

# CORPORATE GOVERNANCE GUIDELINES OF IRIS INTERNATIONAL, INC.

(Revised February 2012)

The following Corporate Governance Guidelines (the "Guidelines") have been adopted by the Board of Directors (the "Board") of IRIS International, Inc. (the "Company") to provide a framework for the effective governance of the Company. The Board reviews the Guidelines annually or more often if deemed necessary, and modifies them as necessary.

## 1. Board of Directors

The Board recognizes that its primary responsibility is to foster the long-term success of the Company and to build long-term value for the Company's stockholders, consistent with the Board's fiduciary duties. The Board selects the Chief Executive Officer (the "CEO") and oversees corporate strategy and performance. The Board monitors the performance of the CEO and senior management and plans for succession to the position of CEO and other senior management positions.

## 2. Board Leadership

### Chairman of the Board

The Board shall select the Chairman of the Board (the "Chairman") in any way

- a description of all arrangements or understandings between the stockholder(s) supporting the nomination and each nominee;
- any other information concerning the proposed nominee(s) that we would be required to include in the proxy statement if the Board made the nomination; and
- the consent of the nominee(s) to serve as director if elected.

For a stockholder recommendation to be considered by the Nominating and Governance Committee as a potential candidate at an annual meeting, nominations must be received on or before the deadline for receipt of stockholder proposals for such meeting.

If a stockholder decides to nominate a candidate for director and solicits proxies for such candidate, the stockholder must comply with the rules set forth by the SEC and in the Company's Bylaws in effect from time to time as they pertain to director nominations.

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the

that it deems best for the Company at such time. If the Chairman is not an "independent director" (as defined in the listing standards of The Nasdaq Stock Market ("NASDAQ")) then the Chairman will, subject to the approval by the Board of Directors, select one of the independent directors to be the lead director of the Board (the "Lead Director"). The Chairman shall also:

- Prepare and set an appropriate schedule of and standing agenda for Board meetings;
- In collaboration with the Lead Director, prepare agendas for the Board meetings;
  - Ensure the quality, quantity and timeliness of the flow of information from management that is necessary for the independent directors to effectively and responsibly perform their duties;
- Preside at all meetings of the Board, excluding the executive sessions of the "independent directors" (as defined in the listing standards of NASDAQ);
- In collaboration with the Lead Director, annually prepare a list of performance objectives to be achieved by the Board;
  - In collaboration with the Compensation Committee and the Nominating and Governance Committee (the "N&G Committee"), evaluate top management's performance and propose succession planning;
  - In collaboration with the Compensation Committee, propose Director compensation;
  - In collaboration with the N&G Committee and the Lead Director, determine committee structure of the Board;

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 accountant.

### **Election of Directors**

In an uncontested election, any nominee for director who receives a greater number of votes "withheld" from or "against" his or her election than votes "for" such election (a "Majority Withheld Vote") shall promptly tender his or her resignation following certification of the stockholder vote. The N&G Committee shall consider the resignation offer and recommend to the Board whether to accept the resignation. The Board will act on the N&G Committee's recommendation within 90 days following certification of the stockholder vote. Thereafter, the Board will promptly disclose its decision whether to accept the director's resignation offer (and the reasons for rejecting the resignation offer, if applicable) on a Current Report on Form 8-K. Any director who tenders his or her resignation pursuant to this provision shall not participate in the N&G Committee's recommendation or the Board's action regarding whether to accept the resignation offer. However, if each member of the N&G Committee

- In collaboration with the N&G Committee and the Lead Director, appoint Committee members and Chairs and oversee the performance evaluations of the Board, each of the applicable committees and the individual directors;
- Chair the annual stockholder meeting and all other stockholder meetings of the Corporation;
  - Have primary responsibility for all investor communications;
  - Retain independent advisors for advice and counsel concerning Board matters;
- Ensure that the Lead Director, Audit, Compensation and the N&G Committees have the ability and funding to retain independent advisors concerning Board matters;
- Approve the expense reports of all directors; and
- Perform such other duties as may be requested from time to time by the Board as a whole or by the majority of independent directors.

#### **Lead Director**

The Lead Director shall act as liaison between the independent directors and the Chairman and coordinate the activities of the independent directors, including facilitating discussions among independent directors on key issues and concerns outside of Board meetings and having the authority to call meetings of such independent directors. The Lead Director shall also:

- In collaboration with the Chairman, set an appropriate schedule of and standing agenda for Board meetings;
- Considering input from all independent directors set the agenda for all independent director meetings;
- In collaboration with the Chairman,

received a Majority Withheld Vote at the same election, then the independent directors who did not receive a Majority Withheld Vote shall appoint a committee amongst themselves to consider the resignation offers and recommend to the Board whether to accept them. However, if the only directors who did not receive a Majority Withheld Vote in the same election constitute three or fewer directors, all directors may participate in the action regarding whether to accept the resignation offers. For purposes hereof, an "uncontested election" shall mean an election in which the number of nominees for election to the Board does not exceed the number of directors to be elected, determined as of a date that is 14 days in advance of the date the Company files its definitive proxy statement (regardless of whether or not thereafter revised or supplemented) with the Securities and Exchange Commission.

#### **10. Board and Committee Meeting Agendas**

The Chairman, in collaboration with the Lead Director (or Chair of the N&G Committee, if there is no Lead Director), shall establish a standing agenda for Board meetings to be held during each calendar year. The chairman of each of the committees shall set the agenda of items to be considered by the committee at each of its meetings. The Chairman or the chairman of each of the committees

- prepare agendas for the Board meetings;
- In collaboration with the Chairman, annually prepare a list of performance objectives to be achieved by the Board;
- In collaboration with all independent directors, ensure the quality, quantity and timeliness of the flow of information from management that is necessary for the directors to effectively and responsibly perform their duties. Although management is responsible for the preparation of materials for the Board, the Lead Director may specifically request the inclusion of certain materials;
- Preside at all meetings of the Board at which the Chairman is not present, including the executive sessions of the "independent directors" (as defined in the listing standards of NASDAQ). The Lead Director shall establish agendas for such executive sessions and provide appropriate feedback to the Chairman regarding the meetings;
- Request input and facilitates the CEO performance evaluation and goal setting processes with all independent directors;
  - In collaboration with the Compensation and N&G Committees, set CEO compensation levels and review CEO succession planning;
- In collaboration with the Chair of the N&G Committee, make recommendations to the Chairman regarding Committee members and chairs;
- In collaboration with the Chairman, oversee the performance evaluations of the Board, each of the applicable committees and the individual directors;
- If requested by major stockholders, be available for consultation and direct communication;
- Promote an environment of open

shall distribute to the members of the Board or committee, as the case may be, a copy of the agenda in advance of each such meeting. Each director may suggest additional items for the agenda.

### **11. Board Materials Distributed in Advance**

The Chairman and the chairman of each of the committees is expected to distribute to the members of the Board or committee, as the case may be, information and materials that are important to the directors' understanding of the agenda items and other topics to be considered at the Board or committee meeting, as the case may be, sufficiently in advance of such meeting to permit prior review by the directors. In the event of a pressing need for the Board or committee to meet on short notice or if such materials would otherwise contain highly confidential or sensitive information, it is recognized that written materials may not be available in advance of the meeting.

### **12. Director Responsibilities**

Each director shall spend the time and effort necessary to properly discharge such director's responsibilities. Accordingly, a director shall attend all regularly scheduled meetings of the Board and committees on which such director sits and shall review prior to meetings material distributed in advance

communication among and between all directors;

- Recommend to the Chairman the retention of advisors who report directly to the Board; and
- Perform such other duties as may be requested from time to time by the Board as a whole or by a majority of independent directors.

Annually, the Board will consider the role and designation of the Lead Director.

Having a Lead Director shall not diminish the responsibility of directors in their role as individual directors or chairs or members of committees nor diminish their ability to freely communicate with the Chairman at any time.

### **3. Size of the Board**

The Board believes that it should generally be comprised of no fewer than seven and no more than eleven directors.

The Board believes that this size permits needed expertise, diversity of experience and independence, without hindering effective discussion or diminishing individual accountability. The size of the Board could, however, be increased or decreased if determined at such time to be appropriate by the Board.

### **4. Board Member Criteria and Qualifications Membership Criteria**

for such meetings. A director who is unable to attend a meeting (which it is understood may occur on occasion) shall notify the Chairman or the chairman of the appropriate committee in advance of such meeting.

Each director is encouraged to attend the Annual Meeting of Stockholders of the Company.

Each director shall comply with the applicable provisions of the Company's Code of Business Conduct and Ethics, which sets forth the standards of integrity and professional and ethical conduct which the directors and employees of the Company are expected to maintain. A director shall promptly notify the Chairman of any potential conflict of interest.

### **13. Board Access to Employees and Advisors**

The Board shall have complete access to Company employees, including management, and as necessary and appropriate, to the Company's outside advisors. Access shall be coordinated through the CEO. In addition, the Board shall have the right at any time to retain at Company expense its own advisors.

### **14. Board Orientation and Continuing Education**

Nominees for director shall be selected on the basis of, among other things, the criteria set forth in the N&G Committee charter.

### **Director Qualifications**

*Independence.* All members serving on the Board of Directors, with the exception of the Company's Chief Executive Officer, shall qualify as an "independent director" (as defined in the listing standards of NASDAQ). The Board shall determine annually whether any director has a material relationship with the Company that affects such director's independence under NASDAQ's listing standards. The Board recognizes that exceptions to this policy may be necessary or appropriate in individual situations and may approve such exceptions from time to time.

### **Other Public Company Directorships.**

The Board believes that Board membership requires a significant time commitment. The N&G Committee will consider the number of other public company boards or other boards or committees on which a director or prospective director is a member. Directors shall notify the N&G Committee when accepting membership on any other public company board.

### **Former CEO's Board Membership.**

New directors shall participate in a director orientation program to familiarize such directors with, among other things, the Company's business, strategic plans, significant financial, accounting and risk management issues, compliance programs, the Company's Code of Business Conduct and Ethics, these Guidelines, and the Company's other policies and guidelines. Directors shall be introduced to senior management and the Company's outside advisors, as appropriate. Each director is expected to participate in continuing educational programs in order to maintain the necessary level of expertise to perform his or her responsibilities as a director.

## **15. Board Committees**

The Board shall have an Audit Committee, Compensation Committee, and Nominating and Governance Committee. The purposes and responsibilities for each of these committees shall be outlined in committee charters adopted by the Board.

The Board shall have the discretion to form, from time to time, one or more additional committees or to dissolve an optional committee. In addition, the Board may form ad hoc committees from time to time, and determine the purpose, responsibilities and composition of such

When the CEO retires or resigns from that position, he or she shall offer his or her resignation from the Board and all committees thereof. The N&G Committee shall assess the appropriateness of the former CEO remaining on the Board.

#### **Changes in Business Activities.**

Any time a director changes his or her business activities or responsibilities outside the Company, such director should so advise the Board. The N&G Committee shall then review whether the individual continues to satisfy the Board's membership criteria in light of his or her new status and advise the Board accordingly. If the director's change in business activities results in a conflict of interest, such director shall promptly tender his or her resignation from the Board and all committees thereof. The N&G Committee shall assess the appropriateness of such director remaining on the Board and shall recommend to the Board the action to be taken with respect to such tendered resignation.

#### **Term Limits.**

Directors are not subject to term limits. While established term limits may result in the addition of directors with new ideas and viewpoints, they may also result in a significant loss of directors who have been able to develop, over time, increasing insight into the Company and

committees.

Any independent director is welcome to attend the meeting of any committee, regardless of whether he or she is a member of that committee.

The chair of each committee shall report to the Board on the proceedings and deliberations of such committee.

#### **16. Committee Composition and Attendance**

Each of the required committees shall be composed entirely of independent directors satisfying applicable legal, regulatory and stock exchange requirements. Each of the optional committees shall be composed of such directors as the Board from time to time shall determine.

Generally, a director will be a member of no more than two required committees.

Committee members are required to attend at least seventy five percent of committee meetings to remain a member.

The N&G Committee shall annually review and make nominations for committee assignments, taking into account, among other things, each

its business and operations. In connection with each director nomination recommendation, the N&G Committee shall consider the issue of continuing director tenure and whether the Board will be exposed to new ideas and viewpoints and will maintain willingness to critically examine the status quo.

#### **Retirement.**

Any director who reaches the age of 72 while serving as a director will retire from the Board effective at the end of his or her then current term.

#### **Minimum Stock Ownership.**

The Board believes that non-management directors should hold a significant equity interest in the Company. The Board therefore expects that each non-management director own, or acquire within three years after the later of first becoming a director or the adoption of these guidelines (revised April 2010), IRIS common stock-based holdings equal in value to three (3) times such director's annual cash retainer for service on the Board of Directors (excluding retainers and other amounts paid for service as Lead Director or on committees of the Board). Non-management directors may count toward these guidelines the value of (i) shares they or their immediate family members own directly or in trust, including the vested portion of shares issued as

director's expertise and experience, availability, and the purpose and responsibilities of each committee. In conjunction with the N&G Committee and the Lead Director, the Chairman shall, subject to full Board approval, appoint the members and chairman of each committee.

Consideration should be given to periodic rotation of committee assignments as well as committee chairs but such rotation shall not be required as there may be reasons under specific circumstances to maintain an individual director's committee membership for a longer period.

#### **17. Director Compensation**

A director who is also an officer of the Company shall not receive additional compensation for service as a director.

The Board believes that compensation for non-management directors should be competitive. The N&G Committee shall annually review the level and form of director compensation, including how such compensation relates to director compensation of companies of comparable size, industry and complexity. The N&G Committee shall recommend changes to director compensation when appropriate. The full Board shall approve director

restricted stock awards, and (ii) the vested portion of restricted stock units held by them and for which shares of common stock have not been issued, including shares that have not been issued due to a recipient's election to defer the settlement date for such vested restricted stock units. Stock options, including the value of "in-the-money" vested stock options, will not be counted in determining compliance with the minimum stock ownership guidelines. The Board recognizes that exceptions to this policy may be necessary or appropriate in individual situations and may approve such exceptions from time to time.

#### **5. Number of Board Meetings**

There shall be regularly scheduled Board meetings each year (with at least one each fiscal quarter).

#### **6. Executive Sessions of Independent Directors**

The independent directors shall meet in executive session without management at their discretion, but no less than twice each year. The Lead Director shall act as the presiding director for such executive sessions. In such director's absence (or if there is no Lead Director), the Chairman of the N&G Committee (or, if necessary, another member of the N&G Committee) shall preside at such executive sessions.

compensation and any changes thereto at the Board Meeting immediately following the Annual Meeting, or at such other time as determined appropriate by the Board.

#### **18. Annual Performance Assessment**

The Board and each committee shall conduct a collective performance evaluation, at least annually, of their effectiveness and performance in achieving the Company's goals. These assessments should be done in meetings with all relevant members present, and otherwise pursuant to standards and procedures established by the N&G Committee from time to time.

The Board shall at least annually conduct a thorough review and evaluation of the performance of the CEO based on the performance of the Company, and the accomplishment of the Company's and the CEO's short and long-term goals and objectives. The Chairman of the N&G Committee and the Lead Director (or Chairman if there is no Lead Director) shall meet with the CEO to discuss the results of the evaluation.

The Board shall be responsible for conducting the Lead Director's performance assessment.

The Lead Director and the Chairman shall

## **7. Communications with the Board**

Stockholders may communicate with the Chair of the Audit Committee, Compensation Committee, or N&G Committee or with the Company's independent directors as a group, by writing to any such person or group, care of the Corporate Secretary of the Company, at the Company's principal executive offices, 9158 Eton Avenue, Chatsworth, California 91311.

Communications are distributed to the Board, or to any individual director, depending on the facts and circumstances described in the communication. In that regard, certain items that are unrelated to the duties and responsibilities of the Board will be excluded including the following: junk mail and mass mailings; product complaints; product inquiries; new product suggestions; resumes and other forms of job inquiries; surveys; and business solicitations or advertisements. In addition, material that is unduly hostile, threatening, illegal or similarly unsuitable will not be distributed, with the provision that any communication that is not distributed will be made available to any independent director upon request.

It is the policy of the Board to provide a response to a stockholder proposal that receives a majority vote.

be responsible for conducting the performance assessment of individual directors.

## **19. Selection of the CEO**

The Board shall be responsible for identifying potential candidates for, and selecting, the CEO. In identifying potential candidates for, and selecting, the CEO, the Board shall consider, among other things, a candidate's integrity, experience, and understanding of the Company's business environment, leadership qualities, knowledge, skills, expertise, and reputation in the business community.

## **20. Stock Ownership by Senior Management**

The Board believes that senior management should hold a significant equity interest in the Company. The Board therefore expects that each executive officer of the Company with a title of Corporate Vice President or above own, or acquire within five years after the later of the adoption of these guidelines (revised April 2010) or such person's appointment to the position as an executive officer of the Company, if not presently serving in that capacity, IRIS common stock-based holdings equal in value to a multiple of such officer's annual base salary. The multiple for the CEO is three (3), and the multiple for all other executive officers is one and one-

## **8. Attendance of Non-Directors at Board Meetings**

Non-directors such as the Company's Chief Financial Officer, General Counsel and other members of senior management with information and responsibilities that impact upon Board deliberations may be invited to regularly attend Board meetings. The CEO will bring, from time to time, members of senior management to Board meetings who (i) can provide additional insight into items being discussed, or (ii) are managers with future potential that the CEO believes should be given exposure to the Board.

## **9. Director Candidates and Election of Directors**

### **Director Candidates**

The N&G Committee shall identify and evaluate proposed candidates for addition to the Board and recommend director nominees for election by the Company's stockholders to the Board or appointment by the Board, as the case may be, which recommendations shall be consistent with the Board's criteria for selecting directors and these Corporate Governance Guidelines. Annually, the full Board shall consider the recommendations of the N&G Committee and candidates for election by the Company's stockholders shall be approved by a majority of the Board.

half (1.5). Executive officers may count toward these guidelines the value of (i) shares they or their immediate family members own directly or in trust, including the vested portion of shares issued as restricted stock awards, and (ii) the vested portion of restricted stock units held by them and for which shares of common stock have not been issued, including shares that have not been issued due to a recipient's election to defer the settlement date for such vested restricted stock units. Stock options, including the value of "in-the-money" vested stock options, will not be counted in determining compliance with the minimum stock ownership guidelines. The Board recognizes that exceptions to this policy may be necessary or appropriate in individual situations and may approve such exceptions from time to time.

## **21. Management Succession Planning**

The Chairman shall submit an annual report to the N&G Committee and the Lead Director (if any) regarding succession planning for the CEO and other senior management positions. This report will include an assessment of senior officers and their potential to succeed to the CEO and other senior management positions. After review and discussion, the Chairman, the chairman of the N&G Committee and the Lead Director shall submit this report to the Board.

Stockholders may recommend an individual to the N&G Committee for consideration as a director candidate by submitting the following information to IRIS International, Inc., Attn: Corporate Secretary, 9158 Eton Avenue, Chatsworth, California 91311:

- the name and address of the stockholder proposing to make the nomination and of the person or persons to be nominated;
- the class or series and number of shares of capital stock of the Company which are owned beneficially and of record by such stockholder;
- a representation that the holder is a stockholder entitled to vote his or her shares at the annual meeting and intends to vote his or her shares in person or by proxy for the person or persons nominated in the notice;

In addition, the CEO shall prepare, and update as necessary on a continuing basis, a short-term emergency succession plan which will recommend a temporary delegation of authority to certain officers of the Company, if all or a portion of the senior officers should unexpectedly become unable to perform their duties. In such event, the short-term emergency succession plan shall be in effect until the Board has the opportunity to consider the situation and take action, if necessary.

## **22. Presentation of Strategic Goals**

The Company's strategy will be presented by the CEO to the Board and discussed by the Board on an ongoing basis.

## **23. Corporate Compliance**

The Board recognizes its responsibility to foster and support a culture of compliance and business ethics within the Company. The Company has a Code of Business Conduct and Ethics policy.

The Audit Committee shall at least annually review and report to the Board regarding the Company's compliance to the Code of Business Conduct and Ethics policy.

## **24. Miscellaneous**

These Guidelines are not intended to change or interpret any applicable law or regulation. In the event of a conflict between these Guidelines and the

Company's Certificate of Incorporation  
or Bylaws, the Certificate of Incorporation  
and Bylaws shall govern.