



## Corporate governance report for the financial year 2010

Orc Software is subject to and has complied with the Swedish Code of Corporate Governance (“the Code”) since July 1, 2008. This report has been prepared in accordance with the Code. 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.

### **General meeting of 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 AGM for decision. The Annual General Meeting (AGM) of Orc Software on April 14, 2010, resolved to reelect sitting Board members Patrik Enblad, Markus Gerdien, Lars Granlöf, Eva Redhe Ridderstad and Carl Rosvall. Katarina Bonde declined reelection and Staffan Persson was elected as a new Board member. 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 right to carry out new share issues. The minutes from the 2010 AGM can be viewed at [www.orcsoftware.com](http://www.orcsoftware.com).

### **Nominating committee**

The nominating committee has been appointed in accordance with the rules established by the 2010 AGM. The committee consists of chairman Anders Rydin (SEB Asset Management), Kerstin Stenberg (Swedbank Robur fonder), Frank Larsson (Handelsbanken Fonder), Staffan Persson (ZIMBRINE HOLDING BV) and Markus Gerdien, who was succeeded by Patrik Enblad on 9 February 2011 (Board Chairman).

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 work of the nominating committee, the composition of the committee shall be modified to reflect such changes.

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

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

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



### **Board of Directors**

The Board of Directors makes decisions primarily regarding the company's strategic focus, organizational issues and major investments. In 2010 Orc Software's Board of Directors consisted of six members. All of the Board members are elected by the Annual General Meeting. The Chief Executive Officer and Chief Financial Officer have a reporting role at Board meetings, where the company's General Counsel participates as secretary.

With the exception of Staffan Persson, who is dependent in relation to the company's largest shareholders, all of the Board members are regarded as independent in relation to the company, its management and the company's major shareholders.

In 2010 the Board of Orc Software held 19 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, budgets, overall strategic issues and market analysis. The Chief Executive Officer has continuously 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 regarding reporting to the Board and the separation of duties.

Attendance at Board meetings in 2010 is shown below.

BOARD MEMBERS ELECTED BY THE 2009 AGM	ATTENDANCE IN 2010
Markus Gerdien	18/19
Katarina Bonde	7/7 (declined reelection at 2010 AGM)
Patrik Enblad	19/19
Carl Rosvall	19/19
Eva Redhe Ridderstad	19/19
Lars Granlöf	19/19
Staffan Persson	12/12 (elected at 2010 AGM)

Detailed information about the members of the Board of Directors is found at [www.orcsoftware.com](http://www.orcsoftware.com)

### **Audit committee**

In 2008 the Board set up an audit committee that has continued its activities in 2010. The audit committee consists of Lars Granlöf (chairman), Eva Redhe Ridderstad and Carl Rosvall. The company's Chief Financial Officer participates as a reporting member. The company's independent auditors normally also take part in the meetings. The tasks of the audit committee are defined in Chapter 8, §49b of the Swedish Companies Act (2005:551), but the committee may also be assigned other duties. The audit committee has no decision-making authority.



In 2010 the committee held four meetings 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 tasks of the remuneration committee are defined in Section 9.1 of the Code, which among other things means that the committee prepares and discusses proposals regarding incentive schemes, benefits and salaries, including sales commissions and other variable compensation for the company's Executive Management and other employees. Decisions are made by the Board of Directors.

In 2010 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, Orc Financial Technologies), Joakim Dahlstedt (Chief Technology Officer), Anders Henriksson (CEO CameronTec AB), Christine Blinke (VP Marketing and Investor Relations), Markus Gerdien (Chief Operating Officer, from mid-March 2011), Joacim Wiklander (Chief Strategy Officer) and Fredrik Lindqvist (President of Neonet Securities).

Detailed information about the Chief Executive Officer and other senior executives is presented at [www.orcsoftware.com](http://www.orcsoftware.com)

### **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 Chapter 6, §6 and Chapter 7, §31, of the Annual Accounts Act (1995:1554) and Section 7.4 of the Code, and is thereby limited to internal control over financial reporting.

### **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 therefore also all invoicing in the *Technology* segment 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 consists of the audit carried out by the company's independent auditor.

For *Transaction Services*, the day-to-day risk assessment and control activities consist mainly of clearly defined routines, ongoing dialogue in the Executive Management, activities in the controller function and in the compliance, risk management and treasury functions, as well as continuous development of the IT support systems that are used. In addition, there is a separate audit function whose tasks have been performed by Öhrlings PricewaterhouseCoopers and Deloitte.

See also "Separate audit function" below and the relevant information in the annual report for Orc Software and Neonet Securities AB.

### **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 in the *Technology* segment. This 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.

For *Transaction Services*, however, there is a separate audit function whose tasks have been performed by Öhrlings PricewaterhouseCoopers and Deloitte.

Furthermore, every year the Executive Management initiates special audit activities in which external experts, including the company's independent auditors, are used. The results of these activities are reported to the audit committee and to the Board of Directors.



### Deviations from the Code

No deviations from the Code took place in 2010.

Information about certain shareholdings in the company, voting rights, authorizations to the Board and the function of the general meeting of shareholders in accordance with Chapter 6, § 6, second paragraph 3-6 of the Annual Accounts Act is provided where applicable in the annual report under the heading "The share". Additional information about the members of the Board of Directors and the President in accordance with Section 10.2, items 2 and 5 of the Code is provided in the annual report under the headings "Board of Directors" and "Executive Management".

Stockholm, 18 March 2011

The Board of Directors of Orc Software AB

PATRIK ENBLAD  
Chairman

LARS GRANLÖF

STAFFAN PERSSON

EVA REDHE RIDDERSTAD

CARL ROSVALL

THOMAS BILL  
President & CEO

### Audit report

#### AUDITORS' STATEMENT ON THE CORPORATE GOVERNANCE REPORT

To the general meeting of shareholders in Orc Software AB (publ), corporate Identity no. 556313-4583

The Board of Directors and the President are responsible for the corporate governance report for the financial year 2010 and for ensuring that it is prepared in accordance with the Annual Accounts Act.

As a basis for our statement on whether the corporate governance report has been prepared and is consistent with the other parts of the annual report and the consolidated accounts, we have read the corporate governance report and judged its statutory content based on our knowledge of the company.

In our opinion, a corporate governance report has been prepared and its statutory information is consistent with the annual report and the consolidated accounts.



Stockholm, 18 March 2011

Ernst & Young AB

A handwritten signature in black ink, appearing to read 'Ola Wahlqvist', written in a cursive style.

OLA WAHLQVIST

Authorized Public Accountant

N.B: The English text is a translation of the Swedish text. In case of discrepancy between the Swedish and the English text the Swedish version shall prevail.