

PHASE FORWARD INCORPORATED

STATEMENT ON CORPORATE GOVERNANCE

The governance practices are memorialized in this statement to assure that the Board of Directors (the “Board”) of Phase Forward Incorporated (the “Corporation”) will have the necessary authority and practices in place to review and evaluate the Corporation’s business operations as needed and to make decisions that are independent of the Corporation’s management. The principles embodied in this statement are also intended to align the interests of directors and management with those of the Corporation’s shareholders.

This statement is subject to future refinement or changes as the Board may from time to time find necessary or advisable for the Corporation in order to achieve these objectives.

Board Composition and Selection; Independent Directors

Board Size. The Board believes 6 to 9 is an appropriate size based on the Corporation’s present circumstances. The Board periodically evaluates whether a larger or smaller slate of directors would be preferable. The Chief Executive Officer will generally be the only representative of management on the Board.

Selection of Board Members. All Board members are elected annually by the Corporation’s shareholders, except as noted below with respect to vacancies. Each year at the Corporation’s annual meeting, the Board recommends a slate of directors for election by shareholders. The Board’s recommendations are based on its determination (using advice and information supplied by the Governance, Nominating and Compliance Committee) as to the suitability of each individual, and the slate as a whole, to serve as directors of the Corporation, taking into account the membership criteria discussed below. The recommendations of the Governance, Nominating and Compliance Committee are approved by a majority of independent directors on the Board.

The Board may, upon the recommendation of the Governance, Nominating and Compliance Committee and with the approval by a majority of independent directors on the Board, fill vacancies in existing or new director positions. Such directors elected by the Board serve only until the next election of directors unless elected by the shareholders to a further term at that time.

Board Membership Criteria. The Governance, Nominating and Compliance Committee works with the Board on an annual basis to determine the appropriate characteristics, skills and experience for the Board as a whole and its individual members. In evaluating the suitability of individual Board members, the Board takes into account many factors, including general understanding of marketing, finance and other disciplines relevant to the success of a publicly-traded company in today’s business environment, understanding of the Corporation’s business on a technical level and educational and professional background. The Board evaluates each individual in the context of the Board as a whole, with the objective of recommending a group that can best perpetuate the success of the business and represent shareholder interests through the exercise of sound judgment, using its diversity of experience. In determining whether to recommend a director for re-election, the Governance, Nominating and Compliance Committee

also considers the director's past attendance at meetings and participation in and contributions to the activities of the Board.

Board Composition – Mix of Management and Independent Directors. The Board requires that a majority of its directors be independent. At least annually, the Board will evaluate all relationships between the Corporation and each director in light of relevant facts and circumstances for the purposes of determining whether a material relationship exists that might signal a potential conflict of interest or otherwise interfere with such director's ability to satisfy his or her responsibilities as an independent director. The Board determines the independence of its members in accordance with the listing standards of any exchange on which its shares are listed, applicable laws and regulations and any other factors which the Board deems relevant.

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 valuable insight into the operations and future of the Corporation based on their experience with and understanding of the Corporation'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 viewpoints through the evaluation and nomination process described in this statement.

Retirement Policy. The Board believes that 75 is an appropriate retirement age for directors.

Directors with Significant Job Changes. It is the Corporation's policy that every director, including the Chief Executive Officer and any other directors with Corporation management responsibilities, must notify the Chairman of the Governance, Nominating and Compliance Committee of his or her retirement, of any change in employer, and of any other significant change in the director's principal professional occupation or roles and responsibilities and, in connection with any such change, offer his or her resignation from the Board for consideration by the Board. The Governance, Nominating and Compliance Committee, in its discretion, will then consider the continued appropriateness of Board membership under the new circumstances and the action, if any, to be taken with respect to the offer of resignation on the Board and to recommend appropriate action to the Chairman of the Board.

Selection of Chief Executive Officer and Chairman. The Board selects the Corporation's Chief Executive Officer and Chairman in the manner that it determines to be in the best interests of the Corporation's shareholders.

Limitation on Other Board Service. The Board believes that its members should be prohibited from serving on the board of directors of more than five other public companies in addition to service on the Board. Directors must notify the Governance, Nominating and Compliance Committee in connection with accepting a seat on the board of directors of another business corporation so that the potential for conflicts or other factors compromising the director's ability to perform his duties may be fully assessed.

Director Orientation and Continuing Education. The Corporation will conduct an orientation program for each new director within three months following the meeting at which the director is elected. The orientation will include information by senior management designed to familiarize

the new director with the Corporation's business and strategic plans, key policies and practices, principal officers and management structure, auditing and compliance processes and its Code of Ethics and Business Conduct. The general counsel will be responsible for periodically providing materials or briefing sessions for continuing directors on topics that will assist them in discharging their duties.

Board Meetings; Involvement of Senior Management

Board Meetings – Agenda. The Chairman or Chief Executive Officer, in consultation with the Lead Independent Director, taking into account suggestions from other members of the Board, sets the agenda for each Board meeting, and instructs the corporate secretary to distribute this agenda in advance to each director.

Attendance at Meetings. Each member of the Board is expected to make reasonable efforts to attend regularly scheduled meetings of the Board and to participate in telephone conference meetings or other special meetings of the Board. In the event that directors are unable to make at least 75% of those regular or special meetings (together with the meetings of committees on which such director serves), the Corporation will be required to disclose that fact in its annual proxy statement. In addition, attendance and participation at meetings is an important component of the directors' duties and, as such, attendance rates will be taken into account by the Governance, Nominating and Compliance Committee in connection with assessments of director candidates for re-nomination as directors.

Attendance at Annual Meetings of Stockholders. The Board's policy is to schedule a Board meeting on the same date as the Corporation's annual meeting of stockholders and, therefore, all directors and all nominees for election as directors are strongly encouraged to attend the Corporation's annual meeting of stockholders.

Advance Distribution of Materials. All information relevant to the Board's understanding of matters to be discussed at an upcoming Board meeting is distributed by the corporate secretary in writing or electronically to all members in advance, whenever feasible and appropriate. This helps facilitate the efficient use of meeting time. In preparing this information, management endeavors to provide the Board with materials that are as concise as possible, yet give directors sufficient information to make informed decisions. The Board acknowledges that certain items to be discussed at Board meetings are of an extremely sensitive nature and that the distribution of materials on these matters prior to Board meetings may not be appropriate.

Access to Employees and Independent Advisors. The Board and each committee thereof should have access to Corporation employees in order to ensure that directors can ask all questions and glean all information necessary to fulfill their duties. The Board may specify a protocol for making such inquiries. Management is encouraged to invite Corporation personnel to Board meetings at which their presence and expertise would help the Board have a full understanding of matters being considered. The Board and each committee thereof shall also have the authority to engage legal, accounting or other advisors to provide it with advice and information in connection with carrying out its or their responsibilities.

Executive Sessions of Independent Directors. The independent directors of the Corporation meet in executive session with no management directors or management present at each Board meeting. These executive session discussions include such topics as the independent directors determine.

Lead Independent Director. The Board notes that shareholders of the Corporation elect all directors of the Board and all have an equal voice. The Board as a whole is free, should a special situation arise, to call upon any one or more directors to provide leadership in a given situation. The Board understands that leadership in certain subject areas falls to the committee chair(s) responsible for the subject matter giving rise to the need, and that the chairs function as the committee liaisons to the Chairman and the rest of the Board. It is the policy of the Board that, at such times as the Chairman is not an independent director, it is appropriate and necessary for the independent directors to designate a Lead Independent Director who would be expected to serve in such capacity. The Governance, Nominating and Compliance Committee shall review the designation of the Lead Independent Director from time to time and recommend any change in the Lead Independent Director it deems appropriate to the Board. Executive sessions of the independent directors will be chaired by the Lead Independent Director.

Performance Evaluation; Succession Planning

Annual Chief Executive Officer Evaluation. The Chair of the Management Development and Compensation Committee leads the independent directors in conducting a review at least annually of the performance of the Chief Executive Officer and communicates the results of the review to the Chief Executive Officer. The independent directors establish the evaluation process and determine the specific criteria on which the performance of the Chief Executive Officer is evaluated.

Succession Planning. As part of the annual officer evaluation process, the Management Development and Compensation Committee works with the Chief Executive Officer to plan for Chief Executive Officer succession, as well as to develop plans for interim succession for the Chief Executive Officer in the event of an unexpected occurrence. Succession planning may be reviewed more frequently by the Board as it deems warranted.

Board Self-Evaluation. The Governance, Nominating and Compliance Committee is responsible for conducting an annual evaluation of the performance of the full Board and reporting its conclusions to the Board. The report should generally include an assessment of the Board's compliance with the principles set forth in this statement, as well as identification of areas in which the Board could improve its performance.

Compensation

Board Compensation Review. Corporation management and the Management Development and Compensation Committee report to the Board on an annual basis as to how the Corporation's director compensation practices compare with those of other comparable public corporations. The Board makes changes in its director compensation practices only upon the recommendation of both the Management Development and Compensation Committee and the Governance,

Nominating and Compliance Committee, and following discussion and approval by a majority of the Board.

Committees

Number and Type of Committees. The Board has 3 committees - an Audit and Finance Committee, a Management Development and Compensation Committee, and a Governance, Nominating and Compliance Committee. The Board may add new committees or remove existing committees as it deems advisable in the fulfillment of its primary responsibilities consistent with applicable rules and regulations. Each committee is comprised solely of independent directors and governed by a written charter approved by the Board. The Board is responsible for the appointment of committee members and committee chairpersons according to criteria that it determines to be in the best interest of the Corporation and its shareholders. Committee duties are summarized briefly as follows:

Audit and Finance Committee. The Audit and Finance Committee reviews the work of the Corporation's internal accounting and audit processes. The committee is directly responsible for the appointment, compensation, retention and oversight of the Corporation's independent auditors. The committee reviews all actual and potential conflicts of interest between the Corporation and directors, officers and employees.

Management Development and Compensation Committee. The Management Development and Compensation Committee stays informed as to market levels of compensation and, based on evaluations, recommends compensation levels and systems to the Board. Compensation of the Chief Executive Officer is proposed by the Management Development and Compensation Committee and approved by a majority of the independent directors.

Governance, Nominating and Compliance Committee. The Governance, Nominating and Compliance Committee is responsible for recommending to the Board individuals to be nominated as directors. The committee evaluates new candidates and current directors, and performs other duties as described elsewhere in this statement and its charter.

Committee Meetings and Agenda. The chairperson of each committee is responsible for developing, together with relevant Corporation managers and the assistance of the corporate secretary, the committee's general agenda and objectives and for setting the specific agenda for committee meetings. The chairperson and committee members determine the frequency and length of committee meetings consistent with the committee's charter.

Shareholder Communications. The Board believes that direct communications between the Board and its shareholders are in the best interests of the Corporation. Accordingly, shareholders of the Corporation may contact any director, including the Chairman, by writing to them c/o Phase Forward Incorporated. The Corporation does not intentionally screen any mail received by the Corporation and intended for the Board. Mail addressed to one or more committees of the Board may be shared with other committees or the full Board as appropriate.

Code of Ethics and Business Conduct. The Corporation has adopted a Code of Ethics and Business Conduct covering all its directors, officers and employees setting forth the

Corporation's belief in the principles of honest and ethical conduct. A link to the Code of Ethics and Business Conduct and to the policies referred to therein can be found on the Corporation's website at: <http://www.phaseforward.com>. Pursuant to the Code of Ethics and Business Conduct, violations of law, regulation, Corporation policy (including the Code of Ethics and Business Conduct) may be reported directly to the Governance, Nominating and Compliance Committee and violations with respect to financial and accounting matters may be reported directly to the Audit and Finance Committee.

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