

PHASE FORWARD INCORPORATED

Management Development and Compensation Committee Charter

A. PURPOSE AND SCOPE

The primary function of the Management Development and Compensation Committee (the “Committee”) of the Board of Directors (the “Board”) of Phase Forward Incorporated (the “Corporation”) is to exercise the responsibilities and duties set forth below, including but not limited to (a) discharging the Board’s responsibilities relating to the compensation of the Corporation’s executives, (b) administering the Corporation’s incentive compensation and stock plans, and (c) producing an annual report on executive compensation for inclusion in the Corporation’s proxy statement in accordance with applicable rules and regulations. The Committee shall review and make recommendations to management on company-wide compensation programs and practices, take final action with respect to the individual salary, bonus and equity arrangements of the Corporation’s Chief Executive Officer and all other executives officers of the Corporation, and approve, subject to ratification by the full Board, new equity-based plans and any material amendments thereto (including increases in the number of shares of Common Stock available for grant as options or otherwise thereunder) for which stockholder approval is required or desirable.

B. COMPOSITION

The Committee shall have a minimum of three members. Each member of the Committee shall meet any and all independence requirements promulgated by the Securities and Exchange Commission, the National Association of Securities Dealers, any exchange upon which securities of the Corporation are traded, or any governmental or regulatory body exercising authority over the Corporation (each a “Regulatory Body”), and each member of the Committee shall be free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee.

The Board shall appoint the members of the Committee annually. Each member of the Committee shall serve until his or her successor shall be duly appointed and qualified or until his or her earlier resignation or removal. Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership. The Board, excluding all directors whose executive compensation has been separately approved by the Committee, shall annually review the Committee’s performance.

C. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties the Committee shall:

- 1) Review and approve corporate goals and objectives relevant to compensation of the Chief Executive Officer (“CEO”), evaluate the CEO’s performance in light of those goals and objectives and establish and approve the appropriate level of base compensation and all bonus and other incentive compensation for the CEO based on this evaluation. In determining the long-term incentive component of CEO compensation, the Committee should consider the Corporation’s performance and relative shareholder return, the value of

similar incentive awards to CEOs at comparable companies, and the awards given to the Corporation's CEO in past years. The CEO shall not be present during the taking of any actions approving the CEO's compensation or during any deliberations thereof;

- 2) Evaluate the performance of the Corporation's executive officers and establish and approve the appropriate level of base compensation and all bonus and other incentive compensation for such officers;
- 3) Review annually and approve, for the CEO and the other executive officers of the Corporation, (1) any employment agreements, severance arrangements, and change in control agreements or provisions, in each case, when and if appropriate, and (2) any special or supplemental benefits;
- 4) Retain a compensation consultant, when and if appropriate from time to time, to advise the Compensation Committee on executive compensation practices and policies, or any other matters within this Charter;
- 5) Consider and take actions with respect to the adoption, amendment, administration or termination of compensation, welfare, benefit, pension and other plans related to compensation of current and former employees of the Corporation in each case taking into account appropriate industry benchmarks and, as appropriate, the compensation policies pursued by companies similarly situated to the Corporation;
- 6) Review the terms and conditions of compensation plans, determine the eligibility requirements applicable to participants in each such plan as may be required by the terms of a plan; evaluate the performance of each benefit plan and all fiduciaries of the plans; approve, and recommend to the full Board for its approval, the initial adoption of any equity-based plan and any material modification to such plan (such as an increase in the number of shares available under such plan), and make such amendments to the Corporation's non-equity based plans and take such actions in regard to the plans as the Committee deems appropriate;
- 7) Design and approve incentive, including any equity-based compensation plans to allow the Corporation to attract and retain talented personnel and align the pay of such personnel with the long-term interests of shareholders. Submit each equity-based compensation plan and each material modification thereof, to the Board for its approval, and take actions that may be necessary or advisable to implement and administer the Corporation's incentive compensation plans, all in accordance with the terms of such plans, including but not limited to the following:
 - Designate employees to participate in incentive compensation plans;
 - Establish performance goals for all incentive compensation plans;
 - Determine the size, types, terms, conditions, and methods of payment, and participant rights upon termination of employment;
 - Approve forms and authorize execution of award agreements or instruments reflecting awards made under the incentive compensation plans;

- Construe and interpret incentive compensation plans and agreements or instruments entered into under them;
 - Establish, amend, and waive rules and regulations for administering such plans, agreements, and instruments; and, where stockholder action is required under the rules and regulations of any Regulatory Body, recommend the foregoing to the Board for approval; and
 - Amend terms and conditions of outstanding incentive plan awards, agreements, and instruments and, where stockholder action is required under the rules and regulations of any Regulatory Body, recommend the foregoing to the Board for approval.
- 8) Evaluate and recommend to the full Board the appropriate level of director compensation and take primary responsibility for ensuring that any payments to directors other than in their capacity as directors are fully and properly disclosed;
 - 9) Review and assess the adequacy of this Charter periodically as conditions dictate to ensure compliance with any rules or regulations promulgated by any Regulatory Body and recommend any modifications to this Charter if and when appropriate to the Board for its approval;
 - 10) Form and delegate authority to subcommittees where appropriate;
 - 11) Disclose and make public this Charter and any amendments thereto on the Corporation's website;
 - 12) Produce an annual report on executive compensation for inclusion in the Corporation's proxy statement in accordance with applicable rules and regulations;
 - 13) Oversee the Corporation's compliance with any rules promulgated by any Regulatory Body prohibiting loans to officers and directors of the Corporation; and
 - 14) Exercise such additional powers as may be reasonably necessary or desirable, in the Committee's discretion, to fulfill its responsibilities and duties under this Charter.

D. MEETINGS

The Committee shall meet regularly as necessary but at least once per year. The Committee may invite members of management or others to attend Committee meetings and provide pertinent information as the Committee may request on the issues being considered, provided that the CEO may not be present for that portion of any meeting when his or her compensation is approved. Meetings can be called by the Chair of the Committee, or at the request of any member of the Committee or any member of the Board. At all Committee meetings, a majority of the then-current members of the Committee shall constitute a quorum.

The Committee shall keep written minutes of its meetings and record such minutes with the books and records of the Corporation. Minutes of each meeting will be distributed to the members of the Board and the Secretary of the Corporation.

E. INDEPENDENT ADVICE

The Committee may conduct or authorize investigations into or studies of matters within the Committee's scope of responsibilities and duties as described above, and may seek, retain, and terminate, accounting, legal, consulting or other expert advice from a source independent of management, at the expense of the Corporation, with notice to the Chairman of the Board and the CEO. In furtherance of the foregoing, the Committee shall have the sole authority to retain and terminate any compensation consultant to be used to assist in the evaluation of director, CEO or executive officer compensation and shall have the sole authority to approve the consultant's fees and other retention terms.

F. ANNUAL PERFORMANCE EVALUATION OF THE COMMITTEE

The Committee shall conduct a self-evaluation at least annually to determine whether it is functioning effectively, and provide the result to the Board for discussion. The assessment may include an evaluation of the Committee's contribution as a whole and a review of any specific areas in which the Committee believes it can make a better contribution to the governance of the Corporation. The purpose of any review should be to improve the performance of the Committee as a whole and not to target the performance of any individual Committee member.

G. COMMITTEE REPORTING TO THE BOARD

The Committee shall report its findings to the Board and shall keep written minutes of its meetings, which shall be recorded and filed with the books and records of the Corporation.