

Corporate Governance Statement

Stonesoft Corporation, the parent company of the Group is registered in Finland and domiciled in Helsinki, Finland. In the administration and management of the company, Stonesoft Corporation applies the laws of Finland, the company's Articles of Association, and the working order for the company's Board of Directors. Stonesoft also applies the Corporate Governance recommendations for listed companies prepared by NASDAQ OMX Helsinki Ltd, the Central Chamber of Commerce and the Confederation of Finnish Industries EK, as well as the insider guidelines of NASDAQ OMX Helsinki Ltd.

This Corporate Governance Statement is based on law as well as on the Finnish Corporate Governance Code, and it has been prepared pursuant to Recommendation 54 of the Code and Chapter 2, Section 6 of the Securities Markets Act. The Corporate Governance statement is issued separately from the Board of Director's Report.

Stonesoft Corporation conforms to the Finnish Corporate Governance Code.

The Finnish Corporate Governance Code is available on the Securities Market Association's website (www.cgfinland.fi).

General Meeting

The General Meeting of the shareholders is the highest decision-making body of Stonesoft Corporation. The General Meeting decides upon matters such as amendments to the Articles of Association, the acceptance of the Financial Statement, the distribution of profits and the election and fees of Board members and auditors. The Annual General Meeting shall be held each year by end of June in Helsinki.

The documents of the General Meeting shall be available at the company website at least 21 days prior the General Meeting.

Board of Directors

The Board's duties and responsibilities

The Board is responsible for supervising the administration and proper organization of the Group in accordance with legislation and the Articles of Association. The Board decides upon matters of major importance to the operations of the company. These include the acceptance of the main strategies, approval of action plans, major capital expenditures and divestitures of assets. The Board also appoints and dismisses the company's CEO and decides on his/her service terms. The main duties of the Board are described below. The Board of Directors annually assesses its operations and working manners to further develop its practices.

Election of the Board of Directors

The Annual General Meeting elects no fewer than three (3) and no more than seven (7) members to the Board of the company. The term of a Board member begins at the end of the General Meeting that elected the Board member and expires at the end of the next Annual General Meeting. The Board elects a Chairman and Vice Chairman from among its members. The Board currently comprises of six (6) members, one (1) of whom is employed by the company. In the 2012 Annual General Meeting the following members were elected to the Board:

- Mr. Hannu Turunen, Born: 1957, Education: MSc. in Electrical Engineering, MBA, Main duty: Managing Partner, Magnolia Ventures
- Mr. Ilkka Hiidenheimo, Born: 1960, Education: Studies at Helsinki University of Technology, Main duty: CEO of Stonesoft Corporation
- Mr. Harri Koponen, Born: 1962, Education: Phd. Econ h.c., EMBA, Main duty: Rovio Entertainment Ltd, Chief Operations Officer
- Mr. Jukka Manner, Born: 1972, Education: M.Sc., PhD, Main duty: Professor, Department of Communications and Networking (Comnet), Aalto University
- Mr. Timo Syrjälä, Born: 1958, Education: MSc. in Economics and Business Administration, Main duty: Managing Director, Syrjälä & Co Oy
- Ms. Satu Yrjänen, Born: 1967, Education: M.Sc in Economic Sciences, Marketing, Main duty: SEK Loyal Oy, Managing Director

Additional information about the members of the Board is available at the corporate website

www.stonesoft.com/en/company/investors.

Independence

The Board has evaluated the independence of its members on April 25, 2012 in compliance with the guidelines of the Corporate Governance Recommendation. It is required in the Recommendation that the majority of the Board members are independent from the company. In addition, at least two (2) of the Board members representing this majority shall be independent of significant shareholders of the company. A significant shareholder means among others a shareholder who holds at least 10 % of all the shares or of the aggregate votes in the company.

Board members' independence from the company

Pursuant to the Finnish Corporate Governance Code recommendation 14 the Board has noted that based on the evaluation all other Board members except Ilkka Hiidenheimo as CEO are independent from the company with the following note: Jukka Manner, Harri Koponen and Satu Yrjänen have been granted shares as part of their compensation as Board members, but such compensation is deemed to have no significant economic value for the above mentioned Board members.

Board members' independence from the significant shareholders

Pursuant to the recommendation 14 it has been noted that Ilkka Hiidenheimo (holding 16.3% of the shares and the votes in the company) and Hannu Turunen (holding 11.2% of the shares and the votes in the company) are significant shareholders themselves, and that all other Board members are independent from significant shareholders of the company.

Board meetings and working order

The Board meets regularly at least eight (8) times a year and additionally when necessary. The Board met 17 times in 2012. The average attendance of the members at the Board meetings was 97 percent.

The Board has approved a written Working Order to govern its work. The Working Order has been summarized below:

The Board of Directors shall

- review and approve of the company's strategy and guidelines and the annual business plan
- decide on significant investments, acquisitions and divestitures as well financing arrangements
- elect a Chief Executive Officer (CEO) for the company and approve election of members to the Executive Management and supervise that the CEO leads the company's activities in compliance with the instructions and guidelines provided by the Board of Directors
- decide on the remuneration and benefits for CEO and approve the remuneration level for Executive Management and other employees reporting to CEO
- review and approve financial statement and interim reports
- sign and present the financial statements for approval by the Annual General Meeting and present a proposal for profit disposal
- grant and revoke the right to represent the company
- approve the values of the company and main guidelines and policies for the company's business operations
- establish and elect the members of Board committees, if needed
- evaluate the independence of the Board members
- annually assess activities and working manners
- be responsible for other duties or tasks set out in the Companies' Act or elsewhere

The Board's annual meeting schedule shall be confirmed by the end of the previous year. For consideration and decision on a matter that cannot be postponed until the next scheduled Board meeting, an extraordinary Board

meeting shall be held. A Board meeting is convened by the chairman or, when the chairman is prevented, by the vice chairman. The chairman leads the meetings. The Board constitutes a quorum when more than half of its members are present.

The secretary of the Board keeps minutes of the meetings. The minutes are signed and confirmed by the secretary and the chairman of the Board and a member elected to scrutinize the minutes.

The CEO ensures that the Board members receive current information that is needed to evaluate the financial planning, liquidity and business development of the company.

Accordingly, the CEO ensures that the Board receives agreed reports about the development and operation of the company, including the development of sales, profit status and liquidity, as well as information about important events, e.g. important legal disputes, the cancellation of important agreements, the appearance of extensive liabilities or the insolvency of important clients. If necessary, the CEO should give reports directly to the chairman and Board members even in between the Board meetings.

A Board member, CEO or a company employee shall be disqualified from the consideration of an issue pertaining to a contract or matter between the said person or his/her close relative and the company or a contract or other transaction between the company and a third party, if the person or someone close to him/her might derive an essential benefit in the matter and that benefit may be contrary to the interests of the company. A disqualified Board member, CEO or employee may not take part in any preparation or decision making concerning the matter at the Board meeting. However, a disqualified person may be heard in order to clarify the matter.

The Board committees

The Board of Directors has an Audit Committee, to which three (3) to five (5) members are elected for one year at the time. The members must have the qualifications required for Audit Committee's duties. The Audit Committee's duty is to prepare and assist the Board of Directors in the company's financial reporting matters and ensure that the company has an adequate internal audit system with respect to its size. In addition, the Audit Committee assists the Board of Directors in ensuring that the company's accounting and asset management are organized in a reliable manner and that the company's activities are in compliance with laws and regulations. In particular, the Audit Committee shall:

- monitor the financial reporting process
- supervise the financial reporting process
- monitor the company's internal control, internal audit and risk management systems
- review the description of the main features of the internal control and risk management systems in relation to the financial reporting process, which is included in the company's Corporate Governance Statement
- monitor the statutory audit of financial statements and consolidated financial statements
- evaluate the independence of the statutory auditor or audit firm and in particular the provision of additional services to the company

- prepare the proposal for resolution on the election of the auditor
- monitor and control the company's financial situation and its development
- assess and address compliance with laws and regulations in the company
- manage communication with the auditor and review of reports prepared for the Audit Committee by the auditor.

The Audit Committee comprises of three (3) members, Harri Koponen (Chairman), Timo Syrjälä and Hannu Turunen. The Audit Committee convened four (4) times during the year 2012. All members of the Audit Committee participated in all meetings.

The compensation paid for the Board members

The fees paid to members of the Board were confirmed by the Annual General Meeting in April 2012 as follows:

The Chairman's fee is EUR 60,000 per year and a member's fee is EUR 30,000 per year. In addition, Board members whose direct or indirect ownership of Stonesoft Corporation is less than 100,000 shares, will be purchased Stonesoft Corporation's shares for the amount of 50 per cent of their total gross compensation.

In addition, remuneration for the work performed within the committees of the Board is EUR 4,000 per year for the Chairman and EUR 2,000 per year for each member of a committee. Remuneration for the committee work is paid entirely in cash.

No separate remuneration is paid for participation in the meetings of the Board of Directors or Board Committees.

Chief Executive Officer

The Board appoints and dismisses the CEO of the company. The CEO is in charge of the day-to-day management of the Group in accordance with the Companies' Act and the instructions and orders given by the Board. The CEO may undertake acts which, considering the scope and nature of the operations of the company, are unusual or extensive, only with the authorization of the Board. The Group's Executive Management assists the CEO in his duties.

Since August, 2004, the President and CEO of Stonesoft Corporation is Mr. Ilkka Hiidenheimo, the founder and biggest shareholder (16.3% of the shares and votes) of the company.

The CEO's compensation

Stonesoft's President and CEO Ilkka Hiidenheimo did not receive any compensation for his duties during the year 2012. There is no specific retirement age set forth for the CEO. The CEO's pension is the same as Finland's Employee Pension Act (TYEL) enacts and that is compulsory for all Stonesoft employees. The contract of employment for the CEO provides for notice of six (6) months prior to termination with compensation being six (6) months salary and a further optional six (6) months fixed salary in case the company terminates the contract without essential breach of contract by the CEO.

The CEO has been granted option rights, in total 70 000 pcs from Option Program 2008 and 140 000 pcs from Option Program 2012.

Executive Management

The CEO of the company is responsible for the operative management with the assistance of Executive Management. Executive Management convenes regularly and all issues addressed in the meetings and related decisions are recorded in the meeting minutes.

The responsibilities of the Executive Management include

- business operations management and financial performance review globally
- annual strategic planning and implementation of the strategy
- preparation and processing of adjustment plans that are crucial for the Group's business operations
- preparation of global guidelines and standards of activity applicable in the Group as well as supervision of compliance with them

The members of the Executive Management were 31 December, 2012 as follows:

- Ilkka Hiidenheimo, Chief Executive Officer
- Kim Fagernäs, Vice President, Emerging and APAC
- Mika Jalava, Chief Technology Officer
- Juha Kivikoski, Chief Operating Officer
- Mikael Nyberg, Chief Financial Officer
- Ari Vanttinen, Vice President of Marketing
- Mika Yletyinen, Vice President, Europe and Global Channel

Additional information about the members of the Executive Management is available at www.stonesoft.com.

Risk management, internal control and internal audit

The Board of Directors of Stonesoft Corporation has primary responsibility for accounting and monitoring of financial administration of the company. The Audit Committee prepares and assists the Board in matters related to financial reporting and ensures that the company has an adequate internal audit system with respect to its size. In addition, the Audit Committee assists the Board of Directors in to ensure that the company's accounting and asset management has been organized in a reliable manner and that the company's activities are in compliance with laws and regulations also in other respects.

The Board of Directors is also ultimately responsible for risk management and internal control of Stonesoft Corporation, and the CEO is in charge of arranging the risk management and internal control in practice as well as of monitoring their functioning. Co-ordination of risk management and internal control is the responsibility of the Chief Financial Officer (CFO), who will regularly report to the CEO and to the Audit Committee. The Executive Management

of the Group supports the risk management processes by considering the risks and management thereof in its meetings.

Risk management and internal control aim at ensuring that

- (i) the operation of the company is effective and suited to its purpose,
- (ii) financial information is reliable and
- (iii) authority regulation and internal policies are complied with.

The CFO, as the coordinator of corporate risk management, creates corporate-level risk management principles, develops risk management tools and establishes global insurance policies. Business units must adhere to the corporate level policies and proactively contribute to the development of corporate risk management. Risk management focuses on

- (i) evaluation and management of operational risks
- (ii) management of financial risks and
- (iii) management and safeguard of critical business-related information and assets.

Operational risks

The company sets financial targets annually related to budgeting and monitors them on a monthly basis. The guidance and supervision of business operations are conducted with group-wide reporting and forecasting systems the company strives to develop on a continuous basis. The product sales and related service sales are conducted mainly through global channel partners, using standardized Stonessoft agreements. The company keeps a buffer stock for sales to ensure rapid delivery and to be able to meet unexpected peak demands. The sales operations are supported by the company's legal unit seeking to reduce the risks related to global business operations through continuous management and development of contracts. The company has insured property, operational and liability risks.

Financial risks

Stonessoft does not normally provide financing, other than generally accepted terms of payment, to its customers. The company invoices mainly in Euros, the US dollar being the other invoicing currency. The company's costs occur mostly in Euros. Exchange rate fluctuations can affect the company's financial results. The company uses matching as a main tool for offsetting the exchange rate risks.

The task of Stonessoft's Corporate Treasury is to manage financial risks in accordance with the Treasury Policy approved by Stonessoft's Board of Directors. The main principles of the policy are:

- (i) to ensure the short-term liquidity of the company
- (ii) to guarantee efficient circulation of cash funds and
- (iii) to follow prudent and transparent investment policy for the cash reserves, aiming at guaranteeing competitive return on a selected risk level.

The company's cash reserves have been invested in interest bearing instruments. The company's operations and related costs are continuously controlled.

Management and safeguard of critical business related information and assets

Stonesoft manages and safeguards its critical business information by stringent internal policies and processes. The company constantly reviews and updates its network infrastructure and actively utilizes its own products in order to protect its data infrastructure. The company has back-up systems to ensure business continuity during the unexpected.

Internal audit

Due to the small size of the company and the scope of its business operations Stonesoft does not have a separate organization for the internal audit function or a separate internal audit committee. The regular audits conducted by the audit firm in relation to the interim reports aim also for their part at evaluating the efficiency of and constant developing of risk management, internal audit and administrative processes.

The structure of the Group and the financial administration have been set up with the aim to prevent malpractice, among others, through clear internal guidelines and definition of authorizations. In addition, all sales are made in the name of the parent company and local payment transactions of subsidiary companies and sales offices concern generally only salaries and other local costs.

Auditors

The auditors' task is to conduct an annual statutory audit in order to examine whether the financial statements fairly present the financial position, results of operations and cash flows of the company in conformity with generally accepted accounting principles in Finland, and that the company's internal control functions are in place and support the company's activities.

At the Annual General Meeting, the shareholders appoint one audit firm of public accountants certified by the Central Chamber of Commerce, to operate as company's Auditor, as stated in Articles of Association. The auditor's term shall begin at the end of the General Meeting that elected the Auditor and expire at the end of the next Annual General meeting. Furthermore, according to the Board's working order,

(i) the Board members shall discuss the auditor's report once a year in a meeting held during the first quarter and

(ii) one of the Company's auditors should be present at the Board meeting, where the auditor's report is discussed. The Board shall review the auditors' performance annually. Prior to the Annual General Meeting, the Board shall based on the Audit Committee's proposal discuss who is to be proposed as auditors for the next financial year.

The auditor of Stonesoft is an authorized public accountant, Ernst & Young Oy, with authorized public accountant Bengt Nyholm as responsible auditor.

Insiders

Stonesoft Group complies with the Guidelines of NASDAQ OMX Helsinki Ltd for Insiders, which are complemented by the company's own insider regulations.

Under the Finnish Securities Market Act, the permanent insiders of Stonesoft, based on their positions, are the members of the Board of Directors, the CEO and the auditors. Additionally, based on the company's own insider

regulations, the individuals of the Executive Management are qualified as public permanent Insiders. Furthermore, the individuals holding the following positions are regarded as company-specific Insiders: Regional Directors, Lawyers, Marketing and Communications Managers, Order Team and Product Managers, Controllers, the Chief Accountant and all other positions entitled to global access to the company's sales management system.

The Company's own insider regulations regulate trading with the company's shares as follows. Permanent insiders must schedule their trading within four (4) weeks' time after publication of the company's financial statements release or the publication of an interim report (the so-called open window).

In addition, the Board of Directors has given the following recommendation to all Stonesoft employees:

- (i) Stonesoft's shares and/or other securities should be acquired only as long-term investments; and
- (ii) Acquisitions and disposals of Stonesoft's shares and other securities should be scheduled for times when the markets have as detailed and accurate information as possible on factors affecting the value of the company's securities (e.g. after the disclosure of results).