

# Corporate Governance Report 2009

Global IP Solutions applies the Swedish Corporate Governance Code (the "Code"). The Company began applying the Code in connection with the listing of the Company's shares on the Oslo Stock Exchange in July 2008.

The operations are governed by the shareholders' meetings, the Board of Directors and by the CEO. The company's auditor, who is appointed by the annual general meeting, audits the Company's accounting records as well as the Board of Directors' and the CEO's administration of the Company. The Nomination Committee prepares proposals for submission to shareholders' meetings concerning e.g. the election of and remuneration payable to the Board of Directors and the auditor. The following report summarizes the Company's corporate governance in 2009 and also includes a report on internal controls. The report has not been subject to review by the company's auditor.

The Company deviates from the Code by not holding its general meetings in the Swedish language. The vast majority of the shareholders are non-Swedes. The Board has one Swedish member. Following approval by the attending shareholders and proxy holders, the general meetings are held in English, instead of being held in Swedish with English translation. When requested by any of the attendants, any discussions are held in Swedish or Norwegian. The Company has deviated from the Code also by not having all Board members present at the annual general meetings. A sufficient number of Board members have been available in order to make any required Board decisions during the general meetings.

No disciplinary actions have been taken by Oslo Stock Exchange concerning the Company, nor has the Company been subject to any statements or remarks from the Swedish Securities Council.

## NOMINATION COMMITTEE

The Nomination Committee shall make proposals for the election of Board of Directors and auditors, fees to the Board of Directors and auditors and election of Chairman at the annual general meeting. The Nomination Committee shall also give proposals on how a new nomination committee shall be appointed. In accordance with a decision by the 2009 annual general meeting, there is a Nomination Committee consisting of representatives appointed by the largest shareholders in the Company. The Nomination Committee consists of Dag Sörsdahl (appointed by Kistefos), Rolf Hodne (appointed by Hodne Holding AS), Hans Erik Johnsen (appointed by Gevevan Trading Co Ltd) and Ditlef de Vibe, the latter in his capacity as Chairman of the Board of Directors. Dag Sörsdahl has been appointed Chairman of the Nomination Committee.

The proposals by the Nomination Committee to the 2010 annual general meeting will be announced in connection with the publication of the notice to convene the annual general meeting. The notice is estimated to be published on or about May 12, 2010. The complete proposals by the Nomination Committee will be displayed on the Company's website.

## THE BOARD OF DIRECTORS

### **The composition of the Board of Directors**

The Board consists of six members without alternate members. At the annual general meeting 2009, four board members were re-elected and two board members were elected as new members. Information about the board members and which members are considered independent from the

Company and executive management as well as which are independent from the Company's larger shareholders is described below.

#### **Ditlef de Vibe, Chairman of the Board**

Ditlef de Vibe is the CEO of Kistefos Venture Capital AS ("KVC"). Mr de Vibe is the Chairman in several companies in KVC's investment portfolio, e.g. Opplysningen 1881 AS, Infront and Paradiel. Prior to joining KVC, Mr de Vibe was in charge of expanding and leading IBM's network outsourcing business in Europe, the Middle East and Africa. Mr de Vibe holds a Master of Science from the University of Oslo. He was elected to the Board of GIPS in 2001. Mr de Vibe owns 302,323 shares in GIPS through his company Avant AS.

#### **Allen Adams**

Allen Adams is the co-founder of three technology companies, including Carrius Technologies and IPCell Technologies. The latter was acquired by Cisco in 2000. He has more than 30 years experience from the communication industry. Mr Adams is advisor and board member in several technology companies and is a mentor at StarTech Early Ventures. Mr. Adams holds a Bachelor of Science from Long Island University. He was elected to the Board of GIPS in 2006. Mr Adams has 16,668 stock options in GIPS.

#### **Gunnel Duveblad**

Gunnel Duveblad has studied systems engineering at the University of Umeå. Duveblad was the managing director of EDS Northern Europe during 2002-2006. During 1977-2002 she was active within IBM where she held several management positions. Duveblad is currently a board member of Posten Norden, HiQ, IBS and Sweco. Mrs. Duveblad was elected to the Board of Directors of GIPS and commenced her directorship on 10 June 2009. Duveblad holds no shares in the Company.

#### **Per Arne Henæs**

Per Arne Henæs is the CEO of Nera Networks. Henæs also worked 14 years for Siemens, e.g as manager of the communications division. Henæs holds a Master of Science from Norwegian University of Science and Technology. He was elected to the Board of GIPS in 2008. Henaes owns 23,935 shares in GIPS.

#### **Haavard Nord**

Haavard Nord is co-founder of Trolltech. Mr Nord has experience from research and development of software and from executive management positions. He holds a MSc from the Norwegian Institute of Technology, He was elected to the Board in 2008. He holds no shares in the Company.

#### **John M Lervik**

John M Lervik holds a PhD from the Norwegian University of Science and Technology. Lervik was the CEO and co-founder of Fast Search & Transfer, which was acquired by Microsoft for 1.3 billion dollars in 2008. Lervik is currently a board member of Itera Consulting Group ASA. He was elected to the Board of Directors of GIPS and commenced his directorship on 10 June 2009. Lervik holds no shares in the Company.

<i>Name</i>	<i>Independent from Company</i>	<i>Independent from large owners</i>	<i>Attendance<sup>1</sup></i>
Ditlef de Vibe, born 1954	Yes	No	14/14
Allen Adams, born 1949	Yes	Yes	14/14
Gunnel Duveblad, born 1955	Yes	Yes	6/7
Per Arne Henaes, born 1963	Yes	Yes	9/14
John M Lervik, born 1969	Yes	No	7/7
Haavard Nord, born 1967	Yes	Yes	13/14
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Ingelin Dropping, born 1967	Yes	Yes	6/7
Åge Korsvold, born 1946	Yes	No	4/7

The Company fulfils the Code's requirements that a majority of the Board members shall be independent from the Company and management and that at least two of these members shall be independent also from the Company's larger shareholders.

### **The Board's Work**

The Board is ultimately responsible for the organization of the Company and the management of the Company's affairs. Information concerning the operations and their economic and financial status is provided regularly at Board Meetings. In addition, the CEO and the Chairman of the Board keep a close dialogue concerning the development of the operations.

The division of tasks between the Board, the Chairman of the Board and the CEO is clarified in written instructions to the CEO that is adopted annually by the Board.

The Board has held 14 meetings during 2009. Board meetings have been held in Stockholm, Oslo and London. In addition, meetings have been held by conference calls.

The Board of Directors have met the auditors during the year to discuss the planning of the audit and the findings from the year-end audit. The Board has discussed the management's administration with the auditor without having anyone from executive management present.

### **Evaluation**

An evaluation of the work of the Board of Directors has been carried out. The evaluation was based on the members' responses to questions regarding the company, the Board of Directors and its methodology. The responses were given in writing as well as during individual interviews. It was concluded from the evaluation that the Board, in its current composition, considers that it meets the

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<sup>1</sup> Gunnel Duveblad and John M Lervik were elected new members at the annual general meeting in June. Ingelin Dropping and Åge Korsvold resigned from the Board in connection with the annual general meeting. The Board held seven meetings prior to the annual general meeting and seven meetings following the annual general meeting.

Company's need for expertise and experience. The evaluation will form the basis for further improvements of the methodology of the Board's work.

### **Committees**

The Board of Directors has chosen not to set up board committees. The Board considers it to be beneficial for the governance of the Company to have all board members participate with their specific competences in the administration of all board matters.

### **THE CHIEF EXECUTIVE OFFICER**

Emerick Woods, born 1955, was recruited as CEO and President during spring 2008. Woods has been the CEO of three US companies, whereof one was acquired by Microsoft. He has also held leading executive positions in several other companies. Woods holds a Master of Business Administration from Harvard and a Bachelor of Science from Yale. The CEO does not hold any financial instruments in the Company, but has a right under agreement to acquire up to 902,343 restricted stock as further outlined in the annual report under note 13.

### **INTERNAL CONTROL**

The purpose of internal control of financial reporting is to provide reasonable assurance with respect to the reliability of the same and to ensure that the financial reports are produced in accordance with generally accepted accounting principles, applicable legislation and statutes, and in accordance with other requirements imposed on listed companies. The Board of Directors has the overall responsibility for ensuring that an efficient internal control system exists within the Group. The CEO is responsible for the existence of a process and organization that ensures internal control and the quality of the financial reporting to the Board of Directors, investors and the market.

### **Internal Audit Function**

GIPS has chosen not to have a separate internal audit function. The Company has a relatively small organization structure with short communication ways to decisions. The CEO and CFO receive continuous reporting and status updates from all units within the group and take an active role in the more significant business and other events that may have a material effect on the Company. In addition to the annual audit work, the outside auditor performs specified audit procedures on behalf of management. The Company has continuous and on-going contact with its outside auditor throughout the year. The Board and executive management have therefore assessed that there is no need to implement a separate internal audit function at this time.

### **Control Environment**

GIPS' values form the basis for the overall control environment. Quality, commitment and a straight-forward approach are key concepts that are the foundations for how we operate and the way we interact with both our customers and our employees. We place a strong emphasis on ensuring that our operations are characterized by a strong collaborative and open dialogue that is transparent at all levels. The control environment within the Group is characterized by it being an organization with relatively few operating units that are in close contact with each other. Communication between operating units is on a frequent basis, usually daily.

The internal control environment pertaining to the overall financial function in the Group is based on several key components including:

- Clearly defined roles and responsibilities of all financial staff
- Adequate segregation of duties in critical areas
- Documented accounting procedures, policies, guidelines and instructions
- Established and communicated decision-making procedures

- Strict controls and procedures in smaller office locations with third-party accounting personnel
- Thorough monthly financial closings and consolidations
- Frequent communication with the Group's outside auditors, including in connection with all interim financial reports
- Periodic reviews of the Group's financial results and financial condition with the Board of Directors

These factors combined with the relatively small, yet efficient, size of the Group comprise a strong basis for an overall effective control environment for financial functions within the Group.

### **Risk Assessment**

The Company has an established process for risk assessment for financial reporting. In practice, this means that all operating risks associated with the financial reporting are mapped and evaluated in the various accounting and reporting processes. The Company strives to continuously identify means for improvement where required. In the risk assessment, the company has identified a number of processes where the relative risk of substantial errors is higher, depending on complexity, or where the impact of any errors would be significant and the value of the transaction is high. As an example these processes include procedures for revenue recognition under IFRS and on-going impairment testing for long-lived assets.

### **Control Activities**

A number of control activities are carried out within the different areas of the accounting and reporting process. The control activities are carried out with the purpose of managing known risks and to discover and correct any errors and deviations in the financial reporting. There are continuous follow-ups, improvements and development of systems, processes and controls within the group. Examples of control activities include such activities as a detailed review of all contracts by the finance group for revenue recognition elements and the appropriate recording in the company's contract database, including reconciliation with the sales CRM database to ensure complete accuracy. On a monthly basis the CFO reviews all sales activity with the sales team to ensure appropriate focus of sales targets is maintained. In addition all significant contracts are reviewed by the CFO prior to final signature. All new customers are subject to a credit evaluation to determine credit worthiness and payment terms as well as appropriate revenue recognition. GIPS apply established procedures for collection of non-paying customers to minimize the effect of any potential exposure.

### **Information and Communication**

Internal information concerning policies, guidelines and manuals are available for all staff on the Intranet. Information about updates and changes of reporting and accounting principles are given regularly when appropriate. External information is given in accordance with the listing agreement with Oslo Stock Exchange. All information shall be communicated in an objective, clear and open manner.