

CUMMINS INC.
COMPENSATION COMMITTEE CHARTER

I. Organization

The Committee shall consist of at least three Directors, including a Chairperson, each of whom shall meet the applicable independence and experience requirements of the Cummins Corporate Governance Principles, the New York Stock Exchange or other relevant listing authority, the federal securities laws (as amended by the Sarbanes-Oxley Act of 2002) and the rules and regulations of the Securities and Exchange Commission ("SEC").

Appointment and removal of Committee members shall be conducted in a manner consistent with the director selection guidelines set forth in the Company's Corporate Governance Principles.

The Committee shall be structured and operated in a manner consistent with the Company's Corporate Governance Principles and in accordance with the Corporation's By-laws.

II. Purpose

1. To review and approve the strategy and design of all compensation plans for the Board of Directors and Officers of the Corporation.
2. To ensure, through review and approval processes, that all awards comply with the intent of such plans.

III. Responsibilities

1. Review and approve the compensation philosophy and strategy for the Board of Directors and the Officers of the Company. Compensation to be examined by the Committee shall, in addition to base compensation, include all bonuses, grants involving stock or stock options, and all benefits and perquisites provided by the Corporation.
2. Periodically assess the compensation philosophy, strategy and tactics for alignment with both corporate objectives and market forces, to ensure that

appropriate quality of talent can be attracted to the Corporation, and, if performing satisfactorily, retained.

3. Report annually in the Corporation's Proxy Statement regarding the Corporation's Executive Compensation Program, in accordance with applicable rules and regulations.
4. Review and approve corporate goals and objectives relevant to CEO compensation. Annually establish and approve the compensation of the CEO, following a review of the CEO's performance and considering input from the Board as reported to it by the Governance and Nominating Committee, and establish and approve the compensation of the CEO based upon such review and report, and review and approve any employment agreement or arrangement with respect to the foregoing. (As a general rule, it is not Company practice to enter employment agreements, except in locations where required by law and/or custom.)
5. Provide the Board an assessment of the Compensation Committee's performance annually as detailed in Section VI.
6. Review and approve the compensation of the Board of Directors of the Corporation.
7. Review the compensation of all Officers of the Corporation as proposed by the CEO, approve the compensation of all members of the Executive and Operating Committees of the Corporation and review and approve any employment agreement or arrangement with respect to the foregoing.
8. Approve the design of the various short-term and long-term incentive plans and executive benefit and perquisite plans of the Corporation.
9. Approve the design and features (number, vesting requirements, exercise rights, etc.) for any plans involving grants of stock options, restricted stock, performance shares, and any other form of grants under the Corporation's long-term plans to any employees of the Corporation. Such grant plans may then be

administered by the CEO, but are subject to periodic review by the Committee.

10. Jointly with the Chairperson of the Governance and Nominating Committee, the Committee Chairman will discuss with the CEO the compensation and performance of the CEO, after final approval by the Committee.
11. Review and approve terms of any severance or termination plans, employment agreements (including expatriate packages) or policies with respect to all Officers of the Corporation.
12. Review and approve any special exceptions, changes, additions or deletions regarding compensation.
13. Review and monitor the financial impact of compensation and benefit plans.

IV. Engagement of Experts and Advisors

The Committee will, as it deems appropriate, engage outside legal, accounting or other advisors, without the need for prior approval by the Board of Directors. The Company shall provide appropriate funding, as determined by the Committee, for payment of applicable fees and expenses of these parties.

Regarding any engagements the Committee enters with consultants, the Committee:

- a) has final authority to hire or terminate the consultant;
- b) may seek additional opinions from other consultants at any time;
- c) reviews and approves annually the consultant's scope of work, both for duties provided to the Committee and for duties provided to management;
- d) approves annually the consultant's fee structure for services rendered, and the Chairman will review and approve actual fees incurred quarterly;
- e) will review annually:

- o fees paid by the Company to the consultant for all services provided to the Company;
 - o structural safeguards to assure the independence of the consultant;
- f) will conduct an annual formal review of the consultant's performance;
- g) will be responsible for determining whether and under what circumstances the consultant participates in Committee meetings and executive sessions.

V. Committee Reporting Requirements to the Board

The Committee shall report to the Board of Directors at each Board Meeting for which there is a corresponding Committee Meeting, unless it is determined by the Committee Chair that the nature of the Committee's business was routine and did not warrant the attention of the full Board.

VI. Self-Assessment and Evaluation

The Committee shall perform a review and evaluation, at least annually, of the performance of the Committee and its members, including a review of the Committee's compliance with this Charter. In addition, the Committee shall review and reassess, at least annually, the adequacy of this Charter and recommend to the Board of Directors any improvements to this Charter that the Committee considers necessary. The Committee shall conduct such evaluations and reviews in such manner as it deems appropriate.