



HEARTWARE INTERNATIONAL, INC.

CHARTER OF THE COMPENSATION COMMITTEE

OF THE BOARD OF DIRECTORS

I. PURPOSE

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

The primary purpose of the Committee is to oversee the affairs of the Company as they relate to the compensation and benefit matters of executive officers, including (i) determining compensation for executive officers, (ii) overseeing the Company’s compensation and employee benefit plans and practices, including its executive, director, and other incentive and equity-based compensation plans, (iii) assessing the independence of its advisers, and (iv) reviewing and discussing with management the Company’s compensation discussion and analysis (“CD&A”) to be included in the Company’s annual proxy statement or annual report on Form 10-K filed with the Securities and Exchange Commission (the “SEC”). 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.

II. ORGANIZATION AND MEMBERSHIP REQUIREMENTS

The Committee shall be comprised of at least three Board members appointed annually, each of whom shall be “independent” under the applicable rules of The Nasdaq Stock Market (“Nasdaq”) (taking into account the additional independence requirements specific to membership on this Committee) and the SEC. 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 (the “Exchange Act”), and (2) an “outside director” for purposes of Section 162(m) of the Internal Revenue Code of 1986 (the “Code”). A Board member shall not serve on this Committee if any executive officer of the Company serves on the board of directors of an entity that employs a Committee member as an executive officer.

The members of the Committee shall be appointed by the Board on the recommendation of the Nominating and Governance Committee, and shall serve until their successors are duly elected and qualified or their earlier resignation or removal. Any member of the Committee may be removed or replaced by the Board on the recommendation of the Nominating and Governance Committee. Membership on the Committee shall automatically end at such time as the Board determines that a member (i) ceases to meet the independence requirements of Nasdaq, the SEC, or other applicable law (ii) ceases to be a “non-employee director” for purposes of Rule 16b-3 of

the Exchange Act, or (iii) ceases to be an “outside director” for purposes of Section 162(m) of the Code.

Unless a chairperson is elected by the full Board, the members of the Committee may designate a chairperson by majority vote of the full Committee membership. The Chairperson shall preside at all regular sessions of the Committee and set the agenda for each Committee meeting in consultation with members of the Committee and of management.

III. MEETINGS

The Committee shall meet as often as it deems appropriate to fulfill its responsibilities hereunder, but not less frequently than four times each year. Meetings may be called by the Chairperson of the Board or of the Committee. A majority of the members shall represent a quorum of the Committee, and, if a quorum is present, any action approved by at least a majority of the members present shall represent the valid action of the Committee. The Committee may also take any action permitted in this Charter without a meeting by unanimous written consent. The Committee shall maintain written minutes of its meetings along with any written consents taken without a meeting, which will be filed with the minutes of the Committee.

The Committee shall meet at least annually with the Company’s chief executive officer and 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 shall meet in executive session without management present periodically, and may meet with management or individual directors at any time it deems appropriate to discuss any matters before the Committee.

IV. RESPONSIBILITIES

To fulfill its responsibilities and duties hereunder, the Committee shall:

1. Periodically review and advise the Board concerning the Company’s overall and executive compensation philosophy, policies and plans, including a review of both regional and industry compensation practices and trends, and administer the Company’s compensation program in accordance with these principles.
2. Review and approve the composition of any peer group used for compensation comparison purposes.
3. Review and approve annual and long-term corporate and individual performance goals and objectives relevant to the compensation of all executive officers and evaluate the performance of (i) the Chief Executive Officer and (ii) with input from the Chief Executive Officer, each other executive officer in light of those goals and objectives.
4. Review and approve (or recommend to the independent directors of the Board to approve) the compensation and benefits for the Chief Executive Officer. The Chief Executive Officer shall not be present during the voting or deliberations regarding his or her own compensation.

5. Review and approve (or recommend to the independent directors of the Board to approve) the compensation and benefits for the Company's other executive officers.
6. Make and approve equity grants and other awards to all executive officers.
7. Review and make recommendations to the Board regarding the establishment and terms of the Company's incentive compensation plans and equity compensation plans (subject to the approval of the Company's stockholders, if applicable), and administer these plans. In making its recommendation regarding the foregoing compensation and benefit matters, the Committee shall consider the results of the most recent stockholder advisory vote on executive compensation ("Say on Pay Vote") required by the Exchange Act.
8. Review annually and make recommendations to the Board regarding changes in non-employee director compensation.
9. Make and approve equity grants and other awards to all other eligible individuals and non-employee directors under the Company's equity incentive plans.
10. Review and approve executive compensation-related matters outside the ordinary course, including but not limited to the material terms of offer letters, employment contracts, change-in-control provisions, severance or termination arrangements, and material amendments thereto.
11. Oversee the incentives and risks associated with the Company's compensation policies and practices, and discuss with the Company's management whether the Company's compensation programs are appropriately aligned with the Company's risk management.
12. Review and discuss with management the disclosures in the Company's CD&A 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 CD&A should be included in the Company's proxy statement, Form 10-K, or information statement, as applicable, and prepare the related report required by the rules of the SEC.
13. Periodically assess and discuss with the Nominating and Governance Committee, compensation-related provisions contained in the Board's Corporate Governance Guidelines.
14. Review and make recommendations to the Board regarding compensation-related proposals to be considered at the Company's annual meeting of stockholders.
15. Review and make recommendations to the Board regarding the frequency with which the Company will conduct Say on Pay Votes, taking into account the results of the most recent stockholder advisory vote on frequency of Say on Pay Votes required by the Exchange Act, and review and approve the proposals regarding the Say on Pay Vote and the frequency of the Say on Pay Vote to be included in the Company's proxy statement.

16. Evaluate the Committee's performance on an annual basis.
17. Review and reassess the adequacy of this Charter at least annually and recommend any proposed changes to the Board for approval.
18. Report to the Board on the Committee's activities on a regular basis.
19. Perform such other duties and responsibilities as may be assigned to the Committee by the Board or as designated in plan documents.

V. RESOURCES AND AUTHORITY

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. The Committee may delegate to one or more executive officers the power to grant equity awards under the Company's incentive compensation plans to employees who are not directors or executive officers of the Company to the extent permitted by applicable law and the provisions of the specific incentive compensation plan.

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 the authority, in its sole discretion, to select, retain, and obtain the advice of any compensation consultant to be used to assist in the performance of the Committee's duties, and shall have sole authority to set and approve the consultant's fees and other retention terms and oversee the work of the consultant. The Committee shall also have the authority, in its sole discretion, to retain and obtain advice and assistance from internal or external legal, accounting or other advisers to be used to assist in the performance of the Committee's duties, and shall have sole authority to set and approve the fees and other retention terms, and oversee the work, of such other advisers. However, the Committee shall not be required to implement or act consistently with the advice or recommendations of its compensation consultant, counsel or advisers, and the authority granted in this Charter shall not affect the ability or obligation of the Committee to exercise its own judgment in the performance of its duties.

Subject to any exceptions under applicable Nasdaq listing rules, prior to selecting or receiving advice from any consultants, counsel and advisers (other than in-house counsel), the Committee shall first take into consideration the factors affecting independence that are specified in the Nasdaq listing rules and the applicable requirements of the Exchange Act. The reasonable fees and costs of any consultant or advisor engaged by the Committee to assist the Committee in performing its duties hereunder shall be borne by the Company. The Committee may also perform such other activities consistent with this Charter, the Company's Bylaws and governing law, as the Committee or the Board deems necessary or appropriate.