

## TECTIA'S CORPORATE GOVERNANCE STATEMENT-FEBRUARY 14, 2012

The Tectia Group comprises Tectia Corporation (Tectia) and its subsidiaries. Tectia is registered in Helsinki, Finland and is a publicly listed company. Its subsidiaries are Tectia, Inc. (USA), Tectia Operations Ltd (FIN) that operates in UK, and Germany, Tectia Limited (HK) that operates in Asia Pacific and in 2011 established Tectia Solutions Ltd (FIN) and Tectia Licensing Sarl (LUX) for the purpose of managing Tectia's IPR assets. 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, Finnish Corporate Governance Code 2010 adopted by the Securities Market Association. The Code entered in force on October 1, 2010 and is available at [www.cgfinland.fi](http://www.cgfinland.fi). The Corporate Governance Statement of Tectia can be reviewed at Tectia's website [www.ssh.com](http://www.ssh.com).

### ANNUAL GENERAL 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 hiring of Group Management Team members
- approves bonus and incentive schemes for 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



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- decides acquisitions and other significant investments
- decides other matters that belongs to Board of Directors power due to the Finnish Companies Act or other legislation

## BOARD OF DIRECTORS – MEMBERS

The Annual General Meeting held on 3 March 2011 elected Juho Lipsanen (chairman), Juhani Harvela, Pyry Lautsuo, Tiia Tuovinen and Tatu Ylönen as members of the Board of Directors.

**Juho Lipsanen**, born 1961, M.Sc. (Econ.)

Board member and Chairman of the Board since 2009

Juho Lipsanen is chairman of the board or a board member of several Nordic companies. He has been CEO of TeliaSonera Finland in 2005-2008 and 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 CEO of ABB New Ventures. Owns 21,865 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 . He currently holds several board memberships and senior advisor roles in international growth companies and national technology commercialization programs. Does not own any Tectia shares.

**Pyry Lautsuo**, born 1946, MSc (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 Finnish and international companies and in business and industries organizations. Owns 12,500 Tectia's shares.

**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. Does not own any Tectia shares.

**Tatu Ylönen**, born 1968, LicSc (Tech)

Board member since 1995



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Major shareholder, CEO since September 26, 2011

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. He owns 13,919,048 Tectia shares.

The majority of the Board members have no dependence on the company. Juho Lipsanen, Juhani Harvela, Pyyry Lautsuo and Tiia Tuovinen are deemed to be independent Board members. Tatu Ylönen owns 45.56 percent of the total number of Tectia's shares and is therefore classified as not independent Board member of the company.

## 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. Meetings in the early spring 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 to 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 CFO or General Counsel acts as secretary to the Board.

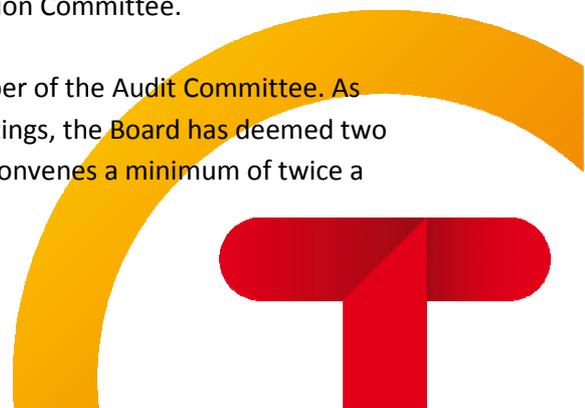
The Tectia Board of Directors convened 20 times in 2011. The average attendance rate of Board members was 94 percent.

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 two committees, an Audit Committee and a Nomination and Remuneration Committee.

Tiia Tuovinen acts as the Chairman and Pyyry 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 Audit Committee convened seven times in 2011 and the average attendance rate of the committee members was 100 percent.

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

The Nomination and Remuneration Committee convened twice in 2011, and the average attendance rate of the committee members was 100 percent.

## CEO AND GROUP MANAGEMENT TEAM

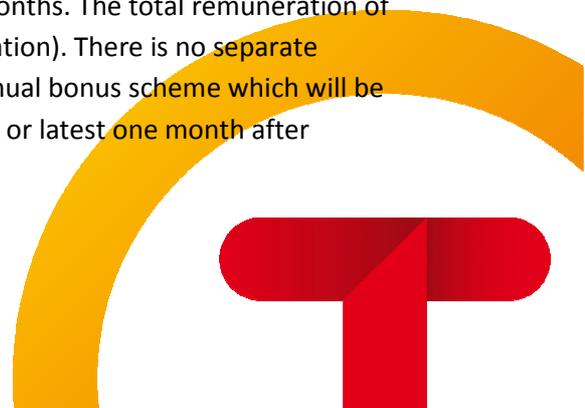
Tectia's Board of Directors appoints and releases the CEO and decides the terms of his/her service contract. The CEO is in charge of the company's operative management in accordance with the Finnish Companies Act and the instructions and authority provided by the Board of Directors.

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 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 Tectia Corporation (formerly named as SSH Communications Security Corp). He is an internationally respected network security expert. Owns 13,919,048 Tectia's shares.

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 (i.e., no remuneration). 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



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Annual General Meeting. For reaching FY2012 performance criteria decided separately by the Board of Directors, maximum bonus is EUR 300,000.

**Mikko Karvinen**, born 1976, M.Sc (Econ.)  
Chief Financial Officer (CFO) and Deputy Managing Director

Mikko Karvinen is responsible for Tectia's global financial management and human resources. 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 USA during 2001-2007. Owns indirectly 1,433,750 Tectia's shares through SSH Management Investment Oy.

**Pekka Rauhala**, born 1960, LL.M, MBA  
President and General Counsel

Pekka Rauhala is responsible for Tectia's operations in Americas and is the President of Tectia, Inc. (the US subsidiary). In addition Pekka Rauhala serves as General Counsel of Tectia Group being responsible Tectia's General Counsel Office activities; Corporate Governance and Business Support including worldwide responsibility to oversee for contracts, IPRs and licensing activities at Tectia. 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 indirectly through SSH Management Investment Oy 1,433,750 Tectia shares.

**Matthew McKenna**, born 1973, MBA  
Head of Sales and Marketing

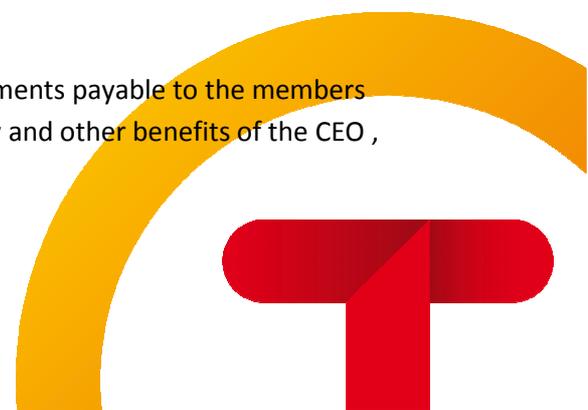
Matthew McKenna is responsible for Tectia's sales and marketing globally. Prior to joining Tectia, Matthew McKenna served as a member of executive management team of ADP Dealer Services Nordic and Automaster (acquired by ADP in 2009) he was responsible for international channel operations and manufacturer relations. Does not own any Tectia shares.

**Kalle Jaaskelainen**, born 1977, BA (Science)  
Head of Research and Development

Kalle Jaaskelainen is responsible for Tectia's Research and Development and Customer Services globally. Kalle Jaaskelainen has previously held several key management positions in Tectia's product management and has over ten years of experience in the information security and communications network industry. Does not own any Tectia shares.

## 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 former CEO involve a performance-related bonus and a share based incentive plan established on 20 October 2010. For the implementation of the share-based incentive plan, the former 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 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 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  
Pyyry Lautsuo 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  
Pyyry Lautsuo EUR 300/meeting

Remunerations to the Nomination and Remuneration Committee:

Juhani Harvela EUR 300/meeting  
Juho Lipsanen EUR 300/meeting  
Tatu Ylönen (no salary or remuneration)



## CEO

The CEO's salary and other benefits in 2011 were EUR 162,990 (until Sept 26<sup>th</sup>, 2011) and additionally an EUR 250,000 severance payment was agreed.

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

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 the company's headquarters.

The public permanent insiders of the company are members of the Board, CEO, members of the Group Management Team, and the auditors. The number of public permanent insiders is currently 10.

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, sales management, product management, financial administration, and management of information services. In addition, any external legal consultants used by Tectia 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 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 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 CFO 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 General Counsel Office, 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 company's 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.

## 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 during the reporting period.

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. Tectia's auditor is KPMG Oy Ab with Kirsi Jantunen APA as principal auditor.

In 2011, 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 38,596 in the Group and EUR 17,880 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.

