



2023 TCFD REPORT

# Cummins responds to climate change

Task Force on Climate-Related  
Financial Disclosures (TCFD)

# Cummins' 2023 TCFD Report

Recommended Disclosure For TCFD Framework	Response
<p><b>GOVERNANCE</b></p>	
<p><b>a) Describe the board's oversight of climate related risks and opportunities.</b></p>	<p>The Cummins Board of Directors and the senior management team effectively oversee the company's top risks, while the Enterprise Risk Management program gives the board and senior management a framework to help them understand, identify, assess, manage, and monitor risks so the company can meet its strategic objectives. The Cummins Board of Directors is ultimately responsible for assessing and managing climate-related risks and opportunities.</p> <p>Managing risk effectively is on the agenda at every regular board meeting, and the board reviews the entire Enterprise Risk Management program and the results of Cummins' latest enterprise risk assessment each year.</p> <p>The Board and its committees are involved on an ongoing basis in the oversight of the company's material enterprise-related risks. The company has a mature enterprise risk management program that identifies, categorizes and analyzes the relative severity and likelihood of the various types of material enterprise-related risks to which Cummins is or may be subject. The company has an executive risk council, comprised of the Senior Vice President, Vice-President – Chief Financial Officer, Vice President and Chief Legal Officer, Vice President – Corporate Strategy and Vice President and Chief Administrative Officer, the Vice President –Corporate Controller and the Vice President of Internal Audit of Cummins that meets five times each year with the Executive Director, Global Risk to review and update our material enterprise-related risks and mitigation plans for each. The executive risk council also is responsible for reviewing and approving the company's double materiality assessment that identifies environmental, social and governance (ESG) impacts, risks and opportunities. The company assigns ownership of the most significant enterprise risks to a member of the executive management team. The Executive Director, Global Risk oversees enterprise risk management and sets the strategic direction for and the coordination of ESG and sustainability efforts of the company.</p> <p>Additionally, the Board and its Committees provide oversight of the company's ESG risks and opportunities, including regular review by the full Board of ESG strategy and challenges. The designated committees undertake detailed reviews of specific ESG risks and opportunities. For example, the Safety, Environment and Technology Committee provides primary oversight for environmental risks and opportunities and the Audit Committee provides oversight of the data integrity of ESG related disclosures. The Board or its Committees reviews elements of ESG strategy, risks and progress with dedicated time at every regular Board meeting.</p> <p>The Safety, Environment and Technology (SET) committee provides overall guidance and insight on major environmental sustainability initiatives such as PLANET 2050, Cummins' environmental sustainability strategy, as well as environmental management at Cummins' facilities and operations.</p>

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The board met 9 times in 2023. All of the directors attended 75% or more of the aggregate number of meetings and committees on which they served over the year.

Criteria used to assess competence of board members on climate related issues include deep technology expertise for product decarbonization, health, safety and environment function knowledge, risk analysis, general environmental sustainability expertise in both strategy and execution of plans. To learn more about board members’ backgrounds and areas of expertise see pages 17-22 of the [2024 Proxy Statement](#).

**b) Describe management’s role in assessing and managing climate related risks and opportunities.**

The Board and its Committees exercise robust oversight of the company’s enterprise risk management program with dedicated time to review the top tier risks at every regular Board meeting, including climate-related risks. The Board or its Committees review ESG strategies, risks and progress with dedicated time at every regular Board meeting. Board oversight of the top environmental, social and governance risks and opportunities happen in the following committees depending upon the topic: Talent Management and Compensation Committee; Safety, Environmental and Technology Committee; Audit Committee and the Governance and Nominating Committee. Leadership also reviews the ESG Strategy and progress with the full Board regularly. The company’s Executive Director of Global Risk provides accountability over ESG strategic direction and serves as a primary point of contact for the Board and the Cummins executive management team.

The company has an executive risk council, comprised of the Senior Vice President, Vice-President – Chief Financial Officer, Vice President and Chief Legal Officer, Vice President – Corporate Strategy and Vice President and Chief Administrative Officer the Vice President -Corporate Controller and the Vice President of Internal Audit of Cummins that meets five times per year with the Executive Director, Global Risk to review and update our material enterprise-related risks and mitigation plans for each. The executive risk council also is responsible for reviewing and approving the company’s double materiality assessment that identifies ESG impacts, risks and opportunities. The council meets regularly to review and update Cummins’ material enterprise-related risks and mitigation plans. As climate-related risks affect all aspects of the business, the enterprise risks incorporate, where relevant, climate-related aspects, with a separate standard alone enterprise risk on climate change. The Executive Risk Council (ERC) provides direction on risk assessments and mitigation plans, approves all risk escalation or de-escalation, and identifies new and emerging risks. Ownership of the most significant enterprise risks are assigned to members of Cummins’ leadership team. The ERC reviews all the risks annually and regularly completes detailed review of top tier risks. After each annual review, the enterprise risks are presented to the Cummins board of Directors with the Cummins’ leadership team in attendance. The final enterprise risks are then shared with leadership across all businesses, functions and regions.

The Chair and CEO at Cummins has direct responsibility for climate-related issues in strategy, operations (manufacturing and supply chain), planning, budget, technology, and innovation. The centralized technical and environmental organization, reporting to the Chief Technical Officer (CTO), contains the Environmental Sustainability Program office for sustainability plans and reviews with a focus on technology and innovation. The CTO oversees advancements in research and technology, enterprise technology portfolio management, and the overall responsibility for the Company’s environmental sustainability strategy.

The company’s Action Committee for Environmental Sustainability (ACES), formed in 2012, integrates climate action into Cummins’ overall business strategy. The executive sponsor and the head of this group both report up to the Chief Technical Officer. The group is the voice and catalyst for environmental action beyond compliance in the company and provides tools and resources for employees to go further and faster in reaching Cummins’ environmental goals. The group meets monthly and reports progress to the CTO through its executive sponsor. ACES directs the development and implementation of the environmental sustainability strategy and reports out on progress in meeting goals. The corporate ACES team has a global focus, including among its stakeholders, every business segment and key functions. It meets annually with the Chair and CEO. The individual stakeholders and goal owner areas of ACES ensures that all aspects of the environment and relevant areas of the business are included, and data is collected and reported that informs decision-making and goal setting. Additional executive sponsor meetings align functional and business leaders across the organization and prioritize actions required for goal progress.

**Recommended Disclosure For TCFD Framework**

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In response to the growing impact of climate-related risks and the increase in regulatory requirements, a new ESG Strategy Team was established in January 2023, under the Executive Director of Global Risk. This team is responsible for leading the company's double materiality assessment to identify ESG impacts, risks and opportunities; co-ordinates Cummins' global approach to ESG; to provide support to the Cummins businesses in the achievement of their ESG-related business strategies such as PLANET 2050 and Destination Zero; and ensures compliance with Cummins' obligations under the growing number of ESG reporting and disclosure regulations globally. The ESG Strategy Team established a cross-functional working group, primarily comprised of various functional and regional representatives, to support the work of the ESG Strategy Team and Cummins ESG strategy. Cummins also has established an ESG management review group (MRG) which includes senior leaders who help break down barriers and provide guidance to the ESG Strategy Team that can be put into action by the ESG Working Group.

**STRATEGY**

**a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.**

**TIME PERIOD DEFINITIONS**

Short-term (one to three years): For Cummins, three years or sooner is a short time horizon, especially for product development. Acquisitions would be included in this timeframe.

Medium-term (three to 10 years): Most of Cummins planning falls into this time horizon, as engine platforms or specific product launches are not short-term.

Long-term (10 to 30 years): Cummins PLANET 2050 environmental sustainability strategy would fall into this category. It contains science-based goals for 2030 and aspirations timed to 2050.

**CLIMATE-RELATED RISKS**

**Technology**

Risk type and primary climate-related risk driver: Technology. Transitioning to lower emissions technology.

Primary potential negative financial impact: The development of new technologies may materially reduce the demand for our current products and services.

- Time-horizon: Medium to long-term
- Likelihood: More likely than not

Description: Please refer to [page 22 of Cummins 2023 Form 10-K](#).

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**Emerging regulations**

Risk type and primary climate-related risk driver: Emerging regulation. Mandates on and regulation of existing products and services.

Primary potential negative financial impact: Cummins products are subject to extensive statutory and regulatory requirements that can significantly increase the company's costs and, along with increased scrutiny from regulatory agencies and unpredictability in the adoption, implementation and enforcement of increasingly stringent and fragmented emission standards by multiple jurisdictions around the world, could have a material adverse impact on the company's results of operations, financial condition and cash flows .

- Time horizon: Medium-term
- Likelihood: About as likely as not

Description: Please refer to [page 18 of Cummins 2023 Form 10-K](#).

**Effects of Climate Change**

Risk type and primary climate-related risk driver: Climate change and effects of climate change.

Primary potential negative financial impact: Cummins may be adversely impacted by the effects of climate change and may incur increased costs and experience other impacts due to new or more stringent climate change regulations, accords, mitigation efforts, GHG regulations or other legislation designed to address climate change.

- Time-horizon: Medium to long-term
- Likelihood: More likely than not

Description: Please refer to [page 23 of Cummins 2023 Form 10-K](#).

**CLIMATE-RELATED OPPORTUNITIES****Low emissions products**

Opportunity type and primary climate-related opportunity driver: Products and services, development and/or expansion of low emission goods and services.

Primary potential financial impact: Increased revenues resulting from increased demand for products and services.

- Time horizon: Medium-term for electrolyzer and fuel agnostic products; longer-term for fuel cells
- Likelihood: More likely than not

Description: Cummins product decarbonization strategy, Destination Zero, is focused on developing and advancing lower emission internal combustion and zero emission technologies, including battery electric, hydrogen fuel cell, and green hydrogen electrolyzer technologies.

**Recommended Disclosure For TCFD Framework**

**Response**

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Cummins’ fuel agnostic engine platform, the first of its kind, will use engine blocks and core components that share common architectures and will be optimized for different low-carbon fuel types, allowing customers to choose a low-carbon fuel that meets the needs of their business, while maintaining the familiarity of an internal combustion engine. This new design approach will be applied across the B, L and X-Series engine portfolios, which will be available for diesel, natural gas and hydrogen.

Cummins is also developing and deploying PEM electrolyzers for the advancement of green hydrogen and is seeing significant momentum in the market as a result of the Inflation Reduction Act of 2022 in North America. Cummins anticipates the demand for its electrolyzers will continue to increase as utility companies move from grey to green hydrogen and will also be suited to supply hydrogen for transport.

Cummins is also actively developing, testing, and deploying battery electric and hydrogen fuel cell technologies, which it believes will be the zero carbon solutions for the industries and applications it serves. Cummins sees battery electric as an ideal zero emission solution for return to base, short-run routes that do not require large torque, such as medium-duty delivery vehicles and transit buses. Cummins expects hydrogen fuel cell solutions to become an increasingly viable option for other applications requiring higher power needs, such as mining and long-haul heavy-duty trucking applications. For both battery electric and hydrogen fuel cell technologies, Cummins will provide the entire electrified powertrain, as well as some of the most critical components that impact performance, quality, and power to the system to deliver the most value to Cummins customers. Cummins anticipates that eventually an increase in battery electric and hydrogen fuel cell products will result in decreased demand for its diesel products, as discussed in the risk section.

Cummins Destination Zero initiative is not limited to newly emerging technologies alone. Continuous development and investment is made in the products produced by the company to reduce tailpipe emissions through focus on advanced diesel and natural gas technologies. These products are clean, cost effective and available years ahead of other emerging technologies.

**b) Describe the impact of climate related risks and opportunities on the organization’s businesses, strategy, and financial planning.**

**STRATEGY**

**Cummins Growth Strategy**

Cummins business and environmental strategies are aligned. The company’s mission is making people’s lives better by powering a more prosperous world. This requires a healthier planet, vibrant communities and engaged citizens. The company acknowledges the weighty responsibility and opportunity it has to guide the industry into the next era of smarter, cleaner power. The company has built the broadest combination of low- and zero-emissions technologies dedicated to the commercial vehicle industry and continues to invest in its people and communities. This is the Destination Zero strategy in action and embodies the company’s commitment to sustainability and helping its customers navigate the energy transition while growing the company’s business. Cummins is confident that Destination Zero strategy is the right one, and it is rendering results. In 2023, the company achieved record full-year revenues of \$34.1 billion, 21% more than 2022, and a record operating cash flow of \$4.0 billion, a significant increase from \$2.0 billion achieved in 2022.

Destination Zero is also an extension of Cummins’ long and successful history of embracing environmental challenges as an opportunity to innovate and drive growth in our business. During the last few decades, the innovators at Cummins have worked hard to reduce criteria pollutants of NOx and particulate matter from Cummins engines. As emissions regulations become increasingly stringent and complex around the world, Cummins is committed to collaborate closely with regulators to meet and exceed emissions requirements. For additional information please refer to pages 19-23 of our [Sustainability Progress Report](#).

## Recommended Disclosure For TCFD Framework

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**Addressing Climate Change Across Cummins**

In addition to products in use, Cummins is working to address climate change across all aspects of the company. Cummins product decarbonization and growth strategy in Destination Zero works in tandem with the PLANET 2050 environmental sustainability strategy. PLANET 2050 is an extension of Cummins' earliest sustainability work and reflects the company's mission to power a more prosperous world. It is integral to the business growth strategy and focuses on our long-term commitment to protect the planet for future generations. The strategy includes nine goals timed to 2030 and the aspiration to reach carbon neutrality in its operations and products in use by 2050, focused on three priority areas:

- Using natural resources in the most sustainable way
- Creating better communities because we are there
- Doing our part to address air emissions and climate change in line with science.

**Building More Prosperous Communities**

Cummins acknowledges that the health of our communities impacts the health of its people and business. Through both external initiatives and focused, internal efforts, the company is helping to ensure both current and future Cummins employees and communities at large acquire the knowledge and in-demand skills that will prepare them for the jobs of the future. Cummins recognizes that good jobs are pathways into the economy – affecting entire families.

**FINANCIAL PLANNING**

[2023-2024 Sustainability Progress Report: Innovation \(pg. 19-23\)](#)

[2023-2024 Sustainability Progress Report: Environment \(pg. 26-27\)](#)

Two years ago, Cummins introduced Destination Zero as the company's winning growth strategy – and it is proving to be the right strategy for customers, the environment and for the continued success of the business. In 2023, the company achieved record full-year revenues of \$34.1 billion, 21% more than 2022, and a record operating cash flow of \$4.0 billion, a significant increase from \$2.0 billion achieved in 2022. Advancing this strategy requires significant investment across the business, in the company's people, facilities and suppliers. In 2023, Cummins continued to make investments to develop new products and improve current technologies to meet future emission standards around the world, allocating a record \$1.4 billion to research and development. Such investments include improvements in fuel economy performance of diesel and natural gas-powered vehicles and related components, as well as development activities around hydrogen engine solutions, battery electric, fuel cell electric and hydrogen production technologies. For additional information please refer to pages 19-23 of our [Sustainability Progress Report](#).

In 2023, Cummins invested over \$40 million to complete 586 facilities energy, water and waste reduction projects. Of this investment, \$18.8 million was used to complete 267 GHG reduction projects that are estimated to save more than 29,951 metric tons CO<sub>2</sub>e annually.

Cummins launched a Climate Change & Resiliency working group to understand how climate change might impact the risks within its operations. Weather events have increased in frequency and severity, which pose potentially different threats. Utilizing climate analytics, the company identifies and integrates climate risks into its business resiliency plans and sustainability goals. The project looks at various aspects of risk, including wind, flood, drought, wildfire, etc. Cummins is focused on a variety of aspects, including business continuity, reporting, financial resilience and sustainability reporting.

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**C) Describe the resilience of the organization’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.**

**Response**

One scenario that Cummins used through this planning exercise was a climate-related scenario in which countries around the world take aggressive and globally orchestrated steps to decarbonize their economies. Cummins used a climate-related scenario to understand the extreme limits and major drivers of action within this scenario out to 2035; anything less extreme was compared to a baseline assumption of how this scenario might play out.

Cummins supports the framework of the Paris Agreement and believes it gives the world a flexible framework to address climate change while providing a smooth transition for business. American companies, suppliers, customers, and communities will benefit from U.S. participation in the Paris Agreement in several ways:

- It strengthens competitiveness in global markets.
- It benefits American manufacturing as the country modernizes to new, more efficient technologies.
- It supports investment by setting clear goals which enable long-term planning.
- It expands global and domestic markets for clean, energy-efficient technologies, which will generate jobs and economic growth.
- It encourages market-based solutions and innovation to achieve emissions reductions at lower costs.

In 2019, the company announced two goals—one for newly sold products and the other for facilities and operations. Both are in line with climate science—facility and operations specifically to keeping global warming to a 1.5°C temperature increase over preindustrial levels and newly sold products to 1.5° to 2°C. To keep that analysis relevant, Cummins must continually monitor and respond accordingly to changes against key indicators. The company does not view scenario planning as a one-time activity. Rather, it must be used as a tool on an ongoing basis to account for real world changes that occur to inform the potential futures that are yet to come.

Climate-related scenario analyses were considered in the development of the company’s overarching environmental sustainability strategy, PLANET 2050, and Cummins’ product decarbonization strategy, Destination Zero, announced in 2019 and 2022, respectively.

As for climate risk in company facilities, Cummins consulted with an external climate analysis expert using data from dozens of well-vetted climate models, coupled with machine learning, land use and elevation data, and models for hydrology, wildfires, and severe weather to explore trends in future climate scenarios. Risk due to environmental perils was quantified in five-year increments from 2020 through 2100 for three carbon emissions scenarios (SSP1-2.6, SSP2-4.5, and SSP5-8.5)

Results of the climate-related scenario analysis for Cummins locations are currently being reviewed and analyzed. They are helping Cummins understand how company locations may be affected by climate change, the risks to assets, the segments and locations facing the greatest potential impact, and how that plays out over time and across varying carbon emissions scenarios. Cummins will then determine what mitigation efforts the company needs to take that are location-based in addition to the corporate objectives for reducing energy and water consumption that are included in PLANET 2050.



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Response

**Risk Management**

**a) Describe the organization's processes for identifying and assessing climate-related risks.**

Cummins uses a materiality assessment to help determine the most important issues facing the company. The double materiality assessment is led by the ESG Strategy team reporting to the Executive Director of Global Risk and is reviewed and approved by the company's Executive Risk Council . Given the evolution of sustainability focused materiality assessments and the various regulations and standards expected to drive changes in how companies conduct those, in 2023 Cummins completed its first double materiality assessment considering two dimensions – the company's impact, positive or negative, on people and the environment, as well as material impacts on the company. Stakeholder engagement included subject matter expert groups across the company (including but not limited to enterprise risk management, product planning, technical and environmental systems, health, safety and environment management, environmental sustainability, facilities management, supply chain), executive leadership, employees and suppliers, as well as customers and community groups.

Throughout the year the Environmental Sustainability team uses analyses from environmental agencies such as the International Panel on Climate Change and the World Economic Forum to identify and assess risks affecting the Cummins Group. In addition, the team keeps keep abreast of changing environmental regulations and regularly conduct environmental trend analysis using tools such as third-party insight reports to understand the changes in environmental matters such as climate change, emissions, natural resources and the impact of the environment on communities. These inputs are taken into consideration during the double materiality assessment that identifies ESG impacts, risks and opportunities.

Cummins regularly uses external stakeholder engagement, including frequent collaborations with partners, suppliers, government agencies and customers, to identify risks from increasing regulations, changing customer preferences, new disruptive technology, and public policy support for low-carbon products, just to name a few.

Cummins Environmental Sustainability team conducted a hot spot environmental assessment which concluded that 99% of Cummins' global GHG footprint comes from the products in their use phase. Cummins identified an opportunity to address these emissions by setting a science-based target to reduce lifetime emissions from newly sold products in their use phase timed to 2030 as part of a specific product decarbonization strategy, Destination Zero. PLANET 2050, which prioritized actions to address Cummins' biggest environmental opportunities from the materials it buys to the emissions of its products. It provides a coordinated approach across the company to address Cummins' environmental footprint beyond regulation and compliance requirements.

The Corporate Health, Safety and Environment (HSE) team manages Cummins' global ISO 14001 certificate covering all large sites across the globe. Under the ISO 14001 standards Cummins and each site must conduct a risks and opportunities assessment, including climate related risks affecting the site, and an environmental aspects and impacts assessment, assessing the severity of activities and services on the local, regional and global environment. The Cummins global certificate is externally audited annually by Standard Global Services (SGS), and individual sites are internally audited every 2 years and by SGS at least every 5 years.

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Cummins launched a Climate Change & Resiliency working group to understand how climate change might impact the risks within its operations. Weather events have increased in frequency and severity, which pose potentially different threats. Utilizing climate analytics, the company identifies and integrates climate risks into its business resiliency plans and sustainability goals. The project looks at various aspects of risk, including wind, flood, drought, wildfire, etc. Cummins is focused on a variety of aspects, including business continuity, reporting, financial resilience and sustainability reporting. Some details of this work are included below.

Cummins created a risk scoring matrix to prioritize the most at-risk sites across the globe with a detailed watershed assessment conducted for the most at-risk facilities. Facility data and conditions are reviewed annually and may alter the priority sites from year to year. These assessments help Cummins better understand and evaluate water-sourcing risks, alternatives, and overall watershed conditions across the company. In addition to continued water conservation measures and technologies, additional response measures may include the deployment of additional water storage and low- or no-water use processes such as air-cooled chiller systems where warranted, and upgrades to wastewater treatment systems to allow for 100% reuse for non-potable purposes.

Cummins also conducted a risk assessment for natural catastrophe risk, this being the physical environmental conditions that may cause damage to assets and lead to lost profit and disruption to operations. Cummins assessed 500 locations around the world, including sites owned by the company, against seven climate perils: flood; wind; heat; hail; drought; wildfire; and precipitation. The risk impact was assessed up to the year 2100 and the top 10 risk sites were identified for each peril. The findings of the assessment were fed back to Cummins and working groups were formed for each peril to identify mitigation interventions and to build climate resilience plans. In addition, for any new-build projects or assessments, natural-catastrophe exposure data is incorporated into the project plan at 'PO' initial stage, as part of Cummins' New Business Startup process.

Cummins established a Holistic Emergency Management (HEM) program which requires all sites globally to prepare and maintain a business continuity plan (BCP). Site leadership from all sites, are required to rank the site risks – highest to lowest. These risks are reported to Cummins' Regional Security Advisor and Global Integrated Services (GIS) function for review. The GIS function reports to the Executive Director of Global Risk. For each risk, appropriate mitigation strategies and actions are required to be set out in a BCP plan and resourced accordingly. Those plans include policies, processes, training, and equipment. The Security Team within GIS consults with site leaders on the development of those plans and then tests those plans at least once every three years.

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**b) Describe the organizations processes for managing climate related risk**

Risk management at Cummins starts with the company’s board, which oversees the biggest risks facing the company. Managing risk effectively is on the agenda at every regular board meeting, and the board reviews the entire Enterprise Risk Management program and the results of Cummins’ latest enterprise risk assessment each year. The risks reviewed by the board roll up through the company’s Executive Risk Council, which is made up of key leaders at Cummins. The council is charged with following more than 20 Tier I and Tier II risks, which include climate change. The council assigns every critical risk to a member of the Cummins Leadership Team to manage and report on to the council and potentially the board. The council meets five times each year to review and update the material risks facing the company. Cummins’ regional organizations, which oversee the company’s operations in its largest international areas, have also embraced risk management as part of their own oversight efforts in their leadership teams and, increasingly, different functions around the company are doing the same.

Membership on the Executive Risk Council reflects the importance Cummins places on the process. The council includes the company’s Senior Vice President, the Vice President - Chief Financial Officer, the Vice President - Chief Administrative Officer, the Vice President - Corporate Strategy and the Vice President - General Counsel. The Vice President - Corporate Controller and the Vice President - Internal Audit also attend council meetings as advisors to the council. The Executive Director - Global Risk is also present along with the Enterprise Risk Management Director. Risk owners regularly deliver in-depth reports on the risks they manage. Council members ask questions and debate risks to ensure they get the appropriate amount of attention. The council constantly evaluates the risks deemed most important to the company, as well as emerging risks. The potential impacts of climate change, for example, started as an emerging risk before joining the ranks of those being actively managed. Meanwhile, the Enterprise Risk Management function also works with other groups that play an important role in managing risk across the company, such as Internal Audit, Risk Insurance and Global Integrated Services - Security to manage the business continuity plans established by every Cummins location to prepare for an emergency, including those triggered by weather events. These plans are regularly tested and improved as part of the company’s holistic approach to emergency management. Key sites undergo tabletop exercises to ensure they are ready if an emergency occurs. Cummins also launched a Climate Change & Resiliency working group to understand how climate change might impact the risks within its operations. Weather events have increased in frequency and severity, which pose potentially different threats. Utilizing climate analytics, the company identifies and integrates climate risks into its business resiliency plans and sustainability goals. The project looks at various aspects of risk, including wind, flood, drought, wildfire, etc. Cummins is focused on a variety of aspects, including business continuity, reporting, financial resilience and sustainability reporting. As a starting point, the team is piloting the work with key sites and developing documentation to be used across Cummins’ global footprint in the next two to three years. Additionally, there are plans to identify and understand the opportunity to use climate analytics in other areas and processes across Cummins. The project will impact how the company manages business risk and grows as a company, continuing to develop insights and mitigation plans across the company into 2027.

The Risk Management team also works with the company’s regional leaders to track and mitigate key risks around the world. Cummins’ approach to risk management, across multiple levels of the company, ensures the global power technology leader has a consistent and forward-looking focus, in addition to solving the day-to-day concerns it encounters. This focus is critical to Cummins’ long-term sustainability.

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**c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.**

As noted in Risk section (a) and (b) above, the identification, assessment and management of climate-related risks has been embedded within Cummins' existing global risk framework and environmental strategy and monitoring processes. The company's Board is responsible for overseeing the biggest risks facing the company, including climate risks.

The double materiality assessment is led by the ESG Strategy team that reports to the Executive Director of Global Risk, directly connecting his process with the Enterprise Risk Management function that also reports to the Executive Director of Global Risk. The double materiality assessment is reviewed and approved by the company's Executive Risk Council, similar to other enterprise risks.

The physical climate related risks are reported to Cummins' Regional Security Advisor and Global Integrated Services (GIS) function for review. The GIS function reports to the Executive Director of Global Risk. For each risk, appropriate mitigation strategies and actions are required to be set out in a business continuity plan and resourced accordingly.

**METRICS AND TARGETS**

**a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.**

[2023-2024 Sustainability Progress Report: Environment \(pg. 24-35\)](#)

**b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.**

Gross global Scope 1 emissions (metric tons of CO<sub>2</sub>e): 294,863

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Gross global Scope 2 , location-based emissions (metric tons of CO<sub>2</sub>e): 502,717

Gross global Scope 2 , market-based emissions (metric tons of CO<sub>2</sub>e): 411,275

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Gross global Scope 3 emissions: 1,176,369,300 metric tons of CO<sub>2</sub> equivalent  
 Purchased goods and services: 5,464,000 metric tons of CO<sub>2</sub> equivalent  
 Capital goods: 685,000 metric tons of CO<sub>2</sub> equivalent  
 Fuel-and-energy-related activities (not included in Scope 1 or 2): 174,000 metric tons of CO<sub>2</sub> equivalent  
 Upstream transportation and distribution: 1,490,000 metric tons of CO<sub>2</sub> equivalent  
 Waste generated in operations: 18,800 metric tons of CO<sub>2</sub> equivalent  
 Business travel: 20,600 metric tons of CO<sub>2</sub> equivalent  
 Employee commuting: 134,000 metric tons of CO<sub>2</sub> equivalent  
 Upstream leased assets: 20,000 metric tons of CO<sub>2</sub> equivalent  
 Downstream transportation and distribution: 1,490,000 metric tons of CO<sub>2</sub> equivalent  
 Processing of sold products: 2,400 metric tons of CO<sub>2</sub> equivalent  
 Use of sold products: 1,166,700,000 metric tons of CO<sub>2</sub> equivalent  
 End of life treatment of sold products: 58,500 metric tons of CO<sub>2</sub> equivalent  
 Downstream leased assets: 65,000 metric tons of CO<sub>2</sub> equivalent  
 Investments: 47,000 metric tons of CO<sub>2</sub> equivalent

**c) Describe the targets used by the organization to manage climate related risks and opportunities and performance against targets.**

[2023-2024 Sustainability Progress Report: Environment \(pg. 24-35\)](#)



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Produced in U.S.A. 8/24  
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