

## **GIVEN IMAGING LTD. (THE “COMPANY”) AUDIT COMMITTEE CHARTER**

The Board of Directors (the “Board”) of the Company has constituted and established an Audit Committee (the “Committee”) with the authority, responsibility and specific duties as described in this Audit Committee Charter (this “Charter”).

### **A. Purpose**

The Committee will assist the Board in fulfilling its oversight responsibility to the shareholders and others by reviewing (1) the Company’s financial statements and other published financial information, (2) the systems of internal accounting and financial controls, and the financial reporting process, (3) the internal audit function, (4) the annual independent audit of the Company’s financial statements, and (5) suspected business irregularities and legal compliance issues which are reported to it.

In meeting its responsibilities, other than as set forth herein, the Committee’s policies and procedures shall be flexible so that it may react to changing circumstances or conditions.

### **B. Membership**

The membership of the Committee shall consist of at least three members of the Board, all of whom shall qualify as “independent directors” under applicable law and the Nasdaq National Market listing requirements and two of whom (who may be the same as the persons qualifying as independent directors) shall qualify as “outside directors” under the Israeli Companies Law.

At least one member of the Committee shall be a “financial expert” under the Nasdaq National Market listing requirements and the rules of the Securities and Exchange Commission (“SEC”) as determined by the Board in its business judgment.

The Committee’s members and chairperson shall be appointed by the Board. A majority of the members of the Committee shall constitute a quorum for the transaction of business. The duties and responsibilities of a member of the Committee are in addition to the duties of a member of the Board.

### **C. Meetings**

The Committee shall meet at least once every fiscal quarter or more frequently as circumstances require. The Committee may ask members of management or others to attend the meeting and provide pertinent information, as necessary. The Committee shall meet separately periodically at such times as it deems appropriate with management, the internal auditor, representatives of the internal auditing department and the independent public accountant to discuss any matters that the Committee or any of these persons or firms believe should be discussed privately. It is the responsibility of the Committee to maintain free and open

communication between the Committee, the independent public accountant, the internal auditor and management of the Company.

**D. Responsibilities**

To fulfill its responsibilities, the Committee shall:

*Internal Accounting and Financial Controls:*

1. Review with management, the internal auditor and the independent public accountant, the adequacy of internal accounting and financial controls.
2. Evaluate whether management is effectively communicating, and ensuring employee understanding of, the importance of internal accounting and financial control effectiveness.
3. Determine whether internal accounting and financial control improvement recommendations made by the internal auditor and the independent public accountant have been appropriately implemented in a timely manner by management.

*Financial Reporting:*

4. Periodically review and discuss with management and the independent public accountant significant accounting and reporting issues, including financial reporting pronouncements and proposals, and understand their impact on the Company's financial statements.
5. Review with management, the internal auditor, and the independent public accountant prior to their release the Company's annual financial statements and management's discussion and analysis of financial condition and results of operations.
6. Review with management and the independent public accountant prior to their release the Company's quarterly financial statements.
7. Discuss with management generally the types of information (including financial information and earnings guidance) to be disclosed in earnings press releases and earnings calls, as well as to analysts (paying particular attention to any use of "pro forma," or "adjusted" non-GAAP information).
8. Discuss with the independent auditors the matters required by Statement on Auditing Standards No. 61 relating to the conduct of the audit, including any difficulties encountered in the course of the audit effort, restrictions on the scope of procedures or access to requested information and any significant disagreements with management.

9. Receive periodic reports from the independent public accountant regarding:
  - (a) critical accounting policies and practices;
  - (b) all alternative treatments of financial information within generally accepted accounting principles, ramifications of the use of alternative disclosures and treatments, and the treatment preferred by the independent public accountant; and
  - (c) other material written communications between the independent public accountant and management, including any management letter or schedule of adjusted differences.
10. Discuss with the U.S. national office of the independent public accountant issues on which it was consulted by the Company's audit team.
11. Review with the Company's general counsel legal and regulatory matters that could have a material impact on the financial statements.
12. Establish procedures for (a) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters, and review any complaints or concerns received pursuant to such procedures.
13. Discuss Company policies with respect to risk assessment and risk management, and review contingent liabilities and risks that may be material to the Company.

*Business Irregularities and Legal Compliance:*

14. Receive reports of suspected business irregularities and legal compliance issues through periodic and, when appropriate, immediate reporting by the Company's Director of Corporate Human Resources, as to matters coming to his or her attention through the Company's Code of Business Conduct. In the event that the committee is informed of any irregularities, it will suggest to the Board remedial courses of action. The Committee shall be fully entitled to rely on reports that it receives and shall be under no obligation to conduct any independent investigation or verification.

*Independent Public Accounts:*

15. Retain and terminate the independent public accountant (subject to shareholder ratification). In making its determination regarding the retention or termination of the independent public accountant and otherwise as it deems necessary, the Committee shall:

- (a) review the experience and qualifications of the senior members of the independent public accountant's team and the quality control procedures of the independent public accountant;
  - (b) receive written statements from the independent public accountant delineating all relationships between the independent public accountant and the Company, discuss with the independent public accountant any disclosed relationships or services that may impact the objectivity and independence of the independent public accountant, and recommend any appropriate actions to be taken; and
  - (c) review the independent auditor's written submission to the Company of annual fees billed in accordance with applicable rules of the SEC.
16. Pre-approve all audit engagement fees and terms, and review the scope of the independent public accountant's audit plan, including the scope, procedures and timing of the audit.
  17. Pre-approve all non-audit services permitted to be provided to the Company by the independent public accountant under applicable law and SEC rules; provided, however, that for this purpose the authority of the Committee to approve non-audit services is delegated to the Chairperson provided that any approval of non-audit services other than by the Committee is presented to the Committee at its next scheduled meeting.
  18. Discuss with management the timing and process for implementing the rotating of the lead audit partner and the reviewing partner as required by applicable law and SEC rules.

*Internal Audit:*

19. Retain and terminate the internal auditor in accordance with the Israeli Companies Law, and approve the internal auditor's engagement fees and terms.
20. Review the internal audit function including its independence, effectiveness, proposed control review plans and resources for the coming year, and the coordination of such plans with the independent public accountant.

*Other Responsibilities:*

21. Review and update this Charter annually and receive approval of changes from the Board.
22. Conduct an annual self-performance evaluation of the Committee.
23. Review and approve related party transactions with office holders and controlling shareholders as required by applicable law, the Nasdaq National Market listing requirements or as referred by the Board.

24. Conduct or authorize investigations into any matters within the Committee's scope of responsibilities. The Committee shall be empowered to retain, at the Company's expense, independent counsel and other advisors to assist in the conduct of any investigations without separate approval from the Board.
25. Prepare a letter for inclusion in the Company's annual report that describes the Committee's composition and responsibilities, and how they are discharged.

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While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the independent public accountant. Nor is it the duty of the Committee to resolve disagreements, if any, between management and the independent public accountant or to assure the Company's compliance with laws and regulations.

*Last Revised: February 20, 2007*