

CUMMINS INDIA LIMITED
AUDIT AND COMPLIANCE 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.

The Committee's review function will include the financial reporting process, the system of internal financial controls, the audit process, the Company's system/process/mechanism for monitoring legal and regulatory compliances. The Board has therefore, renamed its existing committee as "Audit and Compliance Committee".

2. Composition

- a. The Audit and Compliance Committee shall comprise of at least three Independent Directors as Members of the Committee and such other Directors as may be decided by the Board
- b. All Members of Audit and Compliance Committee shall be financially literate and at least one Member shall have accounting or related financial management expertise.
- c. The Members of the Audit and Compliance 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 and Compliance Committee whichever is greater, with at least two being the Independent Director.

4. Meetings

- a. The Committee shall meet at least 4 times in a year or at such frequency as may be prescribed in this behalf and not more than one hundred and twenty (120) days shall elapse between two meetings
- b. The Chief Financial Officer shall attend and participate at meetings of the Committee. The Internal Auditor and the Statutory Auditors may also participate at the meetings with respect to the audit/ limited review conducted and other incidental matters thereto. 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. Powers

The Committee shall have *inter-alia*, the following powers:

- To investigate any activity within its terms of reference
- To call for any explanation, information, representation or confirmation from any employee, Director, Auditor or other stakeholder, confidentially or otherwise

- To obtain outside legal or other professional advice of outsiders with relevant expertise, if Committee considers it necessary

6. A. Roles and Responsibilities/ Terms of Reference for review of financial reporting process and system of internal financial controls :

- 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 (Statutory Auditors, Secretarial Auditor, Cost Auditor and Internal Auditor) of the Company and 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 and any amendment thereto
 - 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 compliance and reports as may be applicable, pursuant to the provisions of SEBI (Prohibition of Insider Trading) Regulations, 2015, at least once in a financial year and verify that the systems for internal control are adequate and are operating effectively.

- 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 Policy and/or Vigil Mechanism.
- To review and recommend the Cost Audit Statements and Cost Audit Report to the Board of Directors.
- 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 or such other limit as may be prescribed.
- To carry out any other function as may be delegated by the Board or as may be prescribed under applicable laws from time to time.

B. The Audit and Compliance 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 internal auditor shall be subject to review by the Committee.
- Statement of deviation(s) or variation(s) for public issue, rights or preferential issue, etc, as required under Regulation 32 of SEBI (LODR) Regulations, 2015:
 - a) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1).
 - b) annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(7).

C. Role and Responsibilities/ Terms of Reference for review of legal and regulatory compliances:

- To review the system and/or framework devised for monitoring and implementing compliance with applicable laws, rules and regulations, to ensure that the same is adequate and operating effectively and to recommend changes required if any;
- To note the overall compliance status by periodically reviewing the Legal Compliance Report including management responses thereto;
- To review the legal cases filed by and against the Company, as per the threshold approved by the Board and/or Committee from time to time and significant government inquiries or investigations and other significant legal actions, if any;
- To review significant current and upcoming amendments to the laws, rules and regulations that may impact business operations, performance, strategy or reputation of the Company;
- To review Ethics updates periodically;
- To aid management in developing a strong compliance culture at all levels in the Company resulting in appropriate consideration of compliance risks in key strategic and business decisions;
- To carry out any other function as may be delegated by the Board or as may be prescribed under applicable laws from time to time.

6. Compliance Certificate(s)

The Chief Executive Officer/Managing Director and Chief Financial Officer shall furnish certificate(s) on matters related to financial statements and controls, internal controls and such other matters as required to be certified to the Board or to the Audit Committee under applicable laws and regulations.

The Chief Executive Officer/Managing Director and/ or Chief Financial Officer may further provide such other compliance certificate(s) related to regulatory compliance, financial risk, incidence of fraud or any other matter, as deemed necessary from time to time.

The Committee shall take note of certificate(s) placed in the meetings.

7. Performance Evaluation

- a. Conduct performance evaluation and feedback surveys in whatever name called related 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.
- b. The Audit Committee may conduct such evaluation and reviews in such manner as it deems appropriate.

8. Compliance of the Audit and Compliance Committee Charter

The functioning of the Committee as against the charter may be reviewed and shared with the Committee at least once in a financial year.

9. Review of Audit and Compliance Committee Charter

The adequacy of this charter may be reviewed and reassessed by the Audit and Compliance Committee, at such intervals as deemed fit and appropriate recommendations may be made to the Board.

Any amendment in the regulatory requirements shall be binding on the Company and shall prevail over this charter even if not incorporated. In any circumstance where the terms of this charter differ from any applicable law for the time being in force, the provisions of such applicable law shall take precedence over the charter.

Approved By: Board of Directors

First Modification: May 24, 2018

Last Modification: November 04, 2022

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