



SUSTAINABILITY  
PROGRESS REPORT  
2015-2016

# POWERING WHAT'S NEXT

EXECUTIVE SUMMARY

# WHO WE ARE

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

## WORLD HEADQUARTERS

500 Jackson St.  
Columbus, IN 47201

EST. 1919



[www.cummins.com](http://www.cummins.com)

# CMI

**STOCK SYMBOL**  
(New York Stock Exchange)

# 55,200

**EMPLOYEES WORLDWIDE**

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

(approximate employee total, as of Dec. 31, 2015)

## CUSTOMERS

Cummins' customers are located in approximately **190 countries and territories** that the company reaches through a network of more than **600 company-owned and independent distributor locations** and approximately **7,200 dealer locations**.

## FORTUNE 500 RANKING (2015)

# 154

## SALES / EARNINGS

In 2015, Cummins earned \$1.4 billion on revenues of

# \$19.1 billion

## ABOUT THIS REPORT

Welcome to the Executive Summary of Cummins' 2015-2016 Sustainability Progress Report. This condensed version includes highlights from the company's full report. If you want more detail or don't find the coverage you are interested in, please see our full report at [www.cummins.com/sustainability](http://www.cummins.com/sustainability). This summary was posted in May 2016.

## CUMMINS DATA BOOK

Cummins will again produce a 2015-2016 Sustainability Data Book in June 2016. This report will include all of the data in our Sustainability Progress Report plus additional disclosures, especially as they pertain to Cummins' environmental performance. The Data Book will be posted at [www.cummins.com/sustainability](http://www.cummins.com/sustainability).

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# OUR RECOGNITION

Cummins received a number of awards in 2015-2016 that involved the sustainability of the company.

## CORPORATE RESPONSIBILITY / ETHICS

### WORLD'S MOST ETHICAL COMPANIES

Cummins was named to Ethisphere's 2016 list of **World's Most Ethical Companies** for a ninth consecutive year.



FTSE4Good

Cummins in 2015 was named to the **FTSE4GOOD Index** for demonstrating strong social, governance and environmental practices.



Cummins was one of 10 global companies awarded the **Golden Peacock for Excellence in Governance** in 2015.

### TOP COMPANIES FOR CORPORATE RESPONSIBILITY

Cummins India was named one of India's **Top Companies for Corporate Responsibility** in 2015 by The Economic Times, a leading Indian financial newspaper.

## ENVIRONMENT

MEMBER OF  
**Dow Jones Sustainability Indices**  
In Collaboration with RobecoSAM

Cummins was named to the 2015 **Dow Jones Sustainability Index for North America**. It has been on the index since 2006.



Cummins was named to CDP's **Climate Disclosure Leadership Index** in 2015.

### HAAGEN-SMIT CLEAN AIR AWARD

Shortly before his retirement, Cummins' Dr. John Wall was honored in 2015 for outstanding lifetime achievement in air quality research, science and technology by the California Air Resources Board.

## DIVERSITY / WORKPLACE



Cummins received a perfect score for an 11th consecutive year in the 2016 **Corporate Equality Index** from HRC, the largest U.S. civil rights organization for LGBT employees.

### TOP 25 EMPLOYERS IN AMERICA

Forbes named Cummins one of its **Top 25 Employers in America** in 2016.



Cummins was named one of the **Top 50 Companies for Diversity** by DiversityInc for a 10th consecutive year in 2016.

### MILITARY FRIENDLY EMPLOYER

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

# KEY PERFORMANCE INDICATORS

Cummins takes a broad view of sustainability, including the environment, corporate responsibility, safety, diversity, employee development and governance.

The company uses a number of key performance indicators (KPIs) to evaluate how it's doing. You will find them listed throughout this report.



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

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

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

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

## ECONOMIC

	2013	2014	2015
Revenue	\$17.3 billion	\$19.2 billion	\$19.1 billion
Net income	\$1.48 billion	\$1.65 billion	\$1.40 billion

## ENVIRONMENTAL

	2013	2014	2015
GHG emissions (thousands of metric tons CO <sub>2</sub> e)	750	788	774
Energy consumption <sup>1</sup> (thousands of MMBtu)	12,079	12,739	12,903
Water use (millions of gallons)	958	972	953
Water intensity reduction <sup>2</sup> (since 2010)	30%	36%	41%
Energy intensity reduction <sup>2,3</sup> (since 2005)	30%	34%	33%
GHG intensity reduction <sup>2,3</sup> (since 2005)	33%	35%	36%
Recycling rate	89%	90%	90%

## SOCIAL

	2013	2014	2015
Major injury rate	0.04	0.043	0.039
Incidence rate	0.65	0.61	0.57
Women leaders in the workforce	20%	20%	21%
Every Employee Every Community (EEEC) participation rate	68%	73%	80%
Number of Environmental Challenge participants	11,500	13,600	21,600
Greenhouse gas reduction as part of the Environmental Challenge (thousands of metric tons)	19	22.4	36.8

# CUMMINS ACHIEVES TWO KEY GOALS

*Cummins achieved its water and energy goals in 2015, but still has a considerable way to go to meet its 2020 recycling goals.*

“The environmental teams around the globe truly had an outstanding year,” said Mark Dhennin, Director of Energy Efficiency and Environment at Cummins. “There was a lot of effort that went into delivering on our commitments, which our environmental professionals met with great skill and enthusiasm.”

Cummins exceeded its energy / greenhouse gas (GHG) reduction goals for 2015, achieving a 36 percent reduction in GHG intensity and a 33 percent reduction in energy intensity (both adjusted for sales) compared to a 2005 baseline year. Cummins’ goal was to reduce energy intensity by 25 percent by 2015.

***The lab operations team at the Cummins plant in Seymour, Indiana (U.S.A.) is using regenerative dynamometers to capture the energy from high horsepower engines being tested to help power the plant.***

Cummins has approved a new energy goal, pledging to achieve a 32 percent energy intensity reduction (compared to a 2010 baseline year) at the company’s facilities by 2020 while increasing the amount of electricity it uses from renewable sources.

Meanwhile, Cummins reduced direct water use intensity (adjusted for hours worked) in 2015 by 41 percent compared to a baseline year of 2010, up from 36 percent achieved in 2014. The company’s goal was a 33 percent reduction by 2020. Cummins expects to set a new water goal soon.

On other goals:

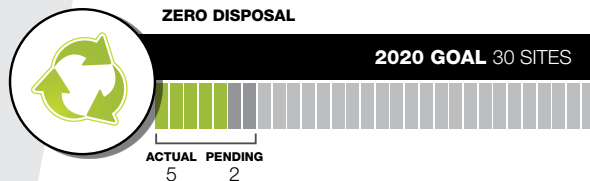
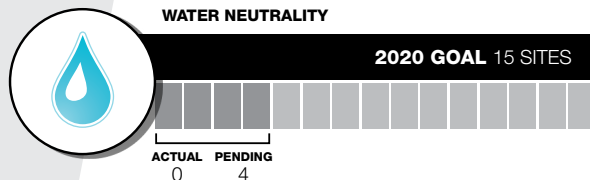
- » The company’s recycling rate remained at 90 percent, the same as in 2014. Five sites achieved “Zero Disposal” status. Cummins’ goal is to reach a 95 percent recycling rate with 30 sites designated “Zero Disposal” by 2020.
- » On its logistics goal, Cummins reduced the carbon dioxide (CO<sub>2</sub>) per kilogram of goods shipped by 2.8 percent. The company’s goal is a 10 percent reduction by 2020.
- » On its products in-use goal, the company achieved a 1.6 million metric ton reduction of CO<sub>2</sub>. Its goal is an annual reduction of 3.5 million metric tons by 2020.

# KEY INDICATORS

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

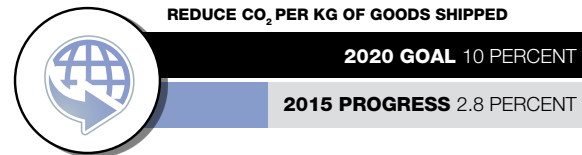
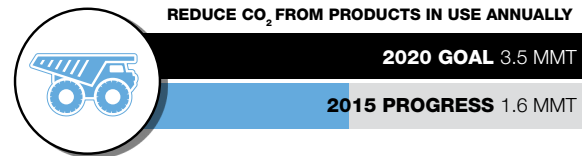
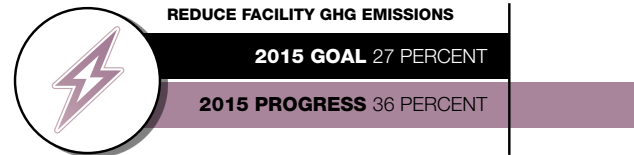
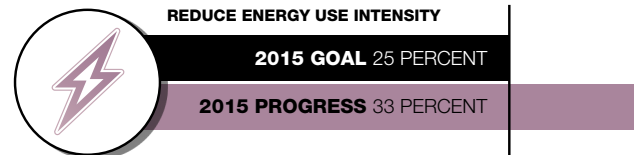
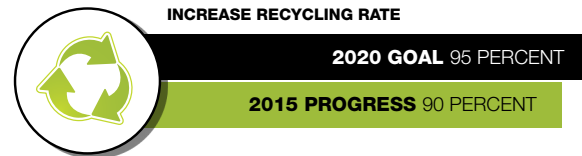
## ENVIRONMENTAL PERFORMANCE

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



ENVIRONMENTAL PERFORMANCE	2011	2012	2013	2014	2015
Energy consumption (thousands of MMBtu) <sup>1</sup>	12,135	11,690	12,079	12,739	12,903
GHG emissions (thousands of metric tons CO <sub>2</sub> e)	775	727	750	788	774
Generated waste (thousands of metric tons)	188	179	177	183	191
Disposed waste (thousands of metric tons)	25	21	20	18	18
Recycled waste (thousands of metric tons)	164	158	157	165	172
Recycling rate (%)	87	88	89	90	90
U.S. hazardous waste (metric tons)	101	104	85	92	78
Water use (millions of gallons)	1,082	1,069	958	972	953
Number of Enterprise ISO 14001 certified entities	76	81	86	102	112
Number of Enterprise ISO 14001 certified manufacturing sites	55	63	67	71	71
Net sales (millions U.S. dollars)	18,048	17,334	17,301	19,221	19,110
Energy intensity reduction since 2005 (%) <sup>2,3</sup>	35	33	30	34	33
GHG intensity reduction since 2005 (%) <sup>2,3</sup>	36	35	33	35	36
Water intensity reduction since 2010 (%) <sup>2</sup>	21	22	30	36	41

<sup>1</sup> Primary energy excludes sold electricity and associated fuel usage  
<sup>2</sup> Intensity defined as adjusted for sales (energy / GHG) or hours worked (water)  
<sup>3</sup> Energy and GHG intensity reduction includes consolidated entities only



# SETTING A COURSE FOR IMPACTFUL ENGAGEMENT

*In 2015, Cummins' global regions developed long-term strategies on community engagement while employees set a new participation record for community service.*

"Cummins employees have specialized skills to help people in our communities," said Mary Titsworth Chandler, Executive Director of Corporate Responsibility at Cummins.

"When we add strategic principles to organize those unique talents, the impact is powerful."

In China, a focus of its strategy is to increase independence among people with disabilities. Cummins India leaders built their strategy around replicating the successes employees have had developing villages' water supplies, farms and schools. In Africa, every Cummins site is partnering with a school that has a high population of students at risk of failing to raise their academic performance.



**Cummins Chairman and CEO Tom Linebarger visits a school in one of the villages near the company's Megacity in India, accompanied by Anant Talaulicar, the leader of Cummins India.**

Among Cummins' North American sites, employees are mentoring low-income students to help them pursue college or careers. Other regions' strategies similarly focus on under-served members or needs in communities.

Cummins' commitment to Corporate Responsibility has been a core value at the company since its founding in 1919. In 2015, 53,749 employees, joint venture employees and contractors honored that tradition by engaging in a community project – a record 80 percent of eligible employees.

Cummins allows its employees to work on Corporate Responsibility projects for at least four hours on company time to create meaningful impact in their communities.

## KEY INDICATORS

### COMMUNITY ENGAGEMENT

Participation in Cummins' Every Employee Every Community program, which provides all employees at least four hours of company time to use their skills for Corporate Responsibility projects and partners:

**2015:** 53,749 employees\* (80 percent)  
**2014:** 50,000 employees (73 percent)

### THE ENVIRONMENTAL CHALLENGE

The Environmental Challenge honors Cummins' pledge that everything its employees do leads to a cleaner, healthier, safer environment:

**2015:** 88 projects // 21,600 employees  
**2014:** 62 projects // 13,600 employees

Estimated greenhouse gas removed by teams participating in the global competition among Cummins sites:

**2015:** 36,810 metric tons  
**2014:** 22,370 metric tons

\* Includes joint venture employees and contractors in addition to full-time employees.



# CHALLENGE RESULTS IN RECORD GHG REMOVAL

*Almost 22,000 employees from 30 countries took Cummins' 2015 Environmental Challenge, reducing a record amount of greenhouse gas (GHG) in the seventh annual event.*

"It is our duty to preserve natural resources so that needs can be met not only in the present but also for future generations," said Moysés Silva, a Plant Engineering Supervisor in Brazil. He led an Environmental Challenge project to distribute cisterns for people to harvest rainwater safely without allowing disease-carrying insects to breed.

The 88 projects submitted in 2015 reduced the equivalent of 36,810 metric tons of GHG, a new record for Cummins. Eighteen projects from seven countries – Brazil, China, India, Mexico, South Africa, the United Kingdom and the United States – were named Environmental Challenge winners.



In Fridley, Minnesota (U.S.A.), employees developed an innovative, fuel-saving micro grid, providing 33,667 kilowatts of uninterrupted, clean energy for a wilderness center by linking solar panels, batteries and a diesel generator.

"I hope it becomes a showcase for new energy technologies, and that the Steger Wilderness Center uses it to educate residents and high school students on different ways to reduce their carbon footprint," said Wissam Balshe, a Power Systems Territory Manager who worked on the project.

In 2016, the center will have the opportunity to do more of those activities through Cummins Foundation support. Balshe's team is directing to Steger. Every Environmental Challenge winner is awarded a \$10,000 grant for a local community organization.

***Cummins employees in Brazil participate in an Environmental Challenge project designed to promote the safe harvesting of rainwater in Guarulhos, just outside São Paulo.***

## IMPACT BY THE NUMBERS

Here's a look at the environmental impact of Cummins' 2015 Environmental Challenge:

**15,354**

metric tons of waste diverted from landfills

**12,550**

megaliters of water saved

**77,820**

trees planted

**350,000**

people educated

# LOOKING TO THE NEXT PHASE OF INNOVATION

*While meeting emission regulations on oxides of nitrogen (NOx) and particulate matter (PM) will still be important, Cummins' new Chief Technical Officer Jennifer Rumsey says innovation will increasingly depend on a deep knowledge of the company's customers and how Cummins can enable their success.*

That includes a growing focus on fuel efficiency to reduce the environmental impact of Cummins' products while delivering value to customers, said Rumsey, who succeeded Dr. John Wall in 2015. Wall retired after an illustrious, 30-year career with the company.

With NOx and PM emission regulations reaching near zero levels in mature markets, company leaders are looking for what will drive innovation over the next 20 years.

"We have the brightest minds in the world working in our global technical organization, and we have the skills and abilities to achieve outstanding results," Rumsey said.

"Despite some challenging market conditions, this is a remarkably exciting time."

**Cummins' new Seymour, Indiana (U.S.A.) Technical Center is expected to further innovation in high horsepower engines.**

Cummins is positioning itself for the future through a continued investment in research and development. The company devoted more than \$700 million to that area for a fourth consecutive year, investing \$735 million in 2015.



## RESEARCH AND DEVELOPMENT

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

The company also celebrated the completion of the new Seymour, Indiana (U.S.A.) Technical Center, devoted to high horsepower engines used to power off-highway trucks, trains, ships, excavators and more. And Cummins Technical Center India in Pune is nearing completion, ultimately providing space designed to encourage collaboration among more than 2,500 engineers.

These facilities will be critical to the next phase of innovation, which is expected to include continued advancements in engine and component technologies, as well as advances related to alternative fuels and energy sources. New features leveraging telematics and data analytics are also expected to play an important role.



# TAKING HEALTH AND SAFETY TO THE NEXT LEVEL

*Cummins saw improvements in several key health and safety metrics in 2015, including a 15 percent improvement in the Ergonomics Incidence Rate.*

The company, however, missed several aggressive goals that Cummins leaders want to improve on in 2016.

“There was a lot of good news in 2015, but we set very aggressive targets because the stakes are so high – our employee’s health and well-being,” said Michelle Garner-Janna, Executive Director – Corporate Health & Safety.

## Highlights for 2015 included:

- » The 15 percent improvement in the Ergonomics Incidence Rate, the rate of ergonomics-related injuries per 100 employees, compared to 2014.
- » An 8 percent improvement in the Incidence Rate, the relative number of recordable injuries and illnesses per 100 employees, compared to the previous year.
- » A 7 percent improvement in the Major Injury Rate, the rate of major injuries per 100 employees, compared to 2014.

There are areas of concern, however. For example, while the Major Injury Rate improved, it was 86 percent over the company’s goal.

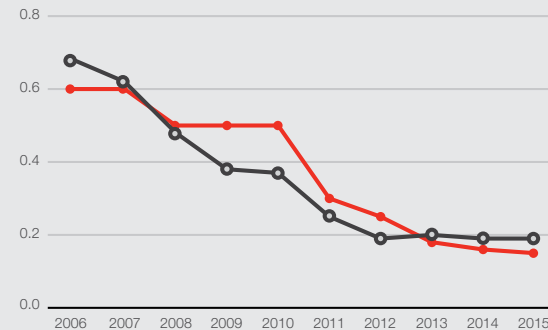
In 2016, Corporate Health & Safety plans to implement a safety pledge card campaign to build on previous efforts to make safety personal such as the “Live It. Lead It.” training. That training started to encourage leaders to take a personal interest in safety, but proved so popular it is now offered to all employees.

The company’s fourth annual Ergo Cup Competition was also a 2015 success. A project in India on safely rotating heavy crankshafts for remanufacturing topped a record-setting 96 entries from around the company.

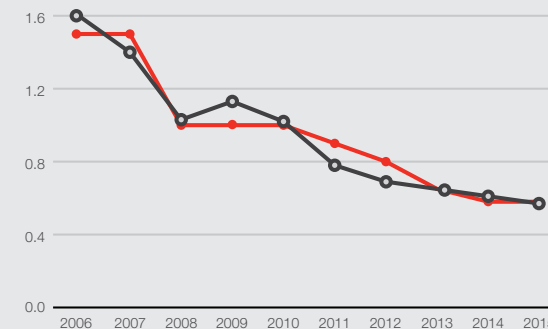
## KEY INDICATORS


*The company’s Severity Case Rate is calculated based on the number of injuries and illnesses resulting in lost work days per 100 employees. Cummins’ Incidence Rate is the relative number of recordable injuries and illnesses per 100 employees.*

### SEVERITY CASE RATE



### INCIDENCE RATE



Actual  Target 

# LIVING CUMMINS' DIVERSITY VALUE

*Cummins took a number of steps to protect and enhance its Diversity value in the past year, from holding the company's first conference for women to reaching out to the company's Muslim employees amid heated political debate around the world.*

*General Motors Chairman and CEO Mary Barra speaks with Cummins' Carole Casto, Executive Director – Corporate Communications, at the first Cummins Women's Conference in March 2016.*

Mary Barra, Chairman and CEO of General Motors, headlined the first Cummins Women's Conference on March 11, 2016, in Columbus, Indiana (U.S.A.). She shared her journey at the automotive giant with the more than 250 women attending the day-long event designed to guide and inspire them.

"We have to be each other's best advocates," said Vice President and Chief Administrative Officer Marya Rose, ending the day with a call to action. "We will not succeed if we do not help each other."

Meanwhile, when anti-Muslim rhetoric in world media increased dramatically in 2015, Cummins used the controversy to reinforce its commitment to diversity and inclusion.

In June of 2015, Chairman and CEO Tom Linebarger hosted a series of focus groups with Muslim employees to better understand the issues they faced and learn what Cummins could do to create a more welcoming atmosphere both at work and in their communities.

"Discrimination and intolerance have no place in our company, in our communities or in our country," Linebarger later wrote in an opinion piece appearing in several U.S. newspapers in January 2016. "Today, divisive rhetoric that isolates minority groups is undermining our ability to see the commonalities we share and inhibiting our efforts to improve our communities."

## SPENDING ON DIVERSE SUPPLIERS

The Cummins Diversity Procurement team also had an outstanding year in 2015, topping \$1 billion in spending with diverse suppliers in eight categories in the U.S.



YEAR	SPENDING
2015	\$1.3 billion
2014	\$1.2 billion
2013	\$990 million
2012	\$890 million
2011	\$810 million



# PREPARING FOR BETTER MARKETS AHEAD

*Cummins operates in cyclical markets around the world and inevitably the business faces periods of weak demand and reduced short-term earnings when global economic growth slows.*

Due to the company's financial strength, Cummins has been able to continue investing for future growth through tough economic times, emerging from the past two downturns in a stronger competitive position.

Despite a challenging global economy, Cummins invested more than \$1.6 billion in capital, acquisitions, joint ventures and research and development in 2015 to position the company for future profitable growth.

"We made significant progress in a number of our key initiatives in 2015, including gaining market share with our new products in China, (and) successfully acquiring and integrating our North American distributors," said Chairman and CEO Tom Linebarger.



*Cummins' QSK95 generator arrives for duty at iconic Wrigley Field in Chicago, Illinois (U.S.A.) in February 2016. Major League Baseball's Chicago Cubs chose Cummins for backup power at the historic stadium.*

"...However, a combination of weaker end markets and a stronger U.S. dollar presented significant challenges to our performance," Linebarger said. "As demand slowed in the third quarter (of 2015), we moved quickly to lower costs."

Cummins reduced its workforce by about 2,000 positions and launched a number of initiatives within its manufacturing operations to reduce costs.

Revenue for all of 2015 was \$19.1 billion, 1 percent lower than in 2014. Sales increased 7 percent in North America, but international revenue declined 11 percent.

Net income attributable to Cummins for the full year in 2015 was \$1.40 billion (\$7.84 per diluted share), or \$1.59 billion (\$8.93 per diluted share) excluding asset impairment charges and restructuring actions.



## FINANCIAL PERFORMANCE AT A GLANCE

YEAR	SALES	NET INCOME attributable to Cummins
2015	\$19.1 billion	\$1.40 billion
2014	\$19.2 billion	\$1.65 billion
2013	\$17.3 billion	\$1.48 billion
2012	\$17.3 billion	\$1.65 billion
2011	\$18.1 billion	\$1.85 billion

## ABOUT THE COVER

Cummins spent much of 2015-2016 looking for new ways to power advances both in its industry and the world at large, hence the report's title, "**POWERING WHAT'S NEXT.**" The three pictures on the cover reflect the company's focus on innovation to solve challenges:

**ADDRESSING AIR POLLUTION** Chairman and CEO Tom Linebarger spoke at the 2015 BSR Conference in San Francisco where he told attendees that Cummins can play an important role in addressing the air pollution plaguing many cities in developing countries. *(Photo courtesy of BSR)*

**DRIVEN TO REDUCE CO<sub>2</sub>** Cummins in 2015 used a tour of North America to talk about its 2017 products, putting a special focus on the ways they can help customers improve fuel efficiency, which translates into a corresponding reduction in greenhouse gases.

**IN PURSUIT OF IMPACT** Cummins took a new approach to its community service efforts in 2015 in San Luis Potosí, Mexico, focusing on a relatively small geographic area in need of help to maximize the impact of its efforts.

*You can find stories on all of these topics in the full report posted at [www.cummins.com/sustainability](http://www.cummins.com/sustainability)*

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