

Corporate governance

The Board of Directors and executive management of Orc Software strive to ensure that the company meets the requirements placed upon it by the Nordic Exchange, its shareholders and other stakeholders. Corporate governance within Orc Software is primarily exercised through the Annual General Meeting and the Board of Directors. Corporate governance also applies to the management, its duties and financial control, and reporting functions within the Orc Software Group.

Orc Software is not bound by the rules of the Swedish Code of Corporate Governance.

ANNUAL AND EXTRAORDINARY GENERAL MEETINGS

The shareholders' right to decide on Orc Software's business is exercised at the Annual General Meeting, which is a company's highest decision-making body. The Annual General Meeting elects the members of the Board of Directors and auditors, and also makes decisions regarding amendments to the Articles of Association and changes to share capital.

The Annual General Meeting is responsible for electing the members of the Board of Directors and the company's auditors. The Annual General Meeting also adopts the accounts, decides on dividend payments and any other dispositions of earnings and is also responsible for voting to discharge the Board of Directors from liability.

Orc Software's Annual General Meeting was held on March 24, 2006. Approximately 13 shareholders attended the Annual General Meeting, representing 55 percent of the number of shares and voting rights. The Annual General Meeting approved a dividend of SEK 3.29 (1.50) per share.

The Board of Directors' compensation remained unchanged at SEK 150 000 per Board member and SEK 300 000 for the Chairman. Existing Board members Magnus Böcker, Åke Dovärn, Per E. Larsson, and Patrik Enblad were reelected. Katarina Bonde, Markus Gardien, and Annette Kumlien were newly elected. Per E. Larsson resigned from the Board on July 18, 2006.

Two Extraordinary General Meetings were held during 2006. One of these was held on February 26, 2006, to authorize the Board of Directors to issue new shares in order to complete the acquisition of Cameron Systems (VIC) Pty Ltd. On December 11, 2006, another Extraordinary General Meeting was held to resolve the introduction of a stock options program with a new issue of 400 000 options.

At the end of 2006 Orc Software had 2 205 (2 169) shareholders. The five largest shareholders were OMX, Catella Funds, SEB Funds, Swedbank Robur Funds and John Cameron, whose aggregate holdings accounted for 51 (55) percent of the total number of shares. For more information about share ownership, see the Share on page 58.

Nominating committee

In accordance with the authorization from the Annual General Meeting in March 2006, Orc Software's Chairman, Magnus Böcker, appointed a Nominating Committee. The Nominating Committee consists of Magnus Böcker (OMX), Magnus Eidemo (Skandia Liv), Ulf Strömsten (Catella) and Chairman Björn Lind (SEB). The Committee is responsible for issuing proposals regarding the members of Orc Software's Board of Directors, Directors' compensation, chairman of the Annual General Meeting, choice of auditors, and audit fees. Should the composition of the largest shareholders change during the nominating process, the composition of the Nominating Committee shall be modified to reflect such change.

THE BOARD OF DIRECTORS

The Board primarily makes decisions regarding the Group's strategic focus, organizational issues and larger investments. Orc Software's Board consists of six members. The Annual General Meeting elects all members. The Board consists partly of representatives from the company's largest shareholder and partly of independent Board members. The Chief Executive Officer has a reporting role on the Board.

In 2006, Orc Software's Board held 17 (12) meetings. At the meetings during the year the Board addressed standard topics such as investments, market development, the company's financial position and other significant issues regarding the company. Issues regarding the finalization of the Cameron Systems acquisition and the options program 2006 were also addressed. In addition, issues regarding the annual report, interim reports, the budget and comprehensive matters regarding strategy and world analysis were reviewed.

The reporting of strategic, economic and financial questions is made by the Group's CEO.

Each year, the Board adopts rules of procedure that are to be used as a control instrument for the work of the Board. The rules of procedure primarily define the Board's tasks, the agenda for the statutory Board meeting following the Annual General Meeting and other Board meetings, financial reporting to the Board, preparation of the tasks of the Board, rules for the minutes of the Board meeting and quorum. Information regarding remuneration to Board members is set out in note 7.

Member of the board	Presence
Magnus Böcker	16 of 17
Katarina Bonde	9 of 10*
Åke Dovärn	17 of 17
Patrik Enblad	15 of 17
Markus Gerdien	9 of 10*
Annette Kumlien	10 of 10*
Per E Larsson	10 of 11

* Was elected in connection with the 2006 AGM.

Audit Committee

The Board has chosen not to establish a separate Audit Committee. The Board as a whole will handle control issues addressed to the Board. The company's auditor presents to the Board on two occasions per financial year a description of risks and auditing orientation, together with a report of any observations made.

Remuneration Committee

The Board's Remuneration Committee consists of Magnus Böcker and Patrik Enblad and also the CEO and the Head of Human Resources as reporting members. The Remuneration Committee prepares and discusses proposals regarding incentive programs, benefits and salaries, including sales commission and bonuses for the company's employees in general and for Group management. The Board of Directors makes the final decisions. As from the 2007 Annual General Meeting, the principles for the remuneration of senior executives will be decided by the Annual General Meeting.

CEO AND EXECUTIVE MANAGEMENT

The CEO manages the company's business operations in accordance with the instructions issued by the Board of Directors. The CEO is responsible for ensuring that the Board receives the necessary information and other decision-making material for its meetings and also participates in the meetings as a presenter of information. The CEO continuously keeps the Board and Chairman updated with information about the company and the Group's financial position and development.

As of February 1, 2007, the executive management consisted of 10 persons. Information about remuneration paid to executive management is set out in note 7.

AUDITORS

At the Annual General Meeting held on April 23, 2003, Ernst & Young AB, with senior auditor Björn Fernström, was elected for four years. A new auditor shall be elected at the Annual General Meeting in 2007. Björn Fernström, born in 1950, has been the auditor for Orc Software since 1999. Björn Fernström is also the auditor for OMX, which is Orc Software's largest owner. For information about the auditors' fee see note 9.