

ARVINMERITOR, INC. INTERNAL AUDIT CHARTER

The foundations of our internal audit principles and practices are based on ArvinMeritor's longstanding commitment to good corporate governance. This commitment dates from the ArvinMeritor merger in 2000 and for decades prior at both Arvin Industries and Meritor Automotive (and Meritor's predecessor, Rockwell International.) Internal Audit services has a written charter that it reviews annually to ensure compliance to the NYSE rules. The text of that charter appears below.

INTRODUCTION

Internal auditing is an important management tool and one of the ways ArvinMeritor's management maintains the integrity, efficiency and effectiveness of its financial and other management control systems. Internal Audit operates as an independent, yet integral, part of management, conducting its duties professionally and objectively. The need for internal audit activities within ArvinMeritor does not stem from mistrust, but rather is viewed as a means of developing and maintaining systems of order and control.

ArvinMeritor's vice president, Internal Audit, is employed by the chief executive and chief financial officer, with the concurrence of the Audit Committee of the board of directors, and works autonomously with each business unit and function. Independence and accessibility to information sources are essential to internal auditing being performed effectively and objectively. Such objectivity, coupled with the professional practice of internal auditing and the competence of trained auditors, gives credibility to their recommendations and ensures management's support thereof.

The vice president, Internal Audit, has reporting responsibilities to both the senior managers of ArvinMeritor and to the Audit Committee of the board of directors. He/She reviews an internal audit mission with these managers, and adapts it, when necessary, to reflect changing business objectives. The vice president also provides a schedule of planned activities, as well as reports on the performance and results of prior planned activities. He/She also presents an annual budget.

MISSION AND SCOPE OF WORK

The mission of ArvinMeritor's Internal Audit services is to provide independent, objective assurance and consulting services that will add value and improve ArvinMeritor's operations. It also helps ArvinMeritor accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

The scope of work of Internal Audit services is to determine whether ArvinMeritor's system of risk management, control and governance processes – as designed and represented by management – is adequate and functioning in a manner to ensure that:

- Risks are appropriately identified and managed.
- Control processes are effective and continually reviewed to determine need for improvement.

- Significant financial, managerial and operating information is accurate, reliable and timely.
- Employees' actions are in compliance with policies, standards and procedures, as well as with applicable laws and regulations.
- Resources are acquired economically, used efficiently and adequately protected.
- Significant legislative or regulatory issues impacting the organization are recognized and addressed appropriately.

Opportunities for improving management control, profitability and the company's image may be identified during internal audits. These opportunities will be communicated to the appropriate level of management.

ACCOUNTABILITY

The vice president, Internal Audit, in the discharge of his/her duties, shall be accountable to management and the Audit Committee to:

- Provide ongoing assessments on the adequacy and effectiveness of the company's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work
- Report significant issues related to the processes for controlling the activities of the organization and its affiliates – including potential improvements to those processes – and provide information concerning such issues through resolution
- Provide information on the status and results of the annual audit plan and the sufficiency of department resources
- Coordinate with and provide oversight of other control, monitoring and governance functions, including risk management, compliance, security, legal, ethics, environmental and external audit

INDEPENDENCE

To provide for the independence of Internal Audit services, the group's personnel report to the vice president, Internal Audit. He/She reports functionally to the Audit Committee and administratively to the chief financial officer in the manner outlined above. The group functions independent of each business unit and corporate function.

RESPONSIBILITY

The vice president, Internal Audit, and the staff of Internal Audit services have responsibility to:

- Develop and periodically review with management and the Audit Committee the internal audit mission, adapting it, as necessary, to reflect changing business objectives
- Develop a flexible annual audit plan, using an appropriate risk-based methodology – including any risks or control concerns identified by management – and submit that plan to the Audit Committee for review and approval, as well as provide periodic updates
- Develop a reasonable budget that is sufficient to accomplish the approved audit plan

- Implement the annual audit plan, as approved, including, as appropriate, any special tasks or projects requested by management or the Audit Committee
- Maintain a professional audit staff (or secure comparable co-sourced resources) with sufficient knowledge, skill, experience and professional certification to meet the requirements of this charter
- Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations and control processes coincident with their development, implementation and/or expansion
- Issue periodic reports to the Audit Committee and management summarizing results of audit activities
- Assist with the administration, disposition and reporting of corrective actions committed to by those who are audited
- Keep the Audit Committee informed of emerging trends and successful practices in internal auditing
- Assist in the investigation of suspected fraud occurrences and notify management and the Audit Committee of the results
- Act as a conduit to the Audit Committee for notice and information relating to all fraud within the company
- Consider the scope of work of the external auditors and others, as appropriate, for the purpose of providing optimal audit coverage to the organization at a reasonable overall cost
- Refrain from performing any operational duties for the organization or its affiliates or from directing the activities of any employee not employed by or assigned to Internal Audit services, except in the context of providing assistance with continuous improvement initiatives
- Refrain from initiating or approving accounting transactions, other than for the administration of Internal Audit services

AUTHORITY

The staff of Internal Audit services and/or the vice president, Internal Audit, is authorized to:

- Have unrestricted access to all functions, records, property and personnel
- Have full and free access to the Audit Committee
- Allocate resources, set frequencies, select subjects, determine scopes of work and apply the techniques required to accomplish audit objectives
- Obtain the necessary cooperation and assistance of personnel in units of the organization where they perform audits, as well as of other specialized services from within or outside of the organization
- Consult with management on matters such as the design of business control systems, risk management activities and governance processes
- Participate as an ex-officio member of the Disclosures Committee and as a member of other committees, teams, boards, etc., provided that such participation does not compromise or appear to compromise the independence of Internal Audit services or its staff

STANDARDS OF AUDIT PRACTICE

Internal Audit services will meet or exceed the *Standards for the Professional Practice of Internal Auditing* of The Institute of Internal Auditors.

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