

# Compensation and Management Development Committee Charter

## Purpose

The Compensation and Management Development Committee (the "Committee") of the Board of Directors (the "Board") of Zimmer Holdings, Inc. (the "Company") is appointed by the Board to assist the Board in discharging its responsibilities relating to compensation and development of the Company's officers and certain members of senior management. The Committee has overall responsibility for approving and evaluating the executive compensation plans, policies and programs of the Company.

The Committee is also responsible for producing the Compensation Committee Report to be included in the Company's proxy statement and must review and discuss with management the compensation discussion and analysis (the "CD&A") and recommend its inclusion in the Company's Annual Report on Form 10-K and its proxy statement, all in accordance with applicable rules and regulations.

## Committee Membership

The Committee shall consist of at least three directors. Each of the members of the Committee shall meet the independence requirements of the New York Stock Exchange, shall be a "Non-Employee Director" as defined in Rule 16b-3 under the Securities Exchange Act of 1934, as amended, and shall be an "outside director" as defined by the regulations under Section 162(m) of the Internal Revenue Code of 1986, as amended.

The members of the Committee and the Chair of the Committee shall be appointed by the Board on the recommendation of the Corporate Governance Committee. Committee members may be replaced by the Board. The Committee may form and delegate authority to subcommittees when appropriate, provided the subcommittees are composed entirely of independent directors.

## Committee Authority and Responsibilities

1. The Committee shall annually review and approve corporate goals and objectives relevant to Chief Executive Officer ("CEO") compensation, evaluate the CEO's performance in light of those goals and objectives, and, either as a committee or together with the other independent directors on the Board (as directed by the Board), determine and approve the CEO's compensation level based on this evaluation, including annual base salary, annual and long-term incentive opportunities, equity compensation and any special or supplemental benefits. In addition, the Committee shall annually review and approve the evaluation process and compensation structure for the Company's executive officers, evaluate the performance of the Company's executive officers, and review and approve the annual compensation for the executive officers based on this evaluation, including annual base salary, annual and long-term incentive opportunities, equity compensation and any special or supplemental benefits. In determining and approving the long-term incentive component of CEO compensation and compensation of the executive officers, the Committee may consider the Company's performance and relative stockholder return, the value of similar incentive awards to CEOs and other executive officers at comparable companies, and the awards given to the CEO and the other executive officers in past years. The Committee shall also provide oversight of management's decisions concerning the performance and compensation of other Company officers.
2. The Committee shall review and make recommendations to the Board with respect to incentive compensation plans and equity based plans. The Committee shall administer the Company's incentive compensation and equity-based plans, including making awards under such plans, and shall review all proposed new or amended employee benefit plans.
3. The Committee shall approve and authorize the Company to enter into any employment agreements, severance arrangements, change in control agreements or provisions, or other compensation-related agreements, in each case as, when and if appropriate, with executive officers of the Company.
4. The Committee shall periodically review the Company's policies on perquisites and the value of perquisites for executive officers and directors. No changes in perquisites for executive officers and directors shall be made without prior approval of the Committee.
5. The Committee shall approve the amount of any discretionary contribution to be made by the Company under its 401(k) Plan.
6. The Committee shall cooperate with the Corporate Governance Committee in reviewing director compensation as frequently as the Corporate Governance Committee deems it necessary and shall be consulted by the Corporate Governance Committee with respect to any proposed changes in director compensation.

7. The Committee shall recommend to the full Board for approval the form and amount of additional compensation payable to the non-management Chairman of the Board for his service in such capacity. The Committee will review the amount of additional compensation to be paid to the non-management Chairman of the Board as frequently as the Committee deems it necessary.
8. The Committee shall conduct an annual review of succession planning, commencing the year after the first full year of service by the CEO, and shall work with the full Board to nominate and evaluate potential successors to the CEO. The CEO shall make available his recommendations and evaluations of potential successors, along with a review of any development plans recommended for such individuals.
9. The Committee shall annually review and approve the Company's management development programs and procedures.
10. The Committee shall have the sole authority to retain and terminate any compensation consultant to be used to assist in the evaluation of CEO or other executive compensation and shall have sole authority to approve the consultant's fees and other retention terms. The Committee shall also have authority to obtain advice and assistance from external legal or other advisors, without consulting or obtaining the approval of the full Board or any officer of the Company in advance.
11. The Committee shall meet at least two times annually or more frequently as circumstances dictate. The Committee shall meet prior to the filing of the Company's Annual Report on Form 10-K for the purpose of reviewing and discussing with management the CD&A, recommending the inclusion of the CD&A in the Company's Annual Report on Form 10-K and proxy statement and approving the Compensation Committee Report to be included in the proxy statement.
12. The Committee shall make regular reports to the Board.
13. The Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
14. The Committee shall annually review its own performance.

Last Reviewed and Revised on December 12, 2008