

**CUMMINS INDIA LIMITED**  
**AUDIT COMMITTEE CHARTER**

**1. Scope:**

The role, responsibilities and powers of the committee shall include matters set out in this charter and such other items as may be prescribed by applicable laws as amended or by the Board in compliance with applicable law from time to time.

**2. Composition**

- a. The Audit Committee shall comprise of at least three directors as members of the Committee, all of whom shall be independent.
- b. All members of Audit Committee shall be financially literate and at least one member shall have accounting or related financial management expertise.
- c. The members of the Audit Committee shall elect a chairman from amongst themselves who shall necessarily be an independent director. The Chairman shall attend Annual General Meeting to answer shareholder queries and provide any clarifications on matters relating to audit.
- d. The Company Secretary shall act as the Secretary to the Committee Meetings.

**3. Quorum**

The quorum shall be either two members, or one-third of the members of the Audit Committee whichever is greater.

**4. Meetings**

- a. The Committee shall meet at least 4 times in a year and not more than one hundred and twenty (120) days shall elapse between two meetings.
- b. The Auditors, the Chief Internal Auditor and the Chief Financial Officer shall attend and participate at meetings of the Committee. The Committee may invite such of the executives, as it considers appropriate, to be present at the meetings. The auditors and KMP shall have right to be heard in the meetings of the Audit Committee when it considers the Auditor's Report but shall not have the right to vote.

**5. Roles and Responsibilities:**

- To oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible
- To recommend appointment, remuneration and terms of appointment of Auditors of the Company to approve payment to Statutory Auditors for any other services rendered by the Statutory Auditors
- To review with the Management, the annual financial statements and Auditor's Report thereon before submission to the board for approval, with particular reference to:
  - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013

- Changes, if any, in accounting policies and practices and reasons for the same
- Major accounting entries involving estimates, based on the exercise of judgment by Management
- Significant adjustments made in the financial statements arising out of audit findings
- Compliance with listing and other legal requirements relating to financial statements
- Disclosure of any related party transactions
- Qualifications in the draft Audit Report.
- Investments made by the unlisted subsidiary
- To review, with the Management, the quarterly financial statements before submission to the Board for approval.
- To review, with the Management, the statement of uses/ application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes
- Other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the end utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter
- To review and monitor the auditor's independence, performance, experience, qualification, and effectiveness of audit process
- To approve transactions of the Company with related parties and/ or any subsequent modification thereof
- Scrutiny of inter-corporate loans and investments to evaluate undertakings or assets of the Company, wherever it is necessary
- To evaluate internal financial controls and risk management systems to review, with the Management, performance of statutory and internal auditors, adequacy of the internal control systems
- To review the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit
- To discuss with internal auditors of any significant findings and follow up there on to review the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board
- To discuss with Statutory Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern

- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors
- To review the functioning of the Whistle Blower mechanism
- To approve appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate.
- To review utilization of loans and/ or advances from/investment by the holding company in the subsidiary exceeding Rs. 100 crore or 10% of the asset size of the subsidiary, whichever is lower.
- To carry out any other function as is mentioned in the Charter of the Audit Committee.

**B. The Audit Committee shall mandatorily review the following information:**

- Management discussion and analysis of financial condition and results of operations
- Statement of significant related party transactions (as defined by the Audit Committee), submitted by management
- Management letters/ letters of internal control weaknesses issued by the statutory auditors
- Internal audit reports relating to internal control weaknesses
- The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.

**6. Compliance Certificate**

The Chief Executive Officer / Managing Director and Chief Financial Officer shall furnish the following Compliance Certificate that they have indicated the auditors and the Audit Committee

- Significant changes in internal control over financial reporting during the year.
- Significant changes in accounting policies and practices and reasons for the same during the year and the same have been disclosed in the notes to the financial statements and,
- Instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the listed entity's internal control system over financial reporting.

**7. Performance Evaluation**

- Conduct an annual performance evaluation relative to the Audit Committee's purpose, duties, responsibilities and effectiveness and recommend any changes it considers necessary for the approval of the Board of Directors.
- The Audit Committee may conduct such evaluation and reviews in such manner as it deems appropriate.

**8. Review of Audit Committee Charter**

The adequacy of this charter shall be reviewed and reassessed by the Audit Committee, at least, annually and appropriate recommendations shall be made to the Board to update the same based on the changes that may be brought about to the regulatory framework, from time to time.

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