

GI DYNAMICS, INC.

CHARTER OF THE COMPENSATION COMMITTEE

OF THE BOARD OF DIRECTORS

I. STATEMENT OF POLICY

This Charter specifies the scope of the responsibilities of the Compensation Committee (the “Committee”) of the Board of Directors (the “Board”) of GI Dynamics, Inc. (the “Company”) and the manner in which those responsibilities shall be performed, including the Committee’s structure, processes and membership requirements.

The Committee of the Board of the Company has the responsibility and authority to supervise and review the affairs of the Company as they relate to the compensation and benefits of executive officers of the Company. In carrying out these responsibilities, the Committee shall review all components of executive compensation for consistency with the Company’s compensation philosophy and with the interests of the Company’s stockholders. However, ultimate responsibility for these and any other selection and appointment practices of the Company rests with the Board.

II. ORGANIZATION AND MEMBERSHIP REQUIREMENTS

The Committee shall be appointed annually by the Board on the recommendation of the Company’s Nominating and Corporate Governance Committee, and shall be comprised of at least three Board members, each of whom must be determined by the Board to be “independent” under the rules of the NASDAQ Stock Market, the Australian Securities Exchange (where possible) and applicable law. In addition, no director may serve on the Committee unless he or she is both (1) a “non-employee director” for purposes of Rule 16b-3 under the Securities Exchange Act of 1934, as amended, and (2) an “outside director” for purposes of Section 162(m) of the Internal Revenue Code. A Board member shall not serve on the Committee if any executive officer of the Company serves on the board of directors of an entity that employs such Board member as an executive officer, unless such member is approved by the entire Board.

Each member of the Committee shall serve until his or her successor is duly elected and qualified or until such member’s earlier resignation or removal. The members of the Committee may be removed, with or without cause, by a majority vote of the Board.

Unless a Committee chairman is elected by the Board, the members of the Committee shall designate a chairman by majority vote of the full Committee. The chairman shall preside at all regular sessions of the Committee and set the agenda for each Committee meeting.

Formal action to be taken by the Committee shall be by unanimous written consent or by the affirmative vote of a majority of the disinterested Committee members present (in person or by conference telephone) at a meeting at which a quorum is present, provided that any decision or determination of the Committee reduced to writing and consented to (including by means of electronic transmission) by all members of the Committee shall be fully as effective as if it had been made at a meeting duly called and held. A quorum shall consist of at least a majority of the members of the Committee. For the purposes hereof, a member of the Committee shall be considered to be disinterested if he or she has no direct or indirect financial interest in the matters to be considered by the Committee. Notwithstanding the foregoing, a member of the Committee that recommends compensation determinations for service on the Board or its committees shall be considered disinterested, provided that such action does not affect such member’s compensation disproportionately to that of other directors.

Any actions taken by the Committee during any period in which one or more of the members fail for any reason to meet the membership requirements set forth above shall still constitute duly authorized actions of the Committee for all corporate purposes. The Committee shall make and retain complete and accurate minutes of its meetings.

In fulfilling its responsibilities, the Committee shall, to the extent permitted by law, be entitled to delegate any or all of its responsibilities to one or more subcommittees of the Committee comprised of at least two members of the Committee, except that the Committee may not delegate authority to approve compensation for the Company's Chief Executive Officer or its other executive officers to any person or committee (other than to a subcommittee consisting exclusively of at least three members of the Committee). Any such subcommittee or officer of the Company shall regularly report to the Committee on any actions taken pursuant to such delegated authority.

III. MEETINGS; REPORTING TO BOARD

The Committee shall meet as often as it deems appropriate, but not less frequently than twice per year. Meetings may be called by the chairman of the Board or of the Committee. The Committee may request that any non-committee member, including any employee of the Company attend any of its meetings or meet with any Committee member or consultant. The Committee should meet at least annually with the Company's chief executive officer and such other senior executives as the Committee deems appropriate; provided, however, that the chief executive officer may not be present during deliberations or voting regarding his or her compensation. The Committee should meet periodically in executive session without the presence of management.

The Committee shall report regularly to the Board with respect to its meetings and any significant developments in the course of performing the duties and responsibilities set forth in this Charter or as otherwise requested by the Board.

IV. COMMITTEE AUTHORITY AND RESPONSIBILITIES

The Committee shall have the following authority and responsibilities, subject to such modification and additional authority as the Board may approve from time to time:

- Periodically review and advise the Board concerning the Company's overall compensation philosophy, policies and plans, including a review of both regional and industry compensation practices and trends with a view to ensuring that senior executives are motivated to pursue the long-term growth and success of the Company and that their performance is clearly linked to their compensation.
- Advise management on the composition of any peer group used for comparison purposes.
- Review and make recommendations to the Board regarding corporate and personal performance goals and objectives relevant to the compensation of all executive officers, evaluate the performance of each executive officer in light of those goals and objectives, and make recommendations to the Board regarding each executive officer's compensation, including but not limited to salary, bonus, incentive compensation, equity awards, benefits and perquisites, based on such evaluation.
- Make recommendations to the Board regarding the establishment and terms of the Company's incentive compensation plans and equity compensation plans, and administer such plans.
- Review and make recommendations to the Board regarding grants of options and other awards to all executive officers and directors under the Company's compensation plans
- Review all compensation programs to assess the competitiveness of the Company's compensation packages as compared to its peer group.
- Make and approve grants of options and other awards to all other eligible individuals.

- Review and make recommendations to the Board regarding performance goals under the Company's incentive compensation plans and equity compensation plans for the relevant period and determine whether performance goals have been achieved at the end of such period.
- Review and make recommendations to the Board regarding compensation-related matters for executive officers outside the ordinary course, including but not limited to employment contracts, change-in-control provisions, severance arrangements, and material amendments thereto.
- Review and discuss with management the disclosures in the Company's "Compensation Discussion and Analysis" and any other disclosures regarding executive compensation to be included in the Company's public filings or shareholder reports.
- Based upon its review and discussion with management, recommend to the Board whether the Compensation Discussion and Analysis should be included in the Company's proxy statement, Form 10-K, or information statement, as applicable, and prepare any related reports that may be required by the rules of the Securities and Exchange Commission and/or the Australian Securities Exchange.
- Report to the Board on the Committee's activities on a regular basis.
- Regularly review the Company's compensation, recruitment, retention and termination policies and procedures for executive officers.
- Ensure that the structure of non-executive and executive directors' compensation is clearly distinguished.
- Make recommendations to the Board regarding director compensation.
- At least annually, discuss with management internal controls and disclosure controls relating to executive compensation.
- Review and make recommendations to the Board regarding stockholder proposals related to compensation matters.
- Report and make recommendations to the Board on remuneration by gender.
- Perform such other duties and responsibilities as are consistent with the purpose of the Committee and as the Board or the Committee deems appropriate.

V. RESOURCES AND AUTHORITY

The Committee, in discharging its oversight role, is empowered to study or investigate any matter of interest or concern that the Committee deems appropriate and request information from management in connection with such investigation. The Committee shall have sole authority to retain and terminate any compensation consultant to be used to assist in the performance of the Committee's duties, and shall have sole authority to approve the consultant's fees and other retention terms. The Committee shall also have authority to obtain advice and assistance from internal or external legal, accounting or other advisors. The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation of any such advisors.

VI. ANNUAL REVIEW

The Committee shall review on at least an annual basis (i) this Charter and the scope of responsibilities of this Committee; and (ii) the Committee's performance of its duties. Any proposed

changes to this Charter or the Committee's scope of responsibilities, where indicated, shall be referred to the Board for appropriate action.