

GSI LUMONICS Inc.

Compensation Committee Charter

I. Composition

The Board of Directors (the Board) of GSI Lumonics Inc. and its domestic and foreign subsidiaries (collectively, the Company) will appoint from among its members a Compensation Committee (the Committee) and will designate one such member to serve as the Chair of the Committee. The Committee shall consist of no fewer than three (3) members of the Board, with each member meeting the standards established by the NASDAQ Stock Market and the Toronto Stock Exchange with respect to independence. Members of the Committee shall be appointed for one (1) year terms and are subject to removal by the Board in its discretion.

II. Purpose

The Committee has been established by the Board for the following purposes:

- to review and recommend to the Board the compensation and benefits policies of the Company;
- to evaluate the performance of the senior managers of the Company;
- to review and recommend to the Board the compensation of the senior managers of the Company;
- to prepare an annual report on executive compensation for inclusion in the Company's annual proxy statement;
- to make recommendations to the Board with respect to incentive-compensation plans and equity-based plans; and
- to perform such other functions as the Board may from time to time assign to the Committee.

In performing its duties, the Committee shall seek to maintain an effective working relationship with the Board and the Company's management.

III. Authority and Responsibilities

In addition to any other responsibilities which may be assigned from time to time by the Board, the Committee is responsible for the following matters:

- The Committee shall review and recommend to the Board the compensation and benefits policies generally (subject to shareholder ratification, if required) for the Company's senior management.
- The Committee shall examine the compensation policies of peer group companies to ensure that the Company's compensation policies remain competitive.
- The Committee shall review and recommend to the Board for the Chief Executive Officer (the CEO), for each senior manager who reports directly to the CEO and for each other senior manager designated by the Board or the Committee, his or her (i) annual base salary, (ii) annual incentive compensation, (iii) long-term incentive compensation, (iv) employment severance and change-of-control agreements, if any, and (v) any other compensation, ongoing perquisites or special benefit items.

- On an annual basis, the Committee will establish a set of goals and objectives for the Chief Executive Officer. At the end of each year, the Committee will review the Chief Executive Officer's overall performance, including his or her success in meeting the goals and objectives established by the Committee for the previous year.
- The Committee will review annually with the Chief Executive Officer the performance of the Company's senior management team with particular attention to the Chief Executive Officer's direct reports.
- The Committee shall adopt, amend and make awards under the Company's 1995 Equity Incentive Plan, as amended (the Plan), including making option and other equity awards under the Plan, determining rules and regulations relating to the Plan, designating employees eligible to participate in the Plan, modifying or canceling existing grants under the Plan, and exercising any other rights delegated to the Board or Committee under the Plan.
- The Committee shall prepare the report on executive compensation required to be included in the Company's proxy statement for the annual meeting of shareholders.
- The Committee shall report to the Board periodically. Each report shall include a review of any recommendations or issues that arise with respect to compensation and benefits policies, senior management compensation and any other matters that the Committee deems appropriate or is requested by the Board to include in its report.
- The Committee shall periodically review and assess the adequacy of this Charter and recommend any proposed changes to the Board.
- The Committee shall annually evaluate its own performance and report to the Board on such evaluation.

IV. Authority and Procedures

The Committee shall have the authority to retain such compensation consultants, outside counsel and other advisors as the committee may deem appropriate in its sole discretion. The Committee shall have sole authority to approve related fees and retention terms. The Committee may request any officer or employee of the Company or the Company's outside counsel to attend a meeting of the Committee or to meet with any members of or consultants to the Committee.

The Committee shall meet as often as the Chairman shall determine to be necessary or appropriate but at least four times each year. The Committee will meet regularly in executive session. The Committee shall report its actions and any recommendations to the Board after each Committee meeting.

The Committee shall have the authority to delegate any of its responsibilities to such subcommittees as the Committee may deem appropriate in its sole discretion.