

Guidant Corporation

Management Development and Compensation Committee Charter

I. Purpose

The Management Development and Compensation Committee is appointed by the Board of Directors to discharge the Board's responsibilities relating to executive compensation.

II. Composition

The Committee will be comprised of three or more directors. Members of the Committee will be appointed annually by the Board and may be removed by the Board. All members will be independent, as defined in the Company's Corporate Governance Guidelines. Additionally, each member will qualify as a "Non-employee Director" for purposes of Rule 16b-3 under the Securities Exchange Act of 1934.

The Committee may delegate its responsibilities to subcommittees composed of independent directors.

In addition to the factors provided in the Company's Corporate Governance Guidelines for selection of Board members, experience in evaluating performance and compensation will be relevant to the selection of Committee members.

III. Meetings

The Committee generally will meet at least three times per year, with additional meetings if circumstances dictate. The Committee will report on its activities to the full Board.

IV. Committee Authority and Responsibilities

In furtherance of the Committee's purpose, the Committee, in the manner it deems necessary or appropriate, will:

1. Review the Company's senior management succession planning, including profiles of selected candidates and the annual succession planning process.
2. Review and approve the Company's goals and objectives relevant to CEO compensation, evaluate the CEO's performance in light of those goals and objectives, and determine the CEO's compensation based on this evaluation. In evaluating the CEO's long-term compensation, the Committee will consider, among other things, Company performance and relative shareholder return, the value of similar incentive awards to CEOs at comparable companies, and the awards given to the Company's CEO in past years.

3. Review and approve, on an annual basis, the Company's processes for executive compensation and the compensation provided to Guidant Management Committee members, including base salary, annual incentive and equity-based awards.
4. Review the Company's incentive compensation generally, including all equity plans. The Committee will exercise the authority of the Board in administering all such plans.
5. Prepare and publish an annual executive compensation report for the Company's proxy statement.

The Committee will have the authority, to the extent it deems necessary or appropriate, to retain a compensation consultant to assist in the evaluation of compensation. The Committee will have sole authority to retain and terminate any such consulting firm, including sole authority to approve the firm's fees and other retention terms. The Committee will also have authority, to the extent it deems necessary or appropriate, to retain other advisors. The Company will provide for appropriate funding, as determined by the Committee, for payment of compensation to any consulting firm or other advisors employed by the Committee.

The Committee will review and reassess the adequacy of this charter annually and recommend any proposed changes to the Board for approval. The Committee will annually evaluate the Committee's own performance.