

## DIGI INTERNATIONAL INC.

### **Corporate Governance Guidelines** (as of January 20, 2015)

#### **Selection and Composition of the Board**

##### **1) Board Membership Criteria**

The Nominating and Governance Committee is responsible for reviewing with the Board of Directors (the “Board”), on an annual basis, the appropriate skills and characteristics required of Board members in the context of the current composition of the Board. This assessment should include issues of judgment, diversity, age, length of Board service, skills such as understanding of relevant technologies, international background, etc. – all in the context of an assessment of the perceived needs of the Board at that point in time.

Candidates for director nominees are reviewed in the context of the current composition of the Board, the operating requirements of the Company and the long-term interests of the Company’s stockholders. The Nominating and Governance Committee will consider, at a minimum, the following factors in evaluating existing and potential new members for nomination to the Board, in addition to other factors it deems appropriate based on the current needs and desires of the Board:

- demonstrated character and integrity, an inquiring mind, experience at a strategy/policy setting level, sufficient time to devote to the affairs of the Company, and high-level managerial experience;
- whether the member/potential member is subject to a potentially disqualifying factor, such as, relationships with competitors, customers, suppliers, contractors, counselors or consultants, or recent previous employment with the Company;
- the member’s/potential member’s independence;
- whether the member/potential member assists in achieving a mix of members on the Board that represents a diversity of background and experience, including with respect to age, gender, international background, race and specialized experience;
- whether the member/potential member has general and strategic business management experience and financial experience with companies of a similar size that operate in the same general industry as the Company;
- whether the member/potential member, by virtue of particular experience, technical expertise, or specialized skills, will add specific value as a member of the Board; and
- any factors related to the ability and willingness of a new member to serve, or an existing member to continue his/her service.

The Nominating and Governance Committee will consider persons recommended by stockholders in selecting nominees for election to the Board. The Nominating and Governance Committee will consider candidates recommended by stockholders in the same manner that it considers all director candidates.

## **Director Education**

### **2) Orientation of New Directors**

The Company's Nominating and Governance Committee shall oversee an orientation process for new directors that includes distribution of background material, meetings with senior management and visits to Company facilities. All new directors should participate in the orientation process within three months of joining the Board. The orientation will include meetings with senior management and the corporate secretary to familiarize new directors with the Company's strategic plans, its significant financial, accounting and risk management issues, its policies and compliance programs, its principal officers, and its corporate governance practices. All continuing directors are also invited to attend the orientation program.

### **3) Continuing Education**

The Nominating and Governance Committee shall facilitate the continuing education of directors. Directors are encouraged to continue their education through director education programs or other instructional materials for directors.

## **Board Leadership**

### **4) Selection of Chairman of the Board**

The Board does not have a policy on whether or not the roles of Chairman of the Board and Chief Executive Officer should be separate or combined. Accordingly, the Board may make this selection any way that it deems best for the Company at a given point in time.

### **5) Chairman/Lead Director**

The Chairman of the Board shall:

- preside at all meetings of the Board;
- if an independent Director, preside over executive sessions of independent directors;
- approve information sent to the Board;
- approve meeting agendas for the Board;
- approve meeting schedules;
- have authority to call meetings of independent directors; and
- perform such other duties as determined by the Board or the independent directors from time to time.

If the Chairman of the Board is not an independent director, the independent directors shall annually designate one of the independent directors to serve as the Lead Director. If there is a Lead Director this person shall perform all the functions of Chairman described above with the following changes/exceptions:

- preside at all meetings at which the Chairman is not present and preside over all executive sessions of the independent directors;
- serve as liaison between the Chairman and independent directors;

### **Board Composition and Performance**

#### **6) Size of the Board**

It is the sense of the Board that a size of 5 to 8 directors is preferable.

#### **7) Independent Directors**

The Board believes that a majority of directors on the Board should be independent.

#### **8) Board Definition of What Constitutes Independence for Directors**

The Board believes that a director's independence is determined by the Board concluding that there is no current relationship between such director and the Company or members of the Company's management that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In reaching its conclusion, the Board should also review information necessary to assure itself that such members satisfy the definition under the listing standards of the Nasdaq Stock Market.

#### **9) Directors Who Change Their Present Job Responsibility**

It is the sense of the Board that when a director's principal occupation or business association changes substantially, the director shall tender his or her resignation to the Nominating and Governance Committee. The Nominating and Governance Committee will review whether the new occupation, or retirement, of the director is consistent with the specific rationale for selecting the individual for board membership. The Nominating and Governance Committee will determine whether action should be taken regarding the resignation based on the circumstances of retirement, if that is the case, or in the case of a new position, the responsibility and type of position, and industry involved. The full Board can, in lieu of relying upon the Nominating and Governance Committee, take the aforementioned actions of the Nominating and Governance Committee.

Independent directors are encouraged to consider the number of other public company boards on which they serve, taking into account potential board attendance, participation and effectiveness on these boards. Independent directors should advise the Chairman of the Board and the Chairman of the Nominating and Governance Committee in advance of accepting an invitation to serve on another public company board in order to assure that such new board is

consistent with and acceptable for service on the Board. Independent directors should likewise inform the Chairman of the Board or the Chairman of the Nominating and Governance Committee when retiring or resigning from another board. In no event shall an outside director serve on a board of more than five other public companies.

#### **10) Term Limits**

The Board does not believe it should establish term limits. While term limits could help ensure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of directors who have been able to develop, over a period of time, increasing insight into the Company and its operations and, therefore, provide an increasing contribution to the Board as a whole.

As an alternative to term limits, the Nominating and Governance Committee will consider the Board membership criteria set forth in Section 1 and the director's performance when reviewing each director's continuation on the Board each time the director is being considered for re-election to the Board. This will also allow each director the opportunity to conveniently confirm his/her desire to continue as a member of the Board.

#### **11) Executive Sessions of Independent Directors**

The independent directors of the Board will meet periodically, and in no event less than twice a year, in executive session. Executive sessions will be chaired by the Chairman of the Board or, if the Chairman of the Board is not an independent director, the Lead Director.

#### **12) Assessing the Board's Performance**

The Nominating and Governance Committee has the responsibility to establish and oversee a process for annual Board and Board committee self-evaluations and for reporting to the Board regarding the same.

#### **13) Board's Interaction with Institutional Investors, Press, Customers, Etc.**

The Board believes that management speaks for the Company. Individual Board members may, from time to time at the request of management, meet or otherwise communicate with various constituencies that are involved with the Company. If comments from the Board are appropriate, they should, in most circumstances, come from the Chairman of the Board or Lead Director.

#### **14) Stockholder Communications with the Board**

Stockholders may communicate with the Board by addressing correspondence to the Lead Director. The Lead Director will forward communications directed at particular members of the Board directly to the particular members. Communications directed to the Board in general will be handled by the Chairman of the Board or, if the Chairman of the Board is not an independent director, the Lead Director.

## **Committees**

### **15) Standing Committee**

The Board shall have the following standing committees: Audit, Compensation, and Nominating and Governance.

### **16) Size and Composition of Standing Committees**

Each of the standing committees shall consist of at least three directors, all of whom shall be independent directors, in addition to such other qualifications as shall be set forth in their respective charters.

## **Board Relationship to Senior Management**

### **17) Regular Attendance of Non-Directors at Board Meetings**

The Board welcomes the regular attendance at each Board meeting of non-Board members who are in the most senior management positions of the Company, for the purpose of presenting to the Board. The Board encourages the management to, from time to time, bring managers into Board meetings who: (a) can provide additional insight into the items being discussed because of personal involvement in these areas, and/or (b) are managers with future potential that the senior management believes should be given exposure to the Board.

### **18) Board Access to Senior Management**

Board members have complete access to the Company's management. It is assumed that Board members will use judgment to be sure that this contact is not distracting to the business operation of the Company.

### **19) Election of Company Officers**

At least annually the Board will elect executive officers of the Company, taking into account the recommendation of the Chief Executive Officer.

### **20) Termination or Suspension of Company Officers Elected by the Board**

The termination or suspension of employment of Company officers elected by the Board requires the approval of the Board.

## **Meeting Procedures**

### **21) Selection of Agenda Items for Board Meetings**

The Chairman of the Board will establish the agenda for each Board meeting in conjunction with the CEO if the Chairman of the Board is an independent director. If the Chairman of the

Board is not an independent director, the Chairman will establish the agenda in conjunction with the Lead Director. Each Board member is also free to suggest the inclusion of item(s) on any agenda.

#### **22) Board Materials Distributed in Advance**

Information and data that are important to an understanding of the business of a meeting will be distributed in writing to the directors sufficiently in advance of Board or Board committee meetings to permit adequate preparation. The Board expects that each director will review the materials and come to the meeting prepared for discussion.

### **Leadership Development**

#### **23) Formal Evaluation of the Chief Executive Officer**

The independent directors shall evaluate the performance of the Chief Executive Officer annually. The evaluation should be based on objective criteria including performance of the business, accomplishment of long-term strategic objectives, development of management, etc. The evaluation will be used by the Compensation Committee in the course of its deliberations when considering the compensation of the Chief Executive Officer.

#### **24) Management Development and Succession Planning**

The Board and Chief Executive Officer shall annually discuss management development plans and management succession planning, taking into account possible emergencies, as well as longer term retirement planning.

### **General**

#### **25) Access to Advisors**

The Board and each committee have the authority, to the extent they deem necessary or appropriate, to retain at the expense of the Company, and to terminate, independent legal, financial or other advisors.