

CALLIDUS SOFTWARE INC.
a Delaware corporation (“Company”)

Corporate Governance Guidelines
As Amended and Restated on March 6, 2014

1. Board and Director Responsibilities

The Board of Directors of the Company (the “Board”) acts as the ultimate decision-making body of the Company and advises and oversees management, who are responsible for the day-to-day operations and management of the Company. In fulfilling these roles, each director must act in what he or she reasonably believes to be in the best interests of the Company and must exercise his or her business judgment.

Participation at Board and Committee Meetings

The Company expects directors to be active and engaged in discharging their duties and to keep themselves informed about the business and operations of the Company. Directors are expected to attend all Board meetings and the meetings of the committees on which they serve and to prepare themselves for these meetings. A director who is unable to attend a meeting is expected to notify the Chairman of the Board, the Lead Independent Director, or the Secretary in advance of such meeting.

Directors also are invited and encouraged to attend the Company’s annual meetings of stockholders.

Preparation for Board and Committee Meetings

Management is required to keep the Board informed of all relevant information for the purpose of carrying out its duties. In order for the Board to exercise fully its oversight functions, management provides the Board with access to information regarding the Company and the markets in which the Company operates. Any written materials which would assist directors in preparing for a Board or committee meeting shall be distributed to the directors in advance of the meeting, to the extent possible, and directors are expected to review such materials prior to the meeting.

Company Performance and Corporate Strategy

The Board reviews the Company’s financial performance on a regular basis at Board meetings and through periodic updates, with a particular focus on peer and competitive comparisons. These reviews include the views of management.

The Board also conducts an annual meeting to review and approve the Company’s long-term strategy, and assess its strategic, competitive and financial performance, on both an absolute basis and in relation to the performance, practices and policies of its peers and competitors.

2. Composition of the Board and Board Membership Criteria; Director Qualifications

The Nominating and Corporate Governance Committee (“NCG Committee”) shall establish criteria for Board membership, which shall include the criteria set forth in these Corporate Governance Guidelines (“Governance Guidelines”), and shall recommend individuals for membership on the Board. In making its recommendations, the NCG Committee shall:

- review candidates’ qualifications for membership on the Board (including a determination as to the independence of the candidate) based on the criteria established by the NCG Committee and approved by the Board (and taking into account the applicable independence, financial literacy and financial expertise rules, regulations and listing requirements of NASDAQ and any other rules and regulations promulgated by the Securities and Exchange Commission (“Commission”) under the Securities Exchange Act of 1934, as amended for audit committee membership purposes);

- evaluate current directors for re-nomination to the Board; and
- periodically review the composition of the Board in light of the current challenges and needs of the Board and the Company, and determine whether it may be appropriate to add or remove individuals after considering issues of judgment, diversity, age, skills, background and experience.

3. Director Qualifications

Independence

A substantial majority of the Board shall be comprised of “independent director(s)” as defined and required under NASDAQ Rules 5605(a)(2) and 5605(c)(2)(A), respectively, and any other applicable rules, regulations and listing requirements of NASDAQ, as amended from time to time (the “Exchange Rules”), except as may otherwise be permitted by the Exchange Rules. The Board shall make an affirmative determination at least annually as to the independence of each director.

Term Limits

It is the policy of the Board to avoid term limits which have the disadvantage of discontinuing the availability and contributions of directors who have developed experience with, and insight into, the Company and its needs over a period of time.

Retirement Age

It is the policy of the Board to consider age as a factor in determining director qualifications, but not to set an arbitrary retirement age.

Simultaneous Service on Other Public Company Boards

It is suggested that no director should serve on the boards of directors of more than 5 other public companies while serving on the Board, although a transition period may be required for existing directors whose board positions exceed these suggested limits. It is the policy of the Board that no director who is the Chief Executive Officer (“CEO”) of a public company shall serve on the boards of directors of more than 3 public companies (inclusive of the company for which such director serves as CEO) while serving on the Board.

It is the policy of the Board that every director must notify the Board and the NCG Committee prior to accepting any invitation to serve on another corporate board or with a government or advisory group, where there is a potential conflict of interest. The NCG Committee shall evaluate the continued appropriateness of Board membership under the new circumstances and make a recommendation to the Board as to any action to be taken with respect to continued Board membership.

It is the policy of the Board that no member of the Audit Committee of the Board may simultaneously serve on the Audit Committees of more than three public companies, including the Company.

Changes in Primary Employment

It is the policy of the Board that every director, including the CEO and any other inside directors, must notify the Board and the NCG Committee of his or her retirement, any change in employer and any other significant change in professional roles and responsibilities. The NCG Committee shall evaluate the continued appropriateness of Board membership under the new circumstances and make a recommendation to the Board as to any action to be taken with respect to continued Board membership.

Conflicts of Interest

If an actual or potential conflict of interest (as defined in the Company’s Code of Business Conduct and Ethics (“Code of Conduct”)) develops with a member of the Board because of a change in the business of the Company or a subsidiary, or in a director’s circumstances, the director should report the matter immediately to the Company’s Principal Legal Officer, who shall then forward the disclosure to the Audit Committee in accordance with

the Code of Conduct for evaluation and appropriate resolution.

If a director has a personal interest in a matter before the Board, the director shall disclose the interest to the full Board, shall recuse himself or herself from participation in the discussion, and shall not vote on the matter.

4. Voting for Directors

In an uncontested election (i.e., an election where the only nominees are those recommended by the Board), any nominee for director who receives a greater number of votes “withheld” from his/her election than votes “for” such election (a “Majority Withheld Vote”) is obligated to tender his/her resignation to the Board promptly following certification of the stockholder vote.

In the event of a tendered resignation following a Majority Withheld Vote, the NCG Committee will thereafter promptly consider the resignation offer and recommend to the Board action with respect to the tendered resignation, which may include accepting the resignation, maintaining the director but addressing the underlying cause of the withheld votes, resolving not to re-nominate the director in the future, rejecting the resignation or taking any other action the NCG Committee deems to be appropriate and in the Company’s best interests. In considering what action to recommend with respect to the tendered resignation, the NCG Committee will take into account all factors deemed relevant by the members of the NCG Committee, including, without limitation, any stated reasons why stockholders “withheld” votes for election from such director, the length of service and qualifications of the director whose resignation has been tendered, the overall composition of the Board, the particular directors’ contributions to the Company and these Governance Guidelines.

The Board will act on the NCG Committee’s recommendation no later than 90 days following certification of the stockholder vote. In considering the NCG Committee’s recommendation, the Board will consider the factors and possible actions considered by the NCG Committee and such additional information, factors and possible actions the Board believes to be relevant or appropriate.

Following the Board’s decision on the NCG Committee’s recommendation, the Company will promptly disclose the Board’s action with respect to the tendered resignation (providing a description of the process by which the decision was reached and, if applicable, the reasons for not accepting the tendered resignation) in a Form 8-K filed with the Commission.

Except as indicated below, any director who tenders his/her resignation pursuant to this provision shall not participate in the NCG Committee recommendation or Board’s consideration regarding the action to be taken with respect to the tendered resignation. If a majority of the members of the NCG Committee receive a Majority Withheld Vote at the same election, then the independent directors who are on the Board who did not receive a Majority Withheld Vote will appoint a committee of the Board amongst themselves solely for the purpose of considering the tendered resignation(s) and will recommend to the Board action to be taken with respect to the tendered resignation(s). This committee may, but need not, consist of all of the independent directors who did not receive a Majority Withheld Vote. If all of the independent directors receive Majority Withheld Votes, all directors will participate in the consideration of the action to be taken with respect to the tendered resignation(s). To the extent that one or more directors’ resignation(s) are accepted by the Board, the NCG Committee will recommend to the Board whether to fill such vacancy or vacancies or to reduce the size of the Board.

This provision on voting for directors will be summarized or included in the Company’s annual proxy statement relating to the election of directors.

5. Board Agenda

The Chairman of the Board in conjunction with the Lead Independent Director and the CEO, establishes, on an annual basis, an agenda of topics for consideration and review by the Board during the following year. This annual schedule of topics is then provided to the Board for review and comment and is adjusted, as appropriate, during the year. The Chairman of the Board, in conjunction with the Lead Independent Director and the CEO, shall determine the frequency and length of Board meetings.

6. Lead Independent Director and Chairman of the Board

The Board shall elect a Chairman of the Board and a Lead Independent Director. The Board shall have the authority, with input of the NCG Committee, to define the duties of each or both of those roles, as they may change from time to time. Some of those duties as allocated by the Board to these two positions will include:

- presiding at all meetings of the Board;
- presiding at executive sessions of the independent directors;
- serving as a liaison between the CEO and the independent directors and leading the process of the annual evaluation of the CEO;
- approving meeting agendas for the Board;
- approving meeting schedules to assure that there is sufficient time for discussion of all items;
- the authority to call meetings of the independent directors; and
- being available for consultation and direct communication if requested by major stockholders.

7. Meetings of Non-Employee Directors

The Company's non-employee directors shall regularly schedule executive sessions in which management does not participate which are led by either the Chairman of the Board or the Lead Independent Director.

The non-employee directors shall establish and publicly disclose in the annual proxy statement the procedure by which a presiding director is selected for each executive session and the method for interested parties to communicate directly with the Company's non-employee directors.

8. Board Committees

The Board shall have at all times an Audit Committee, a Compensation Committee and a NCG Committee. Subject to any changes that the Board may make from time to time:

- the Audit Committee shall generally be responsible for overseeing the integrity of the Company's financial statements, its independent auditor, its internal audit function and compliance by the Company with legal and regulatory requirements, reviewing conflicts of interest, including related party transactions, and acting as the Qualified Legal Compliance Committee;
- the Compensation Committee shall generally be responsible for overseeing director compensation, the Company's compensation and benefits policies, evaluating executive officer performance and compensation and reviewing the Company's management succession plan; and
- the NCG Committee shall generally be responsible for identifying qualified Board candidates, recommending director nominees and appointments to Board committees, evaluating Board performance and overseeing the Governance Guidelines and Code of Conduct.

Only independent directors meeting the independence requirements described above may serve on these three committees. Committee members shall be appointed by the Board each year based upon the recommendation of the NCG Committee, except for the NCG Committee, which is directly appointed by the independent members of the Board. The Board may, from time to time, establish or maintain additional committees as it deems appropriate and in the best interests of the Company.

In making its recommendations for committee appointments, the NCG Committee shall:

- review candidates' qualifications for membership on the committee (including a determination as to the independence of the candidate) based on the criteria recommended by the NCG Committee; and
- evaluate current directors for reappointment to a committee and determine the characteristics and critical skills required for appointment to such committee.

9. Board Member Access to Management and Independent Advisors

Board members shall have access to the management and employees of the Company and to its outside counsel and auditors. Any meetings or contacts that a director wishes to initiate may be arranged through the CEO or the Secretary or directly by the director in appropriate circumstances.

Executive officers and other members of senior management are expected to be present at Board meetings at the invitation of the Board. The Board encourages senior management to make presentations and invite managers and other employees who can provide additional insight into the items being discussed at Board meetings. The Board also encourages senior management to include in Board meetings individuals that the senior management believes may become prospective leaders of the Company.

The Board and each of its committees is authorized to hire independent legal, financial or other advisors as they may consider necessary, without conferring with or obtaining the approval of management or, in the case of committees, the Board.

10. Director Compensation

The Compensation Committee shall review and recommend to the Board compensation (including equity-based compensation) for the Company's non-employee directors. In so reviewing and making recommendations with respect to non-employee director compensation, the Compensation Committee shall determine director compensation based on, among other things, the Compensation Committee's consideration of the responsibilities and time commitment of the directors and the value of similar incentive awards relative to targets at comparable companies and such other factors as the Compensation Committee deems appropriate and in the best interests of the Company.

11. Director Orientation and Continuing Education

All new members of the Board and new members of committees are encouraged to participate in the Company's orientation program for directors. Other directors are also encouraged to attend the orientation program.

All directors will be offered the opportunity, and are encouraged, to participate in continuing education programs to stay abreast of developing trends for directors and to maintain the necessary level of expertise to perform their responsibilities as directors.

Such orientation and continuing education programs shall be overseen by the NCG Committee.

12. Management Evaluation and Management Succession

The Compensation Committee shall evaluate the performance of the senior management of the Company and shall present its findings to the full Board. The Board shall review the Compensation Committee's report in order to ensure that management's performance is satisfactory and that management is providing the best leadership for the Company in the long and short-term.

The Compensation Committee shall review and report to the Board on the Company's succession planning, including succession planning in the case of the incapacitation, retirement or removal of the CEO. The CEO shall provide an annual report to the Compensation Committee recommending and evaluating potential successors, along with a review of any development plans recommended for such individuals. The CEO shall also provide to the Board, on an ongoing basis, his/her recommendation as to a successor in the event of an unexpected emergency.

13. Annual Performance Evaluation

The Board, led by the NCG Committee, shall establish and conduct an annual self-evaluation to determine whether it and its committees are functioning effectively, to assess and determine the characteristics and critical skills required of prospective candidates for election to the Board and to appoint members of the Board to various committees. This process shall also include annual self-assessments by each Board committee, relying on a review process similar to that used by the Board, with performance criteria for each committee established on the basis of its charter and best practices. The Board will discuss the evaluations and determine what action, if any, would improve Board and committee performance, including, for example, making recommendations for proposed changes to these Governance Guidelines.