



Pegasystems Inc. Corporate Governance Guidelines

These Corporate Governance Guidelines (the “Guidelines”) have been approved and adopted by the Board of Directors (the “Board”) of Pegasystems Inc. (the “Corporation”). Together with the charters of the various Board committees, these Guidelines provide the framework for corporate governance. The Board will review these Guidelines to incorporate any changes the Board considers to be appropriate.

Except where the Guidelines reflect the requirements of law or the listing requirements of the Nasdaq Stock Market (“Nasdaq”), these Guidelines do not modify, or interpret the Corporation’s Articles of Incorporation, Bylaws, or any applicable law, rule or regulation.

1. Role of Board

The Board is elected by the shareholders. Except for those matters reserved for shareholder approval, the Board is the ultimate decision-making body of the Corporation. The Board advises and guides senior management and monitors its performance.

In accordance with MA law: “A director shall discharge his duties as a director, including his duties as a member of a committee: (1) in good faith; (2) with the care that a person in a like position would reasonably believe appropriate under similar circumstances; and (3) in a manner the director reasonably believes to be in the best interests of the corporation. In determining what the director reasonably believes to be in the best interests of the corporation, a director may consider the interests of the corporation's employees, suppliers, creditors and customers, the economy of the state, the region and the nation, community and societal considerations, and the long-term and short-term interests of the corporation and its shareholders, including the possibility that these interests may be best served by the continued independence of the corporation.” In fulfilling that responsibility, the Board may rely on the honesty and integrity of the Corporation’s senior management and on legal, accounting, financial, and other advisors.

2. Board Leadership

The Board believes it is important to retain its flexibility to allocate the responsibilities of the offices of the Board Chair and the Chief Executive Officer in the best interests of the Corporation. Therefore, the Board does not have a policy on whether the role of the Board Chair and the Chief Executive Officer should be separate or combined. When the position of Chair of the Board is held by a non-Independent Director, the Independent Directors may designate a Lead Independent Director (the “Lead Independent Director”).

3. Director Independence

The Board believes that a majority of the Board should be “independent directors” as defined by the Nasdaq Rules.

4. Director Qualifications

The Nominating and Corporate Governance Committee assists the Board in identifying qualified individuals to become Board members, in determining the composition of the Board and its committees, and in developing and monitoring a process to assess board effectiveness.

5. Size of Board

The Board reviews from time to time the appropriate size of the Board.



6. Board Meetings:

- a) Regular and Special Meetings. The Board currently holds regularly scheduled meetings and calls for special meetings as necessary.
- b) Attendance. Directors are expected to attend all meetings of the Board and Committees of the Board on which they serve. It is understood that, on occasion, circumstances may arise that prevent a director from attending a meeting.
- c) Attendance at the Annual Meeting of Stockholders. It is the Corporation's policy that directors are invited and encouraged to attend the Annual Meeting of Stockholders in person, telephonically, or by other means.
- d) Approval of Agenda. The Chair of the Board or Committees of the Board will approve the respective agendas for each meeting.
- e) Director Requests. Any director may request that an item be included on the agenda.
- f) New Agenda Items. While each agenda is carefully planned, it is flexible enough so that unexpected developments can be discussed at meetings.
- g) Advance Materials Distribution. To the extent possible, materials will be distributed to the directors in advance of the meeting for the director's review. Certain materials are of an extremely sensitive nature and may not be distributed in advance.

7. Committees

The Board will have an Audit Committee, a Compensation Committee, and a Nominating and Corporate Governance Committee. The Board may establish additional committees, including special committees. Committee members will be appointed by the Board. The Chair of each committee will provide reports to the Board as appropriate.

- a) Audit Committee. The primary purpose of the Audit Committee is to oversee the accounting and financial reporting processes and the audits of the financial statements of the Corporation. It is also responsible for compliance and risk oversight. The Audit Committee shall be comprised of three or more directors, each meeting the independence and experience requirements of the Nasdaq and of the Securities Exchange Act of 1934, as amended, (the "Exchange Act"). At least one member shall qualify as an "audit committee financial expert", as defined in Item 407(d)(5) of Regulation S-K under the Exchange Act. The Audit Committee will meet at least four times a year.
- b) Compensation Committee. The primary purpose of the Compensation Committee is to oversee the compensation of the Company's employees. The Compensation Committee is also responsible for producing an annual report on executive compensation for the Annual Report on Form 10-K or Proxy Statement. The Compensation Committee shall be comprised of three or more directors, each meeting the independence requirements of the Nasdaq and other applicable rules.



- c) Nominating and Corporate Governance Committee. The primary purpose of the Nominating and Corporate Governance Committee is to evaluate and nominate directors to the Board as well as to review and update the Corporate Governance Guidelines and the Code of Conduct. The Nominating and Corporate Governance Committee shall be comprised of directors who each meet the independence requirements of the Nasdaq and other applicable rules.

8. Executive Sessions of Independent Directors

The independent directors of the Board will meet in Executive Session at least two times each year. The Executive Sessions are led by the Lead Independent Director or Chair of the Nominating and Corporate Governance Committee.

9. Retention of Advisors/Consultants

The Board and each Committee of the Board shall have the authority to retain outside financial, legal, or other advisors as they deem appropriate.

10. Director Availability

Directors must devote sufficient time to carry out their duties and responsibilities effectively. Directors are also expected to avoid any action, position, or arrangement that conflicts, or appears to conflict, with the Corporation. Directors who also serve as chief executive officers or in equivalent positions should generally not serve on more than 2 additional boards while other directors should generally not serve on more than 4 additional boards without advising the Board of their outside commitments.

11. Board Access to Management

The members of the Board have access to Corporation employees to obtain the information necessary to fulfill their duties.

12. Directors Who Change Job Responsibility

The Board does not believe directors who retire from or change their principal occupation or business association should necessarily leave the Board, but they should notify the Board of any such change. This notification allows the Board, through the Nominating and Corporate Governance Committee, the opportunity to review the continued appropriateness of Board membership under these circumstances.

13. Stock Ownership

It is the policy of the Board that ownership by directors of the Corporation's stock is desirable to align the interests of the directors with those of the stockholders. The Board and/or the Nominating and Corporate Governance Committee will periodically review the extent to which any executive officer or director has pledged or margined shares of the Corporation's common stock, with a focus on the potential risk to stockholders. The Nominating and Corporate Governance Committee may from time to time propose stock ownership guidelines for the Board's consideration.

14. Continuing Education

The Corporation encourages directors to participate in continuing education programs focused on the Corporation's business and industry, committee roles and responsibilities, and legal and ethical responsibilities of board members.

15. Assessing Board and Committee Performance

The Nominating and Corporate Governance Committee should establish an annual process for



permitting the Board and each committee to conduct an assessment of its performance and effectiveness during the prior year. The Nominating and Corporate Governance Committee will also establish a process for an outside evaluation of the Board and each committee every third year. Each committee and the full Board will consider and discuss the findings of the assessments.

16. Formal Evaluation of the Chief Executive Officer

The Board, led by the Chairman of the Board, (or an independent director if the Chairman of the Board and Chief Executive Officer (“CEO”) are the same person) shall conduct an annual performance review of the Corporation’s CEO.

17. Chief Executive Officer and Management Succession

In conjunction with the annual evaluation of the CEO, the independent directors of the Board shall work with the CEO to plan for the succession of the CEO. Additionally, the Board will work in collaboration with the CEO on executive management talent succession.

18. Revisions to the Guidelines

The Nominating and Corporate Governance Committee will periodically review and recommend to the Board changes to these Guidelines.

19. Amendments and Waivers

The Board may amend, waive, suspend or repeal any of these Guidelines at any time, with or without public notice as it deems necessary or appropriate, in the exercise of the Board’s judgment or fiduciary duties.

Adopted on April 22, 2019

Last Reviewed on July 15, 2020