

GUIDANT

Corporate Governance Guidelines

These guidelines reflect practices the board has developed to facilitate the management of the business and affairs of Guidant Corporation under the board's direction. The guidelines supplement the provisions of the company's articles and bylaws.

These guidelines, the company's code of business conduct and other materials deemed appropriate will be made available to shareholders, including through the company's web site. The board will revise these guidelines from time to time.

Structure of the Board

Size of Board: The board should have 10 to 15 members.

Chairman: The independent directors of the board annually will elect a non-executive chairman to lead the board.

Code of Conduct: The board approves and periodically reviews the company's code of conduct, which reflects the company's commitment to lawful and ethical conduct. Board members, individually and collectively, are bound by the code. Only the board can waive a code requirement covering a board member or an executive officer.

Independence: A majority of board members will be independent (as defined below).

Membership

Selection of Members: The corporate governance committee will identify individuals qualified to become members of the board and recommend them to the board for approval, including nominees for election at annual meetings of shareholders. Following any board approval of a candidate, the chairman of the board will extend the candidate an invitation to join the board (subject to election by shareholders, if applicable). Generally, selection criteria will include character, judgment and experience. Scientific expertise, government experience and familiarity with national, international and competitive issues facing the company are also among the criteria.

Orientation and Education: The chairman will oversee an orientation process for new members, which generally will include background briefings by the chairman, chief executive officer, and other senior company officers, including the general counsel. Board members are also strongly encouraged to take advantage of opportunities for appropriate continuing education.

Terms: Directors are elected to 3-year terms. Directors are required to retire from the board upon completion of the three-year terms during which their 72nd birthdays occur.[†] Directors must offer their resignations (i) upon the completion of their 5th and each

succeeding terms and (ii) upon any change in their principal position held. The corporate governance committee will evaluate the offers and recommend to the board a response.

Equity Ownership: Directors should maintain meaningful equity ownership in the company. Accordingly, a significant portion of director compensation will be paid in equity. Directors should retain such equity (or otherwise acquire shares) until they hold a minimum of 3,000 Guidant shares; provided that shares may be surrendered to pay taxes associated with equity grants.

Public Communications: Individual directors may, from time to time, receive requests for comment concerning company business. If comments from the board are appropriate, the chairman, chief executive officer, or dedicated spokesperson will coordinate them to assure compliance with the company's fair disclosure policy.

Independence: A member will be "independent" if: (i) the board determines that the director has no material relationship with the company (directly or as a partner, shareholder or officer of an organization that has a relationship with the company), and (ii) the director otherwise satisfies requirements for independence under applicable regulatory standards (including any permitted phase-in periods). Further, members of the audit committee will receive no compensation from the company other than director fees.

Conflicts of Interest: A director's business or personal relationships may give rise to a material personal interest on a particular issue that conflicts, or appears to conflict, with the interests of the company. Each director is personally responsible for identifying and reporting any actual or apparent conflict of interest to the chairman and general counsel. The code of conduct and bylaws provide procedures for addressing conflicts of interest.

Board Meetings

Number: The board generally expects to have at least 6 scheduled meetings per year, with additional meetings from time to time, as determined by the needs of the business.

Agenda: The chairman, in consultation with the chief executive officer, will establish the agenda for each board meeting.

Board Materials: Information important to the board's understanding of the business will be distributed prior to board meetings.

Attendance: Directors are expected to attend substantially all meetings of the board and the committees of which the directors are members, with any necessary absences held to a minimum. Board members are expected to review the board materials provided in advance of meetings.

Access to Management and Advisors: Directors will have direct access to management, which the chairman will coordinate. Among other things, key executive officers are invited to attend and make presentations to the board from time to time. Generally, the chief executive officer (as a director) and general counsel will attend board meetings. Directors also shall have access to independent advisors for committee and board meetings.

Executive Sessions: A portion of each board meeting generally will be held in executive session – that is, with no members of management present – with the chairman of the board presiding.

Board Review and Compensation: The board will annually evaluate the performance of the board and its committees, as well as the compensation provided for board service. Generally, compensation will be provided based on an evaluation of similar medical device companies and companies the board otherwise finds comparable to Guidant. Director compensation will be disclosed annually in the company's proxy statement.

Strategy: The board oversees the company's strategy. The board routinely reviews strategic matters and the company's objectives. At least annually the board reviews the company's progress against its strategic goals.

Committees

Standing Committees: The board has established the following standing committees: audit committee, corporate governance committee, management development and compensation committee, compliance committee, and science and technology strategy committee. The first three of these are referred to as the "regulated committees".

Agendas and Activities: The chairs of each committee, working with the chairman of the board, should establish agendas for the year. Committee chairs will report to the full board on committee activities from time to time.

Composition: The corporate governance committee oversees the composition of committees and recommends appropriate members for committees. The chair of each committee shall be an independent director. Other committee members shall satisfy applicable regulatory requirements for independence (including any permitted phase-in periods). The chair of the audit committee shall be a "financial expert" as provided in applicable law (including any permitted phase-in periods), and each member shall be financially literate (as provided in the committee's charter).

Charters: The roles of each committee shall be as provided in the committee's charter. Each committee will review its charter annually. Committee charters and any changes to them are subject to board review and approval.

Annual Review: Each year, each committee will evaluate the performance of the committee.

Executives

Selection and Assessment of Chief Executive Officer: The chair of the management development and compensation committee, in consultation with the chairman of the board, will lead the process for the selection of the chief executive officer and the assessment of that officer's performance. The company believes that this process must be flexible, to allow the board to act in the best interest of the company under the circumstances surrounding the decision. Nevertheless, it generally will include the processes described in the charter of the management development and compensation committee for annual evaluations, and the succession planning described below.

Management Succession and Review: A substantial portion of at least one of the board's meetings each year will be devoted to succession planning. The chief executive officer will develop and maintain a process for advising the management development and compensation committee and board on planning for potential successors for key leadership positions in the company. The company will have in place at all times a plan providing for succession in the event of scheduled or emergency developments.

Executive Shareholding Guidelines: The board believes executive officers should maintain meaningful equity ownership in the company. Accordingly, a significant portion of executive officer compensation will be paid in equity. The management development and compensation committee will establish and review from time to time shareholding guidelines with respect to executive officers.

Last modified: December 17, 2002

[†] As further described in the company's proxy statement relating to the 2002 annual meeting of shareholders, the board approved an exception to this requirement permitting Mr. King to stand for election in 2002.