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 Nominating, Organization, and Corporate Governance Committee Charter and Guidelines.

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 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 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. 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.

5. Provide the Board an assessment of the Compensation Committee's performance annually.

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, and approve the compensation of all members of the Policy Committee of the Corporation.

8. Approve the design of the various short-term and long-term incentive plans and executive benefit 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 any special exceptions, changes, additions or deletions regarding compensation.

12. Review and monitor the financial impact of compensation 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.

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.