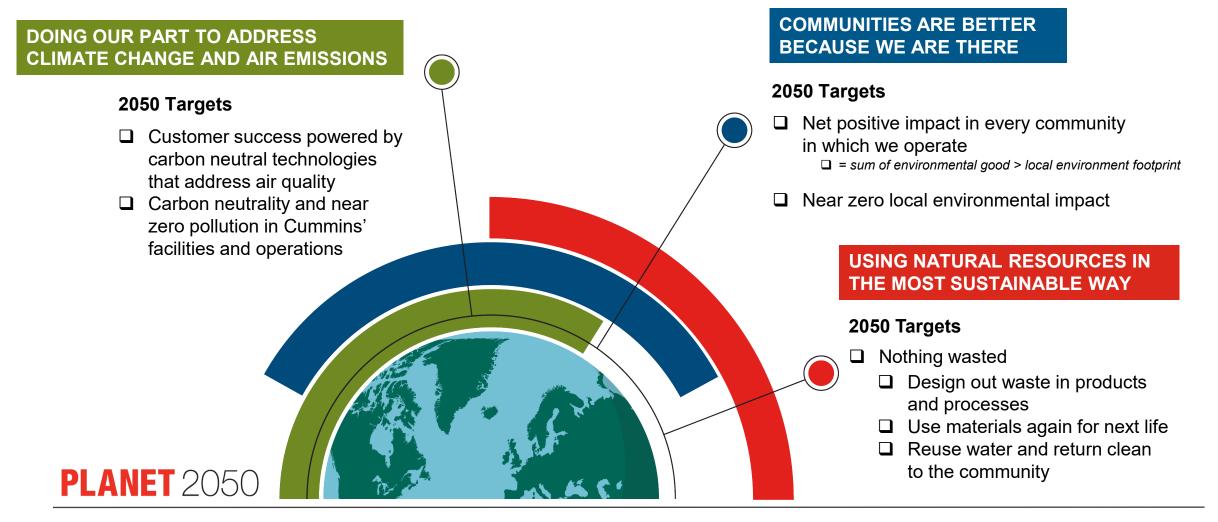


# PLANET 2050 and Destination Zero

Dr. Suzanne Kawamleh,
Technical and Environmental Systems
Cummins, Inc.

April 2024 Public









### COMMUNITIES ARE BETTER BECAUSE WE ARE THERE

2050 TARGETS	THEMES
Net positive impact in every community where we operate = Sum of environmental good > Local environmental footprint	<ul> <li>Understand and identify unique environmental challenges in our communities</li> </ul>
Near zero local environmental footprint	» Create partnerships and engagement using Cummins' core skills to help address community environmental needs

### Goal 9:

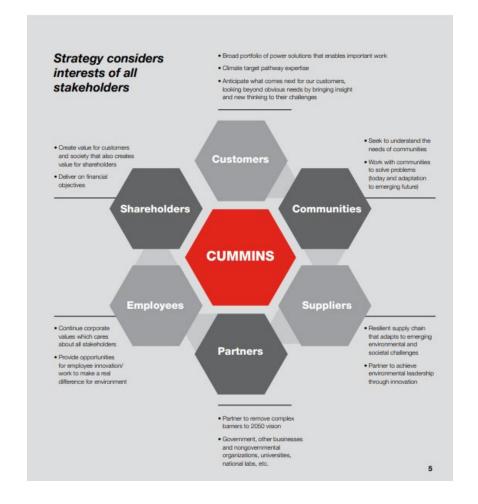
Produce net water benefits that exceed Cummins' annual water use in all Cummins regions.

## Community Led, Cummins Powered

#### **ENVIRONMENT**

# Creating net positive impact and near zero local environmental footprint

Cummins will make a net positive environmental impact in our communities through volunteerism and partnerships, which means that our positive impact will be greater than our local environmental footprint. Among many programs to achieve Cummins' environmental goals, Cummins Water Works is a global strategic program to strengthen communities through sustainable water and address the global water crisis.



### **Executive Order 14096**

APRIL 21, 2023

### Executive Order on Revitalizing Our Nation's Commitment to Environmental Justice for All

■ BRIEFING ROOM → PRESIDENTIAL ACTIONS

- (b) "Environmental justice" means the just treatment and meaningful involvement of all people, regardless of income, race, color, national origin, Tribal affiliation, or disability, in agency decision-making and other Federal activities that affect human health and the environment so that people:
- (i) are fully protected from disproportionate and adverse human health and environmental effects (including risks) and hazards, including those related to climate change, the cumulative impacts of environmental and other burdens, and the legacy of racism or other structural or systemic barriers; and
- (ii) have equitable access to a healthy, sustainable, and resilient environment in which to live, play, work, learn, grow, worship, and engage in cultural and subsistence practices.

### **Key Trends with Environmental Justice**

#### 1. Integration of economic and environmental justice through workforce development:

- A holistic approach to just energy transition that addresses both environmental challenges and economic disparities
- The focus is on fostering an equitable economic future by investing in a clean energy economy that generates well-paying union jobs for members of EJ communities.

#### 2. 40% of federal investments, including grant funding, must benefit EJ communities:

- Inflation Reduction Act
- Bipartisan Infrastructure Law
- American Rescue Plan
- DoE grants now require Community Benefits Plan and Justice40 section addressing energy equity.

#### 3. Air quality and public health impacts are a primary focus of government enforcement and funding:

- DOJ Enforcement Strategy focus on cases involving hazardous air pollutants and violations of clean air laws.
- EPA funding opportunities prioritize projects that improve air quality with measurable health outcomes in vulnerable communities

#### 4. Data-driven determination of EJ enforcement sites, funding eligibility, and benefit calculation:

- EPA EJScreen and White House CEJST used in DOJ enforcement
- CEJST used in funding eligibility and benefit calculation for federal grant opportunities
- CEJST identifies DACs based on low-income status and environmental burden in census tract not racial demographics.

# Environmental Justice @ CMI

### ENVIRONMENTAL JUSTICE AND PROSPERITY POLICY



#### SCOPE

This policy applies globally to the employees and operations of Cummins entities in which Cummins has a controlling ownership interest or management responsibility, including subsidiaries, joint ventures, affiliated companies, and distributors. If Cummins does not have a controlling ownership interest or management responsibility, Cummins will take reasonable steps to require compliance with this policy and the law.

#### POLICY

Cummins seeks a future of global Environmental Justice and Prosperity. This means greater prosperity with less impact on the planet and its people. Cummins is part of making that future a reality through actions today that mitigate environmental harms and optimize more equitable environmental and economic benefits.

The company acknowledges that the impacts of the world's industrialization and manufacturing, both good and bad, have not been and are not equitably distributed. Low-wealth communities, communities of color, and other historically marginalized communities are disproportionately impacted by environmental harms. These communities also tend to benefit less from technological advancement and economic development.

Cummins' Environmental Justice and Prosperity Policy brings together the company's longstanding declication to the environment and social justice. Cummins is committed to improving equity and reducing disparity on vulnerable and marqinalized communities.

Cummins champions Environmental Justice and Prosperity by incorporating data on environmental impact and vulnerability into decision-making processes across products, facilities and operations, and communities through these principles:

■ Innovating products for a cleaner, more equitable future on the way to Destination Zero. Cummins impact on Environmental Justice and Prosperity starts with the products Cummins manufactures. Cummins invests, innovates and manufactures products whose use power prosperity today and into the future.

- Innovating products for a cleaner, more equitable future on the way to Destination Zero. Cummins impact on Environmental Justice and Prosperity starts with the products Cummins manufactures. Cummins invests, innovates, and manufactures products whose use power prosperity today and into the future.
- Increasing equitable environmental benefits where Cummins operates. Under PLANET 2050, Cummins set a 2050 aspiration to provide a net positive impact in every community where the company operates. The company integrates environmental justice data as a factor in existing decision-making and capital allocation processes for facilities across their lifecycle, prioritizing the areas of greatest need.
- Partnering with impacted communities and neighborhoods to solve the problems that matter to them. Cummins strengthens the communities where the company operates.
   Cummins partners with communities to understand their needs and advance Environmental Justice and Prosperity.

CUMMINS POLICIES AND PROCEDURES ©2023 Cummins Inc

## EJ Risk Management Framework

#### Summary of Environmental Justice Risks and the Need for Environmental Justice Risk Management

Environmental justice is a critical concern in today's world, and the enforcement efforts by the Department of Justice (DOI) underscore the significance of addressing environmental justice risks. The risks associated with environmental justice violations, particularly those related to harmful air pollution and emissions, highlight the imperative for companies to identify and manage these risks effectively. The DOI's approach to enforcing environmental justice principles serves as a completing example that underscores the need for proactive risk management. Failure to prevent, manage, and mitigate environmental justice risks can have significant reputational harm and adverse effects on shareholder value for companies. Investors are increasingly considering environmental, social, and governance (ESG) factors when making investment decisions. Environmental justice risks and violations can affect the overall valuation of the company, lead to a long-term decline in brand equity and loss of trust from investors and other <a href="mailto:takeholdes...and">takeholdes...and</a> create challenges to accessing certain markets or securing partnerships, thus limiting growth opportunities and impacting shareholder returns.

#### Key Environmental Justice Risks:

- Disproportionate Impact on Vulnerable Communities: One of the foremost environmental justice risks is the disproportionate impact of environmental harms on overburdened and underserved communities, especially those with low-income residents. These communities often face a higher risk of health problems and environmental degradation due to harmful air pollution and emissions. Companies that fail to adequately address these impacts may find themselves subject to DOI enforcement action.
- Legal Consequences and Penalties: Environmental justice violations can lead to legal action from
  affected communities, environmental groups, or regulatory bodies. Legal battles can be costly
  and time-consuming, impacting shareholder value and potentially resulting in financial
  settlements. The DOJ's commitment to utilizing all available legal tools to address environmental
  justice concerns implies that companies violating environmental justice principles may face
  severe legal consequences and penalties. As exemplified by the BP Products' Whiting Refinery
  case in Indiana, substantial penalties can be imposed for violations of the Clean Air Act,
  potentially leading to significant financial liabilities for the company (SSM+)
- Public Health Concerns: Harmful air pollutants and emissions can have direct and severe
  impacts on public health, particularly in communities near industrial facilities. The risk of
  adverse health outcomes, such as respiratory illnesses and cancer increases when companies
  fail to reduce harmful emissions adequately. Such public health concerns are a significant risk
  factor for companies facing environmental justice enforcement actions.
- Community Engagement and Transparency: Environmental justice violations can lead to negative media coverage and public scrutiny. This can result in a tarnished corporate image, eroding consumer <u>inst.and</u> damaging the company's reputation. The DOJ's emphasis on meaningful engagement with impacted communities and promoting transparency in enforcement efforts highlights the risk of reputational damage for companies that do not involve local communities or provide clear information about their environmental justice initiatives. Failure to engage and maintain transparency can lead to community unrest and damage a company's reputation.

#### The Need for Environmental Justice Risk Management

Given these key environmental justice risks, it is imperative for companies to develop a comprehensive environmental justice risk management plan. This plan should address the following critical aspects:

- <u>Data and Reporting:</u> Transparency is crucial in environmental justice risk management.
   Companies should collect and report data on emissions, community impacts, and mitigation efforts. This data can be used to demonstrate compliance, engage with the public, and inform future environmental initiatives.
- Emission Reduction and Health Measures: A central focus of risk management efforts should be to proactively identify and address sources of harmful air pollution and emissions. Companies must adopt measures to reduce their environmental impact, improve air quality in surrounding communities, and protect public health.
- Community Engagement: Engaging with overburdened communities is essential for building
  trust and minimizing the risk of public opposition and litigation. Creating avenues for
  meaningful dialogue and actively involving local communities in decision-making processes are
  key components of environmental justice risk management.

In conclusion, the environmental justice risks associated with harmful air pollution and emissions are significant, and the DOJ's enforcement actions serve as a clear warning to companies. To mitigate these risks, it is essential for companies to prioritize environmental justice, develop robust risk management plans, and actively engage with affected communities while striving for transparency and compliance with regulations. By doing so, companies can navigate the complex landscape of environmental justice and contribute to a more equitable and sustainable future.

#### Environmental Justice Framework: Approach and Goals

#### Framework Approach

The framework, in collaboration with stakeholders, establishes mechanisms for regular assessment of progress, the effectiveness of risk management strategies, and failures in addressing environmental justice risks, with the findings informing future risk management decisions and actions.

#### Framework Goals

The environmental justice risk management framework ensures that:

- Environmental justice concerns are given due consideration by decision-makers in the identification, assessment, and mitigation of environmental risks.
- Environmental risks do not disproportionately impact any specific demographic group. The
  environmental risks and opportunities associated with our activities and decisions are justly
  distributed
- Community partners/representatives have the opportunity to participate meaningfully in the
  assessment and management of environmental justice risks.

#### Framework Strateaie

Our framework embodies a set of strategies that seamlessly integrate environmental justice into our operations, regulatory compliance, monitoring initiatives, and community programs. It delineates the requisite procedures, resource allocation, and tools necessary to support this integration, with key components including:

- Identification of <u>Vulnerable Areas</u>: Identify areas where low-income, vulnerable, and disadvantaged residents may be experiencing more harm or are more susceptible to environmental conditions as areas of focus for environmental justice action. This identification process is based on rigorous analysis of demographic data, environmental indicators, and healthrelated information.
- 2. <u>Adaptive Approaches</u>: Our environmental justice strategy encompasses a commitment to adapt and expand our efforts to address environmental justice issues. This includes a comprehensive examination of pollution sources and associated health risks through robust monitoring and assessment activities. We rigorously explore avenues to reduce these environmental impacts, leveraging our presence and influence for positive change.

#### Framework Objectives + Tactics

1. Objective: Monitoring, Assessment, and Consideration of Cumulative Impacts

Through the uses of tools and resources for monitoring, modeling, risk assessment and cumulative impacts analysis, strive to identify and understand environmental impacts, <u>inform</u> and target efforts to address past and present impacts, and avoid future disproportionate impacts.

Consider known or potential areas of concern for environmental justice when planning for environmental monitoring. When deciding where, when, and what to monitor, expressly consider contaminants of concern in areas of concern for environmental justice. Evaluate whether additional monitoring would help to understand risks.

# Changes to our products – how they are used and how they are made

Four 2030 goals

25%

**55**<sub>MMT</sub>

50%

50%

Reduction in scope 3 absolute lifetime GHG emissions from newly-sold products

million metric tons reduced from scope 3 GHG emissions from products in the field Reduction in absolute GHG emissions from facilities and operations

Reduction of volatile organic compounds emissions from paint and coating operations

Product decarbonization

Doing our part to address climate change and air emissions

### Use less, use better, use again

Four 2030 goals

25%

100%

100%

30%

Generate less waste in facilities and operations as part of revenue

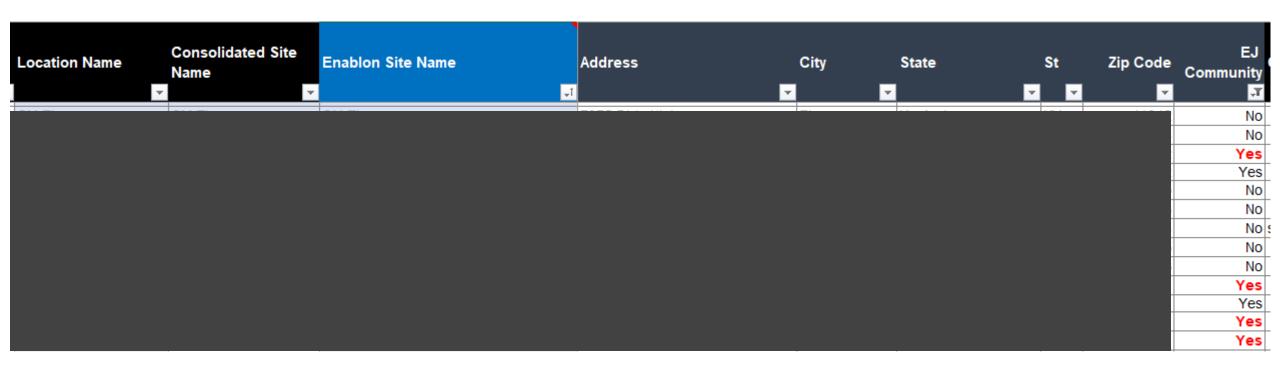
Create a circular lifecycle plan for every part to use less, use better and use again

Reuse or responsibly recycle 100 percent of packaging plastics and eliminate single-use plastics

Reduction in absolute water consumption in facilities and operations

Using natural resources in the most sustainable way

# **CMI Sites by EJ Status**



# Data-Driven EJ Targets + Tracking

All Essents										
All Funds				-1 -11 - 1 - 1						
Year		Total Project Cost (\$k)	Capital Cost (\$k)	Electricity Savings (Kwh)	Diesel Savings (Gals)	NG Savings (CU.FT)	Water Savings (US Gals)	GHG Reduction (mt Total Waste Savings	Total Energy Savings (MMBTu)	
	2021 Yes									
	2021 No									
	2021 Total									
Percent EJ	ercent EJ									
	2022 Yes									
	2022 No									
	2022 Total									
Percent EJ										
	2023 Yes									
	2023 No									
	2023 Total									
Percent EJ										
Delta 2021-	2022									
Delta 2022-	2023									
2024 Target										

## **Environmental Capital Prioritization - EJ**

1								
Criteria	Explanation	9	9	3	1		0	
Energy Impact	Measure of MMBtu & GHG saving s							
Water Impact	Measure of US Gal savings & water scarcit y							
Waste Impact	Measure of kg savings							
\$ per env benefit	Measure of \$/MMBtu, \$/100Gallon, \$/100Kg							
Simple Payback	Cost ÷ cost savings							
Environmental Justice Impact		Direct reduction of env. burden in EJ DA	Direct env. benefit for EJ DA community	Indirect reduction of env. burden in	Env. burden reduction in non-EJ DA	in non-EJ	Env. burden reduction in	Env. benefit in non-EJ

EJ DA

community

community

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disadvantaged community

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community

according to

# **Prioritizing EJ in Practice**

Completion Quarter	Energy Impact	Water Impact	Waste Impact	\$ Spent Per Env Benefit		Payback	Ability to			Priority for Strategic Fund	Score	Column1
										High	416	
										High	280	
										High	263	
										High	263	
										High	263	
C&E Weighting												
Energy I	mpact	Wat	er Impac	t Wast	e Impact	\$/Be	enefit	Payback	D	eliver	EJ	Impact
7			7		7	•	10	4		0		7

### AI + Sustainability @ CMI

### Al for Sustainability

- Al tools for sustainable supply chain management
- Al for sustainability reporting
- Al for environmental data management

### Sustainability Req's for Al

- Environmental risk in Al risk assessment
- Environmental impact of CPU in AI vendor selection criteria
- Environmental benefit-burden in AI use-case prioritization

#### Al for Sustainability Employees

- Environmental staff augmentation with productivity tools
- Virtual assistants
- Chatbots
- Knowledge retrieval for environmental reports + data





