



SSH COMMUNICATIONS SECURITY CORPORATION

CORPORATE GOVERNANCE STATEMENT

FEBRUARY 27, 2014



CORPORATE GOVERNANCE STATEMENT OF SSH COMMUNICATION SECURITY - FEBRUARY 27, 2014

SSH Communications Security Group comprises of SSH Communications Security Corporation (“SSH”) and its subsidiaries. SSH is registered in Helsinki, Finland and is a publicly listed company in NASDAQ OMX (SSHV01). Its subsidiaries are SSH Communications Security, Inc. (USA), SSH Operations Ltd (FIN) which has a branch in Germany, SSH Communications Security Limited (HK) that operates in Asia Pacific and SSH Solutions Ltd (FIN).

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 and Finnish Corporate Governance Code 2010 adopted by the Securities Market Association. The Code is available at www.cgfinland.fi. The Corporate Governance Statement of SSH can also be reviewed at SSH’s website www.ssh.com.

SSH COMMUNICATIONS SECURITY'S ADMINISTRATIVE BODIES

The General Meeting is where shareholders exercise their voting rights and is SSH Communications Security’s highest decision-making body. The Annual General Meeting (AGM) elects the Board of Directors, which in turn appoints the CEO. The Board of Directors and CEO are responsible for the management of the Group. The Group Management Team and other management personnel assist the CEO in his duties. The Board of Directors decides on the Group’s administrative systems and ensures compliance with good governance principles.

ANNUAL GENERAL 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 AGM decides on matters as required in the provisions of the Companies Act and Articles of Association, such as adoption of the year-end financial statements, profit distribution, and the granting of discharge from liability to the members of the Board of Directors and to the CEO. The AGM also elects the members of the Board of Directors and the auditors and decides on the fees that will be paid to them. Extra ordinary general meeting can be called as defined in Companies Act. 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.



The Board of Directors handles the company's administration and the appropriate arrangement of its operations. The Board also ensures that the supervision of the bookkeeping and asset management is appropriate. The Board of Directors decides on matters of principle and on any issues that would have broad-ranging implications for the company. The Board's task is to steer the company's operations in a manner that will add the greatest possible value to the company's invested capital over the long term.

The Board appoints and dismisses CEO, supervises his or her actions, and decides on his or her remuneration and other terms and conditions of service. The Board also approves the Group's strategy, operating principles and guiding values, and ensures that they are up to-date and correctly implemented. The Board also ensures that the Group has a functional system of internal controls and that the Group's risk management principles have been defined. It also ensures that key business risks have been identified and are being systematically monitored. The Board approves the operational guidelines and annual plan for the internal audit, and also assesses its effectiveness.

SSH Board of Directors convened 14 times in 2013. The average attendance rate of Board members was 95.2 percent.

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

Due to the relatively small size of the company and number of Board Members currently, SSH Communications Security has no separate Committees of the Board.

BOARD OF DIRECTORS – MEMBERS

The Annual General Meeting held on 20 March 2013 elected Sami Ahvenniemi (chairman until 31 July 2013), Päivi Hautamäki (chairman from 1 August 2013) and Tatu Ylönen as members of the Board of Directors.

Currently, a minority of the Board members are considered independent of the company. Päivi Hautamäki is deemed to be an independent Board member. Not independent of the company are the Board members Tatu Ylönen and Sami Ahvenniemi. Tatu Ylönen is CEO and the largest shareholder who owns directly and through his holdings about 57.7 percent of SSH Communications Security shares. After Sami Ahvenniemi joined 12.8.2013 the Company and Group Management Team as President and CEO SSH Communications Security Inc (USA), SSH Communications Security deviated from recommendation 14 (the amount of independent board members) of The Finnish Corporate Governance Code. The main reasons for deviation are ownership structure of the company and importance of the US operations and markets for the company at this stage. The company's CFO acts as secretary to the Board.

Päivi Hautamäki, born 1964, Master of Law, LL.M



Board member and Chairman of the Board since 2012
General Counsel at Eltel Group

Päivi Hautamäki has extensive experience of more than 15 years in energy, IT and industry field. She is the General Counsel at Eltel Group. Prior to joining the company in 2012, she was the General Counsel at F-Secure Corporation, an anti-virus and computer security and computer software company, the Legal Counsel at Fortum Oyj, a Finnish energy company, and the General Counsel at Winwind Ltd, a wind turbine manufacturer. She is also a member of the IPR committee of the Board of Central Chamber of Commerce in Finland and a Member of the Board of Finnish Industrial Lawyers.

Päivi has a Master of Law degree from Helsinki University.

Päivi Hautamäki does not own any SSH shares.

Sami Ahvenniemi, born 1972, M.Sc (Tech.) in Industrial Engineering and Management
Board member since 2012
President and CEO, SSH Communications Inc (USA)

Sami heads the company's operations across the Americas. As a seasoned business executive and former venture capitalist, Sami brings over 15 years of experience leading high technology companies as CEO, board member and investor. Prior to joining the company, Sami was a partner and co-founder at Conor Venture Partners where he led investments into and served on the board of number of leading technology companies including Neo Technology, Sensinode and Behaviometrics. Prior to that Sami held a number of executive level positions in sales and product management at SSH Communications Security and was the founding CEO of the company's Americas division. Sami has a Master of Science degree in Industrial Engineering and Management from Aalto University.

Sami Ahvenniemi owns 0 SSH shares and 250 000 SSH options.

Tatu Ylönen, born 1968, LicSc (Tech)
Board member since 1995
Major shareholder, CEO since September 26, 2011

While working as a researcher at Helsinki University of Technology, Tatu Ylönen began working on a solution to combat a password-sniffing attack that targeted the university's networks. What resulted was the development of the Secure Shell (SSH), a security technology that would quickly replace vulnerable rlogin, TELNET and rsh protocols as the gold-standard for data-in-transit security. Tatu has been a key driver in the emergence of security technology including SSH & SFTP protocols and co-author of globally recognized IETF standards. He has been with SSH Communications Security since its inception in 1995 holding various roles including CEO, CTO and as a Board Member.



In October 2011 Tatu returned as Chief Executive Officer of SSH Communications Security, bringing his exceptional experience as a security innovator to the company's product line. He is charting an exciting new course for the future of the space that he invented.

Tatu holds a Master of Science degree from Aalto University, Finland.

Tatu Ylönen owns 17.727.698 SSH shares (holdings of interest parties included).

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CEO AND GROUP MANAGEMENT TEAM

The SSH Communications Security Board of Directors appoints the CEO and decides the terms of his or 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 company's CEO is Tatu Ylönen. 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 three months. There is no separate severance payment agreed.

The Group Management Team supports the CEO in managing and developing SSH Communications Security 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 related decisions are recorded in the meeting minutes.

Tatu Ylonen, born 1968, LicSc (Tech.)
President and Chief Executive Officer

Tatu Ylonen developed the Secure Shell technology for remote access and founded SSH Communications Security Corporation. He is an internationally respected network security expert. Owns 17.727.698 SSH shares (holdings of interest parties included).

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 three months. The total remuneration of Managing Director at the date is EUR 0 per month. There is no separate severance payment agreed. The Managing Director is entitled to annual bonus scheme which will be decided by the Board of Directors every year during the first quarter or latest one month after Annual General Meeting. For reaching FY2014 performance criteria decided separately by the Board of Directors, maximum bonus is EUR 300,000.

Jyrki Lalla, born 1964, M.Sc (Economics)
Chief Financial Officer

Jyrki is responsible for financial management, treasury, human resources, corporate development and corporate governance. He also acts as secretary to the board of directors.



Prior to joining the company in February 2012, Jyrki held several senior financial management positions at Nokia Corporation and Nokia Siemens Networks in Finland, Italy, Great Britain and Germany.

Jyrki has headed finance and control for global software and service businesses in Europe, Middle-East and Africa. He has gained extensive experience in ramping up international operations in high growth organizations with specific responsibilities for functional areas such as acquisitions, divestments, outsourcing and mergers.

Jyrki has a Master of Science degree from Turku School of Economics and Business Administration, Finland and further studies in finance from Hanken School of Economics and IMD.

Owns 100 000 SSH shares (no holdings of interest parties) and 150 000 options.

Matthew McKenna, born 1973, MBA
Chief Operating Officer

Matthew brings over 10 years of high technology sales, marketing and management experience to SSH Communications Security and is responsible for all revenue-generating operations. His expertise in strategically delivering technology solutions that anticipate the marketplace has helped the company become a market leader.

Prior to joining the company, Matthew served as a member of the executive management team of Automaster Oyj which was successfully acquired by ADP Dealer Services Nordic. Before this, Matthew played professional soccer in Germany and Finland.

Matthew holds a BA in German from the University of South Carolina and an MBA from the Helsinki School of Economics and Business Administration.

Matthew McKenna owns 32 000 SSH shares (holdings of interest parties included) and 300 000 options.

Antti Huima, born 1975, M.Sc (Engineering)
CTO & Vice President, Engineering, (started 5.6.2013)

Antti heads the company's global R&D and directs the company's technology strategy. He has nearly twenty years of experience in the software industry with extensive experience in information security, cryptography, software quality assurance and theoretical computer science. Prior to joining the company, Antti served as CEO at Conformiq, a Silicon Valley based software test design automation company.

Before joining Conformiq, Antti was Research Manager at SSH Communications Security leading contribution to the software architecture. Antti has lectured cryptography, computer security, and theory of testing on university level and has served several academic program committees. Antti has a Master of Science degree from Aalto University, Finland.

Antti Huima own 0 SSH shares and 30 000 options.



Kalle Jaaskelainen, born 1977, BA (Science)
Vice President Product Management and Services

Kalle has over ten years of experience in information security services, R&D and product management. His technical background and customer facing experience creates an ideal combination for understanding the market and customers' challenges. In his current role as Vice President of Product Management and Services he is responsible for delivering high performance solutions and services that enable customers to protect their data.

Kalle received his Bachelor of Science from the Vantaa Institute of Technology, Finland where he specialized in Telecommunication and Computer networks and carries a CISSP certification.

Kalle Jääskeläinen owns 10 000 SSH shares (no holdings of interest parties) and 300 000 options.

Sami Ahvenniemi, born 1972, M.Sc (Engineering)
President & CEO, SSH Communications Inc (USA) (started 12.8.2013)

Sami heads the company's operations across the Americas. A seasoned business executive and former venture capitalist, Sami brings over 15 years of experience leading high technology companies as CEO, board member and investor. Prior to joining the company, Sami was a partner and co-founder at Conor Venture Partners where he led investments into and served on the board of number of leading technology companies including Neo Technology, Sensinode and Behaviometrics. Prior to that Sami held a number of executive level positions in sales and product management at SSH Communications Security and was the founding CEO of the company's Americas division.

Sami has a Master of Science degree in Industrial Engineering and Management from Aalto University.

Sami has 0 SSH shares and 250 000 options.

Mika Lauhde, born 1964, (M.Sc (Engineering)
VP, Government Relations and Business Development (started 19.8.2013)

Mika is responsible for Government Relations and Business Development. Prior to joining SSH Communications Security, Mika headed the Business Security and Continuity in Nokia Corporation where he was responsible for government relations in the IT security space.

Mika has extensive experience in security related topics and governmental institutions both in Europe and the USA. Currently, he is a member of ENISA (European Network and Information Security Agency) Permanent Stakeholder Group, the European Cyber Security Research Center, and the Finnish Government Cyber Security working group.



Mika received his Bachelor of Science in Automation and Graphical Industry from the Vantaa Institute of Technology, Finland, and has a Master of Engineering degree in Electronics from Hochschule Osnabrück, Germany.

Mika has 0 SSH shares and 0 options.

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 senior management.

Forms of remuneration for SSH Communications Security's senior management and CEO involve a performance-related bonus. The company has no other remuneration practices, nor does it have any differing pension arrangements for the CEO or other senior management. The targets for the company's senior management are fixed for the target period at a time.

Stock option plan has been issued in 2013. In accordance with the authorization from the Annual General Meeting, the Board of Directors decided on 4 June 2013 an option plan I/2013 of maximum 1,700,000 options, each of which entitles to subscribe one share at a price of EUR 1.66. Stock option plans are explained in more detail under the note 20 to the consolidated financial statement.

During 2013, SSH Management Investment Ltd., which was established for the share incentive plan of previous management team, has been liquidated (Extraordinary general meeting December 23, 2013). SSH Management Investment sold all shares (4.7%) of SSH Communications Security, paid back the loan it had taken for acquiring these shares and it is not consolidated to SSH Communications Security.

Remunerations to the Board of Directors during 2013:

- Päivi Hautamäki EUR 22,000
- Sami Ahvenniemi (no salary or remuneration after August 1, 2013)
- Tatu Ylönen (no salary or remuneration)

The CEO's salary and other benefits in 2013 were EUR 174.000.

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 above.

INSIDER MANAGEMENT



SSH Communications Security observes NASDAQ OMX Helsinki Ltd's insider guidelines. The company maintains a public and company-specific register using Euroclear Finland Oy's Sire system.

Insiders subject to disclosure requirements are the members of SSH Communications Security's Board of Directors, the CEO, and the chief auditor of the accounting firm. The company also defines the members of SSH Communications Security's Group Management Team as insiders subject to disclosure requirements. The share ownership of all insiders subject to disclosure requirements has been made public.

SSH Communications Security also maintains permanent company-specific registers of people who regularly receive inside information due to their position or duties. Their share ownership has not been made public. When necessary, registers of project-specific insiders are also kept.

[Insider Register \(link\)](#)

SILENT PERIOD

SSH Communications Security follows a silent period from the end of the reported quarter until the publication of its financial information. During this time SSH Communications Security refrains from contact with representatives of the capital markets and financial media.

Silent periods during the financial year 2014:

- 1 January - 6 February
- 1 April - 24 April
- 1 July - 23 July
- 1 October - 22 October

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

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INTERNAL CONTROL

Internal control seeks to ensure that the Group's operations are efficient and profitable, that reporting is reliable, and that the Group's operating principles and applicable legislation and regulations are observed.

The Board of Directors is responsible for ensuring that the Group's internal controls and risk management are adequate and appropriately organized for the company's business operations. The Board supervises the CEO to ensure that he or she handles the company's business operations and



administration in accordance with the guidelines and instructions issued by the Board of Directors. In order to ensure adequate risk management, the Board of Directors discusses the Group's business and financial reports, as well as any substantial changes that have occurred in the company's business. The Board also assesses the adequacy and appropriateness of internal controls and risk management.

The CEO is responsible for the practical organization of internal controls. Among other duties, he or she ensures that the company's accounting practices comply with the law and is handled in a reliable manner. The Group's directors and managers are responsible for internal controls within their own areas of responsibility.

RISK MANAGEMENT

Risk management aims to ensure that company's strategic and operational targets are reached and operations safeguarded.

Risk management principles:

Our risk management is based on the risk management policy approved by the Board of Directors. We define a risk as an external or internal uncertainty factor that, if realised, would either positively or negatively affect our potential to achieve our strategic and financial targets

We seek to forecast, identify, evaluate and control significant strategic, operative, financial and accident risks. The Board of Directors defines the Group's risk appetite and risk tolerance through its decisions and monitors the sufficiency and effectiveness of the Group's risk management.

Responsibilities:

The CEO is responsible for the implementation of risk management. The CFO holds primarily responsibility for managing financial risks and coordinates the implementation of risk management processes, and reports risks to the CEO, the Group Management Team and the Board of Directors. The Group Management Team members are responsible for executing the risk management policy in their own areas. Every employee is responsible for identifying any risks relating to their own work and bringing them to the attention of their supervisor.

SSH Communications Security's largest risk:

Largest risks that might impact the profitability of the company are listed below. Other risks, which are currently either unknown or considered immaterial to SSH Communications Security may, however, become material in the future.

Largest risks:

- continuing uncertainty of the macroeconomic environment
- delays on product development and closing new business
- competitiveness of the product portfolio including intellectual property
- litigation, especially in the U.S. market
- competitive dynamics in the industry
- ability of the organization to scale up operations with the growth



- large portion of the company revenue is invoiced in USD currency so possible large fluctuation in USD currency rates could have unpredictable effects for profitability that are at the time difficult to estimate. Currently USD currency position is not hedged, and company decides hedging of USD based contracts case by case.

INTERNAL AUDITING

Because of the relatively small size of the company, SSH Communications Security 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

SSH Communications Security has one auditor, which must be a firm of authorized public accountants approved by Finland's Central Chamber of Commerce. The Annual General Meeting elects the auditor for a term of office that runs until the end of the following Annual General Meeting.

The scope of the audit encompasses the Group's accounting, administration, Financial Statements and Board of Directors' Report for each accounting period. The Auditor makes regular reports to the Audit Committee and submits an Auditors' Report to the Annual General Meeting. The Auditors' Report contains a statement as to whether the Financial Statements and the Board of Directors' Report give a true and fair view, as defined in the rules governing financial reporting, of the Group's operative result and financial position, and as to whether the information contained in the Board of Directors' Report is consistent with the Financial Statements. The auditor's fee is paid annually on the basis of an invoice, in accordance with the Annual General Meeting's decision.

Year 2013

SSH Communications Security's auditor is KPMG with Kirsi Jantunen as principal auditor.

In 2013, the auditor's fees were Group: EUR 20,000 KPMG. Others EUR 8,395. In consultancy EUR 13,126 KPMG.

DISCLOSURE POLICY

SSH Communications Security Group's parent company, SSH Communications Security Corporation, is domiciled in Helsinki, Finland, and its share is listed on NASDAQ OMX Helsinki. In its communications SSH Communications Security observes Finnish and EU legislation, the rules of NASDAQ OMX Helsinki Ltd, the regulations of the Finnish Financial Supervisory Authority, as well as the principles set out in the Company's Corporate Governance Statement. SSH Communications Security's communications are based on facts and objectivity, and guided by the general principles of trustworthiness, openness and timeliness.