June 17, 2022

Ms. Vanessa Countryman
Secretary
United States Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: [File No. S7-10-22] The Enhancement and Standardization of Climate-Related Disclosures for Investors

Dear Ms. Countryman,

We appreciate the opportunity to comment on “The Enhancement and Standardization of Climate-Related Disclosures for Investors” proposed rule published in the Federal Register on March 21, 2022.

Cummins Inc. is committed to helping address climate change. This includes setting targets for carbon neutral products and operations, investing to reduce greenhouse gas emissions (GHG) and being transparent to stakeholders on our progress and challenges in this journey. We also promote collective action by partnering with others and advocating for tough, clear, and enforceable regulations globally.

It is in this context that we offer support for the Commission’s focus on standardizing GHG emissions data, while recommending changes to minimize unintended consequences that could impede progress. The Commission has an important and valuable role in ensuring accountability and transparency, while providing a consistent approach for company disclosures on climate change. Cummins supports the goals of improved transparency and consistency to achieve this objective. We also encourage the Commission to carefully consider the breadth and scope of the requirements in this landmark regulation. It is important that the government continues to encourage proactive climate change actions by companies and recognize that time is needed to learn and improve disclosures according to the requirements. Specifically, we request that the Commission:

- provide further guidance and flexibility on the scope and boundary of disclosures,
- consider permitting registrants to file GHG data outside of the Form 10-K,
- eliminate the 1% disclosure requirement on the financial statements, and
- modify or eliminate the disclosure requirements for non-controlled entities.

Cummins believes the disclosures as proposed by the SEC are important, but the execution of them could be burdensome, confusing to stakeholders, and time intensive. For example,

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Cummins already provides detailed Company data once finalized and audited on capital spend and Scope 1, 2, and 3 emissions through regular reporting with CDP. It is currently unclear from the proposal how Cummins would need to change some of these disclosures and whether there would be an associated benefit to investors and other stakeholders. Cummins and other companies need more definitive guidance and recognition of existing practices to better direct resources and time to the appropriate and most meaningful areas.

About Cummins and the Company's Climate Change Actions

Cummins Inc., a global power leader, is a corporation of complementary business segments that design, manufacture, distribute, and service a broad portfolio of power solutions. The company's products range from diesel, natural gas, electric, and hybrid powertrains and powertrain-related components including filtration, aftertreatment, turbochargers, fuel systems, controls systems, air handling systems, automated transmissions, electric power generation systems, batteries, electrified power systems, hydrogen generation, and fuel cell products. Cummins is an over 100-year-old company that was founded and is headquartered in Columbus, Indiana. Today, the company operates in 190 countries with over 60,000 employees globally, including over 27,000 employees in the United States.

Cummins continuously strives to be a global leader in environmental protection, diversity, and good governance while supporting our communities globally. The company has a long history of technological leadership in diesel and natural gas engines and components. As an example of this commitment, since the 1990s, we have lowered the emissions for particulate matter and nitrogen oxide from Cummins engines in the United States by more than 95% with further significant reductions in fuel consumption and GHGs.

As we look to the next 100 years of our business, Cummins is committed to being a leader in bringing to market low- and no-carbon power technologies such as battery and fuel cell electric. Cummins has and will continue to make significant investments in electrified powertrains, battery design and assembly, battery management, fuel cells, and hydrogen generation. Those technologies are already powering a growing number of vehicles such as school buses as well as the world's first hydrogen-powered passenger train. Further, the company is a leading manufacturer of electrolyzers to produce green hydrogen, a promising fuel for decarbonization. These technologies will have less impact on the planet, while still delivering value and prosperity for our customers and communities.

In addition, Cummins has been driving improvements across its operations. Cummins was one of the earliest companies to set and achieve energy and GHG reduction goals through the U.S. EPA's Climate Leaders Program over 15 years ago. Facility improvements between 2014 and 2020 produced GHG savings at Cummins equivalent to removing more than 100,000 cars from the road for a year.

In 2019, Cummins announced PLANET 2050, a long-range business strategy, which includes science-based targets aligned with the Paris climate accords. The strategy uses actions, advocacy, and partnerships to do our part to drive change for a healthy planet. By 2050, we aim to increase customer success by continuing to develop carbon neutral technologies and achieve near zero pollution in Cummins facilities and operations. The strategy includes two approved science-based targets timed to 2030. One is to reduce absolute GHG emissions from Cummins' facilities and operations (scopes 1 and 2) by 50%, which is consistent with keeping global warming to 1.5°C above pre-industrial levels. The other is an absolute lifetime reduction in the company's scope 3 GHG emissions from newly sold products by 25%. Cummins is also aiming to reduce Scope 3 emissions from products in use by 55 million metric tons by partnering with customers.

We hold ourselves accountable on all these efforts by disclosing our progress through public external reporting bodies and publishing on our website. We have released an annual sustainability report since 2003 and set our first public GHG reduction goal in 2006. We currently report to industry leading groups in these areas, including the CDP climate and water securities assessments and a data book in accordance with the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), and the Taskforce on Climate-Related Financial Disclosures (TCFD). Starting in our sustainability report published in 2022, we will transparently report on the progress toward meeting our nine 2030 goals for PLANET 2050, three of which are related to climate change. Not only does our company report on the goal progress, but we also provide more detail on the strategies to meet them in other documents published throughout the year. Cummins has found the rigor of defining, measuring, and reporting on our environmental performance has been the foundation for a continuous cycle of improvement, enhanced stakeholder relationships, and improved business value.

Feedback on the Commission's Proposed Rule on Climate-Related Disclosures

Cummins CEO, Tom Linebarger, has called climate change "the existential crisis of our time" leading to a broad range of company actions and partnerships. The company supports efforts to disclose climate related data and efforts that will drive consistency, comparability, and reliability for our stakeholders. We support the following aspects of the proposed rule:

1. Efforts to align disclosure practices with those of TCFD framework and the GHG Protocol reducing the burden on the filers,
2. Phase in period for all registrants with additional phase in period for Scope 3 emissions,
3. Additional fiscal years to transition into reasonable assurance requirement for Scope 1 and Scope 2 emissions, and
4. Not requiring the attestation service provider to be a registered public accounting firm as it requires experienced environmental firms to evaluate the emissions data and avoid double auditing.

Our support for these provisions is rooted in our experience over the last two decades as we have evolved and expanded our environmental commitments and disclosures. These experiences are the basis for which we offer the recommendations on improvements to the proposed rule. We remember the uncertainty of publicly committing to our first GHG reduction goal in 2006 when we did not have absolute clarity on how we would achieve it. That initial commitment was a significant milestone for the company as it set us on a 15-year path which led us to set three more consecutive facility GHG reduction goals and ultimately expand into the comprehensive PLANET 2050 plan. Throughout this period, we learned and evolved our goals, metrics, and processes.

We think it is part of our role to help companies learn from our journey, but we are concerned that the breadth and scope of the requirements in the Commission's proposed rule could have the unintended consequence of impeding others from taking that crucial step of publicly committing to reductions. Meeting our bold goals includes circumstances over which we do not have complete control, such as a supportive regulatory framework, widespread industry adoption, and customer acceptance and purchase of our lower carbon technologies. Furthermore, Cummins is concerned that the proposal does not provide ample time and flexibility to learn and evolve the requirements as we have experienced firsthand. If the Commission is not careful, there could be unintended impacts that result in high costs with limited benefit or even detrimental effects. Please see the following areas in which we believe the rule could be amended to assist in attaining our mutual goals of encouraging greater reduction of GHGs and ensuring accountability, transparency, and consistency in climate change disclosures.

Extensive Nature of Disclosure & Timing

First, we are concerned with the extensive nature of the disclosures that would need to be submitted in the 10-K and the timing of the filing. Currently, at Cummins, our validated scope 1 and 2 data is only available 60 days (about 2 months) after the end of a fiscal quarter. This data then must be consolidated and validated at a corporate level and assured by a third-party prior to external stakeholder reporting. Estimating the fourth fiscal quarter data to accommodate 10-K deadlines would lead to subsequent filings to disclose material differences between actual and estimated data and stakeholders receiving different data sets based on the end date. In addition, requiring these disclosures as a part of the 10-K timing would delay the reporting of financial information to the marketplace as we would push back the filing of our 10-K to the last possible moment, whereas today we file at least 3 weeks before the deadline.

We recommend the Commission allow companies to report this data at a later date than the 10-K to avoid the need to rely on estimates that may be updated later in the year. This will provide a more accurate picture of how companies are performing against their goals. If the current version of the proposal is included in the final rule, we recommend the Commission set a standard percentage threshold for material differences within which subsequent filings are not required. This would help filers from having to elect their own material difference thresholds, be consistent and provide stakeholders with better comparability and confidence in the reported data.

Assurance

We are concerned about the cost and compliance associated with moving from limited assurance to reasonable assurance. Currently, Cummins completes limited data assurances for Scopes 1, 2, and 3. The timelines are aligned with existing reporting requirements (e.g., CDP in June and TCFD during the 3rd quarter). The advancement of this data will require completing the assurance in two phases (i.e., for the first three fiscal quarters and for the fourth fiscal quarter when actuals are available) and the phased in assurance threshold will lead to substantial increased compliance expenditures. Furthermore, the inclusion of data in the financial statements will significantly increase costs as those disclosures would have to be audited by our financial statement auditor and subject to more rigorous SOX level controls. We estimate the total cost of the increased assurance for Cummins to be in the range of $5-8 million. We believe moving from limited to reasonable assurance will lead to increased compliance costs, while potentially not significantly improving the reliability of the data.

1% Disclosure Line Item

The current proposal seeks to amend Regulation S-X to require registrants to include footnote disclosures in their consolidated financial statements if certain climate-related impacts or expenditures meet a 1% threshold. We believe this rule in its current form would lead to disclosed accumulated data that would not be considered material as a whole today. The information required to be disclosed would also be completely speculative. This threshold is not applied to other aspects of financial reporting and the detailed level of analysis required would be burdensome, while not providing meaningful data to shareholders. Therefore, we respectfully request this disclosure be eliminated as this requirement would not meet the Commission's objective of providing helpful information to stakeholders.

However, should the SEC proceed with the disclosure requirement, we believe it will be necessary for the Commission to provide clarification on what would qualify as in-scope. As the proposed rule is currently drafted, the scope of what must be included and how to estimate those impacts is extremely subjective, which will lead to difficulty in auditing and may not even be operable in its current form.

Scope 3 Information in Filed Document with Limited Safe Harbor

Cummins has publicly reported its Scope 3 emissions since 2015. Reducing Scope 3 absolute lifetime GHG emissions from newly sold products by 25% is a major 2030 goal of our PLANET 2050 strategy and a Science Based Target Initiative. We support the disclosure of our Scope 3 emissions to the Commission, but we request that the Commission provide further guidance on the safe harbor provisions outlined in the proposed rule. It would not be a good outcome of this rule that companies are discouraged from making such commitments and communicating them publicly. Flexibility is needed to encourage action even when the exact path toward achievement is unknown. The proposed safe harbor currently states that, with respect to Scope 3 disclosures, a statement will not be deemed "fraudulent," "unless it is shown that such statement was made or reaffirmed without a reasonable basis or was disclosed other than in good faith." It would be beneficial for the Commission to better define what would constitute a "reasonable basis" for making disclosures regarding Scope 3 emissions. Additionally, it would be helpful for the Commission to provide some examples of what type of diligence or review would satisfy the "reasonable basis" standard.

Organizational Boundary

Cummins follows the GHG Protocol methodology for setting organizational boundary for Scope 1 and Scope 2 reporting. The protocol provides flexibility to organizations to choose their organizational boundary between equity share or operational control approaches. Cummins utilizes the operational control approach and accounts for 100% of the GHG emissions from consolidated operations where Cummins has direct management involvement and joint ventures or subsidiaries that are part of the Cummins Enterprise Environmental Management System (ISO 14001). Cummins does not account for emissions from operations in which it owns an interest but has no direct management involvement. Cummins believes this criterion best reflects the company's authority to introduce and implement operational policies to influence the GHG emissions from those operations, noting that large capital investments still require approval from the joint venture partner that has financial control over an operation.

The Commission's proposed rule essentially requires registrants to follow GHG Protocols' equity share approach. Though following this approach can drive consistency with financial reporting, this would require changing the Scope 1 and Scope 2 disclosure approach that does not reflect where Cummins can directly influence and/or implement actions to reduce emissions. Additionally, requiring equity investees and non-managed operations to report their emissions would require additional time to implement stringent data tracking and validation systems without which there will be data quality and double counting concerns.

Cummins requests the Commission allow flexibility to set the organizational boundary. That way it will be clearer to investors what actions and progress the Company is responsible for. However, if the SEC chooses to adopt the proposed approach, we request providing additional fiscal years to transition to the SEC proposed standards, if included in the final rule. This would allow sufficient time to work with all equity investees to adopt and implement stringent data collection and validation systems to report reliable energy and emissions data as well as prevent double counting.

Conclusion

On behalf of Cummins, we commend the Commission for proposing a rule to enhance and standardize climate-related disclosures for investors. We appreciate the opportunity to comment on this important matter.

This proposal helps ensure accountability and transparency and provides a consistent approach for company disclosures on climate change. As a result, Cummins is supportive of many of the components of this rule. We have outlined several recommendations based on our experiences and desire to ensure that we encourage more actions by companies globally to reduce GHG emissions. By reducing the burden of the proposal and clarifying some of the provisions, we believe this rule can put us on a path to improved accountability, transparency, and consistency in climate change disclosures.

Thank you again for this opportunity, and we look forward to working with the Commission and all stakeholders in our commitment to address climate change.

Regards,

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