

**CORPORATE GOVERNANCE GUIDELINES  
OF THE BOARD OF DIRECTORS  
OF FILENET CORPORATION**

(approved and adopted February 25, 2004,  
amended October 26, 2004 and October 13, 2005)

**I. Introduction**

The Board of Directors (the “Board”) of FileNet Corporation (the “Company”) has adopted these corporate governance guidelines to enhance the functioning of the Board and its committees and establish a common set of expectations as to how the Board should perform its functions.

**II. Composition of the Board of Directors**

- **Size**

The size of the Board should facilitate substantive discussions of the whole Board in which each director can participate meaningfully, while allowing for a diversity of perspectives and backgrounds. The quality, experience and balance of perspectives on the Board are more important than achieving a specific size target, and these considerations may lead to changes in the size of the Board from time to time. The Board is currently six members, and it is anticipated that the Board would revisit the issue of the appropriate size of the Board in its annual review of these guidelines.

- **Independence**

A substantial majority of the Board shall consist of directors who are neither officers or employees of the Company or its subsidiaries nor have a relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director, and who are otherwise “independent” under the rules of the Securities and Exchange Commission and NASDAQ Stock Market (“NASDAQ”). Except during periods of transition, or in other unusual circumstances, the Board would not expect to have more than one or two employee directors.

- **Candidates for Board Membership**

The Board as a whole is responsible for selecting nominees for the Board. The Nominating and Corporate Governance Committee is responsible for screening and recommending candidates. In fulfilling this role, the committee may, without obligation, receive input from the CEO. Factors to be considered by the Nominating and Corporate Governance Committee in recommending candidates for Board membership include, but are not limited to:

- **Personal qualities and characteristics, accomplishments and reputation in the business community;**
- **Current knowledge and contacts in the communities in which the Company does business and in the Company's industry or other industries relevant to the Company's business;**
- **Ability and willingness to commit adequate time to Board and committee matters;**
- **Experience in corporate management, such as serving as an officer or director or former officer or director of a publicly held company, and a general understanding of marketing, finance and other elements relevant to the success of a publicly-traded company in today's business environment;**
- **The fit of the individual's skills and personality with those of other directors and potential directors in building a Board that is effective, collegial and responsive to the needs of the Company;**
- **Diversity of viewpoints, backgrounds and experience; and**
- **Leadership.**

The Committee reviews each existing director whose term is set to expire and considers the following in determining whether to recommend the re-election of that director: (i) the director's overall effectiveness; and (ii) whether changes in employment status, health, community activity or other factors may impair the director's continuing contributions to the Board.

- **Stockholder Nominations**

The Nominating Committee will consider director candidates recommended by stockholders who have held Company common stock for at least one year and who hold a minimum of 1% of the Company's outstanding voting securities.

To recommend a director candidate, a stockholder must:

- Submit a detailed resume of the candidate and an explanation of the reasons why the stockholder believes this candidate is qualified for service on the Board;
- Provide such other information about the candidate that would be required by the SEC rules to be included in a proxy statement;
- Provide the consent of the candidate, including consent to a background check;

- Describe any relationships, arrangements or undertakings between the stockholder and the candidate regarding the nomination; and
- Submit proof of his or her Company stockholdings.

All stockholder communications relating to director nominations are to be directed to the Chairperson of the Nominating Committee, care of the Company's Corporate Secretary. Recommendations received after 120 days prior to the mailing of the Company's proxy statement will likely not be considered timely for consideration at that year's annual meeting.

The Board believes it is important to select its Chairman and the Company's CEO in the manner it considers in the best interests of the Company at any given point in time. Accordingly, these positions may be filled by one individual or by two different individuals.

- **Retirement**

It is expected that directors will retire at the annual meeting following their 75th birthday. The Nominating and Corporate Governance Committee may decide to extend a Board member's service period for additional term(s) on a case-by-case basis. The Board may establish "senior" or "emeritus" director titles for retired directors, but such individuals shall not be members of the Board, nor shall they have the right to vote on matters presented to the Board.

It is expected that employee directors will offer their resignation from the Board at the time they resign or retire from the Company and that non-employee directors will notify the Chairman of the Board in the event of any significant change in their personal circumstances, particularly including a change in their principal job responsibilities. The determination of whether to request such non-employee director's tender of resignation shall then be made by the Board after review and evaluation by the Nominating and Corporate Governance Committee of whether the director continues to satisfy the Board's membership criteria in light of their changed circumstances.

In recommending directors for re-election to the Board at the expiration of their terms, the Nominating and Corporate Governance Committee shall consider a director's overall effectiveness, including whether changes in employment status, health, community activity or other factors may impair a director's continuing contributions to the Board. The Board does not believe that adopting a set term limit for directors serves the interests of the Company.

### **III. Orientation and Continuing Education**

Management, working with the Board, will provide an orientation process for new directors, who are required to attend such a one day briefing within the first six months following their election. The briefing will be conducted at the Company's

headquarters and include background material on the Company, its business plan and its risk profile, and meetings with senior management. Periodically, management will present additional educational sessions for directors on matters relevant to the Company, its business plan and risk profile.

#### **IV. Director Compensation**

The Board establishes director compensation. The Compensation Committee, with the assistance of the Company's staff and outside consultants, periodically reviews the amount and composition of director compensation and makes recommendations to the Board as needed or requested. Director compensation should be consistent with market practices but should not be set at a level that would call into question the Board's objectivity.

#### **V. Board Meetings**

- **Frequency**

The Board currently schedules five (5) meetings each year. Further meetings may be held (or action may be taken by unanimous consent) at the discretion of the Board.

- **Agenda**

The Chairman is responsible for preparing an agenda for each Board meeting. Any director may suggest items for inclusion on the agenda. Management will seek to provide to all directors an agenda and appropriate materials several days in advance of meetings, wherever possible. It is recognized that because of the extreme sensitivity of some information it may not be appropriate to provide material on all matters to be discussed in advance of all meetings.

- **Access to Employees**

The Board expects that senior officers of the Company will regularly attend Board and Committee meetings, present proposals and otherwise assist in the work of the Board. Members of the Board shall at their convenience have direct access to any of the Company's employees to obtain such information as they determine necessary or appropriate to fulfill their duties.

All directors are invited to contact the CEO at any time to discuss any aspect of the Company's business. The Board expects that there will be frequent opportunities for directors to meet with the CEO and other members of management in Board and committee meetings and in other formal or informal settings.

- **Executive Sessions**

To ensure free and open discussion and communication among the independent directors of the Board, executive sessions will be held regularly in conjunction with the regularly scheduled meetings of the Board, not less than two (2) times each year, at which only independent directors are present. The Chairman of the Nominating and Corporate Governance Committee will serve as the Chairman at each such executive session and any other meetings of the Board at which the Chairman of the Board is absent.

## **VI. Board Committees**

- **Number and Duties of Board Committees**

At present, the Company has established the following Board Committees: the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee and a Committee which grants stock options to non-executive officers under specified guidelines. The Board may, from time to time, establish other committees to assist it in carrying out its duties. The duties of each standing committee of the Board will be spelled out in a committee charter, which shall periodically be reviewed and approved by the Board.

- **Composition and Leadership of Board Committees**

The Nominating and Corporate Governance Committee provides recommendations to the Board on the composition and leadership of each of the committees and the Board shall make determinations of the composition and leadership of each committee.

All directors, whether members of a committee or not, are invited to make suggestions to a committee chair for additions to the agenda of his or her committee or to request that an item from a committee agenda be considered by the Board. Each committee Chairman will regularly report his committee's activities to the Board.

- **Independence of Certain Board Committees**

Each of the Nominating and Corporate Governance Committee, the Audit Committee and the Compensation Committee shall be composed of directors who are not officers or employees of the Company or its subsidiaries or any other individual having a relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director, and who are otherwise "independent" under the rules of Nasdaq. A director may serve on more than one committee for which he or she qualifies.

## **VI. Management Succession**

At least annually, the CEO should review and report on succession planning with the Nominating and Corporate Governance Committee and, together with the Chairman of such committee, review with the Board a succession plan addressing the policies and principles for selecting a successor to the CEO, both in an emergency situation and in the ordinary course of business. The succession plan should include an assessment of the experience, performance, skills and planned career paths for possible successors to the CEO.

## **VII. Evaluation and Compensation of Senior Officers**

A major responsibility of the Board is to monitor the performance of the CEO, and in consultation with the CEO, the performance of other key executive officers. The Compensation Committee will conduct an annual performance review of the Company's executives and report its findings to the Board.

- **Evaluation and Approval of CEO Compensation**

The Compensation Committee will evaluate the performance of the CEO and the Company against the Company's goals and objectives, and determine and approve the compensation, including short and long-term incentives, of the CEO.

- **Evaluation and Approval of Management Compensation**

The Compensation Committee reviews and approves the compensation, including short and long-term incentives, of all other "officers" of the Company as defined in Section 16 of the Securities Exchange Act of 1934, as amended, and Rule 16a-1 promulgated thereunder.

## **IX. Board Self-Evaluation**

The Nominating and Corporate Governance Committee is responsible for overseeing an annual evaluation of the performance of the full Board. The report should generally include an assessment of the Board's compliance with the principles set forth in these guidelines as well as identification of areas in which the Board could improve its performance. (See Appendix A.)

## **X. Expectations of Directors**

The business and affairs of the Company shall be managed by or under the direction of the Board in accordance with Delaware law. In performing their duties, the primary responsibility of the directors is to exercise their business judgment in the best interests of the Company. The Board has developed a number of specific expectations of directors to promote the discharge of this responsibility and the efficient conduct of the Board's business.

- **Commitment and Attendance**

Every director is expected to attend all regularly scheduled meetings of the Board, the organizational meeting held in conjunction with the Company's annual stockholders' meeting, and the associated meetings of committees of which they are members; provided, however, that members may attend such meetings by telephone or video conference if necessary to mitigate conflicts.

- **Participation in Meetings.**

Each director should be sufficiently familiar with the business of the Company, including its financial statements and capital structure, and the risks and competition it faces, to facilitate active and effective participation in the deliberations of the Board and of each committee on which they serve. Upon request, management will make appropriate personnel available to answer any questions a director may have about any aspect of the Company's business. Directors should also review the materials provided by management and advisors in advance of the meetings of the Board and its committees and should arrive at meetings prepared to discuss the issues presented.

- **Loyalty and Ethics**

In their roles as directors, all directors owe a duty of loyalty to the Company. This duty of loyalty mandates that the best interests of the Company take precedence over any interests possessed by a director. The Company will adopt a Code of Business Conduct and Ethics, and a compliance program to enforce the Code. Portions of this Code deal with activities of directors, particularly with respect to transactions in the securities of the Company, potential conflicts of interest, the taking of corporate opportunities for personal use, and competing with the Company. Directors are expected to be familiar with the Code's provisions in these areas and other areas applicable to them, and to abide by the Code. Directors should consult with the Company's counsel in the event they have questions about any of the Company's policies with respect to these matters.

- **Other Directorships**

The Company values the experience directors bring from other boards on which they serve, but recognizes that those boards may also present demands on a director's time and availability and may present conflicts of interest or legal issues. Directors should advise the Chairman of the Nominating and Corporate Governance Committee and the CEO before accepting membership on other boards of directors or other significant commitments involving affiliation with other businesses or governmental units. While the Board does not believe its members should be prohibited from serving on the boards or committees of other organizations, the Nominating and Corporate Governance Committee and the Board will take into account the nature of and time involved in a director's service

on other boards in evaluating the suitability of directors and making its recommendation to the company's shareholders.

- **Communications**

Management speaks for the Company. Inquiries from institutional investors, the media, employees and others should be referred to the CEO or other appropriate officers of the Company. Individual directors may from time to time meet with various constituencies of the Company, but the Board expects that this would be done only with its concurrence or that of management.

- **Confidentiality**

The proceedings and deliberations (as well as any materials provided in connection therewith) of the Board and its committees are confidential. Each director shall maintain the confidentiality of information received in connection with his or her service as a director.

## **APPENDIX A:**

### **Process for Annual Evaluation**

Method of Evaluating Board and Committee Effectiveness. In or about October of each year, either a member of the Company's senior management, outside counsel or an independent consultant, as selected by the Committee will conduct oral interviews with each Board and Committee member and provide a report to the Nominating and Corporate Governance Committee for discussion and determination of the Board and Committee effectiveness and opportunities for improvement. Such evaluations should be reported annually at the December board and committee meetings.