



## Corporate governance report for the financial year 2008

Orc Software is subject to and complies with the Swedish Code of Corporate Governance since July 1, 2008. The company's corporate governance is exercised through the general meeting of shareholders, the Board of Directors and the Chief Executive Officer. The independent auditors examine the company's administration by the Board of Directors and the Chief Executive Officer and audit its financial accounts and accounting practices.

This report has not been examined by Orc Software's auditors.

### Shareholders

The General Meeting of Shareholders is the highest decision-making body through which the shareholders exercise their influence over the company, for example through the appointment of Board members and auditors and by voting on other resolutions that are put before the Annual General Meeting (AGM) for decision. The AGM of Orc Software on April 24, 2008, resolved to re-elect sitting Board members Katarina Bonde, Patrik Enblad, Markus Gerdien, Lars Bertmar and Carl Rosvall. As new members to replace Annette Kumlien and Magnus Böcker, who had declined re-election, the AGM elected Eva Redhe Ridderstad and Lars Granlöf. Furthermore, the AGM resolved on matters such as criteria for appointment of the nominating committee, fees to be paid to the Board of Directors, Board committees and auditors, principles for remuneration to senior executives and incentive schemes, authorization for the Board to decide on the acquisition and transfer of treasury shares and the authorization to issue new shares. The minutes from the 2008 AGM can also be viewed at [www.orcsoftware.com](http://www.orcsoftware.com)

### Nominating committee

A nominating committee has been appointed in accordance with the rules established by the AGM in April 2008. The committee consists of Markus Gerdien (OM Technology AB), Kerstin Stenberg (Swedbank Robur fonder), Henrik Orre (Radar), Stefan Roos (SEB Private Bank S.A., NQI) and Chairman Ulf Strömsten (Catella Fondförvaltning).

The committee is responsible for issuing recommendations regarding Orc Software's Board Chairman and other members of the Board of Directors, the amount and apportionment of board fees, the chairman of the AGM, principles for appointment of the nominating committee, election of auditors when applicable and the amount of fees for the auditors. In the event of changes in the largest shareholders during the nomination process, the composition of the nominating committee shall be modified to reflect such changes.

The nominating committee can be contacted by e-mail or letter.

E-mail: [nominatingcommittee@orcsoftware.com](mailto:nominatingcommittee@orcsoftware.com)

Address: Nominating Committee, Orc Software, Box 7742,  
SE-103 95 Stockholm, Sweden

### Board of Directors

The Board makes decisions primarily regarding the company's strategic focus, organizational issues and major investments. In 2008 Orc Software's Board of Directors consisted of seven members. All Board members are elected by the Annual General Meeting. The Board consists partly of representatives from the company's largest shareholders and partly of independent Board members. The Chief Executive Officer and Chief Financial Officer have a reporting role at Board meetings, where the company's General Counsel participates as secretary.

In 2008 Markus Gerdien and Lars Bertmar were dependent in relation to two of the company's largest shareholders, Om Technology AB and Catella Fondförvaltning, but were independent in relation to the company and its management. The other Board members were regarded as independent in relation to the company, its management and its major shareholders.



In 2008 the Board of Orc Software held 14 meetings. At each scheduled meeting, the Board addresses issues such as investments, market development, the company's financial position and other significant matters affecting the company. In the past year the Board has also discussed matters relating to the annual report, interim reports, the budget, overall strategic matters and market analysis. The Chief Executive Officer has reported on strategic, economic and financial matters.

On a yearly basis, the Board adopts rules of procedure that are used as a control instrument for the work of the Board. The rules of procedure define the Board's tasks, the agenda for the first board meeting following the Annual General Meeting and other board meetings, financial reporting to the Board, preparation of the Board's work duties, rules for the minutes of Board meetings and the number of Board members necessary to form a quorum. In addition, written instructions for the Chief Executive Officer are adopted and issued.

MEMBERS OF THE BOARD IN CONNECTION WITH THE 2008 AGM	ATTENDANCE IN 2008
Markus Gerdien	14 of 14
Lars Bertmar	13 of 14
Katarina Bonde	14 of 14
Patrik Enblad	13 of 14
Carl Rosvall	13 of 14
Eva Redhe Ridderstad	11 of 11 (elected at AGM 2008)
Lars Granl�f	11 of 11 (elected at AGM 2008)

Detailed information about the Board members and the Chief Executive Officer is found at [www.orcsoftware.com](http://www.orcsoftware.com)

## Audit committee

In 2008 the Board set up an audit committee whose members are Lars Granl f (Chairman), Eva Redhe Ridderstad and Carl Rosvall. The company's CFO acts as a reporting member and secretary of the committee, and the company's auditor may attend the meetings. The committee's mandate is consistent with the rules in the Swedish Code of Corporate Governance, but the committee may also be assigned other tasks. The audit committee has no decision-making authority.

In 2008 the committee held one meeting in which all members took part.

## Remuneration committee

The Board's remuneration committee consists of Markus Gerdien and Patrik Enblad, with the company's Chief Financial Officer as a reporting member. The remuneration committee prepares and discusses proposals regarding incentive schemes, benefits and salaries, including sales commissions and bonuses for the company's employees in general and for the Executive Management. Decisions are made by the Board of Directors.

In 2008 the committee held three meetings in which both members took part.

## Executive Management



Orc Software's Executive Management consists of Thomas Bill, Chief Executive Officer, Anders Berg, Chief Financial Officer, Peter Bergson, General Counsel, Matteo Carcano, President Europe, Middle East, Africa, Greg Chambers, President Asia Pacific, Joakim Dahlstedt, Chief Technology Officer, Anders Henriksson, VP Business Development, Martin J. Leamy, President Americas, Fredrik Skogby, VP Corporate Development, Hugh Stables, VP Engineering, Annie Walsh, Chief Marketing Officer and Joacim Wiklander, VP Product Management.

## Auditor

The Annual General Meeting on April 25, 2007, elected Ernst & Young AB, with Auditor in Charge Ola Wahlquist, to serve for a period of four years.

## Internal control over financial reporting

### Introduction

According to the Swedish Companies Act and the Swedish Code of Corporate Governance, the Board of Directors is responsible for the company's internal control. This description has been prepared in accordance with the Swedish Code of Corporate Governance, sections 10.5 and 10.6, and is thereby limited to internal control over financial reporting. The following description does not constitute part of the formal annual report.

### Control environment

The control environment consists of Orc Software's culture, values, focus on expertise and organization with clearly defined powers and responsibilities, together with the policies adopted by the Board, the guidelines established by the Executive Management and the routines used in operating activities. The policies, guidelines and routines are reviewed at least once a year, but are adapted continuously in respect of changes in the company's operations.

### Risk assessment and control activities

Because all signing of contracts and all invoicing are carried out by the Parent Company, and the Parent Company makes up the largest unit in the development and service organization, a large share of the risks related to financial reporting are concentrated there. This makes the ongoing risk assessment and control activities easier to handle. Risk assessments and control activities are carried out continuously, for example through the established routines for signing of customer contracts, ongoing dialogue in the Executive Management, activities in the controller function, continuous development of the IT support systems that are used, initiatives from the audit committee and reporting to the Board, not least in connection with the quarterly reports. A very important part of this naturally consists of the audit carried out by the company's independent auditor.

### Information and communication

The Board has adopted an information policy that is presented to all new employees and is available on the corporate intranet. Internal documents, etc., are updated as needed and information about these is spread continuously throughout the organization.

### Monitoring

At each scheduled Board meeting, the Board reviews the company's financial reporting, forecasts, etc. The company regularly evaluates the guidelines, routines, etc., that safeguard the quality of the financial reporting and ensures that corrective action is taken where needed. Significant deficiencies are reported to the audit committee and the Board.

### Separate audit function



The Board of Directors has evaluated the need for a separate audit function and has come to the conclusion that no such function is needed. The decision is based among other things on the fact that the risks and control activities in Orc Software's operations are concentrated in the Parent Company and that the Board has appointed an audit committee which, like the entire Board of Directors, actively monitors the quality of the company's financial reporting, and on the other conditions described above.

## Deviations from the Code

In the following respect, Orc Software's corporate governance has deviated from the rules in the Swedish Code of Corporate Governance during the period starting on July 1, 2008:

Due to the short amount of time planned between the closing date and publication of the quarterly report for the third quarter of 2008, the Board determined that it was not feasible for the company's auditors to perform an audit in accordance with section 10.4 of the Code.