

Corporate Governance

The SSH Group comprises SSH Communications Security Corp (SSH) and its subsidiaries. SSH Communications Security Corp is registered in Helsinki, Finland and is a publicly listed company. Its subsidiaries are SSH Communications Security, Inc. (USA) and SSH Operations Ltd that operates in the UK and Germany.

SSH abides by its Articles of Association as well as principles of sound corporate governance, and high ethical standards in its governance and decision-making. The company complies with the Finnish Companies Act and securities market legislation, the rules of the NASDAQ OMX Helsinki Ltd, and the joint recommendations of the NASDAQ OMX Helsinki Ltd, the Helsinki Chamber of Commerce, and the Confederation of Finnish Industries regarding corporate governance of publicly listed companies.

Shareholders' Meeting

The ultimate decision-making power at SSH is vested in the shareholders' meeting. The Annual General Meeting is held within six months of the completion of the company's fiscal year, at a time decided by the Board. The shareholder's meeting decides the number of members of the Board of Directors, and appoints the members. Additionally, under the Finnish Companies Act, the Annual General Meeting has the authority to amend the company's Articles of Association, adopt the financial statements, approve the amount of dividend, and to select the company's auditors. Each SSH share conveys one vote at the shareholder's meeting.

Board of Directors

In accordance with the company's Articles of Association, the Annual General Meeting appoints three to eight members to the Board of Directors. Their term of office ends with the closing of

the next Annual General Meeting following their appointment.

The Board has a quorum when more than half of its members are present. The company's Articles of Association do not restrict the members' terms in office or present any specific selection criteria for the members. The Board elects a chairperson from among its members.

SSH's Board of Directors is responsible for the company's strategic policies, and the appropriate organization of business operations and administration. The Board of Directors acts in the company's interests at all times. In addition to the tasks and responsibilities provided by the Finnish Companies Act and the company's Articles of Association, in accordance with its agenda, SSH's Board of Directors:

- appoints and dismisses the CEO and decides on his/her service terms
- approves nominations of the Group Management Team members
- approves bonus and incentive schemes for the CEO and personnel
- approves the company's long term strategy and annual budget and follows their implementation
- reviews and approves interim reports and annual report
- confirms the company's risk management and reporting procedures
- decides on acquisitions and other significant investments
- decides other matters that belong to the Board of Directors' power according to the Finnish Companies Act or other legislation.

Board of Directors – Members

The Annual General Meeting held on 4 March 2009 elected Juho Lipsanen (chairman), Tomi Laamanen, Pyry Lautsuo, Juha Mikkonen and Tatu Ylönen as members of the Board of Directors.



Juho Lipsanen

born 1961, M.Sc. (Economics)
Board member since 2009,
Chairman of the Board 2009
Partner of ValCrea AG

Juho Lipsanen is the chairman of the board or a board member in several Nordic companies. He has been the CEO of TeliaSonera Finland in 2005–2008 and the CEO of Alma Media in 2002–2005. In 1988–2002 he held various positions at ABB Ltd, among them the CFO of ABB automation and the CEO of ABB New Ventures. Owns 21,865 SSH shares.



Pyry Lautsuo

born 1946, M.Sc. (Technology)
Board member since 2008
IBM Country General Manager
in Finland between
years 1997–2006

Pyry Lautsuo has 30 years of experience with versatile international tasks in technology industries. In addition, he holds board memberships in several Finnish and international companies, and in business and industries organizations. Owns 12,500 SSH shares.



Tomi Laamanen

born 1968, D (Eng.),
PhD (Economics & Business
Administration)
Board member since 2001

Tomi Laamanen is Professor at the Institute of Strategy and International Business at the Helsinki University of Technology. He has been a Board member or Advisory Board member of several Finnish technology companies and professional associations. He has acted as a strategic adviser to companies operating in the banking, information and communications, media, metals and machinery, pharmaceuticals, and pulp and paper sectors. Owns 124,000 SSH shares.



Juha Mikkonen

born 1962, M.Sc. (Economics)
Board member since 2008
Managing Director of Vicus Limited, a real estate development and investment company

Juha Mikkonen has over 20 years of experience in investments and banking. He is the chairman in the board of directors at investment company Assetman Limited. Owns 4,003,000 SSH shares.



Tatu Ylönen

born 1968, LicSc (Tech)
Board member since 1995
Major shareholder, CTO until
September 30, 2004

Tatu Ylönen developed the Secure Shell technology for remote access and founded SSH Communications Security Corp. He is an internationally respected network security expert. Tatu Ylönen owns directly 14,510,149 SSH shares and 44,254 shares indirectly through Tatu Ylönen Oy.

The majority of the Board members have no dependence on the company. Juho Lipsanen, Tomi Laamanen and Pyry Lautsuo are deemed to be independent Board members. Not independent of the company are the Board members Juha Mikkonen and Tatu Ylönen. Juha Mikkonen is the Chairman of the board of directors of Assetman Oy, an investment firm that holds more than 10 percent of the total number of the SSH shares. Tatu Ylönen owns directly and indirectly through his company Tatu Ylönen Oy 48,7 per cent of the total number of SSH shares.

Board Responsibilities

The Board works to a predetermined agenda. The themes to be considered in future meetings, and the Board's agenda, are planned at the start of each new term of office. During the spring, the agenda is focused on outlining strategic policies and updating the corporate strategy. In the autumn, the focus is on tactical matters, and in November the budget for the following year is approved. In the beginning of the year, meetings focus on preparations for the Annual General Meeting.

The members of the Board receive regular updates on the company's business and financial performance. In the Board meetings, the CEO, the Chairman of the Board or another person

appointed by the CEO, presents business to be considered by the Board. Each Board meeting considers a progress report provided by the CEO in line with the standard agenda. All Board meetings also monitor sales performance, market development and the company's financial performance. The company's General Counsel acts as secretary to the Board.

The SSH Board of Directors convened 13 times in 2009. The average attendance rate of Board members was 99 percent.

The Board evaluates its operations and processes to increase efficiency and quality. An internal self-evaluation is conducted once a year.

Committees of the Board of Directors

In a corporation, the proper functioning of the administrative and control systems requires that the work of the Board of Directors be organized as effectively as possible. The preparation of matters for which the Board of Directors is responsible can be made more effective through setting up committees comprising Board members. The Board of Directors will then make its final decisions based on the recommendations of the committees. SSH's Board of Directors has appointed an Audit Committee and a Nomination and Remuneration Committee.

Tomi Laamanen acts as the Chairman and Pyry Lautsuo acts as a member of the Audit Committee. As the CEO, the CFO and the auditor participate in the committee meetings, the Board has deemed two Board members to be sufficient in the Committee. The Committee convenes a minimum of twice a year, and the Board has confirmed the principal responsibilities of the Audit Committee to be as follows:

- monitoring the financial performance of the company
- monitoring the financial reporting (financial statements, interim reports)
- assessing the sufficiency and due form of internal administration and risk management
- ensuring compliance with laws and regulations
- preparing the appointment of an auditor
- communicating with the auditor, studying the auditing plan and the auditor's report.

The Nomination and Remuneration Committee plans compensation and reward schemes for the management and employees. Juho Lipsanen acts as the chairman and Juha Mikkonen and Tatu Ylönen act as members of the committee.

Both committees of the Board of Directors convened twice in 2009, and the average attendance rate of the committee members was 100 percent.

CEO and Group Management Team

SSH's Board of Directors appoints and releases the CEO and decides the terms of his/her service contract. The CEO is in charge of the company's operative management in accordance with the Finnish Companies Act and the instructions and authority provided by the Board of Directors.

During the second quarter 2009, SSH re-organized its operations and the Group Management Team was renewed. The Group

Management Team supports the CEO in managing and developing SSH Group, and the members of the Group Management Team report to the CEO. The Group Management Team meets regularly and the meetings are chaired by the CEO. All issues addressed in the meetings and the related decisions are recorded in the meeting minutes.



Jari Mielonen

born 1960, M.Sc. (Economics)
President and Chief Executive
Officer

Jari Mielonen joined SSH from Sanako Corporation, a global educational technology company; prior to that, he was e.g. CEO of SysOpen Digia Plc (Digia Plc), taking the software and mobile technology company from a startup phase to a public company with sales of 100 million euros. Earlier, he was CTO of Sonera Telecommunications (TeliaSonera), being responsible for its technology development and participating in new business development, and Director of Software Technology at ICL Data (Fujitsu), with responsibilities including e.g. software development processes. Owns SSH shares indirectly through SSH Management Investment Oy which holds 1,433,750 SSH shares jointly between the CEO and the Group Management Team.

The CEO's retirement age and determination of pension comply with standard rules under the Employees' Pension Act. The period of notice for the CEO is six months. Severance payment is equivalent to twelve months' salary.



Tero Harjula

born 1963, BBA
(International Business)
Executive Vice President,
Value Driven Security and R&D

Tero Harjula is responsible for initiating and developing strategic alliances, product partnerships, and new product and solution concepts within SSH's target market segments. Prior to joining SSH, Tero Harjula held the position of Director of Financial Institutions at Sonera SmartTrust, and he has held several managerial positions in leading international financial institutions. During 1993–2000 he was working in Luxembourg as Vice President of Applications and Services Development at Citibank, and as Manager of Business and Systems Development at Dailchi Kangyo Bank, where he was in key roles in large IT projects, application implementation, and operations development. Owns SSH shares indirectly through SSH Management Investment Oy which holds 1,433,750 SSH shares jointly between the CEO and the Group Management Team.



Mikko Karvinen

born 1976, M.Sc. (Economics)
Executive Vice President,
Chief Financial Officer (CFO)

Mikko Karvinen is responsible for SSH's global financial management and ICT. Prior to joining SSH, Mikko Karvinen was CFO at Automaster Oy. Previously, he held several financial management positions at Vaisala Oyj both in Finland and the USA during 2001-2007. Owns SSH shares indirectly through SSH Management Investment Oy which holds 1,433,750 SSH shares jointly between the CEO and the Group Management Team.



Pekka Rauhala

born 1960, LL.M., MBA
Executive Vice President,
General Counsel and
Chief Administrative Officer

Pekka Rauhala is responsible for Corporate Governance, Human Resources and Business Support including worldwide responsibility to oversee contracts, IPRs and licensing activities at SSH. He also acts as the secretary to SSH's Board of Directors and serves as the President of SSH Operations Oy (the subsidiary operating in Germany and in the UK) and SSH Communications Security, Inc. (the US subsidiary). Prior to joining SSH, Pekka Rauhala served Tellabs Inc., Jaakko Pöyry Group and Helsinki Chamber of Commerce in several key in-house counsel positions during 1988-2000. Owns directly 20,000 SSH shares and 22,500 stock options and additionally, owns SSH shares indirectly through SSH Management Investment Oy which holds 1,433,750 SSH shares jointly between the CEO and the Group Management Team.



Jouni Leinonen

born 1965, D.Sc. (Economics)
Executive Vice President, Chief
Operating Officer for Customer
and Market Operations

Jouni Leinonen is responsible for SSH's customer and market operations globally. Prior to joining SSH, Jouni Leinonen was General Manager and VP of Operations at PacketVideo Corporation. Previously he has worked for several IT and software companies in Finland, the UK and Japan. Owns SSH shares indirectly through SSH Management Investment Oy which holds 1,433,750 SSH shares jointly between the CEO and the Group Management Team.

Remuneration and Incentive Plans

The shareholders' meeting confirms annually in advance the emoluments payable to the members of the Board of Directors. The Board of Directors confirms the salary and other benefits of the CEO, and also determines the salaries and benefits payable to the members of the Group Management Team.

Forms of remuneration for the Group Management Team and the CEO involve a performance-related bonus and a new shares-based incentive plan established on 20 October 2010. For the implementation of the share-based incentive plan, the CEO and the Group Management Team have established a limited liability company SSH Management Investment Oy. The incentive plan includes an agreement on SSH Management Investment Oy's shareholdings and on a loan agreement for financing the purchase of SSH shares by SSH Management Investment Oy. The incentive plan will be valid until fall 2013, at which time the plan is intended to be dissolved in a manner to be determined later. Earlier, stock option plans have been issued to the key employees (see more information about stock option plans below in section "Stock Option Rights"). The company has no other remuneration practices, nor does it have any differing pension arrangements for the CEO or other senior management.

The bonus scheme for the CEO and the Group Management Team is based on the company's net sales and EBIT, and on personally defined qualitative and quantitative targets. The weighting of the said corporate financial indicators represents 70 percent of the overall targets. The targets for the company's senior management are fixed for one year at a time.

The Board of Directors decided on 20 October 2009 on a share issue against payment directed to SSH Management Investment Oy on the basis of authorization granted by the Annual General Meeting of the Shareholders on 4 March 2008 in derogation from the shareholders' pre-emptive subscription rights. A total of 1,100,000 new SSH shares was offered for subscription by SSH Management Investment Oy in the share issue. The subscription price of the SSH share was 0.72 EUR. SSH Management Investment Oy purchased further 337,500 SSH shares from the stock markets during December 2009.

Remunerations to the Board of Directors:

Juho Lipsanen EUR 1,400/month

Tomi Laamanen EUR 1,400/month

Pyry Lautsuo EUR 1,400/month

Juha Mikkonen EUR 1,400/month

Tatu Ylönen (no salary or remuneration)

CEO

The CEO's salary and other benefits in 2009 were EUR 227,040.

The number of shares and stock options held by the members of the Board of Directors, CEO and members of the Group Management Team are included in their personal profiles.

Insiders

SSH has established its own insider guidelines that comply with the Guidelines of Insiders approved for public companies by the NASDAQ OMX Helsinki Ltd. The company maintains a public insider register of the public permanent insiders and the persons closely associated with the said permanent insiders' share and stock option holdings in the SIRE system of the Euroclear Finland Ltd. The public insider register and the principles regulating trading by insiders are available at the company's website and at the company's headquarters.

The public permanent insiders of the company are the members of the Board, the CEO, the members of the Group Management Team, and the auditors. The number of public permanent insiders is currently 11.

The company maintains also a company-specific insider register of persons who by virtue of their position regularly receive insider information or could have an opportunity to gain access to insider information through the nature of their work and who are not in the public insider register. These persons include the assistants to the Group Management Team, the sales management, the product management, the financial administration, and the management of information services. In addition, any external legal consultants used by SSH belong to the company-specific insider register.

Insiders belonging to the public or company-specific insider register are not allowed to trade in securities issued by the company for a period of 21 days prior to the announcement of an interim report or financial statement bulletin (closed window).

The said permanent insiders are allowed to trade in securities issued by the company without a prior approval of the company's General Counsel only for a period of 21 days after the announcement of the interim report and the financial statement bulletin of the company (open window).

Under circumstances where the company is preparing an event that may have a significant impact on the stock price, a project-specific insider register is established. Also the project-specific insider register will be based on the insider guidelines of the NASDAQ OMX Helsinki Ltd. Company's General Counsel is responsible for guidance and supervision of the insider matters.

Internal Administration

The aim of internal administration and risk management is to ensure efficient, appropriate operations, dependable financial information and compliance with regulations and internal processes. SSH's Board of Directors ensures that the company has defined principles of internal administration, and that the company monitors the effectiveness of the administration. The ultimate responsibility for the company's accounting and supervision lies with SSH's Board of Directors. The Board also approves SSH's risk management and reporting procedures and monitors the adequacy, appropriateness and efficiency of the company's administrative processes.

The CEO, assisted by other operative management, is responsible for the practical arrangements for accounting and administration mechanisms and for compliance with laws, regulations, company processes, and the Board's decisions. To support its operations, the company has a number of rules and guidelines. Process and quality work ensures that there is a description of all processes, and that the various process interfaces are properly defined and documented. Processes are also intended to ensure that everyone in the organization knows how the company works, and how the work of each individual is integrated into the company's operations. Supervisory actions ensure compliance with rules, guidelines, and processes.

The company sets annual financial targets in connection with the budget and constantly tracks target achievement. The company's organizational structure supports efficient planning, implementation, and monitoring of business operations.

Risk Management

Risk management is a part of SSH's internal administration. It aims to ensure that major risks affecting the company's business and operating environment are identified and monitored. Since the United States is the main market area, any risks including currency risks associated with that country are considered to be significant. Other major risks are related to product technology, competitor activities and profitability. Property, business interruption and liability risks are covered by insurance.

SSH's main market area is the United States. To reduce this market dependency risk, the company is actively seeking to expand operations in Europe. Sales operations are supported by the company's own legal unit, which, through continuous management of contracts, seeks to reduce the risks related to the company's business operations. SSH protects its copyrights and trademarks through sales agreements. The company has also an active patent policy to protect its technology. SSH encourages its employees to make and protect inventions.

SSH has a process in place whereby any network security risks found in the company's products are promptly reported to senior management. Corrections are made immediately and updates are supplied to customers without delay. The company's critical information systems are secured and operations can continue, even in the event of an external catastrophe. SSH actively uses its own products to protect the information system architecture. Encryption and strong authentication protect the company's confidential data communications from both internal and external threats.

Financial risk management is described separately in the Financial Statements section of the annual report. SSH provides no financing for its customers other than by granting normal payment periods. The company has a strong balance sheet and no significant long-term liabilities. Asset managers invest the company's cash reserves in accordance with a policy approved by the Board of Directors: almost all the assets under management are invested in fixed income funds. Since most of SSH's invoicing

takes place in US dollars, the company is hedged against exchange rate risks.

Internal Auditing

Because of the relatively small size of the company, SSH has no separate internal audit organization. The continuous monitoring by the auditors in conjunction with the interim reports also aims to assess and develop the effectiveness of risk management, monitoring and administration processes, and to support the Board with its monitoring responsibility.

Auditors

The company's auditors provide shareholders with a report, as required by law, in conjunction with the annual financial statements. The principal aim of the statutory audit is to verify that the financial statements give a true and fair view of the company's financial performance and situation for each fiscal year. In addition to the Auditor's report provided with the annual financial statements, the auditors report on their findings to the company's Board of Directors in connection with the interim reports.

In accordance with the Company's Articles of Associations, SSH has one Principal Auditor authorized by the Chamber of Commerce, and one Deputy Auditor. If a firm of Authorized Public Accountants is appointed as the principal auditor, there is no need to appoint a deputy auditor. The auditors are appointed at the Annual General Meeting. In 2009, SSH's auditor was PricewaterhouseCoopers Oy with Henrik Sormunen APA as the principal auditor.

In 2009, the auditor's fees were EUR 33.500 in the Group and EUR 27.500 in the parent company. Other fees charged by the firm of auditors were EUR 49.103 in the Group and EUR 20.500 in the parent company. Other fees were mostly related to tax advice.

Public Communications

SSH aims to give the markets a clear view of the company's operations and financial performance in accordance with the regulations on the disclosure obligation for publicly listed companies. The company prefers electronic forms of communication. All stock market releases, other investor information, and the latest company information are available at the SSH website.