

**OSI SYSTEMS, INC.**  
**CORPORATE GOVERNANCE GUIDELINES**

**Board Composition**

- 1. Board Size.** The Board will annually review the appropriate size of the Board.
- 2. Director Independence.** It is the policy of the Board that a majority of the Directors will not be current employees of the Company and will otherwise meet appropriate standards of independence. In determining independence, the Board will consider The NASDAQ Stock Market (“NASDAQ”) director independence listing standards as well as other factors that will contribute to effective oversight and decision making by the Board.
- 3. Board Leadership.** The Board will periodically appoint a Chairman. Both independent and employee Directors are eligible for appointment as the Chairman. The Board may also assign to Directors such other leadership roles as it deems appropriate.
- 4. Lead Independent Director.** The Board will periodically appoint a Lead Independent Director who shall: (i) advise the Chairman as to an appropriate schedule of Board meetings, and provide the Chairman with input as to the preparation of agendas for Board meetings; (ii) advise the Chairman as to the quality, quantity, and timeliness of the flow of information from the Company’s management that is necessary for the independent Directors to perform their fiduciary duties, and although the Company’s management is responsible for the preparation of materials for the Board, the Lead Independent Director may specifically request the inclusion of certain material; and (iii) coordinate, develop the agendas for, and preside at executive sessions of the independent Directors.
- 5. Selection of Board Nominees.** The Board will be responsible for the selection of nominees for election or appointment to the Board. The Nominating and Governance Committee shall recommend candidates for election or appointment to the Board. Candidates are selected for, among other things, strength of character, sound judgment, career specialization, relevant skills, diversity and the extent to which the candidate would fill a present need on the Board. Final approval of a candidate is determined by the full Board.
- 6. Board Compensation.** The Board, through the Compensation Committee, will review appropriate compensation policies for the Directors serving on the Board and its Committees.
- 7. Significant Changes in Director Occupation.** A Director should notify the Nominating and Governance Committee promptly upon a material change in the Director’s principal occupation. If such change of principal occupation would likely interfere with the performance of the Director’s duties as a Director of the Company (for example, by reason of a lack of availability of time to perform such duties, or by reason of a conflict of interest or an appearance of a conflict of interest), the Director should offer to tender his or her resignation to the Nominating and Governance Committee, for consideration by the Board upon the recommendation of the Nominating and Governance Committee. The resignation shall not become effective unless the Board acts to accept the resignation.
- 8. Other Board Memberships.** Without specific approval from the Board, no Director may serve on more than four other boards of public companies in addition to the Company’s Board. Without specific approval from the Board, the Company’s Chief Executive Officer may

not serve on more than two other boards of public companies in addition to the Company's Board.

**9. Board, Committee, and Individual Director Self Evaluation.** The Board, each Committee, and each individual Director shall conduct a self-evaluation of their performance at least annually based on criteria established by the Nominating and Governance Committee. All results of the annual self-evaluations will be reported to the Board.

**10. Continuing Education of Board Members.** Each Director is encouraged to participate in continuing educational programs in order to maintain the necessary level of expertise to perform his or her responsibilities as a Director.

**11. Annual Meeting Attendance.** All Directors are encouraged to prepare for, attend and participate in all of the Company's Annual Meetings of Stockholders.

### **Board Meetings and Materials**

**12. Agenda and Materials.** The Chairman of the Board will establish and distribute in advance, if possible, the agenda for each Board meeting with input from the Lead Independent Director. Each individual Director is encouraged to suggest potential items for inclusion on the agenda. Information that is important to the matters that will be discussed at Board meetings should be distributed in advance of the meeting, if possible, so that the Board meeting time can be conserved for substantive discussion. An overall meeting schedule for the Board should be disseminated in advance of meetings so as to provide Directors reasonable advance notice.

**13. Executive Sessions of Independent Directors.** The independent Directors shall meet in an executive session separately and without any employee directors following all regularly scheduled Board meetings, and in any event at least once a quarter, to discuss such matters as the independent Directors consider appropriate.

**14. Counsel and Advisors.** The Board and each of its Committees may retain its choice of legal counsel and other advisors, at their discretion and at the expense of the Company, as it deems necessary or appropriate to carry out its duties for the Company Board Committees.

**15. Committees.** The current standing committees of the Board are the: Audit Committee, Compensation Committee, Nominating and Governance Committee, Executive Committee, and Technology Committee. From time to time the Board may establish a new Committee or disband existing Committees as it deems advisable in the fulfillment of its responsibilities.

**16. Committee Member Selections.** The Board will designate the members of each Committee, endeavoring to match the Committee's function and needs for expertise with the individual skills and experience of the appointees to the Committee. All members of the Audit, Compensation, and Nominating and Governance Committees shall meet applicable criteria for independence under the rules of the Securities and Exchange Commission ("SEC"), NASDAQ rules, and any other relevant regulatory rule or requirement specifically referenced in the respective Committee charter.

**17. Committee Charters.** Each Committee shall have a written charter setting forth its duties and responsibilities. The charter of each Committee shall be published as required in

accordance with applicable NASDAQ and SEC rules, and as otherwise deemed advisable to the Board. Committee charters are available on the Company's website at [www.osi-systems.com](http://www.osi-systems.com) in the "Investor Relations" section.

### **Ownership and Retention Guidelines**

**18. Director Stock Ownership.** To further align the interests of non-employee Directors and shareholders, each non-employee Director is required to be the beneficial owner of shares of the Company's common stock having a value equal to at least five times the Director's regular annual cash retainer for service as a Director. Such Directors shall have five years from the date of election or appointment to attain such ownership levels. During such time that a Director has not met the share ownership guideline, such Director is required to retain at least 50% of the shares acquired upon exercise of options or vesting of restricted stock awards or units, net of amounts required to pay taxes and exercise price. The Compensation Committee in its discretion may extend the period of time for attainment of such ownership levels in appropriate circumstances.

**19. Executive Stock Ownership.** To further align the interests of the Executive Officers and shareholders, each Executive Officer is required to be the beneficial owner of shares of the Company's common stock having a value equal to at least five times the Executive Officer's base salary. Each Executive Officer shall have five years from the date of appointment to attain such ownership levels. During such time that an Executive Officer has not met the share ownership guideline, such Executive Officer is required to retain at least 50% of the shares acquired upon exercise of options or vesting of restricted stock awards or units, net of amounts required to pay taxes and exercise price. The Compensation Committee in its discretion may extend the period of time for attainment of such ownership levels in appropriate circumstances.

### **Prohibition on Hedging and Pledging**

**20. Anti-Hedging Policy.** Executive Officers and Directors of the Company shall not, directly or indirectly, purchase any financial instrument or enter into any transaction that is designed to hedge or offset any decrease in the market value of the Company's common stock or other equity securities.

**21. Anti-Pledging Policy.** Executive Officers and Directors of the Company shall not, directly or indirectly, pledge, hypothecate, or otherwise encumber shares of the Company's common stock or other equity securities as collateral for indebtedness. This prohibition includes, but is not limited to, holding such shares in a margin account.

### **Clawback Policy.**

**22. Policy Statement.** In the event the Company is required to prepare an accounting restatement after the adoption of this clawback policy due to material noncompliance of the Company with any financial reporting requirement under the securities laws, the Company will use reasonable efforts to recover from any current or former Executive Officer of the Company ("Covered Person"), who received incentive-based compensation (including cash and equity compensation) from the Company during the 3-year period preceding the date on which the Company is required to prepare an accounting restatement, based on the erroneous data, the excess of what would have been paid to the Covered Person under the accounting restatement. In addition, any Covered Person who is terminated by the Company as a result of any breach of

the Company's Code of Ethics and Conduct shall be subject to the clawback policy with regard to any incentive-based compensation awarded during the years covered by the breach. Moreover, if any Covered Person is charged by any State or Federal Prosecutor or any government agency with committing any violation of law that involves fraud or dishonesty in the discharge of corporate responsibilities and results in a (i) guilty verdict, (ii) guilty plea, or (iii) settlement with an acknowledgment of wrongdoing and/or admission of fact that is the functional equivalent of an acknowledgment of wrongdoing, the Company will seek to clawback any incentive based compensation awarded covering the period of time that is the subject of the verdict, plea or settlement.

**23. Applicability and Interpretation.** This clawback policy shall apply to incentive-based compensation that is granted to a Covered Person after the adoption of this policy (or, if later, the date on which such person becomes a Covered Person). This policy shall be interpreted in a manner that is consistent with any applicable rules or regulations adopted by the Securities and Exchange Commission and NASDAQ pursuant to Section 10D of the Securities Exchange Act of 1934 (the "Applicable Rules") and any other applicable law and shall otherwise be interpreted (including in the determination of amounts recoverable) in the business judgment of the Company's Board of Directors (or a duly established committee thereof). To the extent the Applicable Rules require recovery of incentive-based compensation in additional circumstances besides those specified above, nothing in this policy shall be deemed to limit or restrict the right or obligation of the Company to recover incentive-based compensation to the fullest extent required by the Applicable Rules. This policy shall be deemed to be automatically amended, as of the date the Applicable Rules become effective with respect to the Company, to the extent required for this policy to comply with the Applicable Rules.

## **Succession Planning**

**24. Management Succession and Development Planning.** A succession plan shall be reviewed by the Board and the Compensation Committee annually. There shall be an annual report to the Board by the CEO on succession planning and management development. The Compensation Committee shall monitor issues associated with executive officer succession and management development, and regularly report to the Board on them. As part of this responsibility, the Compensation Committee also shall monitor issues associated with preparedness for the possibility of an emergency situation involving senior management, the long-term growth and development of the senior management team, and identifying the Chief Executive Officer's and other Executive Officers' successors.

## **Other Matters**

**25. Training.** The Company shall provide ongoing, annual training in corporate governance policies for its Directors, CEO, CFO, General Counsel, and Vice President of Compliance. The Company shall arrange for one outside Director training course for any new Director within the first twelve months of the new Director's tenure.

**26. Amendments of Guidelines.** The Nominating and Governance Committee shall review these Guidelines at least annually to ensure that they remain suitable for the needs of the Company. The Nominating and Governance Committee will recommend changes to the Board, as necessary.