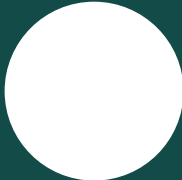
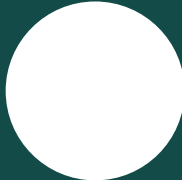


# Corporate Governance Report 2021



**Transcom**

# Corporate Governance Report 2021

## Overview

Transcom Holding AB (publ) (“Transcom” or the “Company”) is a Swedish public company, with a corporate bond listed on the International Stock Exchange located in Guernsey.

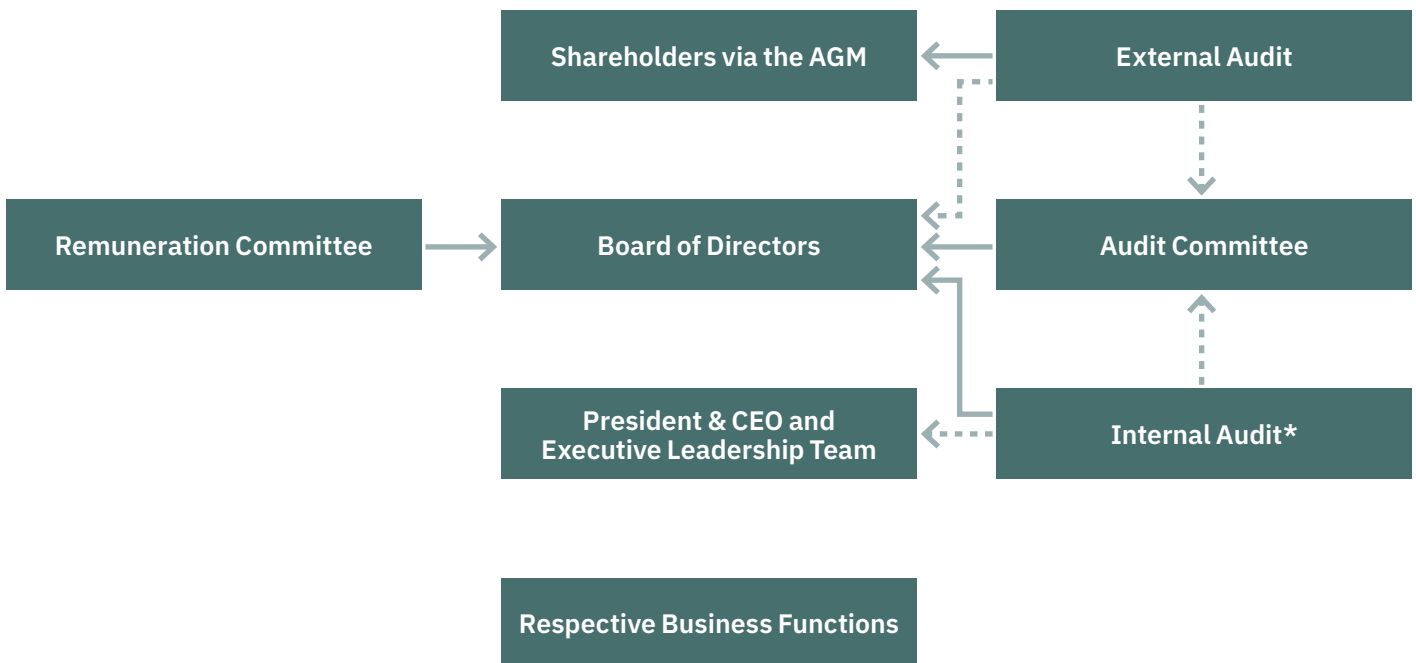
As a Swedish public company Transcom is subject to the Swedish Companies Act, the Annual Accounts Act and other applicable Swedish and foreign laws and regulations.

In addition, to ensure compliance with all applicable legal requirements, Transcom has adopted internal

instructions and guidelines, including the Code of Business Conduct, Supplier Code of Business Conduct as well as a number of internal policies as explained further below. The Board of Directors has also approved and implemented rules of procedures for the work of the Board.

This report is prepared in accordance with the Swedish Annual Accounts Act.

## Transcom’s Corporate Governance structure



\* Internal audit, control and compliance are managed by Group Finance.

## Articles of association

Transcom's Articles of Association (as defined below), which form the basis of the governance of the Company's operations, set forth the Company's name, the seat of the Board, the object of the business activities, the shares and share capital of the Company and contain rules with respect to the shareholders' meetings. The Articles of Association does not contain any limitations as to how many votes each shareholder may cast at shareholders' meetings, nor any provisions regarding the appointment and dismissal of Board members or amendments to the Articles of Association.

## Share

The share capital of Transcom is composed of ordinary shares. Each share regardless of series represents one vote. Transcom is a privately owned company. Altor Fund IV is the majority owner, alongside significant minority investor Gunilla von Platen ( founder and previous owner of Xzakt Kundrelation), as well as key people from the Transcom management team.

## Board of Directors

As per the applicable Swedish laws, the Board of Directors is elected by the shareholders' at the Annual General Meeting (AGM) or an Extraordinary General Meeting (EGM), and can be removed at any time, with or without cause, by a resolution in the aforementioned shareholders' meetings. The Board of Directors of the Company (the "Board of Directors") is ultimately responsible for the organization of Transcom and the management of its operations.

### **Composition of the Board of Directors of the Company**

The Board of Directors as at 31 December 2021 is comprised of seven directors whereof:

- Three directors are independent vis-à-vis major shareholders and
- Seven directors are independent vis-à-vis the management and the Company.

In the AGM 2021, it was resolved that the board of directors shall consist of seven directors and two deputy directors.

It was resolved to re-elect Fredrik Cappelen, Mattias Holmström, Klas Johansson, Brent J Welch, and Alfred von Platen, and elect Donald Hicks and Lisa Stoner as directors of the board. It was resolved to re-elect Gunilla von Platen and Sabrina Castenfelt as deputy directors.

### **Remuneration of the Board of Directors**

The remuneration of the members of the Board of Directors is approved by the AGM. The proposal is based on benchmarking of peer group company compensation and company size. The members of the Board of Directors do not participate in the Company's short term incentive

schemes. Furthermore, Transcom did not grant any loan to any member of its Board of Directors.

The total amount of remuneration and other benefits granted directly or indirectly by the Company to the members of its Board of Directors is provided in note 6 in Transcom's Annual Report 2021.

### **Responsibilities and duties of the Board of Directors**

The Board of Directors is in charge of the overall governance and strategic direction of the Company, providing effective support for, and control of, the activities of the Transcom Executive Management Team. It is responsible for the performance of all acts of administration necessary for accomplishing the Company's purposes, except for matters reserved by Swedish law to the general meeting of shareholders.

The Board of Directors has adopted rules of procedure for its internal activities which include rules pertaining to the number of Board meetings to be held, the matters to be handled at such regular Board meetings, and the duties of the Chairman (the "Rules of Procedure"). The work of the Board is also governed by rules and regulations which include the Swedish Companies Act, and the Articles of Association, as well as internal policy documents.

In order to carry out its work more effectively, the Board of Directors has created an Audit Committee and a Remuneration Committee. The Rules of Procedure specify the duties that the board has delegated to the Audit Committee and how the committee is to report to the board. The committees handle business within their respective areas and present recommendations and reports on which the Board of Directors may base its decisions and actions. However, all members of the Board of Directors have the same responsibility for decisions made and actions taken, irrespective of whether issues have been reviewed by such committees or not.

### **Internal control**

The Board of Directors has overall responsibility for Transcom's risk and internal control systems and for monitoring their effectiveness. The Board of Directors monitors the ongoing process by which critical risks to the business are identified, evaluated and managed.

Transcom's internal control systems are designed to manage and mitigate rather than eliminate risks that might affect the achievement of its objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. In assessing what constitutes reasonable assurance, the Board of Directors and the Executive Management considers the materiality of financial and nonfinancial risks and the relationship between the costs of, and benefit from, internal control systems.

The principal features of the Group's systems of internal control are designed to:

- Maintain proper accounting records
- Provide reliable financial information
- Identify and manage business risks
- Maintain compliance with appropriate legislation and regulation;
- Identify and adopt best practice; and
- Safeguard assets.

Each year the Audit Committee assesses the effectiveness of Transcom's risk management and internal controls system on the basis of:

- Established policies, including those already described, which are in place to manage perceived risks
- The continuous enterprise wide process for identifying, evaluating and managing the significant risks to the achievement of the Group's objectives
- Reports to the Audit Committee on the results of External auditor's work and Internal audit reviews, both including action plans from the concerned Management

The chairman of the Audit Committee informs the Board of Directors of the results of the above.

External auditors have assessed the effectiveness of internal control procedures as adequate. The principal features of the control framework are detailed below.

### **Control environment**

The Board of Directors reviews and approves the annual budget and three-year plan which includes a quantified assessment of planned operating and financial performance for the next financial year for each business unit, together with a strategic plan for the Group for the following two years.

Transcom has an established governance framework, the key features of which include:

- Rules of procedures for the Board of Directors and instruction for each of its committees
- A clear organizational structure, with documented delegation of authority from the Board to the CEO
- Board-approved Whistleblower policy, Environmental policy, Code of Business Conduct and Supplier Code of Business Conduct to promote ethical, sustainable and transparent business practices within the Group
- Board-approved key policies including Financial and Treasury policy, Instruction for financial reporting, Insider Trading policy and Communications policy; and
- Accounting manual and reporting instructions to ensure the completeness and correctness of financial reporting and its compliance with IFRS requirements.

Furthermore, a number of corporate functions are responsible for promoting effective internal control in separately defined areas. Among these, the central finance organization, including Group Financial Control and Group Business Control, as well as the Group Communications department play important roles in ensuring correct and timely financial reporting. In addition, Group Internal Audit, fulfilled by E&Y, evaluates the operations of the Company to identify any shortcomings in internal controls.

### **Risk assessment**

The Group's risk management and control framework is designed to support the identification, assessment, monitoring, management and control of risks that are significant to the achievement of the Group's business objectives and to provide reliable financial information. Transcom's risk management is based on the following key principles:

- a. **Comprehensive scope:** Risks are assessed for a number of defined categories. The CEO and Executive Leadership Team are responsible for reviewing and monitoring the financial, strategic, human resources, operational, commercial, technological, compliance and other applicable risks. It monitors the completeness of the Group's risk profile on a regular basis through a Group risk monitoring framework. This helps the Company to proactively identify the most important risks. The risk assessment process also entails identification of risk owners in the Company
- b. **Regular reporting:** Risks are evaluated in terms of their potential impact and likelihood. The results of the risk assessment along with mitigation plans for key risks are presented to the Audit Committee on a periodic basis for review. Further, results of risk assessment are also reported to the Board
- c. **Follow-up:** Risk mitigation plans are followed up on a periodic basis and the status of mitigation plans/activities are periodically reported to the Audit Committee
- d. **Risks and business planning:** The business plans are based on key market, client, economic and financial assumptions. The business planning process also includes an assessment of the risk and sensitivities underlying the projections.

The Finance function is responsible for coordinating the risk management processes in the Group and consolidating the periodic risk reporting for the Board of Directors and the Audit Committee.

Transcom continuously works to improve the policies which govern the management and control of both financial and non-financial risks. The adoption of these policies throughout the Group enables a broadly consistent approach to the management of risk at business unit level.

For a summary of key risks Transcom faces while operating in a highly fragmented and competitive global industry, refer to pages 7–9.

**Information and communication**

Policies and guidelines of significance to financial reporting are regularly updated and communicated to the employees concerned. Detailed reporting instructions are provided to Group companies periodically.

Transcom has taken initiatives to furthermore strengthen information, training, awareness and communication related to policies and governance principles.

Further, all employees are required to sign the Code of Business Conduct when starting their employment with Transcom and are given suitable training on the key values. In addition, Transcom has implemented a Supplier Code of Business Conduct to promote ethical business practices in our supply chain.

**Control activities**

The Cluster Managing Directors, with support from their respective management teams, are responsible for the implementation of control activities in compliance with Transcom's policies and governance documents (including the Accounting policy) as well as for managing any further risks that they may identify. This includes controls in the financial reporting processes as well as controls in other processes which could be expected to impact financial reporting.

The Audit Committee, in addition to the Board, reviews interim and Annual Reports prior to publication.

**Follow-up**

Monthly performance and financial reports are produced for each cluster, with comparisons to budget. Reports are consolidated for overall review by the CEO and CFO as well as top level business leaders and functional leaders together with forecasts for the income statement and cash flow.

The Board of Directors also regularly reviews the actual performance of the business compared with budgets, forecasts and previous periods, as well as other key performance indicators. The Board of Directors reviews the effectiveness of established internal controls through the Audit Committee, as described above.

Transcom's Group Finance is responsible for following up on critical risks and action plans and reporting the status of action plans to the Audit Committee on a periodic basis. Further Transcom's annual audit plan, that is, the scope and the areas of operations to be reviewed during audits, is reviewed and approved each year by the Audit Committee. Risk-based internal audits are carried out independently to evaluate if the key risks are managed appropriately.

**Corporate responsibility****Control against corruption**

In order to be successful and create value, Transcom needs to meet the expectations of all its key stakeholders: clients, employees and investors, as well as the communities that the Company is a part of. This is the basis for Transcom's CSR work, which forms an integral part of the Company's day-to-day business activities. At Transcom, CSR means that we always do our utmost to do the right thing by our clients, our people and our communities. This ambition is encapsulated in Transcom Cares, the Company's CSR governance framework. Transcom's Code of Business Conduct, available in 18 languages, covers the four areas of The UN Global Compact, environmental care, human rights, labor rights and anticorruption practices, all of which Transcom respects and supports fully. The principles are an integral part of Transcom's corporate strategy.

**Whistleblower process**

The Board of Directors has established a whistle blowing process which enables personnel to report violations in accounting, reporting, internal controls, noncompliance with Code of Business Conduct, Group policies, applicable laws, etc.

Employees are requested to report the matters to the local Human Resources manager or to Transcom's internal whistleblower function at [whistleblower.reporting@transcom.com](mailto:whistleblower.reporting@transcom.com). The whistleblower reporting mechanism facilitates anonymous reporting. All allegations are taken seriously and an enquiry is conducted to not only investigate the alleged violations, but also to identify root causes to facilitate further strengthening of internal controls.

## Risks and risk management

Risk	How it may impact Transcom	Transcom's management of risk
<b>Business risks</b>		
<b>Macro-economic risks</b>	Deterioration and/or sustained volatility in economic conditions in the markets in which Transcom operates may adversely affect its clients' businesses and the level of demand for Transcom's services which could have a material adverse effect on our revenue, profitability & strategy.	We continuously observe the economic development and evolution of our clients' business trends to align our strategy and goals in view of the ever evolving economic condition.
<b>Disasters, disruption &amp; hazard risks (including IT or network failure)</b>	Continuity of our operations may be affected by natural disasters, wars, terrorist attacks, other civil disturbances, epidemics, technical failures etc. Any sustained disruption of our services may lead to deterioration in our profitability from the affected site/country/region. Information technology infrastructure failures can cause disruptions in our business activities.	We carry out detailed business impact analysis and have developed business continuity plans, which are periodically evaluated and updated. For technological risks, we have developed back up & disaster recovery plans and strategies. We have secured insurance against business interruptions.
<b>Client &amp; industry concentration</b>	A significant portion of the Company's revenue is generated from a confined sample of clients within certain industry sectors. Any significant loss of work from one or more of these clients, or a prolonged downturn in one or more of these industry verticals, could adversely affect our business.	We continuously work on adding new clients to our portfolio to diversify the client concentration. The Company has a rigorous governance process for oversight and management of commercial risks.
<b>Capacity utilization &amp; productivity/ efficiency risks</b>	Our financial results depend on our capacity utilization and our ability to manage our workforce efficiently in view of client demands. Any sustained failure in ensuring optimal capacity utilization and/ or optimal efficiency may have a material adverse effect on the Company's overall profitability.	We have established a governance structure for review of investments in capacity. Our core processes are designed to optimize these critical KPIs. We systematically and continuously monitor capacity utilization and efficiency for each client, site, and program and continuously identify remediation plans and focus areas for improvement.
<b>Talent attraction and retention risks</b>	If Transcom is unable to attract and retain skilled staff, this may adversely impact the Company's business. The customer care outsourcing industry is prone to high staff attrition.	Transcom has deployed robust talent management and career development programs that help us in talent retention. Furthermore, the Company carries out periodic employee satisfaction surveys and other benchmarking exercises to identify improvement areas and further strengthen our position as an employer of choice in our industry.
<b>Significant increase in input costs</b>	If we are unable to pass on any significant increase in our key input costs – Human resources, technology, telecommunication, etc. to clients, our operating results could be adversely affected. Historically, there have been shifts in the relative geographic concentration of contact centers, following the trend in production costs.	Transcom strives to apply bespoke pricing and/or commercial models with clients, where possible. We continuously evaluate new locations for our delivery centers in countries with stable and competitive wages and other input costs.
<b>Currency risks</b>	We are exposed to exchange rate fluctuations: Transcom exposure: In some contracts (mostly offshore delivery) we have costs and revenues in different currencies. Transcom exposure: A movement in the value of a currency relative to the Euro (which is Transcom's reporting currency) could impact the results.	Transcom continuously monitors foreign exchange fluctuations. As a principle, we aim to avoid foreign exchange fluctuation risks by trying to negotiate contracts with costs and revenues in the same currency. Furthermore, the Audit Committee has established a formal hedging policy which governs the terms, conditions and procedure for any hedging transaction executed by the Company.
<b>Impairment risk</b>	A substantial part of our assets consists of goodwill and any significant impairment would affect our results and shareholders' equity.	We annually evaluate the Goodwill on our balance sheet to identify any necessary impairment requirements, in view of the best available information.

Risk	How it may impact Transcom	Transcom's management of risk
<b>Risks of breach of data privacy</b>	Today's business environment is faced with the risk of data theft or data leakage (client, customer, and employee data). The challenge is to ensure that security controls and practices are sufficient to mitigate those risks. Data privacy is also subject to frequently changing rules and regulations, which sometimes conflict among the various jurisdictions and countries.	Transcom has reviewed the entire Data Privacy framework and taken necessary measures in order to fully comply with the General Data Protection Regulation (GDPR) (Regulation (EU) 2016/679). An external Data Processing Officer (DPO) supports the organization in the implementation process of the regulation, as well as continuously give guidance and solid advice in GDPR related matters. We continue to monitor developments and new requirements to ensure that we have a strong and consistent data protection framework.
<b>Information security, technology and cyber- attacks</b>	We are exposed to the risk of inadequate information security from internal sources (Data leakage) and external sources (Cyber-attacks). Weak information security controls across entities expose the company to cyber-attacks. Data leakage causes distrust amongst our clients and their customers, and could possibly cause a monetary impact on Transcom.	We systematically and continuously monitor IT incidents and continuously identify remediation plans and focus areas for improvement. Our processes are constantly strengthened to ensure that cyberattacks, if any, are averted, and they do not result in liability and reputational harm to the company.
<b>Employee misconducts</b>	Our employees owing to the inherent nature of the industry and service offerings may be able to perpetrate frauds or other misconducts which may not only affect Transcom, but also its clients. Most of the client contracts hold Transcom liable for damages and/or liabilities arising due to fraud.	We collaborate with our clients continuously to identify and address fraud risks in a structured manner. We have secured insurance against such misconduct.
<b>Tax audits &amp; litigation</b>	The Group is subject to tax audits in the normal course of business. A negative outcome in respect of such audits or litigation may have a materially adverse effect on the Group's business, financial condition and results of operations, beyond what has already been provided for. Refer to note 11 and note 19 for details.	We observe all applicable laws, rules, regulations and disclosure requirements. We seek to plan and manage our tax affairs efficiently in all the jurisdictions in which we operate and to ensure that decisions taken are supported with documentation that supports the facts, conclusions and risks involved. We engage external tax experts for advice in complex matters to ensure that our interpretation and application of tax laws of the concerned jurisdiction is consistent and prudent. We follow tax litigations closely and create provisions in relation to tax risks for which management believes it is probable. All transactions we engage in must have business purposes or commercial rationale.
<b>Corporate Social Responsibility-related risks</b>		
<b>Fraud, corruption and other unethical practices</b>	We have operations in countries that have been assessed as more exposed to corrupt practices. Any corrupt practices engaged in by our employee(s) may affect our goal to be a responsible corporate citizen.	We have zero tolerance towards any corrupt and unethical practices. Our Code of Business Conduct is available in 18 languages. All our employees sign this document when they start their employment. They are given suitable training on the key values of the Code. All managers receive relevant training regularly.
<b>Supply chain malpractices (Third-party risks)</b>	Any violations of ethical business practices by our vendor(s) may affect our goal to be a responsible corporate citizen.	We have implemented our Supplier Code of Business Conduct (SCoBC) based on the 10 principles of the UN Global compact. The SCoBC covers ethical business practices, respect for human and labor rights, and environmental protection. All suppliers, including their employees, agents and sub-contractors are expected to adhere to the SCoBC and make a commitment by signing. We also ensure environmentally certified buildings if possible when renewing rental contracts and procure IT equipment with as low energy consumption as possible.

Stockholm  
The Board of Directors in Transcom Holding AB (publ)

Fredrik Cappelen  
*Chairman of the Board*

Klas Johansson  
*Member of the Board*

Mattias Holmström  
*Member of the Board*

Alfred von Platen  
*Member of the Board*

Donald Hicks  
*Member of the Board*

Lisa Stoner  
*Member of the Board*

Brent J. Welch  
*Member of the Board*

Jonas Dahlberg  
*President & CEO*



# Transcom

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