

CORPORATE GOVERNANCE

The Tectia Group comprises Tectia Corporation (Tectia) and its subsidiaries. Tectia Corporation is registered in Helsinki, Finland and is a publicly listed company. Its subsidiaries are Tectia, Inc. (USA) that operates in Americas and Tectia Operations Ltd that operates in the UK and Germany and Tectia Limited (HK) that operates in Asia Pacific.

Tectia 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 Finnish Corporate Governance Code of publicly listed companies.

SHAREHOLDERS' MEETING

The ultimate decision-making power at Tectia 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 Tectia 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.

Tectia'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, Tectia'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 on other matters that belong to the Board of Directors' power according to the Finnish Companies Act or other legislation.

Board of Directors

BOARD OF DIRECTORS – MEMBERS

THE ANNUAL GENERAL MEETING HELD ON 3 MARCH 2010 ELECTED JUHO LIPSANEN (CHAIRMAN), JUHANI HARVELA, PYRY LAUTSUO, JUHA MIKKONEN, TIIA TUOVINEN 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 Tectia 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 Tectia shares.



JUHANI HARVELA

born 1964, M.Sc. (Software Engineering & Business)
Board member since 2010,
Co-Founder & General
Partner, Veturi Venture
Accelerator Oy

Jussi (Juhani) Harvela has over 20 years of global high technology business experience in multiple

executive management positions. Prior to co-founding Veturi, he was President & CEO and a board member of Solid Information Technology (sold to IBM) in Cupertino, CA. USA. He currently holds several board memberships and senior advisor roles in international growth companies and national technology commercialization programs.



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 Tectia shares.

Board of Directors

**TIIA TUOVINEN**

born 1964, Master of Laws, LL.M.
Board member since 2010
General Counsel at
TeliaSonera Ab -
Broadband Services

Tiia Tuovinen holds several board memberships in companies in Baltic and Nordic countries, and in business and industrial organizations.

**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 Tectia Corporation (formerly named as SSH Communications Security Corp). He is an internationally respected network security expert. Tatu Ylönen owns 13,886,075 Tectia shares.

The majority of the Board members have no dependence on the company. Juho Lipsanen, Juhani Harvela, Pyry Lautsuo and Tiia Tuovinen 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 13 percent of the total number of the Tectia shares. Tatu Ylönen owns 45,46 per cent of the total number of Tectia 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 15 times in 2010. 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. Tectia's Board of Directors has appointed an Audit Committee and a Nomination and Remuneration Committee.

Tiia Tuovinen 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.

Board of Directors

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 2010, and the average attendance rate of the committee members was 100 percent.

CEO AND GROUP MANAGEMENT TEAM

Tectia'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.

The Group Management Team supports the CEO in managing and developing Tectia 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 Tectia 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 Tectia 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 Tectia, 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 Tectia shares indirectly through SSH Management Investment Oy which holds 1,433,750 Tectia shares jointly between the CEO and the Group Management Team.

CEO & Group Management Team

**MIKKO KARVINEN**

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

Mikko Karvinen is responsible for Tectia's global financial management and ICT. Prior to joining Tectia, 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 Tectia shares indirectly through SSH Management Investment Oy which holds 1,433,750 Tectia 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 Tectia's customer and market operations globally. Prior

to joining Tectia, 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 Tectia shares indirectly through SSH Management Investment Oy which holds 1,433,750 Tectia 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 Tectia. He also acts as the secretary to Tectia's Board of Directors and serves as the President of Tectia Operations Oy (the subsidiary operating in Germany and in the UK) and Tectia, Inc. (the US subsidiary). Prior to joining Tectia, 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 Tectia shares and 22,500 stock options and additionally, owns Tectia shares indirectly through SSH Management Investment Oy which holds 1,433,750 Tectia shares jointly between the CEO and the Group Management Team.

CEO & 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 sharesbased 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 Tectia 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 Tectia shares was offered for subscription by SSH Management Investment Oy in the share issue. The subscription price of the Tectia share was 0.72 EUR. SSH Management Investment Oy purchased further 333,750 Tectia shares from the stock markets during December 2009.

Remunerations to the Board of Directors:

Juho Lipsanen EUR 4,000/month
 Juhani Harvela EUR 2,000/month
 Pyry Lautsuo EUR 2,000/month
 Juha Mikkonen EUR 2,000/month
 Tiia Tuovinen EUR 2,000/month
 Tatu Ylönen (no salary or remuneration)

Remunerations to the Audit Committee:

Tiia Tuovinen EUR 500/meeting
 Pyry Lautsuo EUR 300/meeting

Remunerations to the Nomination and Remuneration Committee:

Juho Lipsanen EUR 500/meeting
 Juha Mikkonen EUR 300/meeting
 Tatu Ylönen (no salary or remuneration)

CEO

The CEO's salary and other benefits in 2010 were EUR 217,400.

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

Tectia 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 12.

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 Tectia belong to the company-specific insider register.

CEO & Group Management Team

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. Tectia'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 Tectia's Board of Directors. The Board also approves Tectia'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 Tectia'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.

Tectia's main market area is the United States. To reduce this market dependency risk, the company is actively seeking to expand operations in Europe and Asia. 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. Tectia protects its copyrights and trademarks through sales agreements. The company has also an active patent policy to protect its technology. Tectia encourages its employees to make and protect inventions.

Tectia 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. Tectia 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. Tectia 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.

INTERNAL AUDITING

Because of the relatively small size of the company, Tectia 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.

CEO & Group Management Team

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, Tectia 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 2010, Tectia's auditor was KPMG Oy Ab with Kirsi Jantunen APA as the principal auditor.

In 2010, the auditor's fees were EUR 18.000 in the Group and EUR 18.000 in the parent company. Other fees charged by the firm of auditors were EUR 3.670 in the Group and EUR 3.670 in the parent company. Other fees were mostly related to tax advice.

PUBLIC COMMUNICATIONS

Tectia 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 Tectia website.