

GI DYNAMICS, INC.

RISK MANAGEMENT POLICY

GI Dynamics, Inc. (**Company**) considers ongoing risk management to be a core component of the management of the Company, and understands that the Company's ability to identify and address risk is central to achieving its corporate objectives.

The Company's risk management policy outlines the program implemented by the Company to ensure appropriate risk management within its systems and culture.

RISK MANAGEMENT PROGRAM

The Company's risk management program comprises a series of processes, structures and guidelines which assist the Company to identify, assess, monitor and manage its business risk, including any material changes to its risk profile.

To achieve this, the Company has clearly defined the responsibility and authority of the Company's board of directors (**Board**) to oversee and manage the risk management program, while conferring responsibility and authority on the Company's senior management to develop and maintain the risk management program in light of the day-to-day needs of the Company. Regular communication and review of risk management practice provides the Company with important checks and balances to ensure the efficacy of its risk management program.

The key elements of the Company's risk management program are set out below.

Risk identification

In order to identify and assess material business risks, the Company defines risks and prepares risk profiles in light of its business plans and strategies. This involves providing an overview of each material risk, making an assessment of the risk level and preparing action plans to address and manage the risk. The Company regularly reviews the risk profiles to ensure currency.

The Company presently focuses on the following types of material risks:

- technological risks;
- strategic business risks;
- operational risks;
- financial risks;
- human resource risks; and
- legal / regulatory risks.

Oversight and management

Board

The Board is responsible for reviewing and ratifying the risk management structure, processes and guidelines which are developed and maintained by senior management. The audit committee or management may also refer particular risk management issues to the Board for final consideration and direction.

Audit committee

The day-to-day oversight and management of the Company's risk management program has been conferred upon the audit committee. The audit committee is responsible for ensuring that the Company maintains effective risk management and internal control systems and processes, and provides regular reports to the Board on the effectiveness of the risk management program in identifying and addressing material business risks. To achieve this, the audit committee is responsible for:

- managing and monitoring the implementation of action plans developed to address material business risks within the Company and its business units, and regularly reviewing the progress of action plans;
- setting up internal processes and systems to control the implementation of action plans;
- regularly monitoring and evaluating the performance of management in managing risk;
- providing management and employees with the necessary tools and resources to identify and manage risks;
- regularly reviewing and updating the current list of material business risks;
- regularly reporting to the Board on the status of material business risks; and
- ensuring compliance with regulatory requirements and best practices with respect to risk management.

Senior management

The Company's senior management is responsible for designing and implementing risk management and internal control systems which identify material risks for the Company and aim to provide the Company with warnings of risks before they escalate. Senior management must implement the action plans developed to address material business risks across the Company and individual business units.

Senior management should regularly monitor and evaluate the effectiveness of the action plans and the performance of employees in implementing the action plans, as appropriate. In addition, senior management should promote and monitor the culture of risk management within the Company and compliance with the internal risk control systems and processes by employees. Senior management

should report regularly to the Board regarding the status and effectiveness of the risk management program.

Employees

All employees are responsible for implementing, managing and monitoring action plans with respect to material business risks, as appropriate.

Review of risk management program

The Company regularly evaluates the effectiveness of its risk management program to ensure that its internal control systems and processes are monitored and updated on an ongoing basis. The division of responsibility between the Board, audit committee and senior management aims to ensure that specific responsibilities for risk management are clearly communicated and understood. The reporting obligations of senior management and the audit committee ensures that the Board is regularly informed of material risk management issues and actions. This is supplemented by the evaluation of the performance of the risk management program and the audit committee, senior management and employees responsible for its implementation.