India.
- A tree planting campaign in Juarez, Mexico.
- A project to clean up garbage and construction waste from a site in Craiova, Romania.
- Raising funds for an elderly home in Singapore by recycling.



*Cummins employees in Juarez, Mexico, plant trees as part of their Environmental Challenge project.*



*Community Involvement Team members celebrate their Environmental Challenge project to increase public energy savings and reduce emissions in Xi'an, China.*

## Corporate responsibility funding

In 2009, Cummins invested \$12.9 million in its corporate responsibility efforts, including \$6.5 million in funding to The Cummins Foundation as well as employee volunteer hours on Company time, donations and sponsorships from operating funds and staff involved in growing our efforts around the world.

The Cummins Foundation made grants of \$4.5 million primarily focused on communities where Cummins facilities are located and in support of the Company's global priorities of education, the environment and social justice.

In addition, there were grants totaling \$700,000 from Cummins supported foundations in India and Mexico. The Cummins India Foundation supports higher education, energy, the environment and local infrastructure projects. The Philanthropic Association of Cummins in Mexico (AFIC) supports employment programs for marginalized individuals and other charitable projects.

A sample of Cummins larger philanthropic contributions is included below. For a complete list of grants from The Cummins Foundation go to [www.cummins.com](http://www.cummins.com).

GRANTEE ORGANIZATION	COMMUNITY	GRANT OR DONATION	CUMMINS FOUNDATIONS*	CUMMINS INC.
<b>Community Development - Education</b>				
CAF-Ashliegh Erin Foundation a.k.a. Ithemba Institute of Technology	Johannesburg, South Africa	\$125,000		
Memphis Youth Leadership Program	Memphis, TN	\$63,000		
Chautauqua Children's Safety Education Village	Jamestown, NY	\$50,000		
China Charity Foundation - for desks and chairs at rural schools	Xiangfan, China	\$25,000		
Community Education Coalition	Columbus, IN	\$25,000		
Cornerstone Middle School	Cookeville, TN	\$25,000		
Youth About Business	Nashville, TN	\$25,000		
Putnam County Schools	Cookeville, TN	\$25,000		
Shree Ramkrishna Charities - support of school	Pune, India	\$31,000		
Fridley High School	Fridley, MN	\$21,200		
Bilton Junior School	Daventry, U.K.	\$13,500		
Connected Community Partnership	Columbus, IN	\$10,000		
LCNFC - Youth Employment Program	Columbus, IN	\$10,000		



GRANTEE ORGANIZATION	COMMUNITY	GRANT OR DONATION	CUMMINS FOUNDATIONS*	CUMMINS INC.
<b>Community Development - Environment</b>				
Xi'an Environmental Protection Bureau	Xi'an Shaanxi, China	\$25,000		
Yongsheng Country Rural Community Development Assoc.	Changliang Village, China	\$25,000		
Chengdu Environmental Protection Propaganda & Education Center	Chengdu, China	\$20,000		
<b>Community Development - Social Justice</b>				
Right to Play	Phuket, Thailand	\$106,166		
Clessie Cummins Health Clinic	São Paulo, Brazil	\$100,000		
New Song Mission	Columbus, IN	\$82,490		
Minnesota Indian Women's Resource Center	Fridley, MN	\$71,000		
Courage Center	Fridley, MN	\$66,026		
Community Access Network Project	Columbus, IN	\$50,000		
The ARC of Bartholomew County	Columbus, IN	\$40,000		
AFIC Community Based Service Awards	San Luis Potosi, Mexico	\$39,000		
CAF - Russia Charity Foundation Children's Houses/Rybnoye Orphanage	Moscow, Russia	\$32,840		
World Vision Hongkong - sport in a box program	Xiangfan, China	\$25,000		
Brazil Sewing Shop	São Paulo, Brazil	\$25,000		
Habitat for Humanity	Singapore	\$25,000		
Amherst H. Wilder Foundation	Fridley, MN	\$25,000		
Lincoln Central Neighborhood Family Center	Columbus, IN	\$25,000		
Friends of the Stoughton Area Youth Center	Stoughton, WI	\$25,000		
The BOMA Fund	Kenya, Africa	\$25,000		
Street Source	Pune, India	\$25,000		

GRANTEE ORGANIZATION	COMMUNITY	GRANT OR DONATION	CUMMINS FOUNDATIONS*	CUMMINS INC.
<b>Community Development - Social Justice (continued)</b>				
Love Chapel	Columbus, IN	\$20,000		
Wuxi Child Welfare House	Wuxi, China	\$18,700		
MP Welfare Association for the Blind	Pune, India	\$18,300		
Columbus Regional Hospital Foundation - Volunteers in Medicine Clinic	Columbus, IN	\$15,000		
Rybnoye Orphanage	Russia	\$12,500		
CommonBond Communities	Fridley, MN	\$12,000		
Poona School and Home for the Blind	Pune, India	\$10,750		
Memphis Cultural Arts Center - Watoto de Afrika	Memphis, TN	\$10,000		



GRANTEE ORGANIZATION	COMMUNITY	GRANT OR DONATION	CUMMINS FOUNDATIONS*	CUMMINS INC.
<b>Community Development - Education, Social Justice</b>				
Cummins India Engineering School for Women	Pune, India	\$430,000		
LeMoyne-Owen College	Memphis, TN	\$100,000		
CAF - Willoughby School	Borne, UK	\$43,764		
Metanoia	Charleston, SC	\$25,000		
<b>Community Development - Education, Environment</b>				
Indianapolis Zoo - The Indianapolis Prize	Indianapolis, IN	\$225,000		
<b>Employee Engagement - Social Justice</b>				
United Way Agencies	United States	\$2,023,671		
<b>Signature Projects - Education, Environment, Social Justice</b>				
EARTH University	Guacimo, Limon, Costa Rica	\$1,200,000		

\* Cummins Foundations includes payments made from The Cummins Foundation, Cummins India Foundation and Asociacion Filantropica de Cummins AC.



**Courage Center**  
Minneapolis, Minn.



Significant partnerships

## Courage Center dispenses hope

*Editor's note: Cummins is engaged in a number of significant partnerships on the key topics of education, the environment and social responsibility/improving the human condition.*

As an engineer at Cummins Power Generation in Fridley, Minn., Mark Weber works on quality and warranty issues.

But when he's at the Courage Center, he's an engineering magician, transforming toys and appliances so that disabled children and adults can use them with a slight move of the hand or a blink of an eye.

Weber is among five current and retired Cummins engineers who volunteer their time and engineering skills at the Courage Center, a rehabilitation facility based in Minneapolis for people with disabilities. They are part of a larger Cummins group that has devoted time and energy into building a strong partnership with the center.

The partnership was launched in 2005 with several Every Employee, Every Community (EEEC) projects. In 2006, engineers like Weber got involved at the center's Assistive Technology Lab where they use their engineering skills to redesign common tools or toys so they can be used by the disabled.

Today, that partnership is stronger than ever. "What we've really been able to do at the Courage Center is to build on the work of our volunteer engineers," said Sue Piva, the Power Gen Global Community Service Leader.

The relationship between the Courage Center and Fridley's Community Involvement Team (CIT) is two-way collaboration that serves as a model for how Cummins CITs interact with their community partners. It has evolved from the re-engineering work to involvement in other projects including a fall prevention program for the frail and elderly, a playground accessibility review, and a robotics day camp.

The Fridley CIT has provided funding for projects such as a program for vocational services and work readiness, a shop services marketability study, equipment for the Assistive Technology Lab, and a "Closing the Gap" conference for therapists.

But there is nothing quite like the work done week after week at the center by Weber and his colleagues – Mike Miller, Mike Scheuerell, Peter Vancalligan and John Heinz, now retired. They take seemingly simple devices that able-bodied people take for granted and adapt them for Courage Center clients, in many cases transforming the quality of their lives. Some examples of their work include:

- They have adapted Bluetooth headsets so people who do not have the use of their hands and arms can control the devices with a slight head movement.
- They have modified doorbells and reworked bed controls for patients with ALS, or amyotrophic lateral sclerosis, so they can operate them with minimal effort.
- They organize group events every Christmas to modify toys so that children with disabilities can use them just like able-bodied children.



*Mary Kate (left), can only move her right index finger. Thanks to Cummins engineers like Mark Weber and Mike Miller, she can use a specially designed joystick to operate a computer. They also re-engineer electronic toys and devices so disabled children can use them.*

The story of one little girl, Mary Kate, shows the power of their work. Mary Kate, born with spinal muscle atrophy, can only move her right index finger. The engineers needed to find a way to allow Mary Kate to use a computer even though she can push less than half a pound, less than the pressure needed to move the average mouse or joystick.

Weber and his team found one joystick that might have worked, but it required more strength than Mary Kate had. So the team kept working and experimenting until they came upon the solution – modify the computer's joystick with a pressure-sensitive switch, enabling the youngster to use the computer just like any other child.

“Doing this work for the Courage Center allows us to use our skills that not a lot of people have,” Weber said. More than that, it gives Weber and his co-workers a chance to be creative as they figure out how to rewire something as simple as a squirt gun so that a disabled child can use it by pressing a button rather than squeezing a trigger.

“It might sound like a simple thing,” said Jan Malcolm, Chief Executive Officer of the Courage Center, “but a squirt gun that works for a child with a significant disability is pretty important.”

## **Courage Center**

**Location:** Minneapolis, Minn.

**Mission:** To empower people with disabilities to realize their full potential in every aspect of life.

**History:** The nonprofit organization was founded in 1928 to provide tools, technologies and resources to improve the lives of disabled children and adults.

**Special features:** Specializes in treating brain injury, spinal cord injury, stroke, chronic pain, autism and disabilities experienced since birth.



**Cummins involvement:** In addition to financial support from The Cummins Foundation and Cummins Power Generation, the Community Involvement Team at Fridley provides volunteer support, including the work of five engineers who adapt technology to be used by people who are disabled.

# Employee relations: Creating a safe working environment

## Highlights

- ▶ **2009 one of the safest years ever at Cummins.**
- ▶ **Several new initiatives keep safety top of mind across the Company.**
- ▶ **Cummins targets cell phone use while driving to keep employees safe.**

*By aggressively identifying gaps and developing strategies to close them, Cummins was able to make 2009 one of the Company's safest years ever.*

With an eye toward prevention, Cummins safety teams across the globe worked together to standardize safety processes, enhance employee involvement in safety and eliminate hazards from the workplace.

Best practice safety projects were implemented in Cummins facilities from Denver, Colorado to Wuxi, China that contributed to overall safety gains in 2009, which included:

- A 40 percent drop in the Company's Severity Lost Work Day Rate representing a reduction of more than 2,400 lost work days.
- A 37 percent reduction in Major Incidents or Dangerous Occurrences, from 84 such incidents in 2008 to 53 in 2009.

- Sixty-one Cummins sites ended 2009 with 12-month rolling Severity Lost Work Day rates of zero. There were no fatalities at any Cummins facility in 2009.

"Cummins has developed a system for managing health and safety concerns globally," said Michelle Garner-Janna, Director of Corporate Safety and Health at Cummins. "This system involves standard health and safety goals, programs and metrics. Cummins recognizes the uniqueness of each entity while applying the same criterion for success across the Company."

### **'Red Flag' program working**

Cummins is able to identify and assess potential safety hazards, set key objectives and monitor health and safety performance in a uniform way across all facilities thanks to Cummins Health and Safety Management System.

The system sets minimum expectations at Cummins facilities for the lockout and tagout of equipment, chemical safety, ergonomics, driver safety, emergency preparedness and much more. The Company incorporated Occupational Health and Safety Assessment Series specifications into the management system in late 2007.

One important part of the system is the "Red Flag" program. Under this initiative, Cummins sites having the worst safety performance metrics and highest risk levels are identified as "Red Flag Sites."



*The Cummins Power Generation Plant in Craiova, Romania underwent a major facelift starting in 2009.*

These sites participate in safety strategy review sessions with business unit and corporate safety leaders and undergo in-depth safety audits. Progress toward closing identified gaps is then closely monitored.

A location is not removed from the list until it has passed a five-day audit of safety processes at the site and a follow up visit by a member of the Corporate Safety staff.

### **Raising awareness, preparation**

In 2009, Cummins launched several additional efforts to improve safety. A safety newsletter was created and distributed to all Cummins sites globally to allow the sharing of best practices and to complement plant-based efforts to keep safety top of mind.

“While the Company realizes the cultural differences within the regions in which we operate, we hold all of our sites to the same safety standards so communication is critical,” said Kelli R. Smith, Cummins Corporate Safety Manager.

Cummins also introduced in 2009 a requirement that all Safety Functional Excellence Leaders become

Certified Safety Professionals by the end of 2010. That designation is a premier credential for safety professionals, indicating competency through education, experience and examination.

“The professional development plan will be expanded each year to ensure that we have qualified safety leaders throughout the organization who are technically capable of managing sustainable safety systems now and in the years to come,” Garner-Janna said.

### **Driver safety focus in 2010**

The Company will also continue to aggressively pursue gains in safety in 2010, launching the Cummins Driver Safety Program. Auto-related incidents have become a leading cause of on-the-job injury and death for companies worldwide.

It has been estimated that up to 45 percent of auto-related incidents occur during the course of work. “Making driver safety a principal initiative will help protect Cummins employees and those they share the road with,” said Jim Dorris, Corporate Senior Safety Specialist.

One major aspect of the program governs cell phone use. Cummins is joining a small but growing number of companies prohibiting the use while driving of two-way communication devices such as cell phones and two-way radios – even those with hands-free technology.

“Cummins is committed to providing a safe workplace for all of our employees across the world – whether it is a manufacturing plant, office building or vehicle being driven for work purposes,” Garner-Janna said. “Nothing is more important to us than the safety of our employees, suppliers, visitors and the communities in which we live and work.”



*Before and after pictures from part of the Cummins Power Generation Plant in Craiova, Romania. Improved lighting, clearer walkways and fresh paint have pleased Cummins employees.*

## A dramatic change for the better

Employees at the Cummins Power Generation Plant in Craiova, Romania, know firsthand that a safe plant makes for a much more productive workplace.

Perhaps no Cummins facility in the past two years has undergone a more significant facelift than the roughly 50-year-old plant in the southern part of the country.

The more than \$700,000 worth of work starting in December 2009 included:

- Replacing four cranes
- Creating a safe pedestrian walkway
- Installing a new roof in the machining area
- Improving lighting throughout the plant

The work transformed the formerly dark, cluttered facility into a brightly lit, freshly painted, much more modern plant that is today a much safer place to work.



“Satisfaction has increased within the plant,” said Ana Maria Mitoi, Cummins Health, Safety and Environment Leader in Romania. “We are all very proud of the improvements that were made, but we recognize that each person’s actions, on a minute-by-minute basis, are critical to a truly safe environment.”

Employees and their managers worked together on most of the changes, which weren’t just cosmetic. The team in the assembly area, for example, looked at whether they could change the way they worked to build alternators more efficiently.

Analyzing their existing processes, they calculated that assembly operators walked collectively 15 kilometers to build just one alternator. By providing complete kits of alternator parts at the point of use, the team reduced operator movement by almost 90 percent.

“Safety often goes hand-in-hand with efficiency,” said Kelli R. Smith, Cummins Corporate Safety Manager. “We’re already seeing that since the changes were implemented in Craiova.”

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## Cell phone use banned to improve driver safety

Nearly 80 percent of all crashes in the United States involve some form of driver distraction within three seconds of impact, according to the National Highway Traffic Safety Administration.

With that in mind, Cummins has prohibited the use while driving of two-way communications devices such as cell phones and two-way radios.

The 2010 Cummins Driver Safety Program also prohibits the use of computers, Personal Digital Assistants and iPhones while operating a motor vehicle.

“Cummins has made the decision to give our road safety strategy a more structured, consistent approach going forward,” said Jim Dorris, Corporate Senior Safety Specialist.

Due to the growing use of cell phones for business purposes, industry experts say employers are facing liability threats for automobile accidents caused by the distracted driving of their employees.

Cummins is joining a small but growing number of companies that have decided to implement bans.

“One part of our Mission is to ensure that everything we do leads to a cleaner and safer environment,” said Michelle Garner-Janna, Director of Corporate Safety and Health. “That extends to the roads we share with others.”

### Safe travels

To minimize the risk of a car crash, Cummins employees are:

- Prohibited from using a cell phone or two-way communication device while driving.
- Prohibited from using a computer or PDA while driving.
- Required to use seat belts.
- Required to use helmets for open motorized vehicles (such as motorcycles, motorized bicycles).
- Required to drive in a responsible manner and avoid distracted and aggressive driving.

## Challenges ahead: Safety

Safety officials at Cummins will be working to make improvements in these areas in 2010:

**1 Cummins Severity Lost Work Day Rate:** While Cummins Incidence and Severity Case Rates are better than the industry average, improvement is needed in the Severity Lost Work Day Rate. Cummins ended 2009 with a rate of 6.29, against a goal of 6.0. Several Six Sigma projects have been launched to address this issue and corporate safety is working directly with the sites that are currently experiencing the highest rates.

**2 Major Incidents or Dangerous Occurrences:** While the Company did have fewer incidents and occurrences in 2009 than in 2008, our goal is to drive that number to zero. Corporate Safety implemented improved reporting mechanisms in

2009 that involve senior leadership in the process. The department has also improved the communication channels for investigations and corrective actions.

**3 Red Flag sites:** Cummins tracks each site's performance on a monthly basis. While the process was successful in driving improvement so that many sites dropped off the list in 2009, other sites are above corporate targets for key performance indicators and were added to the list for 2010. They will continue to be closely monitored and supported by both their business unit as well as corporate safety. Quarterly strategy reviews, Enterprise Safety Risk Management Audits, and frequent communications are just some of the requirements of the process.

## Connecting diversity to the bottom line

### Highlights

- ▶ **Updated Diversity Business Case rolled out to Cummins employees.**
- ▶ **Cummins produces new 22-minute video on the key role diversity plays at the Company.**
- ▶ **Cummins launches new initiative with Affinity Group members and their managers to improve effectiveness.**

Valuing diversity is a business imperative as Cummins looks to enter new markets in an increasingly diverse and global marketplace.

With most of the world's economic growth projected to take place in developing countries between now and 2050, workplace diversity is more important than ever.

Cummins' updated Business Case for Diversity, adopted in December 2008, establishes four goals for the Company to leverage the greatest benefit from a diverse workforce. These goals are the primary focus of the Global Diversity strategy at Cummins:

- Create a workplace population with representation that is similar to the markets in which the Company operates.
- Demand that the workplace at Cummins is safe and inclusive for all individuals and organizations.
- Develop a collective behavior at Cummins that encourages all individuals and employees to best use their talents.
- Capitalize on a diverse workforce to enhance the Company's competitive position in the marketplace.

"Sixty percent of our revenues come from international markets," says Chairman and CEO Tim Solso. "We manufacture more outside of the United States than inside the United States. So recognizing different cultures, different languages, hiring people from those backgrounds, making sure that they're included, (that) they have an opportunity to develop to their full potential, is really important."

Cummins measures success not only in terms of the diversity of the Company's workforce, and compliance with all applicable rules and regulations, but also in the way employees treat each other at work and ultimately by Cummins' bottom line.

By partnering with Company employees – from the production line to senior leadership, the Global Diversity staff at Cummins serves as a resource for developing safe and inclusive work environments that foster innovation.

"At Cummins, we've been on a proactive diversity journey, connecting who people are, how they think and how we can utilize their talents to achieve business success," says Global Diversity Executive Director Lisa Gutierrez.

### **Reaching out to employees**

Much of the Company's diversity initiatives over the past year have focused on the new Business Case for Diversity and communicating the importance of diversity to Cummins' financial future. The Company launched a multi-faceted implementation plan to connect employees with the goals and findings in the Business Case.

*Glenn Guieb Peñaranda, a special trade representative from the Phillipine Consulate General in Chicago talks about business prospects in that region of the world at a program sponsored by the South East Asian Affinity Group.*



The Business Case was translated into multiple languages and posted on a new internal Web site that includes case studies on how diversity is fueling innovation at Cummins, short videos from Company leaders on the importance of diversity and an audio recording of Cummins' longtime Chairman and CEO J. Irwin Miller, who advocated diversity long before the formation of diversity organizations.



The Global Diversity staff also produced a new 22-minute video on the Business Case and the importance of diversity to the Company's future, combining leader interviews with examples at Cummins where diversity is contributing to innovation.

The video, for example, tells the story of two engineers at Cummins' El Paso, Texas/Juarez, Mexico operations who developed a way to repair Electronic Control Modules designed to be disposable. They said growing up in Mexico and the southwestern United States in a culture that values fixing things helped convince them a way could be found to recondition the modules.

Employees were encouraged to discuss their own experiences working with diverse teams after watching the video. Cummins operations from China to the United Kingdom and from the United States to Brazil reported watching the video and holding discussions on diversity.

### **Affinity Groups and Local Diversity Councils**

The Global Diversity staff works with a network of more than 30 Affinity Groups and more than 50 Local Diversity Councils to help create safe and inclusive workplaces around the world.

Affinity Groups, typically organized around demographic traits, represent the viewpoint of a particular group of employees to senior leaders. The groups also work on the key issues of recruiting, retention, career development and business enhancement.



*Chairman and CEO Tim Solso speaks at a town hall forum sponsored by the Corporate & CBS Local Diversity Council in Columbus, Ind.*

## Cummins' definition of diversity

Cummins updated Business Case for Diversity also refreshed the Company's definition of diversity:

**On a personal level:** The diversity of an individual is defined by his or her cultural and personal differences, as well as life and professional experiences.

**At the organizational level:** Diversity is created through the distinct personalities and capabilities of each individual within the group.

**Taken together:** The Diversity of individuals and organizations creates an environment where innovation and ideas flourish.

Diversity Councils are groups of employees who work with local leadership to develop an inclusive work environment where all employees feel free to share their best work and ideas.

Over the past year, members of both groups also served as ambassadors for the Business Case, promoting its goals and helping to make the link between diversity and innovation.

The Company added two new Affinity Groups in 2009 and 2010 expected to help in the development of safe and inclusive workplaces.

The Worldwide Veterans and Supporters Affinity Group focuses on the needs of veterans in all parts of the world. The Special Needs and Abilities Affinity Group, meanwhile, is focused on creating a welcoming environment for people with special needs.

### **Equal opportunity**

The Global Diversity staff also plays a key role in Cummins' goal to have representation comparable to the markets where we do business. The staff constantly reviews representation at the Company as part of Cummins' compliance with the Department of Labor's Federal Office of Contract Compliance Program.

While the Labor Department is concerned with U.S. employment, Cummins' Corporate Compliance Manager Martha Heady Messman is also keeping tabs on the Company's global numbers. She is working on several initiatives to help develop increasingly diverse pools of qualified job candidates. Cummins also continues to meet and deliver on local country commitments to improve workplace representation of under-represented groups.

Cummins successfully closed several federal audits in 2009 with a notice of compliance – the best possible outcome. The audits included an extensive federal "glass ceiling" audit that found no evidence of systemic barriers at the Company when it comes to the advancement of women.

# Putting diversity into action

As a purchasing manager focused on Europe, the Middle East and Africa, Sara Vasey knows the importance of diversity in the global marketplace.

As the leader of the Women's Affinity Group at Cummins' facility in Darlington in the United Kingdom, Sara demonstrates her commitment to helping Cummins create a workplace where diversity fuels innovation.



*Cummins Darlington (U.K.) employee Sara Vasey.*

"Having the opportunity to work with so many people from different backgrounds and cultures has been one of the most interesting and rewarding aspects of working for a global company like Cummins," Sara says. "Being part of a Local Diversity Council or Affinity Group enables you to feel like you are really making a difference."

Like many employees, Sara integrates her diversity work with her business responsibilities. Cummins depends on its employees to create a safe and inclusive work environment through a network of site-based Diversity Councils and Affinity Groups typically organized around a specific demographic.

Under Sara's leadership, the Women's Affinity Group at Darlington, created in 2006, has worked successfully to improve the workplace for part-time employees, sponsored health awareness events, raised awareness about domestic abuse and implemented several career development initiatives such as mentoring circles and training on assertive communication that have been attended by a diverse audience of men and women.

The Affinity Group, along with plant management, was recognized in 2007 by the prestigious Institute of Mechanical Engineers in the U.K. for its involvement in recruiting and developing women in engineering.

"Without a doubt being part of the diversity initiative at Cummins has enriched my career," Sara says. "It has offered so much growth potential in terms of personal development and provided me with a unique set of skills relative to communication and people development."

## The benefits of diversity

Cummins Business Case for Diversity was updated in December 2008, strengthening the link between diversity and innovation. It includes a definition of diversity, goals to get the most out of diversity and it lays out the benefits of developing a diverse workforce. Those benefits include:

- Attracting and retaining the best talent.
- Creating a safe and inclusive work environment that fosters innovation.
- Promoting differing viewpoints to enhance problem solving and decision making.
- Developing a positive reputation in the communities where Cummins does business.



# Company recommits to \$1 billion goal

## Highlights

- ▶ **Cummins recommits to \$1 billion goal for diverse spending in 2012.**
- ▶ **Diversity Procurement launches major effort to encourage Tier 1 suppliers to use diverse suppliers on sub contracts.**
- ▶ **Diverse Procurement staff publishes catalog of diverse suppliers.**

Cummins' commitment to supplier diversity is strong in good times and bad. Despite the global economic slowdown, the Company in 2010 reaffirmed its goal of reaching \$1 billion in business with diverse suppliers by 2012 – a goal set before the recession started.

The Company reached \$432 million in spending with diverse suppliers in 2009. Chairman and Chief Executive Officer Tim Solso, who has supplier diversity goals in his own workplan, says Cummins' Diversity Procurement initiative is too important to retreat on now.

"To get to \$1 billion in 2012 is going to require a different mindset," Solso told Company leaders and purchasing staff earlier this year. He called for a collaborative effort to begin thinking about diverse supplier opportunities at the outset of planning for new initiatives.

While the \$1 billion goal is daunting given the economy (the goal represents about 12 percent of Cummins' projected spending in 2012), Gordon Fykes, Cummins Director of Diversity Procurement, notes that the Company increased its diverse spend from \$150 million in 2004 to the \$432 million recorded in 2009.

"We have made tremendous progress in a short period of time," Fykes said. "Working together, we just have to climb up the mountain a little higher."

## Cummins strategy

At Cummins, supplier diversity, also known as diversity procurement, is viewed as a logical extension of the Company's workforce diversity initiatives and part of Cummins' commitment to "serve and improve the communities in which we live."

By working with diverse suppliers, the Company is able to increase economic opportunity in all of the communities where our employees live and where the Company does business.

But it's also a fundamental business strategy. Just as workforce diversity has bottom line benefits, Diversity Procurement helps increase the number of companies competing for Cummins' business, which will ultimately result in lower prices and better service for the Company.

Cummins Diversity Procurement staff serves as a resource for Company leaders and purchasing officials who want to solicit bids from diverse suppliers for Cummins purchases.

In addition, the staff works with diverse suppliers to help them develop into the kind of suppliers who can not only help Cummins with its purchasing needs, but partner with the Company to find new and innovative ways to please Cummins' customers.

There are no handouts or set asides in Cummins' Diversity Procurement Program. Diverse suppliers must compete on price and quality. The Diversity Procurement staff's top goal is to ensure diverse suppliers — minority-owned, women-owned, veteran-owned etc. — get an opportunity to compete for the Company's business.



## Council plays key role

The Diversity Procurement staff works closely with the Diversity Procurement Council, a 12-member board with representatives from the Company's Business Units – the Engine Business, Filtration, Emission Solutions, Power Generation, Turbo Technologies, Parts and Services and Distribution – as well as representatives from the Indirect Purchasing and Corporate Diversity Departments.

Council members serve as ambassadors for the Company's supplier diversity initiative within

their business units. In addition, the Council and Diversity Procurement staff co-sponsor a yearly summit that brings together suppliers, purchasing officials and senior leaders to share best practices and discuss issues pertaining to supplier diversity.

To reach \$1 billion, the Company is counting on council members to work with their purchasing associates to ensure diverse suppliers are getting an opportunity to bid on Company work.

In fact, Fykes regularly tells purchasing personnel that if diverse suppliers aren't competitive on price and quality, they should not get Company business.

### **The road map to \$1 billion**

Fykes and his staff have developed several tools to help the Company reach the \$1 billion goal:

**Diverse Supplier Booklet:** The "2009 Diverse Supplier Profile Booklet" includes detailed descriptions of 35 women- and minority-owned businesses recommended because they have offered top quality goods and services at competitive prices in their work for Cummins. The booklet is designed to be periodically updated and expanded.

The catalog is provided not only to Company purchasing leaders but also to Cummins non-diverse "Tier 1" suppliers in the hope they will use it to find diverse suppliers to help them fulfill Cummins' contracts.

"We hope everyone receiving the booklet will utilize it to provide these top diverse suppliers with more inclusion in discussions and more exposure, resulting in future bid opportunities," Fykes said.

### **Diversity Procurement Website:**

The Company recently updated its Diversity Procurement Website, providing one place where potential diverse suppliers can register their interest in doing business with Cummins and learn about new business opportunities with the Company, and where non-diverse Tier 1 Suppliers can input how much of their contract with Cummins is going to diverse suppliers and access a copy of Cummins Diverse Supplier Profile Booklet.

**DP Times newsletter:** The Diversity Procurement staff recently established a quarterly newsletter distributed to Cummins leaders with up-to-date information on the Company's supplier diversity initiatives, including charts showing each business unit's progress toward meeting the Company's \$1 billion goal. The guide also includes a commentary by Fykes on how Cummins is doing, as well as tips for both diverse suppliers and purchasing officials trying to find them.

"To reach \$1 billion, we have to find ways to keep people's attention on our Diversity Procurement goal," Fykes said. "In difficult times, it's easy to just go with a supplier you know. But by going the extra mile to seek out a bid from a diverse supplier, you are setting in motion something that will help our Company and our communities for years and years to come."

## Challenges ahead: Diversity

Here are three areas related to the Company's diversity initiative that Cummins will be working to improve in 2010:

**1 Taking Diversity Global:** A major focus will continue to be taking the Company's diversity value beyond the United States. That includes building the kind of employee networks necessary to work with leaders and managers on creating safe and inclusive workplaces.

**2 Supporting Local Diversity Councils:** Cummins Local Diversity Councils help shape the diversity environment at their particular locations but many have not experienced the level of support they need to flourish. The key is providing that support

without undermining the local leadership which is fundamental to a successful LDC. A global Six Sigma project focused on improving LDC effectiveness and efficiency kicked off in June 2010.

**3 Chairman's Diversity Council:** Cummins in 2010 is re-establishing the Chairman's Diversity Council to be chaired by CEO Tim Solso and COO Tom Linebarger. The council will work in conjunction with the Operating Leadership Team to lead and champion diversity through the Diversity Business Case, the Leadership Culture Series and through the members' current roles as sponsors of Affinity Groups and Local Diversity Councils.

## Smaller diverse suppliers can play critical role

A key component of Diversity Procurement's road map to \$1 billion is a requirement that Cummins' largest non-diverse suppliers work with smaller diverse suppliers to fulfill their contracts with the Company.

Cummins hopes to increase what is called Tier II diverse spend from about \$50.7 million in 2009 to \$291 million by 2012.

At this year's supplier Diversity Procurement Summit, Ignacio Garcia, Vice President and Chief Manufacturing and Procurement Officer, and Gordon Fykes, the Company's Director of Diversity Procurement, established a goal of 10 percent diverse spend for non-diverse Tier I suppliers, the Company's largest suppliers.

"Many minority-owned and women-owned businesses are not large enough to take the lead on our largest contracts," said Fykes. "But they can play an important secondary role and at the same time learn a lot from our primary suppliers."

"In time, our hope is that some of our minority-owned and women-owned businesses will grow into Tier I suppliers for Cummins," he said.

Dozens of Cummins suppliers are currently not reporting any spending with diverse suppliers to the Company — even though some have their own Diversity Procurement programs.

Cummins has streamlined its Web site and reporting procedures in the hope that more suppliers will report. Better reporting would have resulted in another \$50 million in 2009 if those Companies were reaching the 10 percent goal, Fykes believes.

Fykes said non-diverse Tier I suppliers can enjoy the same benefits Cummins does in pursuing supplier diversity: stronger communities, which ultimately translates into better markets for their products and services.

In addition, helping smaller diverse suppliers grow and develop can create competition for the purchasing needs of large suppliers — resulting in lower prices and better service for them, as well.

"Diversity procurement isn't something that only works for Cummins," Fykes said. "It works for any company that makes a sustained effort at developing diverse suppliers."



*Cummins employees celebrate the Indiana Minority Supplier Development Council's highest honor for a fifth consecutive year. The Company was named the IMSDC's 2009 Circle of Excellence Award winner at the council's Supplier Diversity Conference & Business Opportunity Fair in Indianapolis.*

# Creating a sustainable workforce

## Highlights

- ▶ **Right environment critical as Cummins prepares to grow.**
- ▶ **Company offers programs to help employees at all levels of their development.**
- ▶ **Cummins preparing for a new generation of employees as more experienced workers reach retirement age.**

*Cummins' ability to attract and retain capable employees around the world is critical to the Company's long-term success.*

Cummins currently has more than 35,000 employees working in 51 countries and expects to increase its workforce by as much as 30 percent over the next three years to meet strong forecasted growth across all its businesses.

Much of that growth will occur outside the United States, where more than half the Company's current employees are located. One of the Company's strategic goals is to create a workforce – and a leadership team – that is a reflection of Cummins' global scope.

Creating the right work environment for employees to succeed is one of the Company's six strategic principles. The effort to create a sustainable workforce begins as soon as an employee joins Cummins and continues throughout his or her career.

*Cummins has a high-technology workforce with nearly 6,000 engineers, about a sixth of its total employees, and another 1,000 staff members in technical or scientific roles.*

Cummins invests significantly in employee development at all levels and across all parts of the organization, and the Company has a number of initiatives aimed at improving the skills and increasing satisfaction among its workforce.

Here is a look at some of the larger employee development efforts at Cummins today.

### **Starting on the right foot**

Cummins has learned that the largest percentage of employee turnover occurs among workers who have been on the job for less than five years. Over the past three years the Company has begun to develop a consistent approach to educating new workers on Cummins' business and values.

Called "OnBoarding," the effort strengthens the ties our newest employees feel toward Cummins. The program will eventually include a structured program that stretches over the first year of an individual's career. Today, that effort focuses on the employee experience over the first 90 days at Cummins, and begins as soon as an employee accepts a position with the Company.



# Cummins workforce

Here's a quick look at Cummins' workforce.

**High-tech:** Cummins depends on an increasingly high-tech workforce.

Of its nearly 36,000 employees:

- Almost 6,000 are engineers.
- Approximately 1,000 additional employees are working in technical/scientific roles.
- About another 800 employees work in Information Technology (IT) jobs.

**Location:** About 60 percent of our employees are located outside the United States.

**Unions:** About 38 percent of our employees are represented by various unions under collective bargaining agreements that expire between 2010 and 2014.

**Future:** As economies recover from the global recession, Cummins expects its workforce to increase by as much as 30 percent over the next three years.

Newly hired salaried employees in the United States and China receive a standard weeklong orientation into the Company, followed by common work site activities throughout their first 90 days on the job. The program includes an introduction to Cummins' history, Vision, Mission and Values, training on the Company's Code of Conduct and other employee policies, and a welcome from Cummins leaders, all designed to allow new employees to hit the ground running.

Cummins plans to expand the OnBoarding program to its operations in India, Middle East and Mexico in 2010 and eventually implement the program globally.

## Building a culture of leadership

A company is not truly sustainable without an effective process to identify and develop leaders.

Ask Tim Solso to name his most important responsibility in his role as Cummins Chairman and CEO and the answer you will get is "developing leaders across the Company."

Cummins believes it's especially important for a global company because of the complexities inherent in leading a corporation with employees in different

countries, living in different time zones, with different customs, often speaking different languages.

The Leadership Culture Series was created in 2009 to strengthen the Company's commitment to providing the skills necessary to build successful leaders across Cummins. The program, designed for the Company's top 300 leaders, focuses on five specific leadership skills considered to be critical to Cummins' future success. They are:

- Coaching and development
- Fostering open communications
- Managing Diversity
- Talent management
- Thinking strategically

A top executive at Cummins takes ownership of each individual skill area, leading discussions and serving as both a role model and a champion for that particular skill. Participants are expected to incorporate lessons from the sessions into their work plans and day-to-day interactions with staff members, colleagues, customers and other stakeholders.

## Challenges ahead: Workforce

As Cummins prepares for a period of growth after the global recession, there are several workforce related challenges facing the Company:

**1** Culture: Cummins expects its workforce of more than 35,000 to grow by as much as 30 percent over the next few years to meet strong forecasted growth across all its businesses. One key factor will be having processes in place to preserve the aspects of Cummins culture that make the Company great.

**2** Leadership: Chairman and CEO Tim Solso has said he wants the Company's top leadership to "look like the United Nations," consistent with a Company where more than 60 percent of its sales occur outside the United States. Finding ways to develop leaders globally will be critical.

**3** Retirements: A significant portion of both the hourly and professional workforce are expected to retire in the coming years. Recruiting and retaining the next generation of workers, in what is expected to be a highly competitive environment once the economy improves, will play a pivotal role in the Company's long-term performance.

### **Coaching and development: A lifelong journey**

At Cummins, coaching and development doesn't stop when an individual reaches a senior leadership position in the Company. As part of our commitment to creating a sustainable organization, Cummins has, over the past four years, developed an executive leadership development program aimed at educating today's top leaders – and those of tomorrow – about the breadth and depth of the Company's business.

Now beginning its third cycle, the executive development program brings together small groups of high potential senior leaders and mid-career professionals for 24 months of extensive education about the Company's operations. All those selected are viewed as having the potential to become a member of the senior leadership team at some point.

Cummins top leaders, including the CEO and President, are heavily involved in the program, and program participants gain significant insights to the issues and opportunities facing the Company through their interactions with these leaders and with one another. Members of the group have a hand in developing the program, and executive development groups have traveled globally to learn about various aspects of the Company's business.

### **Creating a career vision for all employees**

More than 60 percent of the Company's workforce consists of employees working on the manufacturing plant floors, in our technical operations, at our service centers or in Cummins offices around the world. These employees (referred to as "hourly" or "non-exempt" in the U.S.) help design, machine, assemble, service and sell the Company's products and are vital to Cummins' long-term success.



*President and COO Tom Linebarger speaks at a career development forum sponsored by GOAL — the Latino Affinity Group of Southern Indiana.*

And, as Cummins prepares for a period of growth over the next several years, the ranks of these employees is expected to grow significantly around the world. At the same time, the demographics of this part of our work force suggest that a large number of our most experienced workers are likely to be retiring over that same period.

Finding and retaining skilled workers capable of handling the increasingly technical work being done at many Cummins facilities has become a challenge and, in some cases, a significant obstacle to growth. In order to maintain a world-class workforce at all levels, Cummins is in the midst of its most ambitious effort yet to increase the long-term capabilities of our these workers around the world and improve the opportunities afforded these employees.

Historically, the Company has lacked a unified approach to attracting, developing and retaining its shop, engineering technician, service technician and office workforce. A cross-functional global team led by Human Resources is out to change that.

The Company's Workforce Strategy Group has been collaborating with Cummins leaders from around the

world for the past 18 months to define and articulate the Company's "work force philosophy" and align the core strategies and processes needed to provide improved career opportunities to our employees and assure the success of the organization over the next 20 years.

As the Company's products become more complex, the skills necessary to manufacture, sell and support those products must become more sophisticated. A primary focus of the Workforce Strategy Group is to define the road map that will assure we can effectively develop and manage increasingly skilled workers who can meet the Company's changing needs around the world.

By establishing effective processes to select, manage, develop and advance workers who are capable of meeting the Company's increased needs, Cummins can create a lasting competitive advantage.

To do that, our work environments must be inclusive and the Company must be committed to providing challenging work and the appropriate rewards to its hourly workforce so that it can create a culture where career-long learning and development is the expectation, not the exception.

## The LeMoyne-Owen College

Memphis, Tennessee



### Significant partnerships

## Neighborly behavior helps college in Memphis

*Editor's note: Cummins is engaged in a number of significant partnerships on the key topics of education, the environment and social responsibility/improving the human condition. Here's a look at one:*

Fourteen years ago, Cummins stepped in to help a neighbor in Memphis, Tenn. That neighbor happened to be a university in need of a computer lab.

In 1996, The Cummins Foundation donated \$100,000 to build the lab at LeMoyne-Owen College – but the donations didn't stop with money. Employees stepped in to set up the computers and train students and faculty on how to use the software.

Cummins, which has a distribution center and a manufacturing plant in Memphis, and the college have been partners ever since.

LeMoyne-Owen is one of the United States' Historically Black Colleges and Universities. It was founded in 1862 as LeMoyne College and became a four-year college in 1934. It merged with Owen Junior College in 1968, becoming LeMoyne-Owen College.

Located less than three miles from downtown Memphis, the college currently has 854 students, a number the school hopes to see increase with the help of Cummins.

When LeMoyne-Owen was threatened with losing its accreditation in 2006 because of a lack of funds, The Cummins Foundation donated \$600,000 over three years and worked with LeMoyne-Owen employees on a Six Sigma project on recruitment.

Enrollment went up 23 percent, according to LeMoyne President Johnnie B. Watson, who says the school will close the upcoming fiscal year \$1 million in the black. Now, LeMoyne-Owen is looking at how it can improve in the future, with Cummins' help on a new strategic plan.

"We have representatives from Cummins to help us develop the plan, specifically [in] the Office of Institutional Advancement," Watson said.

"That office does marketing for the college and raises money for the college. All indications are this year will surpass last year, and things are getting better."

A Six Sigma project has also been launched with Cummins employees and LeMoyne-Owen staff. This project will focus on student retention.

Cummins' Community Involvement Team in Memphis also hosts the Hank Aaron Celebrity Sports Weekend, a fundraiser that brought in \$75,000 for LeMoyne-Owen last year – including a \$25,000 contribution from Cummins' Memphis operations.



The investment is paying off. Because of its improved financial condition, LeMoyné was able to offer a supply chain management program to its curriculum. Cummins employees have taken advantage of that opportunity and enrolled in the program.

Cummins, which has three employees who have graduated cum laude from LeMoyné, provided the college with another resource in 2006 – Allen Pierce.

Pierce, General Manager for New and Recon Parts Manufacturing in Memphis, is today a member of the Board of Trustees at LeMoyné. He said he feels a very personal connection to the college.

“I am also a graduate of an HBCU (a Historically Black College or University),” Pierce said, “and I understand the important role that LeMoyné-Owen College plays in the Memphis community.”



*LeMoyné-Owen College hopes to offer more students the opportunity for a college education now that it's on firmer financial ground thanks in part to help from Cummins.*

### **LeMoyné-Owen College**

**Location:** Memphis, Tenn.

**Mission:** Providing higher education as one of the U.S.'s Historically Black Colleges and Universities.

**History:** Founded in 1862; merged with Owen Junior College in 1968.

**Special features:** Cummins became involved in 1996 by donating a computer lab, software and training.

THE  
LeMoyné-Owen  
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**Cummins involvement:** Over 14 years, The Cummins Foundation has donated more than \$700,000 and employees have volunteered hundreds of hours in fundraising and general expertise.

# Financial performance: Cummins remains strong in 2009 despite global recession

## Highlights

- ▶ **Cummins turns profit in 2009 despite global recession.**
- ▶ **Aggressive actions result in significant savings and efficiencies.**
- ▶ **Better times predicted for 2010 and beyond as key trends favor Cummins.**

Like many other companies, Cummins' sales and profitability in 2009 were affected by the global downturn that began in late 2008. But thanks to aggressive action to reduce costs, the Company earned a solid profit and is poised for growth in 2010.

Cummins' sales were \$10.8 billion in 2009, down 24 percent from \$14.3 billion in 2008. Net income was \$428 million, down 45 percent from \$755 million in 2008.

Despite the decline in sales, Cummins managed to make a solid profit, which allowed the Company to continue investing in technologies and projects critical to the Company's sustainability.

Earnings Before Interest and Taxes (EBIT), excluding restructuring and other charges, was \$774 million, or 7.2 percent of sales – the fourth best EBIT as a percentage of sales in the last 25 years.

Cummins financial performance improved every quarter during 2009. EBIT, before restructuring and other charges, grew from a recent low of 2.8 percent of sales in the fourth quarter of 2008 to 11.4 percent of sales in the final three months of 2009.

All four of the Company's operating segments were profitable in 2009, and Cummins increased its share in most markets around the world last year. The Company focused on four key priorities in 2009 with a goal of emerging from the recession an even stronger company, well positioned to take advantage of the economic recovery. Those priorities, which remain in effect in 2010, are:

- Continuing to invest strategically in new products and technologies that will create long-term growth opportunities.
- Generating positive cash flow.
- Maintaining a realistic estimate of demand and then aligning our cost structure and manufacturing capacity to that demand.
- Delivering the best possible customer support, especially when our customers may need it the most.



*Pat Ward, Vice President – Chief Financial Officer at Cummins, meets with Richard Harris, Vice President – Chief Investment Officer and Dean Cantrell, Director – Investor Relations.*

### **Decisive action**

The severity of the global recession and the speed at which it spread caused Cummins to take decisive action in 2009 to meet its financial commitments. The Company reduced its global workforce by 15 percent from late 2008 through the middle of last year, froze merit pay, instituted salary cuts for officers and directors and reduced expenses in every category across every part of the Company.

These actions, while painful in many respects, reduced the Company's costs in line with demand and contributed significantly to profitability in 2009. Cummins also lowered our inventory level by more than \$400 million last year, which improved our cash position by more than \$500 million over the course of 2009. The Company ended the year with just over \$1 billion in cash and marketable securities.

Despite the recession, Cummins continued to invest significantly in the business with capital expenditures of \$310 million in 2009. Most of the investments were for critical technologies and programs designed to help the Company meet new emissions standards and to enter new product markets in emerging regions.

The Company continued to return significant value to its shareholders in 2009: Cummins' stock appreciated 75 percent in 2009 and the Company ranked in the top 25 among the Fortune 500 companies for total return to shareholders for the five-year period of 2005–2009.

Cummins manufacturing operations faced extreme volatility in demand over the past year. In the first half of 2009, demand was very weak. It then surged to near-record levels in the United States during the fourth quarter as customers ordered engines in advance of federal emissions regulation changes, which took effect Jan. 1, 2010.

## Four key trends for future growth

Cummins' work to remain strong during the global recession, along with a number of long-term industry and market trends working in its favor, has positioned the Company for a period of sustained profitable growth in the future.

Here are those key trends:

**Tougher emissions standards:** Tougher emission standards are being implemented around the world, which plays to the Company's strength as the global leader in emissions technology research and design.

**The globalization of business:** Cummins has a leadership position in large international markets such as China, India and Brazil and a strong global distribution network that gives the Company access to growing markets around the world.

### **The price and availability of energy:**

Fuel prices are expected to continue to increase, which should boost demand for Cummins' fuel-efficient diesel engines. In addition, the demand for electricity is expected to outpace supply worldwide over the next several years, creating opportunities for the Company's power generation business.

### **Infrastructure growth around the world:**

A significant increase in infrastructure spending worldwide over the next two decades, especially in large emerging markets, should increase demand for Cummins' products that serve industrial and power generation markets.

That increase in demand led to an expected corresponding drop in volumes in the first quarter of 2010. Medium- and heavy-duty North American engine shipments in the first quarter of this year were 90 percent lower than the fourth quarter of last year.

That volatility was very disruptive to the Company's operations, but employee efforts to manage capacity and improve productivity allowed Cummins to profitably navigate this challenging period.

### **Looking ahead**

The Company reported strong financial results for the first quarter of 2010 thanks in large part to our leadership position in China, India and Brazil.

International sales accounted for 64 percent of the Company's consolidated revenues in the first quarter and our consolidated international sales rose 27 percent from the first quarter of 2009.

As the U.S. and European markets recover, 2010 is expected to be a much better year for Cummins. Sales are expected to reach \$12 billion by the end of 2010, an 11 percent increase from 2009, with EBIT, excluding restructuring and other charges, of 10 percent of sales.

The Company also expects to invest \$400 million in capital projects in 2010, mostly to support initiatives related to new products and capacity expansion.

In March 2010, Cummins publicly shared its five-year outlook. The Company expects average annual sales growth of 13 percent a year from 2010-2014, about twice the annual growth rate over the last 30 years. Over that period, the Company expects to earn an average EBIT of 10 percent of sales.

## Six Sigma delivers for Cummins

Ten years of Six Sigma at Cummins have delivered \$3 billion in savings by helping the Company reduce waste and variation.

But what is even more important is how Six Sigma has helped change Cummins culture:

- Got a tough problem to solve? Try Six Sigma.
- Developing a new technology? Apply Six Sigma.
- Trying to figure out what solution might work best for a customer? Use Six Sigma tools and in the process, build a closer relationship with the customer.

Six Sigma is a business improvement tool that uses data to identify defects and variation. It is used in every part of Cummins everywhere in the world, creating a common language to solve problems and develop new products and processes.

Cummins also uses Six Sigma on its sustainability work – developing the technology to make engines cleaner and more fuel efficient while creating a greener work environment everywhere it does business.

That effort is part of Cummins' Six Sigma Star Point program, which focuses the talents and energies of its most skilled and experienced Six Sigma professionals on issues that cross all business units in all parts of the global company.

Leading the Star Point program on sustainability are two Cummins master black belts: Eddie Beal and Karen Cecil. They are pooling the resources of Six Sigma belts across Cummins to identify new projects or best practices from existing projects and programs to help Cummins meet its sustainability goals.

"This grew out of our ongoing effort to make the environmental issues visible up front in the product design process," Beal said. "And a large part of this is strategy. What will enable us to be successful in



*Students at the capstone training exercise must use Six Sigma techniques to hit targets with a balsa wood airplane.*

reducing our carbon footprint and be profitable as a company."

After identifying completed or new projects that focus on sustainability, the belts will work to identify what principles or process can be applied to other areas of Cummins, Beal explained.

One example: Jason Jones, a master black belt with Cummins Power Generation in Kent, United Kingdom, did a logistics project in his region to identify how often trucks were only partially loaded as they made their deliveries. By coordinating with other plants Jones and his team were able to combine freight pickups resulting in fewer trucks on the road, saving fuel and reducing emissions. It is the kind of project that could serve as a template for similar projects in other parts of Cummins' business, Beal said.

The sustainability work is just one example of how Six Sigma continues to transform the Cummins culture. Other Star Point programs are focusing on customers, manufacturing improvements and the supply chain.

George Strodbeck, Executive Director of Quality and the Cummins Operating System, says that before Six Sigma, profits did not always directly track with increases in sales and when a recession hit, the Company usually lost money.

The discipline and the data-driven approach to decision making that Six Sigma brought has prepared the Company to respond quickly when the market

# Challenges ahead: Financial performance

Despite the Company's relatively strong performance during the recession, Cummins faces some significant challenges in 2010. Among them:

**1** Continued economic weakness in the United States and Western Europe: These large, mature markets have not rebounded from the downturn as quickly as developing economies such as India, China and Brazil. Cummins expects our business in the U.S. and Western Europe to grow more modestly than in other areas in 2010, although the second half of the year is expected to be better than the first half.

**2** Continued investment in critical technologies: Cummins needs to continue to manage its business conservatively in order to earn a solid profit and generate the cash necessary to fund

increased investment in key technologies and products. The Company plans to increase its capital spending by 30 percent from 2009, with much of the investment going to fund new products and capacity expansion.

**3** Planning for the recovery: Even as Cummins continues to work through the global economic downturn, the Company needs to increase its focus on taking advantage of the significant long-term opportunities we see for the business beginning in 2011.

changes. So in 2009, after the downturn hit, Cummins could adjust, making a profit while investing in key projects and technologies.

Ten years of improving quality and processes paid off. "Waste and variation just cost you money," Strodbeck said.

The benefits of Six Sigma can be seen in the 39 projects recognized this year with the Chairman's Six Sigma Quality Award. These projects represent the best of the nearly 4,000 projects completed in 2009. The winning projects, considered the best of the best, are responsible for savings of \$67 million to Cummins and \$8.6 million to customers last year.

Strodbeck notes that while other companies can sell their customers an engine or other products, Cummins can deliver a full range of services and support that includes working with them to lower their costs.

As Cummins enters its second decade of Six Sigma, the tools remain a vital part of how the Company does business. In fact, employees in upper management

must be Green Belt certified in order to advance or make a lateral move within the Company.

## More about Six Sigma

The use of the term Six Sigma refers to a measurement in which 99.99966 percent of manufactured products are free of defects.

## By the numbers

**18,000**

Green and black belt projects completed since 2000

**4,000**

Projects completed in 2009

**\$3 billion**

Total savings to Cummins since 2000

**\$750 million**

Total savings to Cummins customers since 2000

**11,000**

People trained in using Six Sigma tools at Cummins

## Our new strategic principle

Cummins has added a new strategic principle – Lead in Critical Technologies – to the five long-standing principles used to guide the Company's growth.

While Cummins has been a high technology company for many years, the new principle, adopted earlier this year, will re-enforce the importance of being first to market with the best technology.

"Cummins is absolutely committed to technological innovation," said John Wall, the Company's Chief Technology Officer. "We have been a leader throughout time and intend to continue to be a leader in technology."

Cummins has developed key technologies and subsystems critical to emissions performance and

fuel efficiency, two key factors in the design and manufacture of the Company's products.

With a global footprint extending into 190 countries, Cummins has a broad understanding of the upcoming technology demanded by industry. That knowledge provides the Company with a competitive advantage.

In the next three to five years, nearly every major economy in the world will have to comply with regulations governing emissions and fuel economy. Cummins' customers will be looking to the Company for help meeting those regulations through products such as our engines and components.

By leading the way in critical technologies, Cummins can be an effective partner with our customers while maintaining an advantage with our competitors.

## Cummins Strategic Principles

- **Leverage Complementary Businesses:** Cummins is a family of complementary businesses that create value for our customers.
- **Increase Shareholder Value:** Cummins' success is measured by growth in shareholder value.
- **Be the Low Cost Producer:** Cummins will pursue an operational strategy of cost leadership.
- **Lead in Critical Technologies:** Cummins will be the market leaders in technologies critical to our customers' success.
- **Seek Profitable Growth:** Cummins will seek profitable growth by leveraging our assets and capabilities to grow where Cummins can establish an advantage.
- **Create the Right Work Environment:** Cummins will assure that the physical and cultural work environment is conducive to excellent performance.

## Operating segments

### Engines

Sales: \$6.6 billion

EBIT margin: 3.9 percent 



### Power Generation

Sales: \$2.4 billion

EBIT margin: 6.9 percent 



**Mid-Range Engines:** Diesel engines for on-highway applications from 120-145 horsepower. Natural gas- and LPG-fueled version from our Cummins Westport joint venture. Mid-range engines for off-highway of 31-365 horsepower.

**Heavy-Duty Engines:** Diesel engines for on-highway applications from 280-600 horsepower and off-highway applications from 290-630 horsepower.

**High-Horsepower Engines:** Diesel and natural gas engines from 380-3,500 horsepower.

**Aftermarket support:** New and reconditioned parts distribution and service support for customer, distributors and dealers worldwide.

#### Customers and markets

- Light-duty automotive, RV, medium-duty truck, specialty vehicle, bus, heavy-duty truck, agriculture, construction, mining, marine, rail, defense, logging, power generation, oil and gas markets
- Original Equipment Manufacturers (OEMs) who install Cummins engines in their vehicles and equipment
- Global dealer and distributor network

**Commercial Power Systems:** Generator sets, control systems and power electronics for a wide range of power requirements primarily powered by diesel and natural gas engines. Turn-key systems, combined heat and power installations, rental power, and plant operation and maintenance services.

**Consumer systems:** High performance diesel, LPG, natural gas and gasoline fueled generator sets with associated control systems from 2 to 99 KW for use as auxiliary power in a range of consumer, mobile, and specialty equipment.

**Alternators:** Newage Stamford, AVK, and Markon synchronous AC alternators from 0.6 to 30,000 KVA. Variable speed alternators, converters and control systems.

**Engines:** Cummins diesel engines engineered for use in generator sets.

#### Customers and markets

- Customers needing standby power, distributed power or auxiliary power
- Public and investor-owned utilities, telecommunication providers, manufacturing and industrial facilities, mining and petrochemical sites, healthcare, retail and financial and petrochemical sites, healthcare, retail and financial facilities, water treatment plants and residential homes
- RV specialty vehicle and marine pleasure craft OEMs
- Generator set assemblers



## Components

Sales: \$2.4 billion

EBIT margin: 4 percent 



**Filtration:** Air, fuel, hydraulic, coolant and lube filtration, crankcase ventilation, chemical and exhaust system technology products for all engine powered systems.

**Aftertreatment:** Catalytic exhaust systems and related products, including packaging of catalytic exhaust systems, engineered after treatment components and system integration services for engine manufacturers.

**Turbochargers:** Holset turbochargers and related products, including variable geometry and wastegate turbochargers, high pressure ratio and multi-stage solutions, for engines ranging from 3 to 25 liters.

**Fuel Systems:** Diesel fuel pumps, injectors and components, high pressure common rail fuel systems for diesel engines, controls for diesel fuel systems. Reconditioned diesel pumps, injectors and electronic control modules.

### Customers and markets

- OEMs who manufacture vehicles and equipment for all fuel powered systems
- OEMs and Aftermarket distributors, dealers and end users who serve all engine powered systems
- Light-duty automotive, RV, medium-duty truck, bus, heavy-duty truck, agriculture, construction, mining, marine, small engines, rail, oil and gas and stationary industrial markets

## Distribution

Sales: \$1.8 billion

EBIT margin: 13.2 percent 



**Engines and Power Generation:** Wholesale and retail distribution of Cummins engines, generator sets and related components. Application Engineering and assembly of Cummins products into packages per customer needs for marine and RV applications, small original equipment manufacturers and standby and prime Power Generation Systems.

**Geographic breadth:** The segment consists of 18 Company-owned and 18 joint venture distributors operating in more than 70 countries and territories.

**Service and parts:** Sales and distribution of parts, components and related consumables. Repairs, overhaul, maintenance of all Cummins products. Develop and support a servicing dealer network to meet customers' needs in their local market place.

**Solutions:** Comprehensive business solutions using Cummins powered equipment, including rental, operation and maintenance, cost per-hour contracts.

### Customers and markets

- Customers who use Cummins-powered equipment in their business endeavors
- Dealers
- Local and regional OEMs producing lower volumes



*Cummins' sustainability reporting doesn't end with this document.*

*Go to our Web site – [www.cummins.com](http://www.cummins.com) – for regular updates to see how we're working to meet the needs of all of our stakeholders and practice good corporate citizenship.*



### Production Notes

Design and writing: Cummins Corporate Communications

Printing: The Merrick Printing Company

### Resource Usage

The savings below are achieved when post-consumer recycled fiber is used in place of virgin fiber to create 312 pounds of paper.
<b>3</b> trees preserved for the future
<b>8</b> pounds of water-borne waste not created
<b>1,145</b> gallons of wastewater flow saved
<b>127</b> pounds of solid waste not generated
<b>249</b> pounds of net greenhouse gases prevented
<b>1,909,440</b> BTUs of energy not consumed

The savings below are achieved when post-consumer recycled fiber is used in place of virgin fiber to create 2,940 pounds of paper.
<b>28</b> trees preserved for the future
<b>81</b> pounds of water-borne waste not created
<b>11,989</b> gallons of wastewater flow saved
<b>1,327</b> pounds of solid waste not generated
<b>2,612</b> pounds of net greenhouse gases prevented
<b>19,992,000</b> BTUs of energy not consumed
Additional savings since paper is manufactured with wind power and carbon offsets.
<b>1,326</b> pounds of GHG emissions not generated
<b>1.4</b> barrels of fuel oil unused
Equivalent of not driving <b>1,312</b> miles
Equivalent of planting <b>90</b> trees

Cover: Printed on an acid-free blend of 10% banana stalk fibers (a by-product of the banana industry) and 90% post-consumer paper at EARTH University, Costa Rica.



Cover printed on 90% post-consumer recycled paper

Interior: Printed on 100% recycled post-consumer paper manufactured with electricity that is made with 100% Certified Renewable Energy, from non-polluting wind power projects. The 100% post-consumer waste fiber used to make this paper is process-chlorine free and is Green-seal certified.



Interior printed on 100% post-consumer recycled paper



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