

CHORDIANT SOFTWARE, INC.

CORPORATE GOVERNANCE GUIDELINES

The Board of Directors (the “**Board**”) of CHORDIANT SOFTWARE, INC. (the “**Company**”) has established the following guidelines (“**Governance Guidelines**”) for the conduct and operation of the Board.

1. BOARD COMPOSITION AND SELECTION

1.1 Size and Classes of the Board

The number of directors shall be established by the Board in accordance with the Bylaws of the Company. The Board currently consists of 7 seats. The Board periodically reviews the appropriate size of the Board, which may vary to accommodate the availability of suitable candidates and the needs of the Company. The Board is divided into three classes that serve staggered three-year terms and are as nearly as equal as possible.

1.2 Independence of Directors

It is the policy of the Company that the Board be composed of not less than a majority of independent directors, subject to any exceptions permitted by The Nasdaq Stock Market (“**Nasdaq**”) listing standards. In determining independence, the Board will consider the definition of independence set forth in the Nasdaq listing standards, as well as other factors that will contribute to effective oversight and decision-making by the Board. Notwithstanding the foregoing, it is the Board’s policy to encourage that at least two thirds (2/3) of the Board shall be composed of directors meeting the following criteria:

1.2.1 Must not have been employed by the Company or its subsidiaries or entities under common control with the Company within the last three fiscal years;

1.2.2 Must not have received, during the current fiscal year or any of the three immediately preceding fiscal years, remuneration, directly or indirectly, other than *de minimis*¹ remuneration, as a result of service as, or being affiliated with as an executive officer, general partner or member of, an entity that serves as an advisor, consultant or legal counsel to the Company;

1.2.3 Does not have any personal service contract(s) with the Company, or any member of the Company’s senior management;

1.2.4 Is not an employee or officer with a not-for-profit entity that receives significant contributions from the Company;

¹ *De minimis* remuneration is defined as (a) direct remuneration of \$60,000 or less received from the Company, its subsidiaries or affiliates during a calendar year (other than director compensation); or (b) indirect remuneration paid to an entity if such remuneration does not exceed the lesser of \$5 million or one percent of the gross revenues of the entity, and did not directly result in an increase in the compensation received by the director from that entity.

1.2.5 During the current fiscal year or any of the three immediate preceding fiscal years, has not had any business relationship with the Company for which the Company has been required to make disclosure under Regulation S-K of the Securities and Exchange Commission (“**SEC**”), other than for service as a director or officer of a customer or supplier of the Company or for which relationship no more than *de minimis* remuneration was received in any one such year;

1.2.6 Is not employed at a public company at which an executive officer of the Company serves as a director;

1.2.7 Is not a member of the immediate family of any person described in paragraphs 1.2.1-1.2.5 above; and

1.2.8 Does not have beneficial ownership interest of five percent (5%) or more in an entity that has received remuneration, other than *de minimis* remuneration, from the Company, its subsidiaries or affiliates.

1.3 Management Directors

The Board anticipates that the Company’s Chief Executive Officer will be nominated to serve on the Board. The Board also may appoint or nominate other members of the Company’s management whose experience and role at the Company are expected to assist the Board in fulfilling its responsibilities.

1.4 Selection of Chief Executive Officer and Chairman of the Board; Lead Independent Director

The Board will select the Company’s Chairman of the Board (“**Chairman**”) in the manner that it determines to be in the best interests of the Company’s stockholders. It is the policy of the Company that the positions of Chief Executive Officer and Chairman be held by different individuals, except in unusual circumstances as determined by the Board. If the Chairman is not an independent director, one of the independent directors, may be designated by the Board as lead independent director to serve until replaced by the Board (“**Lead Independent Director**”).

(i) If the Chairman is a non-employee director, the Chairman will:

- Preside over the meetings of the Board of Directors;
- Determine, after consultation with Chordiant’s senior management team (the “**Senior Management**”), the frequency and length of meetings;
- Establish, after consultation with Chordiant’s Senior Management, the agenda for regular and special Board meetings. Each Board member is free to suggest the inclusion of item(s) on the agenda;
- Establish the agenda for meetings of the independent directors;

- Preside over meetings of the independent directors;
- Coordinate with the committee chairs regarding meeting agendas and informational requirements;
- Coordinate the activities of the other independent directors and perform such other duties as may be established or delegated by the Board;
- Review with the Board all summaries prepared by the Company of communications received from shareholders pursuant to Chordiant’s Policy on Shareholder Communications (the “**Shareholder Communications Policy**”); and
- Call special meetings of the shareholders.

(ii) If the Chairman is an employee director, one of the independent directors shall be designated by the Board as lead independent director to serve until replaced by the Board (“**Lead Independent Director**”). In determining the eligibility, qualifications and appropriateness of an independent director to serve as the Lead Independent Director, the Board shall consider, among other things, whether such independent director serves as the chairman of any standing committee of the Board and, if so, whether such dual role is consistent with the Board's objectives for the Lead Independent Director position. The Lead Independent Director will, as necessary:

- Determine, after consultation with Senior Management and the Chairman, the frequency and length of meetings;
- Establish, after consultation with the Chairman and Senior Management, the agenda for regular and special Board meetings. Each Board member is free to suggest the inclusion of item(s) on the agenda;
- Preside, in the absence of the Chairman, over the meetings of the Board of Directors;
- Establish the agenda for meetings of the independent directors;
- Coordinate with the committee chairs regarding meeting agendas and informational requirements;
- Preside over meetings of the independent directors;
- Preside over any portions of meetings of the Board at which the evaluation or compensation of the Chief Executive Officer is presented or discussed;
- Preside over any portions of meetings of the Board at which an assessment of the performance of the Board is presented or discussed;

- Coordinate the activities of the other independent directors and perform such other duties as may be established or delegated by the Board; and
- Review with the Board all summaries prepared by the Company of communications received from shareholders pursuant to Chordiant's Shareholder Communications Policy.

(iii) If the Chairman is an employee director, the Chairman will:

- Preside over the meetings of the Board of Directors except any portions of meetings of the Board at which the evaluation or compensation of the Chief Executive Officer is presented or discussed;
- Establish, after consultation with the Lead Independent Director and Senior Management, the agenda for regular and special Board meetings;
- Determine, after consultation with Senior Management and the Lead Independent Director, the frequency and length of meetings; and
- Call special meetings of the shareholders.

1.5 Selection of Directors

The Board will be responsible for nominating members for election to the Board by the Company's stockholders at the annual meeting of stockholders. The Board is also responsible for filling vacancies on the Board that may occur between annual meetings of stockholders. The Nominating and Corporate Governance Committee is responsible for identifying, reviewing and evaluating and recommending to the Board candidates to serve as directors of the Company, in accordance with its charter and consistent with the criteria set by the Board in Section 1.6 below. The invitation to join the Board should be extended by the Chairman or Lead Independent Director.

1.6 Board Membership Criteria

The Board will determine the appropriate characteristics, skills and experience for the Board as a whole and for its individual members. The Board considers recommendations for nominees from the Nominating and Corporate Governance Committee. In selecting candidates and existing directors for service on the Board, the minimum general criteria set forth below will be considered; specific additional criteria may be added with respect to specific searches. An acceptable candidate may not fully satisfy all of the criteria, but is expected to satisfy nearly all of them. The Board believes that candidates for director should have certain minimum qualifications, including being able to read and understand basic financial statements, and having the highest personal integrity and ethics. In considering candidates recommended by the Nominating and Corporate Governance Committee, the Board intends to consider such factors as possessing relevant expertise upon which to be able to offer advice and guidance to management, having sufficient time to devote to the affairs of the Company, demonstrated excellence in his or

her field, having the ability to exercise sound business judgment and having the commitment to rigorously represent the long-term interests of the Company's stockholders. 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 stockholders. In conducting this assessment, the Board considers diversity, experience, skills and such other factors as it deems appropriate given the current needs of the Board and the Company, to maintain a balance of knowledge, experience and capability. In the case of incumbent directors whose terms of office are set to expire, the Board reviews such directors' overall service to the Company during their term, including the number of meetings attended, level of participation, quality of performance, and any other relationships and transactions that might impair such directors' independence. In the case of new director candidates, the Board also determines whether the nominee is independent for purposes of Nasdaq listing standards.

1.7 Changes in Board Member Criteria

The Board and the Company wish to maintain a Board composed of members who can productively contribute to the success of the Company. From time to time, the Board may change the criteria for Board membership to maximize the opportunity to achieve this success. When this occurs, existing members will be evaluated according to the new criteria. A director who no longer meets the complete criteria for board membership may be asked to adjust his or her committee assignments or resign from the Board.

1.8 Term Limits

The Board does not believe it should limit the number of terms for which an individual may serve as a director. Directors who have served on the Board for an extended period of time are able to provide continuity and valuable insight into the Company, its operations and prospects based on their experience with, and understanding of, the Company's history, policies and objectives. The Board believes that, as an alternative to term limits, it can ensure that the Board continues to evolve and adopt new ideas and viewpoints through the director nomination process described in these Governance Guidelines.

1.9 Limits on Board Memberships

Directors should advise the Chairman and the Chairman of the Nominating and Corporate Governance Committee in advance of accepting an invitation to serve on the board or committee of another company. The Board recommends that directors serve on no more than three other public company boards and on no more than two other public company audit committees. The Board recognizes that the critical consideration is the director's availability to fulfill his or her responsibilities as a director if he or she serves on the boards or board committees of other companies. Service on boards and board committees of other companies should be consistent with the Company's conflict- of-interest policies.

1.10 Retirement Age

In general, directors are expected to retire from the Board at age 75, or at the conclusion of the term in which they reach age 75, unless otherwise recommended for nomination by the Nominating and Corporate Governance Committee.

1.11 Directors Who Change Their Job Responsibility

A director who retires from his or her present employment or who materially changes his or her position should promptly notify the Board and the Nominating and Corporate Governance Committee. The Board does not believe any director who retires from his or her present employment, or who materially changes his or her position, should necessarily leave the Board; however, there should be an opportunity for the Board, through the Nominating and Corporate Governance Committee, to review the continued appropriateness of Board membership under these circumstances.

2. ROLE OF THE BOARD OF DIRECTORS

The Board is selected by the stockholders to provide oversight of, and strategic guidance to, senior management. The core responsibility of a Board member is to fulfill his or her fiduciary duties of care, loyalty and good faith and otherwise to exercise his or her business judgment in the best interests of the Company and its stockholders. Service on the Board requires significant time and attention on the part of directors. More specifically, the Board has responsibilities to review, approve and monitor material financial and business strategies and major corporate actions, assess major risks facing the Company and consider ways to address those risks, select and oversee executive management. Directors are expected to maintain an attitude of constructive involvement and oversight; they are expected to ask relevant, incisive and probing questions and require honest and accurate answers. Directors must act with integrity and are expected to demonstrate a commitment to the Company, its values and its business and to long-term stockholder value. Directors are encouraged to attend the Company's annual meeting of stockholders, either in person or telephonically.

3. DIRECTOR EDUCATION

The Nominating and Corporate Governance Committee will provide orientation background material on the Company's policies and procedures, meetings with senior management and visits to Company facilities. The Company may, from time to time, offer continuing education programs to assist the directors in maintaining the level of expertise to perform his or her duties as a director.

4. DIRECTOR COMPENSATION

Directors who are also employees of the Company shall not receive additional compensation for service as directors. The form and amount of director compensation for Board and committee service for non-management directors shall be reviewed by the Compensation Committee in accordance with the principles set forth in its charter and applicable legal and regulatory guidelines and recommended to the Board for approval. The amount of compensation for non-management directors and committee members should be consistent with market practices of similarly situated companies. In determining compensation, the Compensation Committee will consider the impact on the director's independence and objectivity.

5. BOARD MEETINGS

5.1 Number of Meetings.

The Board expects to have at least four regular meetings each year, or more often as necessary, but in any event not less than once per fiscal quarter. The Board's policy when documenting the approval of stock option grants as a general rule is not to use unanimous written consents except in situations where it is impracticable to hold a meeting of the Compensation Committee or of the Board, as the case may be. All stock option grants made via unanimous written consent will be effective as of the date on which the Company receives signatures from all directors on such written consent.

5.2 Attendance.

Board members are expected to attend all meetings of the Board and committees on which they serve. Directors are expected to notify the Chairman of circumstances preventing attendance at a meeting.

5.3 Preparation and Commitment.

The Company will provide directors with appropriate preparatory materials in advance of a meeting, but in any event not later than three days prior to the meeting, except in unusual circumstances. Directors are expected to prepare for, attend and participate in all Board and committee meetings. Each director is expected to ensure that other existing and planned future commitments do not materially interfere with the member's service as director.

5.4 Agenda.

The Chairman together with the Lead Independent Director will establish a schedule of subjects to be discussed and an agenda for each Board meeting. Each Board member is encouraged to suggest the inclusion of items on the agenda at any time. Each Board member is free to raise at any Board meeting subjects that are not on the agenda for that meeting.

5.5 Executive Session.

The independent directors of the Board will meet periodically in executive session but no less than two times per year or such greater number as required by the Nasdaq listing standards. Executive session discussions may include such topics as the independent directors determine. The directors generally shall not take formal action at these sessions, but may make recommendations for consideration by the full Board. Executive sessions will be chaired by the Lead Independent Director.

5.6 Committee Reports

At each regular Board meeting, each committee that held a meeting subsequent to the last Board meeting and prior to the current Board meeting, at the request of the Lead Independent Director or the Chairman, will present a brief summary of its committee meeting to the Board,

including the principal subjects discussed and the conclusions and actions of the committee. In general, the Chairperson of the appropriate committee will present such report.

5.7 Operating Plan

Every year the Board will review and approve an operating plan for the Company.

6. BOARD COMMITTEES

6.1 Number of Committees; Independence of Members

The committee structure of the Board will consist of at least (a) an Audit Committee, (b) a Compensation Committee, and (c) a Nominating and Corporate Governance Committee. The Board may form, merge or dissolve committees as it deems appropriate from time to time. The Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee shall be composed entirely of independent directors.

6.2 Committee Charters

All standing committees will operate pursuant to a written charter, which sets forth the responsibilities of the committee and procedures that the committee will follow. Unless otherwise directed by the Board, new standing committees formed by the Board will develop a written charter delineating its responsibilities. The charters of all committees will be subject to periodic review and assessment by each committee and each committee shall recommend any proposed charter changes to the Board.

6.3 Board Committee Membership

The Nominating and Corporate Governance Committee, after due consideration of the interests, independence and experience of the individual directors and the independence and experience requirements of Nasdaq, the rules and regulations of the Securities and Exchange Commission and applicable law, recommends to the Board annually the chairmanship and membership of each committee.

6.4 Committee Meetings and Agenda

Each committee chairman, in consultation with committee members, will determine the frequency and length of the meetings of the committee, consistent with any requirements set forth in the committee's charter. The chairman of each committee, in consultation with the appropriate members of the committee and management and the Lead Independent Director, may develop the committee's agenda.

7. BOARD ACCESS TO MANAGEMENT; USE OF OUTSIDE DIRECTORS

Board members have complete and open access to the Company's management. It is assumed that Board members will use judgment to ensure that this contact is not distracting to the operations of the Company or to the managers' duties and responsibilities and that such

contact, to the extent reasonably practical or appropriate, will be coordinated with the Chief Executive Officer. Written communications to management should, whenever appropriate, be copied to the Chief Executive Officer.

The Board and each committee shall have the power to hire at the expense of the Company, independent legal, financial or other advisors as they may deem necessary, without consulting or obtaining the approval of any officer of the Company in advance.

8. CHIEF EXECUTIVE OFFICER EVALUATION; SUCCESSION PLANNING

The Board shall conduct an annual review of the Chief Executive Officer's performance. The evaluation should be based on objective criteria including performance of the business and accomplishment of long-term strategic objectives reviewed and approved by the Board. The evaluation will be used by the Compensation Committee and the Board in the course of its deliberations when considering the compensation of the Chief Executive Officer.

The Compensation Committee should periodically review with the Chief Executive Officer the Company's plan for succession to the offices of the Company's Chief Executive Officer, Chief Financial Officer and such other officers determined by the Compensation Committee to be crucial to the success of the Company and make recommendations to the Board with respect to the selection of appropriate individuals to succeed to these positions. The Chief Executive Officer should at all times make available his or her recommendations and evaluations of potential successors, along with a review of any development plans recommended for such individuals.

9. REVIEW OF GOVERNANCE GUIDELINES

The Nominating and Corporate Governance Committee will review and assess the adequacy of these Governance Guidelines from time to time and recommend any proposed changes to the Board for approval.