



HEARTWARE INTERNATIONAL, INC.

CORPORATE GOVERNANCE GUIDELINES

The Board of Directors (the “Board”) of HeartWare International, Inc. (the “Company”) has adopted these guidelines as a general framework to assist the Board in carrying out its responsibilities. These guidelines, together with the Company’s Certificate of Incorporation, By-laws and charters of the committees of the Board, form the framework for governance of the Company and are not intended to limit, enlarge or change in any way the responsibilities of the directors as determined by applicable law and such Certificate of Incorporation, By-laws and charters.

I. ROLE OF BOARD AND MANAGEMENT

The Board of Directors, which is elected by the stockholders, is the ultimate decision-making body of the Company except with respect to those matters reserved for the stockholders. It selects the senior management team, which is charged with the conduct of the Company’s business. Having selected the senior management team, the Board acts as an advisor and counselor to senior management and ultimately monitors its performance.

The fundamental role of the directors is to exercise their business judgment to act in good faith and with due care in what they reasonably believe to be the best interests of the Company and its stockholders. In fulfilling that responsibility the directors may reasonably rely on the honesty and integrity of the Company’s senior management and expert legal, accounting, financial, compensation and other advisors.

The primary goal of the Board is to maximize stockholder value over the long term. This should be achieved by creating increased value for the Company’s customers, employees, investors, suppliers and the communities in which the Company operates, by focusing on perpetuating a successful business and by optimizing financial returns. The Board is responsible for ensuring that management’s processes, policies and decisions further this goal.

The Board believes that management speaks for the Company. Individual directors may occasionally meet or otherwise communicate with various constituencies that are involved with the Company, but it is expected that directors would do this with the knowledge of management and, in most instances, absent unusual circumstances or as contemplated by the committee charters, at the request of management. Individual directors will maintain confidentiality on all Board-related matters.

II. DIRECTOR QUALIFICATIONS

The Nominating and Governance Committee is responsible for reviewing with the Board from time to time the appropriate skills and characteristics required of Board members in the context of the current make-up of the Board and the Company’s circumstances. This assessment should include evaluation of an individual’s independence, diversity, age, financial literacy,

reputation, demonstrated leadership and skills such as an understanding of the health care industry, manufacturing, technology, intellectual property, finance and marketing, and international background - all in the context of the perceived needs of the Board at that point in time. Directors should possess the highest personal and professional ethics, integrity and values, and be committed to representing the long-term interests of stockholders. They must also have an inquisitive and objective perspective and mature judgment. Board members must also be willing to rigorously prepare for, attend, and participate in all Board and applicable committee meetings.

III. VOTING FOR DIRECTORS

Effective for uncontested director elections, any nominee for director who is elected but receives a greater number of “withhold” votes for election than “for” votes shall promptly tender to the Nominating and Governance Committee his or her offer of resignation for its consideration. The Nominating and Governance Committee will then recommend to the Board the action to be taken with respect to the offer of resignation at its next regularly scheduled meeting. The Committee and the Board will consider all factors it deems relevant, including any stated reasons for stockholders’ “withhold” votes, whether the underlying cause or causes of the “withhold” votes are curable, the director’s tenure, the director’s qualifications and the director’s contributions to the Board, and any other factors deemed relevant by the Committee and the Board as they relate to each director who has tendered his or her resignation. Any director who tenders his or her resignation pursuant to this policy shall not participate in the Committee recommendation or the Board action regarding whether to accept that director’s offer of resignation. If each member of the Committee receives a majority of “withhold” votes at the same meeting, the Board shall appoint a committee of independent directors who received a majority of “for” votes at their most recent election to the Board to consider the offers of resignation and make a recommendation to the Board.

Following its determination, the Board shall notify the director(s) concerned of its decision and will promptly disclose its decision (and the rationale for rejecting the resignation offer, if applicable) in a press release filed with the Securities and Exchange Commission (the “SEC”). In any case in which a director's resignation is accepted by the Board, the Nominating and Governance Committee shall recommend to the Board whether to fill the vacancy or to reduce the size of the Board and the Board shall determine the action to be taken.

IV. DIRECTOR INDEPENDENCE

The Board believes that, as a matter of policy and consistent with applicable laws, rules and regulations, the Board should consist of a substantial majority of independent directors. In no event will the Board consist of less than a majority of independent directors. A director will be considered independent if he or she is not, and has not been within the past three years, an employee of the Company or its subsidiaries, is free from any relationship that, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director, and otherwise meets the requirements of independence set forth in the listing rules of The Nasdaq Stock Market (“Nasdaq”), any regulatory agency (including the SEC) and any additional Board guidelines. Additionally, members of the Company’s standing committees may be required to satisfy additional independence criteria in accordance with the

rules of Nasdaq, the SEC, and other applicable law. The Board will consider all relevant rules, regulations, facts and circumstance in making determinations of independence for each director including each director's membership to serve the Board's committees. A director will not be considered independent until the Board affirmatively determines that such director meets all applicable standards. The Nominating and Governance Committee will review each director's independence and make recommendations to the Board at least once each year.

V. LIMITS ON DIRECTOR OUTSIDE ACTIVITIES

Directors must be willing to devote sufficient time to carry out their duties and responsibilities effectively, and should be committed to serve on the Board for an extended period of time. Each Board member is expected to ensure that other existing and planned future commitments do not conflict with or materially interfere with the member's service as a director. Directors are expected to avoid any action, position or interest that conflicts with an interest of the Company, or gives the appearance of a conflict, and adhere to the Company's Code of Business Conduct and Ethics.

Directors who also serve as chief executive officers or in equivalent positions should not serve on more than two boards of public companies in addition to the board on which they serve as chief executive officer and director, and other directors should not serve on more than four other boards of public companies in addition to the Board. Current positions in excess of these limits may be maintained unless the Board determines that doing so would impair the director's service on the Board.

VI. CHANGE IN DIRECTOR RESPONSIBILITIES

Directors should offer their resignation to the Board in the event of any significant change in their professional circumstances, including a change in their principal job responsibilities or business association. Prior to accepting a director's resignation under these circumstances, the Nominating and Governance Committee shall review whether the individual continues to satisfy the Board's membership criteria and make a recommendation to the Board as to the continued appropriateness of Board membership under the director's new circumstances.

VII. RETIREMENT AGE

The Board does not believe that a fixed retirement age for directors is appropriate. However, each year the Board, with the assistance of the Nominating and Governance Committee, evaluates director nominees in the context of achieving the appropriate balance of skills and experience for the Board as a whole.

VIII. TERM LIMITS

The Board does not believe it should establish term limits. While term limits could help ensure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of directors who have been able to develop, over a period of time, increasing insight into the Company and its operations and, therefore, provide an increasing contribution to the Board as a whole.

IX. SIZE OF BOARD

The Board, with the assistance of the Nominating and Governance Committee, reviews from time to time the appropriate size of the Board and may change the authorized number of directors by resolution of the Board. The Board will consider changing its size to accommodate outstanding candidates or to satisfy specific governance needs.

X. BOARD MEETINGS

(a) Frequency of Meetings. The Board shall meet at least four (4) times each year, and may hold as many additional meetings as may be necessary or appropriate.

(b) Agendas. The Chairman of the Board coordinates with the Chief Executive Officer and General Counsel and Secretary to establish the agenda for each meeting taking into account suggestions from other members of the Board. The agenda for each Board meeting will be distributed in advance of the meeting to directors.

(c) Board Materials. Information and materials relating to topics to be considered at a Board meeting should, to the extent practicable, be distributed sufficiently in advance of the meeting to permit prior review by the directors. Sensitive subject matters may be discussed at the meeting without written materials being distributed in advance or at the meeting. Similarly, matters may be discussed at a meeting called on short notice in the event of a pressing need without written materials being made available.

(d) Attendance. Directors are expected to prepare for, attend and participate in all Board and applicable committee meetings, and to spend the time needed to meet as often as necessary to discharge their obligations.

XI. PRESIDING DIRECTOR AND LEAD DIRECTOR

The Presiding Director shall chair all Board meetings and executive sessions. The Chairman of the Board shall serve as the Presiding Director, if present. The Board may appoint a Deputy Chairman of the Board who, in the absence of the Chairman, shall serve as the Presiding Director. If the Chairman and Deputy Chairman of the Board are absent, the independent director present who has the most seniority on the Board of Directors shall serve as the Presiding Director.

We do not believe that it is either necessary or desirable to establish a lead director. The Chairman of the Board presides at all meetings of the Board and takes the lead role in the boardroom, unless the Chairman is not present, as described above. The Chairperson of the various Board committees takes the lead on matters falling within their purview that should not involve the Chief Executive Officer.

XII. BOARD LEADERSHIP

The Board elects its Chairman and appoints the Company's Chief Executive Officer according to its view of what is best for the Company at any given time. The Board does not believe there should be a fixed rule as to whether the offices of Chairman and Chief Executive

Officer should be vested in the same person or two different people, or whether the Chairman should be an employee of the Company or should be elected from among the non-employee directors. The needs of the Company and the individuals available to serve in these roles may dictate different outcomes at different times, and the Board believes that retaining flexibility in these decisions is in the best interest of the Company and its stockholders.

XIII. EXECUTIVE SESSIONS OF INDEPENDENT DIRECTORS

The independent directors of the Board will meet in Executive Session at least two times each year in connection with regularly scheduled Board meetings and at any other time as necessary or as requested by any independent director.

XIV. BOARD ACCESS TO MANAGEMENT AND INFORMATION

The independent members of the Board shall have access to, and are encouraged to contact, Company employees in order to obtain the information necessary to fulfill their duties, including Company books and records. The Board may establish a process for such inquiries. Management is encouraged to invite Company employees to Board meetings where management participation will provide the Board with additional insight into the matters being considered.

XV. RETENTION OF ADVISORS/CONSULTANTS

The Board and each committee of the Board shall have the authority to retain, at the expense of the Company, outside financial, legal, compensation or other consultants and advisors as they deem appropriate, and shall have the authority to obtain advice, reports or opinions from internal and external counsel and advisors, without consulting with or obtaining approval from any officer of the Company. In selecting external counsel and advisors, the Board and its committees shall take into consideration the factors affecting independence that are specified in the applicable rules of Nasdaq, the SEC, and other applicable law.

XVI. BOARD AND COMMITTEE EVALUATION

The Board and each committee will perform an annual self-evaluation. Each year the directors will be requested to provide their assessments of the effectiveness of the Board and the committees on which they serve to the Nominating and Governance Committee. The individual assessments will be summarized by the Committee and reported for discussion to the full Board and the committees. The Nominating and Governance Committee should also report its assessment of the Board's compliance with these principles set forth in these guidelines as well as identification of areas in which the Board or committees could improve performance.

XVII. DIRECTOR NOMINATION PROCESS

The Nominating and Governance Committee will review annually the results of the evaluation of the Board and its committees, and the needs of the Board for various skills, experience, expected contributions and other characteristics in determining the director candidates to be nominated at the annual meeting or appointed by the Board to fill a vacancy. The Nominating and Governance Committee will evaluate candidates for directors proposed by directors, stockholders or management using the same criteria for each candidate. The

Nominating and Governance Committee will consider a director's nomination by comparing the qualifications of each candidate against the Board's director qualifications criteria, evaluating the current needs of the Board for certain skills, experience or other characteristics and how the candidate's background, skills, experience, other characteristics and expected contributions are expected to fill the Board's current needs. If the Nominating and Governance Committee believes that the Board requires additional candidates for nomination, the Committee may solicit recommendations for director candidates from members of the Board and management and may engage, as appropriate, a third party search firm to assist in identifying qualified candidates. All directors will submit a completed form of directors' and officers' questionnaire as part of the nominating process. The nominating process for non-incumbent nominees may include interviews and additional background and reference checks, at the discretion of the Nominating and Governance Committee.

XVIII. COMMUNICATIONS BY STOCKHOLDERS WITH DIRECTORS

Stockholders may communicate with any and all Company directors by transmitting correspondence by mail or facsimile, addressed as follows:

Chairman of the Board
or Board of Directors
or individual director
c/o General Counsel and Secretary
500 Old Connecticut Path, Building A
Framingham, MA 01701
Fax: (508) 739-0948

Communication should specify the applicable addressee(s) to be contacted as well as the general topic of the communication. The General Counsel and Secretary will initially receive and review communications before forwarding them to the addressee(s). The General Counsel and Secretary generally will not forward to the directors a communication that he or she determines to be primarily commercial in nature, related to an improper or irrelevant topic, requests general information about the Company or presents safety or security concerns. The Board of Directors or individual directors so addressed shall be advised of any communication withheld for safety or security reasons as soon as practicable. The General Counsel and Secretary shall relay all other communications to directors as soon as practicable following receipt.

XIX. ANNUAL MEETING OF STOCKHOLDERS

The Company will make every effort to schedule its annual meeting of stockholders at a time and date to maximize attendance by directors taking into account the directors' schedules. All directors shall make every effort to attend the Company's annual meeting of stockholders absent an unavoidable and irreconcilable conflict.

XX. DIRECTOR COMPENSATION

On an annual basis, the Compensation Committee shall review the compensation for non-employee directors. The Compensation Committee shall be responsible for recommending to the full Board changes in the compensation for non-employee directors, and shall be guided by the following goals:

- directors should be fairly compensated for the work required in discharge of their duties;
- compensation should align the directors' interests with the long-term interests of stockholders; and
- the compensation policy should be easy for stockholders to understand.

XXI. STOCK OWNERSHIP/GUIDELINES

All directors and executive officers are expected to own a meaningful number of shares of our common stock to more closely align the interests of our corporate leaders with those of our stockholders and further promote the Company's commitment to sound corporate governance practices. The amount of stock to be owned by persons covered by these guidelines is equal to shares having a fair value of:

- 5x base salary for the Chief Executive Officer;
- 1x base salary for Section 16 Reporting Officers other than the Chief Executive Officer; and
- 3x the annual base retainer fee (excluding committee fees) for each non-employee director.

For purposes of this calculation, the annual retainer fee for the Chairman and Deputy Chairman of the Board shall be the same annual retainer fee used for each of the other non-employee members of the Board. In addition, for purposes of satisfying these guidelines, shares that are directly or indirectly beneficially owned, restricted stock, restricted stock units and after-tax appreciation of vested unexercised stock options may be included when calculating a participant's stock ownership.

Unless newly appointed as a Section 16 officer or non-employee director within the previous three years, all participants shall meet these guidelines, and their stock ownership shall be reviewed annually by the Nominating and Governance Committee.

XXII. DIRECTOR EDUCATION AND ORIENTATION

The Nominating and Governance Committee shall develop and maintain (i) an orientation program for new directors that shall include meetings with senior management and visits to the Company's facilities and (ii) a continuing education program for incumbent directors. Incumbent directors shall also be invited to attend the orientation program. Directors

are also encouraged to attend continuing director education programs at the Company's expense. The Nominating and Governance Committee shall periodically review and update these programs as necessary and make reports to the Board regarding corporate governance related matters as outlined in its charter.

XXIII. COMMITTEES

The Board will at all times have an Audit Committee, a Compensation Committee, and a Nominating and Governance Committee. All members of these standing committees will be independent directors under the criteria described above under "Director Independence." The Board may from time to time establish additional standing, special or ad hoc committees as necessary or appropriate. Committee members will be appointed by the Board upon the recommendation of the Nominating and Governance Committee. The Nominating and Governance Committee shall assist the Board with reviewing committee structure, including from time to time, reallocating responsibilities of one committee to another or disbanding a committee. The Nominating and Governance Committee will also consider rotating committee members periodically to achieve an appropriate balance of skills and experience for the committee, but rotation is not mandated as a policy. Additionally, the Nominating and Governance Committee will (i) review, on an ongoing basis, these Corporate Governance Guidelines and recommend any appropriate changes for approval by the Board and (ii) review, at least annually, the Company's compliance with the listing rules of Nasdaq and these Corporate Governance Guidelines, and report to the Board regarding the same.

Each standing committee will have its own charter. The charters will set forth the purposes of the committees as well as qualifications for committee membership. The charters for the Company's standing committees shall be posted on the Company's website.

The Chairperson of each committee, in consultation with the committee members and senior management, will determine the frequency and length of the committee meetings consistent with any requirements set forth in the committee's charter. The Chairperson of each committee, in consultation with the appropriate members of the committee and management, will develop the committee's agenda.

XXIV. CHIEF EXECUTIVE OFFICER EVALUATION

The Compensation Committee conducts a review at least annually of the performance of the Chief Executive Officer. The Compensation Committee shall establish the evaluation process and determine the specific criteria on which the performance of the Chief Executive Officer is evaluated.

XXV. SUCCESSION PLANNING

The Nominating and Governance Committee shall oversee and conduct a periodic review of the Company's succession planning for the Board, the Company's executive officers, including policies and principles for Chief Executive Officer selection and succession. The Committee shall report its recommendation to the Board.

XXVI. DISCLOSURE OF CORPORATE GOVERNANCE GUIDELINES

The Company shall make these guidelines publicly available on the Company's website. The Company shall disclose such availability in its annual proxy statement and shall provide a printed copy of these guidelines to any stockholder who requests them.