



## **Pegasystems Inc. Related Person Transaction Policy**

**Department:** Legal

**Owner:** General Counsel

**Version:** v2.0    **Effective:** February 14, 2007    **Revised:** May 24, 2015    **Last Reviewed:** June 20, 2016

**Review:** Annually

### **OBJECTIVE**

It is Pegasystems' policy to review, approve or ratify all Related Person Transactions (as defined below).

### **SCOPE**

This Policy applies to Pegasystems Inc. and all of its subsidiaries (collectively, "Pegasystems" or the "Company").

### **POLICY**

Pegasystems recognizes that Related Person Transactions may raise questions as to whether those transactions are consistent with the best interests of the Company and its stockholders. It is the Company's policy to enter into or ratify a Related Person Transaction only when the Company's Board of Directors, or a committee thereof, acting in accordance with this policy, determines that such transaction is in, or is not inconsistent with, the best interests of the Company and its stockholders. Therefore, the Company has adopted this policy for the review, approval or ratification of Related Person Transactions. This policy has been approved by the Company's Board of Directors, and the Board of Directors has authorized the Nominating Committee of the Board of Directors (the "Committee") to oversee and administer this policy. The Committee will review and may amend this policy from time to time.

### **Definitions**

For purposes of this policy, a "**Related Person Transaction**" is any transaction, arrangement or relationship or any series of similar transactions, arrangements or relationships (including any indebtedness or guarantee of indebtedness) in which (i) the Company (including any of its subsidiaries) was, is or will be a participant, (ii) the amount involved will or may be expected to exceed \$120,000, and (iii) any Related Person had, has or will have a direct or indirect interest other than solely as a result of being a director of another entity.

For purposes of this policy, a "**Related Person**" means:

- (i) any person who is, or at any time since the beginning of the Company's last fiscal year was, a director or executive officer of the Company or a nominee to become a director of the Company;
- (ii) any person who is known to be the beneficial owner of more than 5% of any class of the Company's voting securities;
- (iii) any immediate family member of any of the foregoing persons (including any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law,

or sister-in-law of the director, executive officer, nominee or more than 5% beneficial owner, and any person (other than a tenant or employee) sharing the household of such director, executive officer, nominee or more than 5% beneficial owner); and

- (iv) any firm, corporation or other entity with which any of the foregoing persons is employed, has a relationship, is an officer, director, partner or principal or is in a similar position or in which such person, together with all other persons specified in clauses (i)-(iii) above, has a 10% or greater beneficial ownership interest.

#### **Procedures for Review, Approval or Ratification**

Each proposed Related Person Transaction shall be submitted to the Committee by a member of the Committee or by an officer of the Company requesting that the Committee consider such Related Person Transaction at a special meeting of the Committee. The Committee shall review the material facts of each Related Person Transaction that requires the Committee's approval and either approve or disapprove of the Company's participation in such Related Person Transaction, subject to the exceptions described herein. If advance Committee approval of a Related Person Transaction is not feasible, then the Related Person Transaction shall be considered and, if the Committee determines it to be appropriate, ratified at the Committee's next meeting, which may be a special meeting.

In determining whether to approve or ratify a Related Person Transaction, the Committee will analyze, among other factors it deems appropriate, (i) whether the terms are fair to the Company, (ii) whether the transaction is material to the Company, (iii) the purpose of, and the potential benefits to the Company of, the transaction, (iv) the structure of the transaction (including the role that the Related Person has played in arranging the transaction), (v) whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and (vi) the extent of all Related Persons' interests in the transaction. The Committee shall approve or ratify only those Related Person Transactions that are in, or are not inconsistent with, the best interests of the Company and its stockholders, as the Committee determines in good faith. The Committee shall convey its decision to the Company's General Counsel, who shall convey that decision to the other appropriate persons within the Company.

Approval or ratification of a Related Person Transaction may be conditioned by the Committee upon the Company and/or the Related Person taking any or all of the following additional actions, or any other actions that the Committee deems appropriate:

- (i) requiring the Related Person to resign from, or change position within, an entity that is involved in the Related Person Transaction;
- (ii) assuring that the Related Person will not be directly involved in negotiating the terms of the Related Person Transaction or in the ongoing relationship between the Company and the other persons or entities involved in the Related Person Transaction;
- (iii) limiting the duration or magnitude of the Related Person Transaction;
- (iv) requiring that information about the Related Person Transaction be documented and that reports reflecting the nature and amount of the Related Person Transaction be delivered to the Committee on a regular basis;

- (v) requiring that the Company have the right to terminate the Related Person Transaction by giving a specified period of advance notice; or
- (vi) appointing a Company representative to monitor various aspects of the Related Person Transaction.

If a Related Person Transaction will be ongoing, the Committee may establish additional guidelines for the Company's management to follow in its ongoing dealings with the Related Person. Thereafter, the Committee, on at least an annual basis, shall review and assess ongoing relationships with the Related Person to see that they are in compliance with the Committee's guidelines and that the Related Person Transaction remains appropriate.

No director shall participate in any discussion or approval of a Related Person Transaction for which he or she is a Related Person, except that the director shall provide all material information concerning the Related Person Transaction to the Committee.

The Committee has reviewed the Related Person Transactions described below in "Standing Pre-Approval for Certain Related Person Transactions" and determined that each of the Related Person Transactions described therein shall be deemed to be pre-approved or ratified (as applicable) by the Committee under the terms of this policy. In connection with each regularly scheduled meeting of the Committee, a summary of each new Related Person Transaction deemed pre-approved pursuant to paragraph (iii) or (iv) under "Standing Pre-Approval for Certain Related Person Transactions" below shall be provided to the Committee for its review.

#### **Standing Pre-Approval for Certain Related Person Transactions**

The Committee has reviewed the categories of Related Person Transactions described below and determined that any Related Person Transaction included within one or more of such categories shall be deemed to be pre-approved by the Committee, even if the aggregate amount involved will exceed \$120,000:

- (i) Any employment by the Company of an executive officer of the Company if:
  - (a) the related compensation is required to be reported in the Company's proxy statement under the Securities and Exchange Commission's compensation disclosure requirements under Item 402 of Regulation S-K; or
  - (b) the executive officer is not an immediate family member (as specified above) of another executive officer or director of the Company, the related compensation would be reported in the Company's proxy statement under Item 402 of Regulation S-K if the executive officer was a "named executive officer", and the Company's Compensation Committee (or group of directors performing a similar function) or Board approved such compensation;
- (ii) Any compensation paid to a director if the compensation is required to be reported in the Company's proxy statement under Item 402 of Regulation S-K;
- (iii) Any transaction with another company at which a Related Person's only relationship is as a director or beneficial owner of less than 10% of that company's shares, if the aggregate amount involved does not exceed the greater of \$1,000,000, or 2% of that company's total annual revenues;
- (iv) Any charitable contribution, grant or endowment by the Company to a charitable organization, foundation or university at which a Related Person's only relationship is as an employee (other than an executive

officer) or a director, if the aggregate amount involved does not exceed the lesser of \$1,000,000, or 2% of the charitable organization's total annual receipts; and

(v) Any transaction where the Related Person's interest arises solely from the ownership of the Company's common stock and all holders of the Company's common stock received the same benefit on a *pro rata* basis (e.g. dividends).

### **Failure to Comply**

Any Related Person who is an executive officer or director of the Company and who is found to have violated this policy will be subject to corrective action up to and including termination of employment or of the directorship.

### **Disclosure**

All Related Person Transactions that are required to be disclosed in the Company's filings with the Securities and Exchange Commission, as required by the Securities Act of 1933 and the Securities Exchange Act of 1934 and related rules and regulations, shall be disclosed in accordance with such laws, rules and regulations. The material features of this policy shall be disclosed in the Company's annual report on Form 10-K or in the Company's proxy statement, as required by applicable laws, rules and regulations. In addition, the Company shall post this policy on its website and update it as necessary.

### **RESPONSIBILITIES**

General Counsel:

- Approves policy
- Implements this policy
- Provides overall corporate guidance and direction for the execution of this policy
- Approves all disclosure relating to this policy

### **VERSION HISTORY**

*\*List the latest changes at the top of the below table*

<b>Version</b>	<b>Date</b>	<b>Author (Pega ID)</b>	<b>Reason for change</b>
2.0	May 24, 2015		Revised threshold amount.
2.0	June 20, 2016		No changes.