

GI DYNAMICS, INC.

BOARD CHARTER

I. ROLE OF BOARD AND MANAGEMENT

The Board of Directors, which is elected by the stockholders, is the ultimate decision-making body of the Company except with respect to those matters reserved to the stockholders. It selects the senior management team, which is charged with the conduct of the Company's business. Having selected the senior management team, the Board acts as an advisor and counselor to senior management and ultimately monitors its performance.

The fundamental role of the directors is to exercise their business judgment to act in what they reasonably believe to be the best interests of the Company and its stockholders. In fulfilling that responsibility the directors may reasonably rely on the honesty and integrity of the Company's senior management and expert legal, accounting, financial and other advisors.

The primary goal of the Board is to maximize stockholder value over the long term. This should be achieved by creating increased value for the Company's customers, employees, investors, suppliers and the communities in which the Company operates, by focusing on perpetuating a successful business and by optimizing financial returns. The Board is responsible for ensuring that management's processes, policies and decisions further this goal.

The Board believes that management speaks for the Company. Individual directors may occasionally meet or otherwise communicate with various constituencies that are involved with the Company, but it is expected that directors would do this with the knowledge of management and, in most instances, absent unusual circumstances or as contemplated by the committee charters, at the request of management. Individual directors will maintain confidentiality on all Board-related matters.

In addition, the role of the Board, as the body ultimately responsible for the corporate governance of the Company, includes the following major functions:

- providing input into and final approval of management's development of corporate strategy and performance objectives;
- reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct, and legal compliance;
- ensuring appropriate resources are available to senior executives;
- approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestments;
- approving and monitoring financial and other reporting;
- evaluating the overall effectiveness of the Board and its committees; and
- evaluating, selecting and recommending an appropriate slate of candidates for election as directors.

II. DIRECTOR QUALIFICATIONS

The Nominating and Corporate Governance Committee is responsible for reviewing with the Board from time to time the appropriate skills and characteristics required of Board members in the context of the

current make-up of the Board and the Company's business needs. This assessment should include, among other things, an individual's business experience and skills (including skills in core areas such as operations, management, technology, medical device industry knowledge, accounting and finance, marketing, leadership, strategic planning and international markets), independence, judgment, integrity and ability to commit sufficient time and attention to the activities of the Board, as well as the absence of any potential conflicts with the Company's interests. The Nominating and Corporate Governance Committee considers these criteria in the context of an assessment of the perceived needs of the Board as a whole and seeks to achieve diversity of occupational and personal backgrounds on the Board. Board members are expected to rigorously prepare for, attend, and participate in all Board and applicable Committee meetings.

III. DIRECTOR INDEPENDENCE

The Board believes that, as a matter of policy and consistent with applicable laws, rules and regulations, the Board should consist of a majority of independent directors. In no event will the Board consist of less than a majority of independent directors. A director will be considered independent if he or she is not an officer or employee of the Company or its subsidiaries, is free from any relationship that, in the opinion of the Board, would interfere with, or could be reasonably perceived to materially interfere with, the exercise of independent judgment in carrying out the responsibilities of a director, and otherwise meets the requirements of independence set forth in the rules of the NASDAQ Stock Market ("NASDAQ"), the Australian Securities Exchange ("ASX"), the Securities and Exchange Commission and this Board Charter. A director will not be considered independent until the Board affirmatively determines that such director meets all applicable standards. The Board will review these determinations at least once each year based on recommendations from the Nominating and Corporate Governance Committee.

IV. LIMITS ON DIRECTOR OUTSIDE ACTIVITIES

Directors must be willing to devote sufficient time to carry out their duties and responsibilities effectively, and should be committed to serve on the Board for an extended period of time. Each Board member is expected to ensure that other existing and planned future commitments do not conflict with or materially interfere with the member's service as a director. Directors are expected to avoid any action, position or interest that conflicts with an interest of the Company, or gives the appearance of a conflict.

Directors who also serve as CEOs or in equivalent positions should not serve on more than two boards of public companies in addition to the Board, and without the approval of the Board, other directors should not serve on more than five other boards of public companies in addition to the Company's board.

V. CHANGE IN DIRECTOR RESPONSIBILITIES

Directors should offer their resignation in the event of any significant change in their principal job responsibilities. The Nominating and Corporate Governance Committee will consider the tendered resignation and recommend to the Board the action, if any, to be taken with respect to the resignation.

VI. RETIREMENT AGE

The Board does not believe that a fixed retirement age for directors is appropriate.

VII. TERM LIMITS

The Board does not believe it should establish term limits. While term limits could help ensure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of Directors who have been able to develop, over a period of time, increasing insight into the Company and its operations and, therefore, provide an increasing contribution to the Board as a whole.

As an alternative to term limits, the Nominating and Corporate Governance Committee, in conjunction with the Chief Executive Officer, will formally review each Director's continuation on the Board when he or she is re-nominated. This will also allow each Director the opportunity to confirm his/her desire to continue as a member of the Board.

Non-executive directors should be appointed for specific terms subject to re-election.

VIII. SIZE OF BOARD

The Board currently has six members. The Board reviews from time to time the appropriate size of the Board. The Board will consider changing its size to accommodate outstanding candidates or to satisfy specific governance needs.

IX. PRESIDING DIRECTOR; LEAD DIRECTOR CONCEPT

The Presiding Director shall be the Chairman of the Board, if present, or in his absence, the Chair of the Audit Committee. The Presiding Director shall be responsible to chair the Board's executive sessions.

The Chairman of the Board shall receive, oversee distribution to the Board of and arrange responses to communications from stockholders and shall be identified as the recipient of such communications in the annual meeting proxy statement.

We do not believe that it is either necessary or desirable to establish a lead director. The Chairman of the Board, who presides at all meetings of the Board, takes the lead role in the boardroom. The Chairman of the various Board Committees takes the lead on matters falling within their purview that should not involve the Chief Executive Officer.

X. EXECUTIVE SESSIONS OF INDEPENDENT DIRECTORS

The independent directors of the Board will meet in Executive Session at least two times each year in connection with regularly scheduled Board meetings and at any other time requested by any independent director. In addition, the independent directors of the Board shall give consideration to conferring regularly without senior management being present.

XI. BOARD ACCESS TO MANAGEMENT

The independent members of the Board shall have access to, and are encouraged to contact, Company employees in order to obtain the information necessary to fulfill their duties. The Board may establish a process for such inquiries. Management is encouraged to invite Company employees to Board meetings where management participation will provide the Board with additional insight into the matters being considered.

XII. RETENTION OF ADVISORS/CONSULTANTS

The Board and each committee of the Board shall have the authority to retain, at the Company's expense, outside financial, legal or other advisors as they deem appropriate, and shall have the authority to obtain advice, reports or opinions from internal and external counsel and advisors, without consulting with or obtaining approval from any officer of the Company.

XIII. BOARD, COMMITTEE AND INDIVIDUAL DIRECTOR EVALUATION

The Board and each committee will perform an annual self-evaluation. Each year, the directors will be requested to provide their assessments of the effectiveness of the Board and the committees on which they serve to the Nominating and Corporate Governance Committee. The individual assessments will be summarized by the Committee and reported for discussion to the full Board and the committees. The Nominating and Corporate Governance Committee should also report its assessment of the Board's compliance with these principles set forth in this Board Charter as well as identification of areas in which the Board or committees could improve performance and shall review and approve all disclosures relating to any departures from the ASX Corporate Governance Principles and Recommendations.

The Nominating and Corporate Governance Committee shall evaluate individual directors in accordance with the criteria to be set by the Nominating and Corporate Governance Committee and the Board from time to time.

XIV. DIRECTOR NOMINATION PROCESS

The Nominating and Corporate Governance Committee will review annually the results of the evaluation of the Board and its committees, and the needs of the Board for various skills, experience, expected contributions and other characteristics in determining the director candidates to be nominated at the annual meeting. The Nominating and Corporate Governance Committee will evaluate candidates for directors proposed by directors, stockholders or management in light of the Committee's views of the current needs of the Board for certain skills, experience or other characteristics, the candidate's background, skills, experience, other characteristics and expected contributions and the qualification standards established from time to time by the Nominating and Corporate Governance Committee. If the Nominating and Corporate Governance Committee believes that the Board requires additional candidates for nomination, the Committee may engage, as appropriate, a third party search firm to assist in identifying qualified candidates. All nominees for director positions will submit a completed form of directors' and officers' questionnaire as part of the nominating process. The process may also include interviews and additional background and reference checks for non-incumbent nominees, at the discretion of the Nominating and Corporate Governance Committee.

XV. CONSIDERATION OF STOCKHOLDER NOMINEES

The Nominating and Corporate Governance and Committee will review a reasonable number of candidates for director recommended by a single stockholder who has held over 5% of the Company's common stock for over one year and who satisfies the notice, information and consent provisions set forth in the Company's By-laws. Candidates so recommended will be reviewed using the same process and standards for reviewing Board recommended candidates.

XVI. COMMUNICATIONS BY STOCKHOLDERS WITH DIRECTORS

The Board, or as applicable, any committee of the Board or any individual Board member or the non-management Board members as a group, will give appropriate attention to written communications on issues submitted by stockholders or other interested parties, and will respond if appropriate. Communications to directors must be in writing and sent in care of the Company's Corporate Secretary to the Company's headquarters address or delivered via e-mail to an e-mail address established by the Corporate Secretary's office for this purpose. The name(s) of any specific intended Board recipient(s) should be noted in the communication. The Company shall disclose the Company mailing address and e-mail address for such communications in its proxy statement for each annual meeting and on its website.

A copy of each communication received since the date of the last Board meeting shall be distributed to each director in advance of each regularly scheduled Board meeting, except items that are unrelated to the duties and responsibilities of the Board, such as: spam, junk mail and mass mailings, business solicitations and advertisements, and communications that advocate the Company's engaging in illegal activities or that, under community standards, contain offensive, scurrilous or abusive content.

The Company's Corporate Secretary shall be responsible for and oversee the receipt and processing of stockholder communications to Board members. An acknowledgement of receipt shall be sent by the Corporate Secretary or Assistant Secretary to each stockholder submitting a communication. The Company's Corporate Secretary shall retain a copy of each communication for one year from the date of its receipt by the Company. The Board of Directors or individual directors so addressed shall be advised of any communication withheld for safety or security reasons as soon as practicable. The Corporate Secretary shall relay all communications to directors absent safety or security issues.

The Company will make every effort to schedule its annual meeting of stockholders at a time and date to maximize attendance by directors taking into account the directors' schedules. All directors shall make every effort to attend the Company's annual meeting of stockholders absent an unavoidable and irreconcilable conflict.

XVII. DIRECTOR COMPENSATION

On an annual basis, the Compensation Committee shall review the compensation for non-employee directors. The Compensation Committee shall be responsible for recommending to the full Board changes in the compensation for non-employee directors, and shall be guided by the following goals:

- directors should be fairly compensated for the work required in discharge of their duties;
- compensation should align the directors' interests with the long-term interests of stockholders; and
- the compensation policy should be easy for stockholders to understand.

XVIII. STOCK OWNERSHIP/GUIDELINES

While the Board does not establish the level of share ownership for individual directors, the Board believes that directors should be stockholders in order to align their interests with the long-term interests of the Company's stockholders.

XIX. DIRECTOR EDUCATION AND ORIENTATION

The Nominating and Corporate Governance Committee shall develop and maintain an orientation program for new directors that shall include meetings with other members of senior management and visits to the Company's facilities. Incumbent directors shall also be invited to attend the orientation program.

XX. COMMITTEES

The Board will at all times have an Audit Committee, a Compensation Committee, and a Nominating and Corporate Governance Committee. All members of these committees will be independent directors under the criteria described above under "Director Independence" unless otherwise approved by the entire Board. The Board may from time to time establish additional committees as necessary or appropriate. Committee members will be appointed by the Board upon the recommendation of the Nominating and Corporate Governance Committee. Consideration should be given to rotating committee members periodically, but rotation should not be mandated as a policy.

Each committee will have its own charter. The charters will set forth the purposes of the committees as well as qualifications for committee membership. The charters shall be posted on the Company's website.

The Chairman of each committee, in consultation with the committee members and senior management, will determine the frequency and length of the committee meetings consistent with any requirements set forth in the committee's charter. The Chairman of each committee, in consultation with the appropriate members of the committee and management, will develop the committee's agenda.

XXI. CEO EVALUATION

The Compensation Committee conducts a review at least annually of the performance of the CEO. The Compensation Committee shall establish the evaluation process and determine the specific criteria on which the performance of the CEO is evaluated.

XXII. SUCCESSION PLANNING

The Nominating and Corporate Governance Committee shall conduct a periodic review of the Company's succession planning, including policies and principles for CEO selection and succession in the event of an emergency or the retirement of the CEO. The Committee shall report its recommendation to the Board. The Nominating and Corporate Governance Committee shall evaluate and nominate potential successors to the Board as required by circumstances.

XXIII. ETHICS AND COMPLIANCE

The Company will maintain, and the Audit Committee will oversee compliance with, a code of business conduct (known as the Code of Business Conduct and Ethics) for its employees, including its executive officers, and directors. The full text of the code will be posted on the Company's website. The Company will disclose on its website future amendments to or waivers from its code for its executive officers and directors promptly upon any such amendment or waiver. Any waiver from its code for directors or executive officers must be approved by the Audit Committee.

XXIV. RELATED PARTY TRANSACTIONS

The Company will maintain a policy governing the evaluation, consideration and approval of related party transactions. The Audit Committee will be responsible for reviewing and approving the Company's policy with respect to the approval of related party transactions.

XXV. CORPORATE SECRETARY

The Corporate Secretary is accountable to the Board, through the Chairman, for:

- monitoring the Company's compliance in respect of all corporate governance matters, including the implementation of this Board Charter;
- drafting and circulating the minutes of meetings of the Board and all Committees for approval at the next meeting;
- monitoring the Company's compliance with all disclosure obligations and regularly reviewing Company policies and procedures relating to compliance with such disclosure obligations.

The Board shall be responsible for the appointment and removal of the Corporate Secretary.

XXVI. ANNUAL REVIEW

The Nominating and Corporate Governance Committee is responsible for reviewing the Board Charter at least annually and making recommendations for appropriate changes to the Board.