

# Sustainability and Corporate Responsibility Report 2019



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This Sustainability and Corporate Responsibility report is rendered as a separate report added to the Annual Report in accordance with the Annual Accounts Act (SFS 1995:1554) chapter 6, section 10 and 11). A report from the auditor is appended hereto.

“We are convinced that digitalization and mobile broadband networks will help tackle some of the global challenges our world faces today. We aim to be a trusted partner committed to building a better future for all stakeholders.”

**Ronnie Leten**  
Chair of the Board

## About this report

This Sustainability and Corporate Responsibility report includes information on Ericsson's environmental, social and economic aspects and impact. The report presents Ericsson's identified significant topics, performance, risks and opportunities related to those areas and how the Company manages them. Ericsson's business model is described in the Annual Report on pages 4–5.

Unless otherwise stated, the information and data provided pertain to activities undertaken from January 1, 2019, to December 31, 2019. The report covers the Ericsson Group, i.e. Telefonaktiebolaget LM Ericsson and its subsidiaries, excluding environmental sustainability information related to the acquired Kathrein business (see Acquisitions and divestment, page 78 in the Annual Report).

This report has been assured by PricewaterhouseCoopers AB as an independent third-

party in accordance with ISAE 3000 as well as AA1000AP, see pages 198–199.

### Reporting principles

The scope, content and quality of the Company's sustainability and corporate responsibility reporting is produced applying Global Reporting Initiative (GRI) and AA1000APS, including reporting principles such as stakeholder inclusiveness, materiality, completeness, responsiveness, impact and accuracy.

This report has been prepared in accordance with GRI Standards: Core option. By applying the GRI's international guidelines, Ericsson aims at reporting for sustainability related content that is relevant to its stakeholders in a transparent and balanced way.

Ericsson is a UN Global Compact signatory and has been since 2000. The Company Communication on Progress report, according

to UN Global Compact Advanced Level criteria, is available on the UN Global Compact website.

This Sustainability and Corporate Responsibility report has also been prepared in accordance with the UN Guiding Principles on Business and Human Rights Reporting Framework.

Additional reporting on Ericsson's sustainability and corporate responsibility, including the Global Reporting Initiative Index, UN Global Compact Communication on Progress, UN Guiding Principles Reporting Framework Index, and Ericsson's Technology for Good Impact Report is available on the Company website [www.ericsson.com](http://www.ericsson.com).

Ericsson also publishes other annual statements and reports related to responsible business such as a Modern Slavery Statement and a Conflict Minerals Report on its website.

# Sustainability approach

Ericsson's stated purpose is to empower an intelligent, sustainable and connected world. The Company focus on sustainability is embedded across operations and is becoming an ever more fundamental part of creating business value. Sustainability and responsible business in focus are helping the Company build lasting value and has two main aims, reducing risks and creating positive impacts. Ericsson's ambition is to be a responsible and relevant driver of positive change in society.

## Sustainability as value creator

Integrating sustainability and responsible business practices and programs across the Company helps run operations more efficiently. Ericsson's focus on product energy performance, can help reduce total cost of ownership for operators' networks as well as support positive social and environmental impacts. This effort aims to improve performance across the value chain and differentiate Ericsson from its competitors.

## Conducting business responsibly

Conducting business responsibly is fundamental to Ericsson's strategy and culture. The Company supports the Ten Principles of the UN Global Compact and the UN Guiding Principles on Business and Human Rights. While there is always additional work to be done, the Company believes that a com-

mitment to doing the right thing and taking responsibility for actions across the value chain is fundamental to its success. In addition to a dedicated compliance team to guide the Company, every employee is responsible for ensuring compliance.

## Technology as driver of positive change

Ericsson believes that access to communication is a basic human need and that technology developed and deployed responsibly can improve people's lives. Ericsson is committed to creating positive impacts to society through its technology, solutions, expertise of its employees and its partnerships.

## Sustainability research

A fundamental aspect to Ericsson's approach is to base its decisions on research and science. The Company carries out peer-reviewed research, alone and in collaboration with research partners from academia and business, on the environmental, economic and social impact of Information and Communication Technology (ICT), providing facts and insights for the Company, the industry and stakeholders. Methodology development for measuring the impact of ICT as a sector is an important task and throughout the years, Ericsson has made relevant contributions to international assessment standards.

## Contributing to the Sustainable Development Goals

The Company's purpose embodies the breadth of what Ericsson aims to do and how it contributes to the sustainable development agenda outlined in the UN's Sustainable Development Goals (SDGs). While the ICT sector has the potential to positively enable the achievement of all 17 SDGs, Ericsson is contributing to the Goals primarily through SDG 9 – Industry, innovation and infrastructure, and SDG 17 – Partnerships for the goals. Ericsson believes that the combination of these two SDGs enables the Company to create positive impact at scale and address a number of global challenges.



## Sustainability strategy

Ericsson integrates sustainability and corporate responsibility into the Company strategy to drive business transformation and create value for stakeholders. The Company measures and evaluates its environmental, social and economic performance. The work is a continuous journey and the strategy deployment covers three focus areas:

### ● Responsible business

Ericsson aims to develop its responsible business practices to strengthen Ericsson's trusted partner position with relevant stakeholders. The Company drives a proactive agenda that extends beyond legal compliance and has programs in areas such as human rights, anti-corruption, occupational health and safety, radio waves and health as well as responsible management of suppliers.

### ● Environmental sustainability

The circular economy encapsulates Ericsson's approach to environmental sustainability. Ericsson continuously strives to minimize the negative impacts of its own operations, and to improve the environmental and energy performance of its products to reduce societal environmental impacts. Ericsson's climate targets are in line with the UN climate agenda to reach a 1.5°C trajectory.

### ● Digital inclusion

Ericsson is committed to supporting and reaching underserved markets through its products and services. The Company advocates for the accessibility and affordability of communication infrastructure by offering services that drive sustainable economic growth and innovative solutions across areas such as education, financial services, health and humanitarian response.

## Group sustainability targets

Ericsson has set sustainability and corporate responsibility objectives aligned with the Company's strategy. The objectives are reviewed and reported annually and reflect the Company's ambition both to reduce risks and to increase positive impacts.

### Risk mitigation targets

Reduce occupational health and safety major incidents by a minimum of 30% by 2022 (baseline 2019)	Address risk assessment for 100% of the top 90% of supplier spend by 2020	Reduce 35% CO <sub>2</sub> e <sup>1)</sup> emissions from Ericsson's own activities by 2022 (baseline 2016) <sup>2)</sup>
<b>New target</b>	<b>98%</b>	<b>24%</b>
Strengthen and enhance Ericsson's Ethics and Compliance program in order to develop a best in class Anti-Corruption Compliance Program by 2022	Achieve 100% adherence to the sensitive business process and conditions <sup>3)</sup> by 2020	
<b>New target</b>	<b>97% and 87%</b>	

### Positive impact targets

Achieve 35% energy saving in Ericsson Radio System compared with the legacy portfolio by 2022 (baseline 2016) <sup>2)</sup>	Innovate to allow for alternative energy sources to be economically feasible in 25% of the total installed base by 2020	Achieve a 5G product portfolio that is ten times more energy efficient (per transferred data) than 4G by 2022 (baseline 2017)
<b>32%</b>	<b>Achieved</b>	<b>On track</b>
Increase to 30% the female representation of total workforce by 2020	Enable internet for all through roll out of mobile broadband to connect additional 500 million people by 2024 (baseline 2018)	
<b>25%</b>	<b>115 million</b>	
Ericsson is carbon neutral by 2030 in its own operations <sup>4)</sup>		
<b>New target</b>		

<sup>1)</sup> CO<sub>2</sub>e: Carbon dioxide equivalent.

<sup>2)</sup> Science Based Targets (SBT) approved by SBT Initiative.

<sup>3)</sup> Approval adherence: 97% and conditions adherence: 87%.

<sup>4)</sup> Emissions from Ericsson's own operations includes fleet vehicles (Scope 1) and facility energy usage (Scope 1 and Scope 2). Scope definition according to the GHG Protocol Corporate Standard.

# Sustainability management

## Governance

Sustainability and corporate responsibility performance and related risks are presented to the Board of Directors annually, or more often if needed. In 2019, briefings covered progress on anti-corruption, ethics and compliance, respect for human rights, occupational health and safety, responsible sourcing, climate action and social inclusion. The Board of Directors was also informed about the inquiries from the United States Securities and Exchange Commission and the United States Department of Justice regarding the Group's compliance with the US Foreign Corrupt Practices Act.

Group Function Marketing and Corporate Relations is accountable for developing and deploying strategies, policies, directives, targets, processes and tools for sustainability and corporate responsibility. Ericsson has sustainability and corporate responsibility related Group policies and directives. These include the Code of Business Ethics and Group steering documents concerning sustainability, information security, privacy, occupational health and safety, electromagnetic fields and health, anti-corruption and the Code of Conduct for Business Partners – all of which reflect Ericsson's commitments to and requirements on its stakeholders, reinforced by awareness and training programs. The Company's sustainability and corporate responsibility performance is regularly measured, assessed and externally assured.

### The Code of Business Ethics

Ericsson's Code of Business Ethics (CoBE) summarizes fundamental Group policies and directives and includes requirements to ensure that business is conducted with a strong sense of integrity. The CoBE is applicable to the Company's workforce and it reflects its commitment to the UN Global Compact's Ten Principles and the UN Guiding Principles on Business and Human Rights.

The CoBE is reviewed on a regular basis, employees and others performing work for Ericsson must comply to it and acknowledge that they have read and understood it. Everyone working for Ericsson has an individual responsibility to ensure that business practices adhere to the CoBE. The CoBE is available in multiple languages to ensure that it is understood across the entire workforce.

During 2019, Ericsson added resources and reinforced efforts to raise awareness of ethical behavior to manage allegations of breaches of the CoBE and to enforce adherence as well as consequence management, see pages 177 and 182 of this report. In 2019, following the Board of Directors' endorsement of the updated CoBE and all Board members' confirmation of their commitment to uphold it, the Company's entire workforce was asked to read the updated CoBE and to acknowledge that it has been understood. 99% of Ericsson employees have acknowledged the CoBE by the end of 2019.

### The Code of Conduct for Business Partners

As part of the Company's responsible sourcing practices, Ericsson strives to continuously strengthen its requirements and expectations on social, ethical, environmental, and human rights related topics applicable to its supply chain.

The Code of Conduct for Business Partners (CoC) specifies requirements and expectations that the Company's business partners must comply with when doing business with Ericsson. The CoC covers areas such as anti-corruption, labor and human rights, occupational health and safety and environmental requirements. The CoC is based on the UN Global Compact's Ten Principles, the UNGPs on Business and Human Rights, the OECD Guidelines for Multinational Enterprises and the Responsible Business Alliance Code of Conduct.

In 2019 Ericsson released an updated CoC, available on the Company's website. As part of the 2019 update of the CoC, Ericsson strengthened the requirements relating to anti-corruption and business ethics, and included new requirements for environmental management, privacy, responsible artificial intelligence and land rights. The CoC further clarified the definition of a business partner.

## Management system

Ericsson has a global management system, the Ericsson Group Management System (EGMS), which includes Group policies, directives and instructions as well as Group-wide processes. EGMS is a dynamic governance system, enabling Ericsson to adapt to evolving requirements and expectations, including applicable legislation as well as customers' and other stakeholders' requirements.

EGMS brings a common management approach and consistent global implementation to the way the Company conducts its business and Ericsson's sustainability and corporate responsibility work is an integrated part of it. As the EGMS is a global system, Group-wide certificates are issued by a third-party certification body to ensure that EGMS

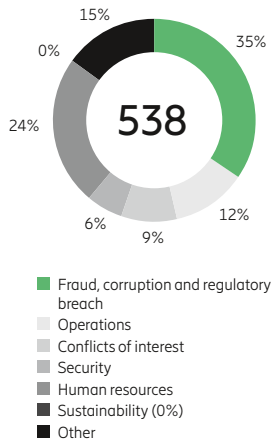
is applied throughout the whole organization. Ericsson is globally certified to ISO 9001 (Quality), ISO 14001 (Environment), OHSAS 18001 (Occupational health and safety) and ISO 27001 (Information Security). Through Ericsson's Global Certification Assessment Program, the external assurance provider assesses how Ericsson implements and adheres to Group policies and directives, works in accordance with stipulated processes, manages risks and achieves the Company's objectives.

Sustainability and corporate responsibility significant topics are regularly assessed and related risks are identified and evaluated in accordance with Ericsson's Risk Management framework.

Ericsson's objectives on sustainability and corporate responsibility are set and reviewed annually as part of the Company strategy process. Performance, internal and external audits and assessment results as well as the Company's environmental life-cycle assessment and research studies are used as input when setting objectives. Sustainability and corporate responsibility objectives are followed-up on a regular basis by the accountable organization.

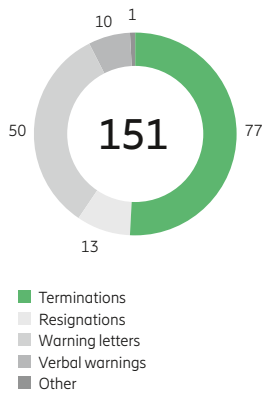
Ericsson provides training to employees and suppliers to ensure and improve awareness and competence related to sustainability and corporate responsibility topics and commitments.

**Reported compliance concerns 2019<sup>1)</sup>**



<sup>1)</sup> The category of reported compliance concerns is determined based on the most significant impact identified by Corporate Investigation's team. Categorization may be modified during an investigation as additional information related to the initial allegations is obtained.

**Corrective or disciplinary actions 2019<sup>2)</sup>**



<sup>2)</sup> Corrective or disciplinary actions executed in 2019, and each action represents a distinct employee. Numbers reflect the most severe action per employee.

## Reporting compliance concerns

Ericsson’s employees, suppliers and other external parties are encouraged to report suspected violations of law, the Ericsson Code of Business Ethics or the Ericsson Code of Conduct for Business Partners (collectively “compliance concerns”).

Compliance Concerns may relate to corruption, fraud, questionable accounting, deficiencies in the internal controls, auditing, environmental, occupational health and safety, human right matters, or other matters that could constitute a breach of law, seriously affect vital interests of the Company or personal health and safety. Employees are encouraged to report compliance concerns directly to their manager, manager’s manager or Group Functions People or Legal Affairs and Compliance. Compliance concerns, however, can also be reported via the Ericsson Compliance Line, and a reporter can report anonymously if permitted under applicable legislation. The Ericsson Compliance Line is available via phone or secure website, 24/7, 365 days a year in 188 countries and in over 75 languages.

Reported compliance concerns are handled in the allegation management process and are monitored by Ericsson’s Group Remediation Committee, which consists of the Chief Legal Officer, the Chief Financial Officer, the Chief People Officer and the Chief Compliance Officer. The Allegation Management Office (AMO) receives information about compliance concerns from the Ericsson Compliance Line, directly from individual employees or other sources and decides whether a reported compliance concern merits investigation. The Corporate Investigations team investigates plausible group relevant compliance concerns and presents findings to the Group Remediation Committee and quarterly to the Audit and Compliance Committee of the Board of Directors.

The allegation management governance and process were strengthened during 2019 to ensure inclusion of both centrally and locally reported compliance concerns. It has similarly expanded its remit to ensure adequate capture of consequence management in relation to substantiated group relevant investigations. AMO saw an increase in compliance concerns reported from 445 in 2018 to 538 in 2019. Ericsson believes this reflects an increase in employee awareness of compliance-related risks and the Company’s continued efforts to foster a stronger speak up culture.

Ericsson has bolstered its investigations team with experienced and professional investigators. During 2019, Corporate Investigations added additional resources and established hubs globally to better ensure all compliance concerns warranting investigations are investigated using local expertise following a robust General Data Protection Regulation (GDPR) compliant investigation process.

Corporate Investigations closed 566 cases in 2019, including some related to compliance concerns reported before 2019. As of December 31, 2019, 167 cases remained open, all of which relate to compliance concerns reported in 2019. See Reported Compliance Concerns graph reported by category.

In 2019, Ericsson issued 77 terminations, 50 warning letters, 10 verbal warnings and received 13 resignations in relation to substantiated Code of Business Ethics breaches. The Company also made improvements to its internal controls, made other compliance program enhancements and addressed knowledge gaps in the organization where necessary. See Corrective or Disciplinary actions graph.

# Significant topics, risks and opportunities

Ericsson regularly assesses its significant economic, environmental and social topics to provide a foundation for the Company’s sustainability and corporate responsibility strategic priorities. This is a central component of the situational analysis for the strategy, target setting, risk management and reporting.

The assessment is done on an annual basis and it combines two perspectives, the Company’s business impact on economic, environmental and social topics, and their importance to stakeholders. The definition of the topics assessed is made in accordance to the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB).

Ericsson begins each year’s assessment by reviewing the previous year’s results as well as the inputs from surveys and dialogues with its stakeholders, all of which help to inform the process and is considered in the selection and relevance of the topics to be assessed.

Ericsson conducted its annual employee sustainability and responsible business survey in 2019, which was answered by over 11,000

employees who assessed sustainability related topics in order of importance. The result has been integrated to the materiality assessment, and the three top topics were: respect for human rights, anti-corruption, occupational health and safety.

The Company continues to evolve its materiality assessment process and in 2019 it conducted materiality assessment workshops with each Market Area. Sustainability focus in Ericsson’s Business Areas and Market Areas is described in pages 18–29 in the Annual Report.

The consolidated Ericsson materiality assessment result, including the Company’s identified significant topics has been reviewed by the Executive Team.

This year shows no substantial changes of the identified significant topics and their rating compared to 2018. Ericsson’s topics are presented in a matrix on page 179 and are also available on the Company’s website. The identified significant topics are covered in this report on pages 180–195.

## Risk management

Ericsson’s sustainability and corporate responsibility related risks are managed in accordance with Ericsson’s Enterprise Risk Management framework (ERM), see pages 153–155 in this Annual Report. The responsibility for those risks is allocated to the respective Head of Group Function, Market Area and Business Area, who are also accountable for overseeing the ERM in their unit.

As part of the sustainability and corporate responsibility strategy work, risks and treatment plans (including mitigation and adaptation actions) related to long-term objectives as well as short-term targets are identified and prioritized. These are summarized in Ericsson’s sustainability and corporate responsibility Risk Heat Map and are regularly followed-up in governance meetings and presented to the Board of Directors annually. For information on Ericsson’s Risk Factors, see pages 121–131 in the Annual Report.

## Stakeholder engagement

The approach to stakeholder engagement enables Ericsson to learn about its stakeholders’ expectations, requirements and concerns, thus providing insights into risks as well as opportunities.

Ericsson engages with its stakeholders on an ongoing basis in which sustainability and corporate responsibility topics as well as emerging dilemmas are discussed. Example of topics include responsible business, human rights, anti-corruption, supply chain manage-

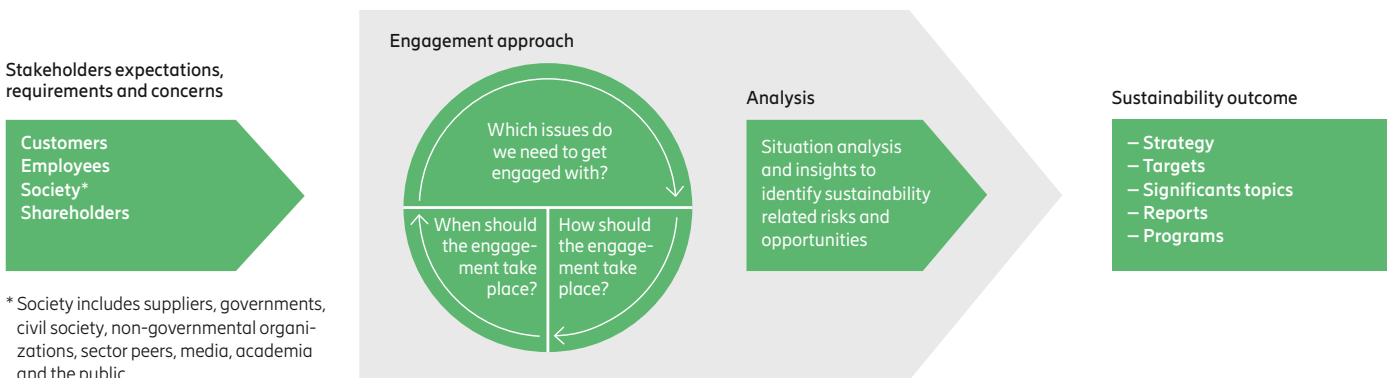
ment, climate action, energy performance, digital inclusion and sustainable development.

The stakeholder engagement takes a variety of forms such as joint projects and initiatives, dialogues, meetings, surveys, participation in industry groups and representation on decision-making bodies. Another important stakeholder insight is gained through joint research with academia, institutions and industry peers.

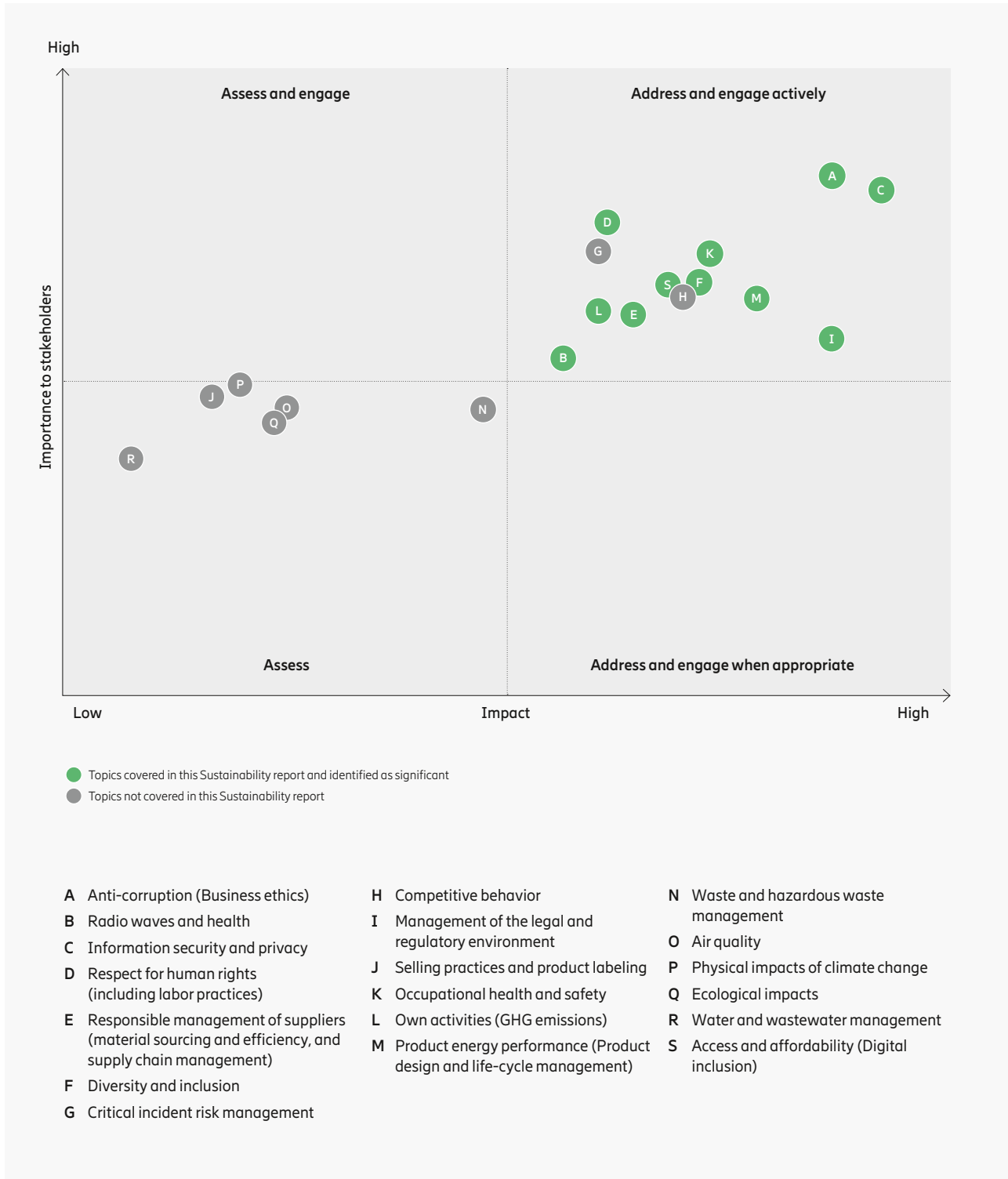
During 2019, among others, Ericsson engaged in anti-corruption briefings, climate focused organizations to progress collective action on climate change and conducted an employee sustainability and responsible business survey.

The Company leverages its social media outreach to extend the conversation and hear from the public.

### Ericsson’s stakeholder engagement model



## Significant topics 2019





## Responsible business



Ericsson aims to be a responsible and relevant driver of positive change in society.

The Company works continuously to improve and strengthen its responsible business practices, with a focus on building and maintaining trust, transparency and integrity regardless of where in the world it operates.

Respect for human rights, fair and safe working conditions, and ethically and environmentally sound business practices are fundamental parts of the Company's culture and identity. This commitment to responsible and ethical behavior starts at the Board level and is implemented throughout Ericsson's organization through on-going due diligence

as well as specific programs such as Ethics and Compliance, Sensitive Business, Responsible Sourcing, and Occupational Health and Safety.

The Ericsson Code of Business Ethics and the Code of Conduct for Business Partners set out the Company's commitments and requirements which go beyond legal compliance. Ericsson aims to prevent, mitigate and address risks of adverse impacts throughout its operations, products and business engagements.

During 2019, the Company focus on responsible business was strengthened to ensure that its commitment is clear and consequences for breaches of the Code of Business Ethics were enforced. Further, in

2019, Ericsson began initiatives designed to strengthen the Ethics and Compliance program, such as enhancing compliance training across markets, updating policies and procedures to meet international anti-corruption standards, requiring an integrity component in its recruiting and promotion processes and hiring additional compliance personnel.

The Company actively engages in awareness raising on responsible business topics and encourages employees and its stakeholders to report compliance concerns through the Ericsson Compliance Line, see page 177.

## Respect for human rights

Ericsson is committed to respecting human rights as articulated by the UN Guiding Principles on Business and Human Rights. This responsibility is addressed throughout the Company’s business operations, including its supply chain and end use of products.

The increasing use of Information and Communication Technology (ICT), and specifically of new technologies as machine learning and artificial intelligence (AI), bring challenges to security, privacy and human rights. This makes it crucial to remain vigilant and ensure that misuse of Ericsson’s technology is prevented.

### Governance, policies and directives

Ericsson’s commitment to respect human rights is part of its Code of Business Ethics and its Code of Conduct for Business Partners.

In 2019 Ericsson developed a Business and Human Rights Statement, clarifying its responsibility to respect human rights throughout its value chain. The Company also adopted a new set of guidelines for trustworthy AI based on the European Union Ethics Guidelines for Trustworthy AI. Ericsson’s guidelines provide a systematic approach to ensuring human rights considerations are factored into the development, use and sales of AI solutions.

Ericsson identifies its salient human rights issues as the right to freedom of expression and right to privacy in relation to the use of its technology, and labor rights as the prevailing set of rights for responsible management of suppliers. These salient human rights issues have been defined based on internal and external dialogue and expert guidance, ongoing due diligence as well as Ericsson’s current operations and business engagements.

More information on which labor rights are defined as salient human rights issues for Ericsson, on pages 186–187.

### Human rights due diligence

In order to assess, prevent and mitigate potential misuse of Ericsson’s technology, the Company has integrated human rights due diligence into its sales process through the Sensitive Business program. The program aims to ensure that business opportunities and engagements are conducted in accordance with international human rights standards. Ericsson’s Sensitive Business Board, a cross-functional forum that consists of high level representatives of Group Functions and Business Areas, oversees the Sensitive Business program and meets regularly.

When risks are identified in a sales opportunity by the Sensitive Business automated tool, the Market Area must submit an approval request. Submissions are evaluated according to the sensitive business risk methodology (see graph) and may be approved, approved with conditions or rejected. Conditional approvals include technical and/or contractual mitigations, and its implementation is monitored to ensure adherence.

During 2019, country human rights risk assessments were conducted for Uzbekistan, Kirgizstan and Saudi Arabia. These risk assessments include mitigating actions that need to be implemented for further business engagements. Such actions include ensuring that certain functionalities or products are not sold in specific countries, conducting occupational health and safety screenings of potential business partners, and providing training to Ericsson personnel as well as customers and suppliers on responsible business practices.

Ericsson also conducts specific human rights impact assessments (HRIA) focusing on a country, product or high risk context.

Ericsson has continuously evaluated the effectiveness of the Sensitive Business process and based on its analysis, developed an automated method to calculate and propose technical and contractual risk mitigations. In 2019 a transformation of the process was initiated.

The target to achieve 100% adherence to the sensitive business process and conditions will continue to be measured throughout 2020 and a new target for sensitive business will be evaluated.

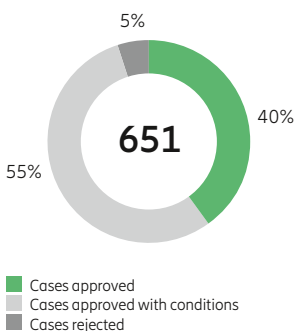
### Building leverage and engaging in dialogue

In 2019 Ericsson joined the Global Network Initiative as a full member, providing an important platform for collaboration to address evolving challenges for the ICT sector. During the year, Ericsson also engaged in dialogue with civil society organizations in order to obtain input on relevant trends and prioritize within responsible business and human rights.

Further, the Company continued its Action Against Child Sexual Abuse Program, and was a contributor to the Broadband Commission for Sustainable Development Working Group on Child Safety Online, and participated in the launch of the report at the United Nations.

As part of Ericsson’s responsibility to respect for human rights, the Company provides its stakeholders access to grievance mechanisms through the Ericsson Compliance Line, see page 177.

Sensitive business cases 2019



Parameters for evaluation of sensitive business risk methodology



**Main risks include:**

- Misuse of Ericsson’s technology could adversely impact the right to privacy and freedom of expression.
- Lack of adherence to labor standards in the supply chain could adversely impact on labor rights.

## Anti-corruption

Corruption is a considerable obstacle to economic and social development around the world. It holds back sustainable development and often affects fragile communities the most. Ericsson strives to be a responsible and relevant driver of positive change in the communities where it operates.

From a business perspective, corruption undermines fair competition, impedes innovation, raises costs and poses serious legal and reputational consequences. Ericsson is committed to winning business on merit, ability and fairness and, as part of this commitment, fighting corruption is a high priority.

### Anti-Bribery and Corruption (ABC) program

Ericsson's anti-bribery and corruption program, described on page 10 of the Annual Report, consists of ten core elements that enable the Company to raise awareness and prevent and detect potential breaches as well as respond to and remediate actual breaches of our Code of Business Ethics.

The program is reviewed at least quarterly by the Audit and Compliance Committee (ACC) of the Board of Directors. In recent years, Ericsson has made significant investments to strengthen its Ethics and Compliance program, particularly its Anti-Bribery and Corruption (ABC) Program, with enhanced leadership programs, policies, trainings, controls and tools.

### 2019 improvements

In 2019, a new Chief Compliance Officer was appointed to drive global implementation of Ericsson's Ethics and Compliance Program. With the appointment of the new Chief Compliance Officer, Ericsson's Executive Team (ET) also approved the enhancement of the compliance organization with additional headcount and resources. Compliance

governance committees, including a Group Compliance Committee comprised of ET members, ensure high level operational oversight of the program.

Ericsson continued to enhance policies and procedures needed to ensure state-of-the-art principles applies to its employees when dealing with ABC sensitive topics and transactions. In 2019, Ericsson revised its Anti-Bribery and Corruption Directive, Third Party Management Directive, Allegation Management Instruction and Conflict of Interest Instruction. A compliance consultation desk was established.

ABC training efforts continued in 2019 with close to 89,000 employees completing the mandatory online anti-corruption training. A new ABC face to face full day workshop has been developed and deployed (and continues to be deployed) globally. An ABC e-learning for suppliers was also launched.

The Company enhanced its risk assessment strategy by adding an element of forensic testing for higher risk parts of the business. These exercises are aimed at clearly identifying existing control gaps as well as potential or future corruption risks. Group Function Finance in conjunction with Group Compliance works closely to strengthen Ericsson's ABC and Anti-Money Laundering (AML) controls to address gaps identified during risk assessments and internal investigations.

Rounding out enhancements to the ABC program is the reinforcement of the Allegation Management Office and Investigation capabilities. Professionals to both teams have been added to support the intake of Compliance Concerns as well as their assessment, investigation, reporting and remediation, where necessary. Please refer to the section "Reporting Compliance Concerns" on page 177 for further information.

### Ericsson reached a resolution on US FCPA investigations

On December 7, 2019, Ericsson announced the resolution of the previously disclosed investigations by the US Department of Justice (DOJ) and the Securities and Exchange Commission (SEC) regarding the Company's compliance with the US Foreign Corrupt Practices Act (FCPA). The resolution allows us to bring an end to the investigations conducted by the US authorities since 2013 and 2015 into Ericsson's compliance with the US Foreign Corrupt Practices Act (FCPA). More information in the Annual Report on page 41.

As part of the settlement, Ericsson has agreed to engage an independent compliance monitor for a period of three years while the Company continues to undertake significant reforms to strengthen its Ethics & Compliance program so that by the end of the monitorship the Company has a best in class Ethics & Compliance Program.

#### Main risks include:

- Workforce or third-party failure to comply with anti-corruption laws, regulations and Ericsson's related Policies and Directives.

## Information security and privacy

Information Security and Privacy are important topics for technology companies. Changing regulatory environments, and increased government scrutiny require Ericsson to continually prioritize these areas. Ericsson has implemented frameworks for the secure development, sale and delivery of products and services, while constantly working to protect its employee data. Ericsson's Code of Business Ethics includes consideration to the human impact of information security and data protection. Information security and the protection of personal data focus primarily on maintaining the confidentiality, integrity and availability of information, while not hindering operations. As both the value of information and the capabilities of threat actors increase, information security and privacy have become issues of national importance globally and key considerations for operations in the Information and Communication Technology (ICT) sector.

As with other companies across the world, cyber-attacks target Ericsson's infrastructure, products, operations, and personnel, which requires the Company to invest in defensive countermeasures throughout the organization and in its supply chain. As attacks continue to increase, there is no guarantee that existing protections will prevent potential adverse impact on Ericsson's business, operations, finances, reputation, and brand.

### Governance, policies and directives

Information security and privacy are governed through Ericsson's Group Information and IT Security Board and Security Management Board. The Product and Technology Security Board addresses product and portfolio security issues. The Audit and Compliance Committee of the Board of Directors receives periodical updates on cybersecurity.

Incidents are reported through Ericsson's Security Incident Management System, and routed to the appropriate function for handling. Ericsson has an established Security and Privacy Framework to ensure that issues are considered throughout the entire product life-cycle.

Policies and directives establish the requirements across Ericsson. Ericsson's Product Security framework includes a mandatory area of regulation specifically for security and privacy, which is applicable to all products.

Ericsson also enforces a Crisis Management Group directive, with a Group Crisis Management Council which is responsible for the handling of major incidents or crises. Ericsson's Information Security Management System is globally certified to ISO/IEC 27001.

Specific security and privacy training is required for all employees, with in depth training developed to build Ericsson specific security competence.

### Risk management and opportunities

Ericsson's products, infrastructure and services handle personal data for its workforce, customers and customers' customers. The nature of Ericsson's business, and of the data that its products transmit, requires the Company to be at the forefront of data protection. Given that Ericsson's financial, customer and personal data as well as its intellectual property are targeted by threat actors, the Company focuses on providing end-to-end secure services, solutions and products and protecting critical assets in a rapidly changing environment.

Ericsson has adopted a risk-based approach for investments in cybersecurity and privacy. The potential impact on human rights and on Ericsson's reputation, in terms of customer trust and market access, is weighed against the cost of implementing tools, processes and technology to make sure that Ericsson can protect its customers and data.

Secure telecommunications networks and services provide the foundation for Critical National Infrastructure (CNI) for national security and emergency coordination, financial services, education and healthcare.

Secure networks require less downtime and unplanned maintenance, which increases trust in the infrastructure.

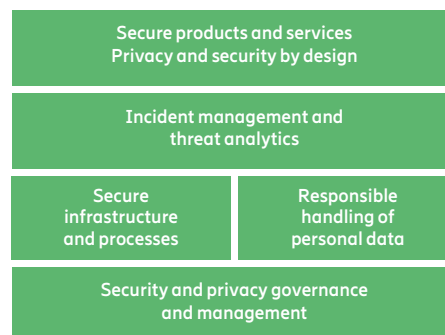
Ericsson's security and privacy frameworks are designed to ensure that its products and services are more resilient to attacks and less likely to be impacted by unforeseen consequences.

Information security and privacy present opportunities for market differentiation. Embedding security and privacy in Ericsson's ways of working, and progressively protecting its own data and that of its customers, are important to maintaining a strong brand and continuing as a trusted partner in this space.

#### Main risks include:

- Workforce or third-party failure to comply with information security and privacy laws, regulations and Ericsson's related policies and directives.
- Threat actors targeting Ericsson's Intellectual Property, networks, financial, customer and personal data.
- More stringent or new stakeholder or regulatory information security and privacy requirements may impact Ericsson's business.

### Focus areas for security and privacy



### Ericsson's capabilities

- Product Security Incident Response Team (PSIRT)
- Ericsson IT Incident Response Team (ERICERT)
- Security operations and digital forensics Lab
- Ericsson network security
- Global and national data protection officers
- Network of privacy advisors

## Diversity and inclusion

Ericsson believes that diverse and inclusive teams drive performance and create business value, and are therefore strategic to the business. A workforce with a broad range of backgrounds, perspectives and experiences drives innovation and makes the business more resilient.

### Policies and directives

Ericsson is committed to equal opportunity of employment, development, compensation and other people related processes and practices without discrimination due to race, color, gender, gender identity, sexual orientation, marital status, pregnancy, parental status, religion, political opinion, nationality, ethnic background, social origin, social status, indigenous status, disability, age or union membership.

The Company strives to create an inclusive work environment where diversity in all its forms thrives. The focus is to establish a balance in gender, generations and nationalities by creating an inclusive culture.

Ericsson has a workforce consisting of approximately 166 nationalities with a gender distribution of 25% women and 75% men.

### Governance and management

Group Function People is responsible for creating and driving the global Diversity and Inclusion strategy and the development of People policies and initiatives relevant to the Company's global scope and specific markets, while the local organizations drive the imple-

mentation. The approach is systematic with its base in analytics and awareness, followed by activation of global and local initiatives.

The Company has a target to increase the number of women to 30% across all levels in the organization. In 2019 women accounted for 25% of the total workforce and 32% in the Executive population<sup>1)</sup>. While the Company has met the goal for the Executive population there is still work to do in order to meet its target. To increase the availability of female candidates, Ericsson continues to review its job postings to ensure a gender-neutral language and engages in activities such as Girls in ICT to support women to choose an education in the STEM (Science, Technology, Engineering and Mathematics) area. In the age span of employees up to 35 years, which is 38% of the Company's workforce, over 28% are women.

Below some diversity indicators for 2019:

- Early engagement of the Company's NextGen leaders is key to building a both generational and gender balanced pipeline for the future, the Early Career programs for 2019 reflected 38% of women.
- Women consisted of 24% of the participants in the Company's Global Leadership Development Programs.
- Approximately 110 out of the Company's 166 nationalities were represented among its managers and of those, 107 nationalities participated in the Company's Global Leadership Development Programs.

Beyond the focus on recruitment and leadership development the Company continued to engage in its Employee Resource Groups (ERG's). Local Ericsson volunteers lead these groups created around a common goal to help further develop the diversity and inclusion agenda. They support, promote and drive a diverse working environment, providing the organization with their unique perspectives and local insights.

On a global level, during 2019 Ericsson promoted initiatives with focus on the International Women's Day, Global Diversity Month, International Men's Day and Girls in Information and Communication Technology.

#### Main risks include:

- Limited availability of female STEM (Science, Technology, Engineering and Mathematics) profiles.
- Inequalities in certain countries may impact gender diversity.

<sup>1)</sup> Employed workforce reporting to Executive Team members.

## Occupational health and safety

Ericsson takes an inclusive, risk-based approach to Occupational health, safety (OHS) and wellbeing that encompasses employees, suppliers and the public who may be impacted by company operations.

Ericsson recognizes that OHS requirements are a fundamental aspect of its business delivery around the globe and drives a proactive agenda that goes beyond legal compliance, international standards and related requirements from customers.

### Governance, policies and directives

The Company believes that incidents are preventable and is committed to providing a safe and healthy work environment for its workforce to reach zero incidents. To achieve this, Ericsson focuses on creating a positive safety culture based on awareness, prevention and care principles, as defined in the Ericsson OHS policy which is publicly available on the Company website.

Ericsson has two Group OHS Governance fora in place. The Global OHS Board that drives the execution of the OHS strategy and programs within the business and is chaired by a member of Ericsson's Executive Team. The second, is the Major Incident Review Board that reviews OHS performance and major incidents on a monthly basis. In 2019, these two fora were restructured to strengthen their focus and redistribute responsibilities and priorities to improve effectiveness.

### Risk management

Ericsson's Enterprise Risks Management (ERM) framework, see page 153–155, includes OHS as one of the dimensions used to analyze Company risk.

Driving, climbing and working at heights, as well as working with electricity continue to account for the majority of the fatalities and major incidents in 2019.

Ericsson continued its efforts supporting Zero Tolerance Safety Rules, the supplier's consequence management process and the mandatory OHS induction course.

In addition, during 2019 the Company introduced the use of innovative technology to mitigate safety risks, such as Remote site assurance (RSA). RSA provides a live interface with field technicians and is designed to ensure that safety, quality and environmental aspects are managed prior to work commencing and that compliance to requirements is maintained, and harm is prevented.

### Incident reporting

In 2019, the Company has seen an approximately 21% decrease in the number of reported fatalities compared with 2018, reflecting the impact of OHS improvements undertaken by Ericsson and its suppliers during 2018 and 2019. While no Ericsson employees were involved in fatal incidents in 2019, there were 11 fatalities in its supply chain. The number of major incidents increased approximately by 33% compared to 2018 due to an increased awareness in incident reporting. Major incident is defined as incident that results in more than 3 days lost work days. Ericsson has set a new target to reduce major incidents by a minimum of 30% by 2022 which will be part of the relevant units objectives.

The Company acknowledges the need to continue strengthening its efforts in reducing OHS incidents and fatalities. To achieve this, Ericsson restructured the two Group OHS governance fora – the Global OHS Board and the Major Incident Review Board, to strengthen their focus and redistribute responsibilities and priorities to improve effectiveness.

Ericsson encourages employees and suppliers' employees to report OHS incidents transparently through its Global Incident Reporting Tool.

### Strengthening efforts in 2019

To further strengthen the Company's efforts, the Ericsson Care framework was introduced in 2019 setting out a new overarching approach to OHS and employee wellbeing within the organization including physical,

mental and psychosocial health. The program is underpinned by a renewed focus on leadership and OHS culture improvement. The Ericsson Care Framework includes the Company's OHS vision, 'Safety – everyone, everywhere, everyday', as well as guiding principles, and standardized ways of working globally.

The Company had its second Ericsson Safety Day, an annual event to reinforce Ericsson's commitment to do business in a safe and responsible way. Activities were hosted across geographies with the participation of employees, customers and suppliers.

#### Main risks include:

- Failure to meet legal and stakeholder requirements.
- Lack of compliance to Ericsson's occupational health and safety requirements in the supply chain.

#### Zero tolerance safety rules



## Responsible management of suppliers

Managing the social, ethical, environmental and human rights impacts in Ericsson’s supplier base is part of its full value chain approach. Further, responsible management of the supply chain is an important topic for Ericsson and its stakeholders as regulations and societal expectations are increasing globally. This results in an increased focus from Ericsson to work with its suppliers to achieve continuous improvement aligned with the Company’s responsible business strategy (page 174).

### Code of Conduct for Business Partners

During 2019, Ericsson issued a revised Code of Conduct for Business Partners (CoC) (see page 176), targeting the Company’s business partners, including suppliers. The CoC is the basis for Ericsson’s Responsible sourcing program, covering four main areas: business

ethics and anti-corruption, human and labor rights, occupational health and safety and environmental management. Suppliers not adhering to Ericsson’s requirements stated in the CoC may be subject to termination of their contracts.

Ericsson offers free online training to support Business Partners in complying with Ericsson’s requirements, covering the Ericsson CoC; anti-corruption; occupational health and safety; and conflict minerals.

### Audits and compliance

Ericsson engages a third-party audit firm to assess the Company’s suppliers’ compliance with the requirements in the CoC. In 2019, 160 audits were performed on suppliers located in over 50 countries.

The Responsible Sourcing audit program focuses on the suppliers in Ericsson’s top 90% purchasing spend. This represents approximately 3,000 suppliers, and among these, the Company selects a number of candidates to be audited. The selection is aligned to Ericsson’s supplier strategy and is based on the following criteria; geography, type of service or product provided and time since last audit performed. During 2019, 98% of Ericsson’s suppliers were assessed through this approach.

Ericsson views each audit as an opportunity for improvement and suppliers are expected to address all identified findings. At CoC audits

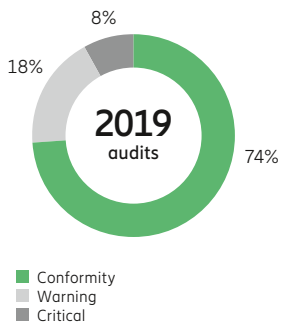
during 2019, most of the major deviations were found in the working hours, wages and benefits area, and most of the minor deviations were in the health and safety and hazards area. See graph per audit area in this page.

In addition, Ericsson performs supplier audits with internal auditors for contract compliance, which are broader than the CoC audits. They cover questions from our CoC as well as other topics that are related to supplier agreements, such as Trade Compliance, Business Continuity Management and Security. In 2019, 34 contract compliance audits were performed.

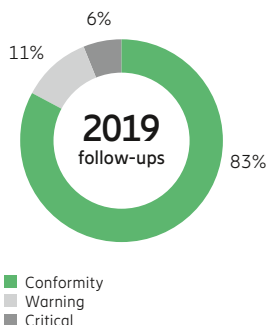
### Business ethics and anti-corruption

Ericsson is using an automated anti-corruption screening tool to support the Company in identifying potential ethical risks related to its suppliers, which are screened on a weekly basis. The scope of the screening includes content such as regulatory, financial, environmental, social and labor issues, adverse media as well as watchlists including politically exposed persons, sanction lists and state ownership. Alerts are monitored and reviewed in the screening process and non-compliant suppliers are handled in accordance with the Group Sourcing directive. For further information on the Company’s approach to anti-corruption, see page 182.

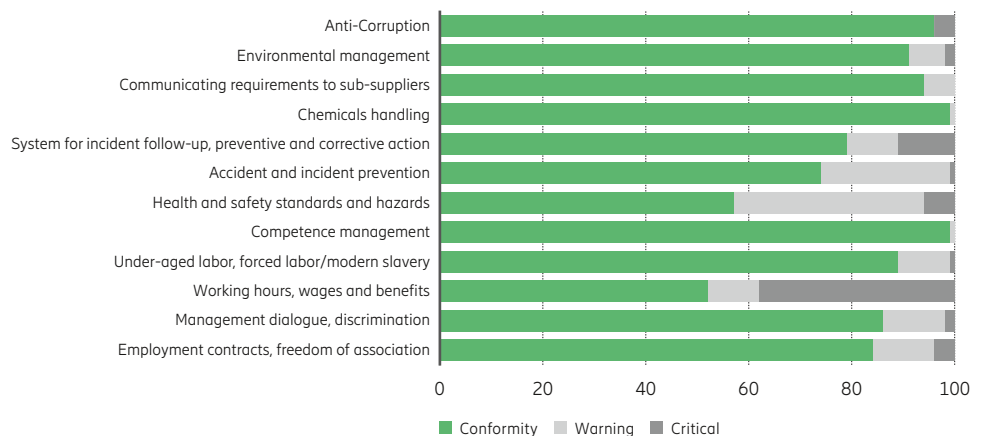
Performance of audited suppliers



Performance of audited suppliers’ after follow-up



Performance of audited suppliers after follow-up, per audit area, %



### Human and labor rights

Focus on human rights is increasing through regulations as well as stakeholder expectations and requirements. Ericsson's salient human rights issues in responsible sourcing relate to labor rights. Main issues identified are occupational health and safety, especially in relation to installations and site maintenance, working hours, modern slavery, migrant workers' rights and risks related to sourcing of raw materials.

One of the focus areas during 2019 was modern slavery; mapping Ericsson suppliers in high-risk countries, engaging with key suppliers to reach beyond first tier, and training of Ericsson Sourcing personnel on identification and prevention of modern slavery. For more information on the Company's work on modern slavery see the Ericsson Modern Slavery and Human Trafficking Statement published on Ericsson's website.

### Occupational health and safety

The Company's occupational health and safety (OHS) consequence management program aims at strengthening compliance, improving safety standards as well as encouraging and facilitating reports of non-compliance. The program applies to site service suppliers, and in 2019 the most frequently highlighted findings were related to climbing, use of personal protective equipment and lack of safety competence. During 2019 the program was expanded to include logistics service providers, as driving is seen as a high-risk activity. For more information on Ericsson's approach to OHS, see page 185.

### Environmental management

Significant environmental aspects in the supply chain are associated to suppliers' carbon footprint and the generation of waste. The reduction of Ericsson's supply chain carbon footprint is a prioritized environmental area for the Company. Ericsson requires its suppliers to plan for implementation of programs and targets to reduce their climate emissions to be in line with the Paris agreement to limit global warming to 1.5°C. By 2025, Ericsson's suppliers responsible for 90% of the Company's supply chain carbon emissions shall have a 1.5°C target. See page 189–193 for more information on the Company's approach to environmental sustainability.

### Raw materials sourcing due diligence

Ericsson's approach to sourcing of minerals and metals is in line with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (OECD Guidance). Conflict minerals, tin, tantalum, tungsten and gold (3TGs), is a topic of growing importance for Ericsson and the industry.

In 2019, Ericsson informed its suppliers that the Company is considering adding more geographies into the scope of work with raw materials, and thus require more information from its suppliers. Ericsson is also investigating solutions and technologies for increased traceability of materials and minerals in the supply chain.

There are often several tiers of suppliers between Ericsson and any smelters or refiners of minerals; even more when tracing a mineral

all the way back to the mines. As a result, the Company does not normally have a direct purchasing relationship with mines, smelters or refiners. During 2019 Ericsson continued its efforts to increase transparency and continued its work with due diligence relating to the sourcing of electronic, electric and mechanical components containing 3TGs.

As a member of the Responsible Mineral Initiative the Company has supported the system for certification of smelters and refiners, which is known as the Responsible Minerals Assurance Process (RMAP).

The Company's Conflict Minerals Reports prepared under the US Dodd-Frank Act are available on Ericsson's website.

#### Main risks include:

- Workforce or third-party failure to comply with the Ericsson Code of Conduct for Business Partners.
- Change or new regulatory requirements could adversely affect the reporting of the origin as well as sourcing, availability and pricing of materials used in the manufacture of products.
- Inability to sufficiently verify the origins for conflict minerals contained in Ericsson's products through its due diligence procedures.

#### Responsible Minerals Assurance Process (RMAP) conformant smelters and refiners<sup>1)</sup>

	Smelters assessed in the supply chain	Smelters conformant to RMAP	Smelters conformant to RMAP (%)
3TGs			
Tin	79	77	97%
Tantalum	40	40	100%
Tungsten	43	43	100%
Gold	111	106	95%
<b>Total no. of smelters</b>	<b>273</b>	<b>266</b>	<b>97%</b>

<sup>1)</sup> Based on suppliers response by 2020/01/26.



## Radio waves and health

In all mobile networks, including the fifth generation (5G), connected devices communicate with base stations using radiofrequency electromagnetic fields (EMF), also known as radio waves. Since the adoption of mobile telephony in the 1990s there has been some public concern that the radio waves from mobile phones and base stations may cause adverse health effects. Expert groups and public health authorities, including the World Health Organization (WHO, fact sheets 193 and 304), have reviewed available scientific studies and have concluded that the balance of evidence does not demonstrate any health effects associated with radio wave exposure from either mobile phones or radio base stations complying with international limits.

Most national authorities have adopted international science-based radio wave exposure limits. These limits have been set by the International Commission on Non-Ionizing Radiation Protection (ICNIRP) and include wide margins to provide protection from established adverse effects on health. Based on the latest available research, ICNIRP concluded in 2019 a revision of its guidelines which will be published in the beginning of 2020. The new limits presented by ICNIRP are largely unchanged and confirm the safety of the limits that mobile communication equipment currently comply with.

### Governance, policies and directives

Ericsson Research, the Company research organization within Group Function Technology, is accountable for this topic. In accordance with Ericsson's Electromagnetic Fields and Health Policy, Ericsson's radio products are tested in Ericsson Research's EMF Laboratory for compliance with relevant EMF regulations and standards before they are delivered to the market. The EMF Laboratory complies with the international standard ISO/IEC 17025 that specifies general requirements for the competence of testing and calibration laboratories, and it is accredited by the Swedish accreditation authority SWEDAC.

In order to maintain confidence and integrity in tests and results, the EMF Laboratory is independent of other parts of the Company and the Head of the EMF Laboratory reports directly to the Head of Ericsson Research. This complies with the requirements for impartiality and independence in ISO/IEC 17025.

The Company also provides information on radio waves and health to customers, the public, and other stakeholders, and supports research to further increase the knowledge in this area.

### Risk management

The EMF exposure levels from base stations in places where people normally reside are typically less than a percent of international limits, since the intensity of radio waves drops quickly with distance from the antenna. Base station antennas are installed to secure that unauthorized people do not have access to areas where EMF limits may be reached.

The safety of Ericsson employees, customers and suppliers when testing, installing and maintaining the radio products is important to the Company. Ericsson provides information about compliance distances, and other occupational health and safety information related to EMF, with its base station products.

An internal standard is also available that describes the minimum requirements for working in areas where exposure to EMF may occur during work on behalf of Ericsson to ensure that the health and safety aspects are properly managed.

### Annual performance and highlights

Since 1996, Ericsson has co-sponsored over 100 independent studies on electromagnetic fields and health, primarily through the Mobile and Wireless Forum (MWF). To ensure scientific independence, firewalls were in place between the industrial sponsors and the researchers and all results were made available by publication in open scientific literature.

### 5G, electromagnetic fields and health

All 5G frequency bands are covered by current EMF safety standards and limits

The total EMF exposure will remain low compared to international EMF limits also with 5G

A summary of the EMF and health research that has been funded by the MWF since 1998 is available on the Company's website.

Ericsson develops products and solutions for the 5G mobile communication networks and designs and tests the 5G products for compliance with established radio wave exposure limits. In 2019, a unique software feature was made available for 5G products, which helps customers control the transmitted power to within limits determined for compliance with applicable EMF regulations. Ericsson is involved in the development of international technical standards for testing and installation of 5G products to ensure compliance with EMF limits for the general public and workers.

Ericsson Research has contributed to the International Electrotechnical Commission report IEC TR 62669 that was published in 2019 and which provides guidelines on how to assess compliance with EMF limits for 5G base station products and sites.

#### Main risks include:

- Perceived health risks related to radio frequency electromagnetic fields may increase regulatory requirements and cause infrastructure deployment delays.
- Perceived risk or new scientific findings of adverse health effects from mobile communication devices and equipment could impact the Company through a reduction in sales or through liability claims.

5G devices and base stations need to meet the same EMF safety requirements as current equipment

World Health Organization and other health agencies have concluded that no health effects have been established from exposure to radio waves used for mobile communications

# Environmental sustainability

During the past years, external expectations and requirements on companies to further develop their work within sustainability has increased, where climate change is the most urgent challenge globally. However, environmental topics are interrelated, meaning that companies need to take a holistic approach in this area.

Proactive management of topics relating to climate action and environment is a core component of Ericsson’s sustainability strategy. The Company focuses on a circular approach where the energy efficiency of its products, sustainable materials management, reuse and recycling are key areas of importance.

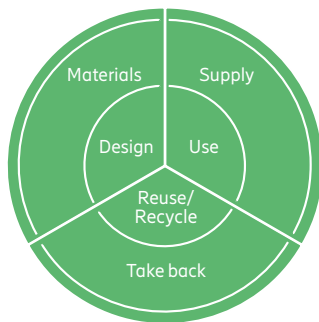
Ericsson supported the Paris Agreement in 2016 and in 2017 committed to the Science Based Target (SBT) Initiative. As one of the

first companies aligning to the 1,5°C trajectory, the Company has set targets that have been approved by SBT Initiative. Ericsson’s work on environmental sustainability is divided in four areas:

- Reduce Ericsson’s own emissions.
- Increase the energy performance of Ericsson’s products and solutions.
- Implement a circular economy approach to product design and material use.
- Demonstrate how Ericsson’s business and products can enable society and other industries to reduce their emissions.

In 2019, Ericsson established a company-wide Circular Economy and Sustainability Program, governed by the Company’s Executive Team. The scope of the program is to accelerate and fully integrate circularity and sustainability related aspects of the Company’s products and services. The program is cross-functional, involving the Business Areas and consists of six workstreams; product energy performance, climate action, circular business, materials and substances, responsible sourcing and a cross-functional stream focused on standardization and legislation. The program is expected to substantially contribute to Ericsson’s purpose of empowering an intelligent, sustainable and connected world, and to help fulfil its SBTs within its own activities and product energy performance (see pages 190 and 191).

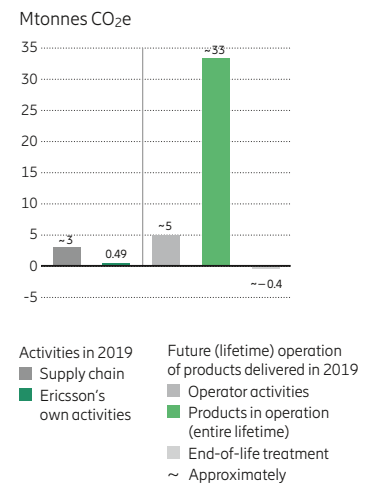
## Ericsson circular economy approach



## Ericsson’s carbon footprint

The environmental impact of Ericsson’s products and operations are quantified based on life-cycle assessments. During 2019, Ericsson research shows that the lifetime energy usage from Ericsson’s delivered products, remains a major contributor to the Company’s carbon footprint. In total, this corresponds to over 81% of the total carbon footprint.

### Ericsson life-cycle assessment carbon footprint 2019



## Global climate action

Action to tackle climate change is needed globally, and thus Ericsson is involved with working through partnerships to scale ambition and action in line with the Intergovernmental Panel on Climate Change (IPCC) 1,5°C trajectory. For over two decades Ericsson has conducted research on how the Information and Communication Technology (ICT) sector impacts the environment and society. The Company collaborates with universities and businesses and published research in peer-reviewed articles in scientific journals, reports and at conferences. Furthermore, Ericsson Research has also focused on how the Company's products can be deployed in society through partnerships to further enable global greenhouse gas emissions reductions.

Climate action is one of the workstreams under the Company's Circular Economy and Sustainability Program established in 2019. This work is designed to create a systematic connection on Ericsson's internal work to continue defining and executing on its long-term climate targets as well as to improve Ericsson's reporting on own activities, see page 191.

### Climate advocacy for a 1,5°C future

The Paris Agreement, supported by Ericsson in 2016, together with scientific reports from IPCC, articulate the need for further actions to limit the global warming to 1,5°C above pre-industrial levels. Based on this, in 2017 Ericsson set emission reduction targets that were recognized by the Science Based Targets initiative (SBTi).

In 2019, to show further commitment, Ericsson's President and CEO signed the Business Ambition for 1,5°C – pledge by UN Global Compact and their campaign 'Business Ambition for 1,5°C – Our Only Future'.

Furthermore, in 2019 Ericsson was an active contributor to the SBT Initiative and the development of a 1,5°C aligned trajectory for the ICT sector, which would help ICT companies to set 1,5°C targets and support a fast decarbonization of the sector. This work is performed in collaboration with the International Telecommunication Union (ITU), Global System Mobile Association (GSMA) and Global Enabling Sustainability Initiative (GeSI).

As shown by research conducted by Ericsson and Telia Company, the ICT sector is the world's largest purchaser of renewable energy. However, since the major part of the sector's life-cycle footprint is associated with the use of energy, the switch to renewable supply is key to further reduce the sector's carbon footprint.

### The Exponential Roadmap

During 2019, the second report of the Exponential Roadmap was launched in conjunction to the UN Climate Action Summit and was developed by leading organizations together with Ericsson. The Roadmap shows that there are 36 existing solutions across sectors that can be scaled globally to help halve global greenhouse gas emissions by 2030. To enable this, the Exponential Roadmap identifies four levers required to scale the transformation as well as necessary actions and strategies

for each: policy, climate leadership and movements, finance as well as exponential technology. The report further states that ICT solutions could directly reduce carbon emissions by up to 15% in other industries by 2030 and indirectly support a further reduction of 35% through influence of consumer and business decisions and systems transformation.

### 1.5 Business playbook

As a spin off from the Exponential Roadmap initiative, Ericsson also supported the development of the first 1,5°C Business playbook for exponential climate action. The Playbook provides a framework on how companies and organizations of all sizes can fully integrate climate action in their business strategies and reach net-zero emissions.

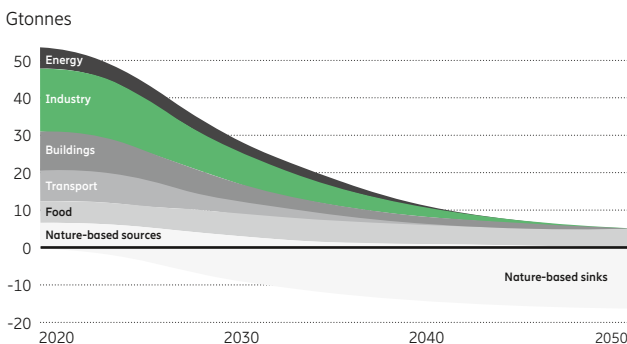
### Ericsson carbon neutral by 2030

In 2019, Ericsson made further commitment to climate action by setting a target to be carbon neutral by 2030 in its own operations including fleet vehicles (Scope 1) and facility energy usage (Scope 1 and Scope 2). Scope definition according to the GHG Protocol Corporate Standard.

#### Main risks include:

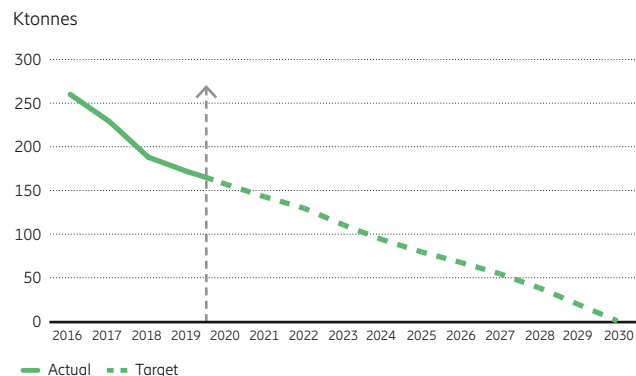
- Difficulty to estimate the future impact of climate change and extreme weather events.

### Exponential climate action<sup>1)</sup>



<sup>1)</sup> The Figure was developed and published by the Exponential Roadmap and 1.5°C Business Playbook initiative. It shows the exponential trajectory of both, emission reductions per sector and the carbon sequestration to limit global warming to 1.5°C.

### Ericsson own operations carbon neutral target<sup>2)</sup>



<sup>2)</sup> Ericsson's own operations including fleet vehicles (S1) and facility energy usage (S1 and S2).

## Ericsson’s own activities

Within Ericsson’s own activities, the Company reports on carbon emissions<sup>1)</sup> from facility energy usage, fleet vehicles, product transportation and business travel. Emissions are reported in line with the Greenhouse Gas Protocol. Decarbonization of the Company activities remain a key priority and actions to reduce emissions are coordinated through the Climate action workstream within Ericsson’s Circular Economy and Sustainability Program.

### Performance and activities

The Company’s Science Based Target (SBT) of 35% emission reduction from its own activities by 2022 is consistent with reductions required to limit warming to 1,5°C trajectory according to SBT Initiative.

In absolute terms, during 2019, the Company achieved a reduction of approximately 133 ktonnes of carbon emissions compared to baseline of 2016, which represents a 24% reduction.

### Facility energy

There was an overall reduction of carbon emissions, from 145 ktonnes in 2018 to 135 ktonnes in 2019, derived from facility energy usage in Ericsson’s real estate portfolio (offices, production sites, data centers and test labs), representing approximately 7% reduction compared to 2018. We prioritize the procurement of renewable energy in our facilities in markets where available. Green electricity amounts to 58% of the total electricity consumption.

Compared to 2018, the real estate portfolio has, during 2019, been reduced to over 12% in total square meters. Together with a reduction in the average workforce, this had a direct impact on the energy consumption which supports emission reductions within the global real estate portfolio.

The Company’s global facility management providers are now servicing the Global Portfolio and have agreed targets to further reduce the energy consumption for office related operations.

In 2019, Ericsson announced its plan to open a smart factory in Lewisville, US in 2020. The factory is designed to be up to 28% more energy efficient than a comparable factory in the US, implementing innovative energy saving technologies such as friction-free magnetic levitation refrigeration and thermal energy storage banks. Ericsson is pursuing LEED Gold and LEED Zero Carbon certifications for the facility, which will make it the first Ericsson factory globally to achieve this distinction.

### Fleet vehicles

In 2019, Ericsson’s fleet vehicle included over 6,600 cars. The carbon emissions related to fleet vehicles for 2019 was 38 ktonnes, resulting in a 12% reduction from 2018. Ericsson’s goal is to continue to reduce carbon emissions per kilometer which can be achieved by using its vehicles in a more efficient way, for example, by implementing telematics and trialing alternative fuels.

### Product transportation

In 2019, the carbon emissions for product transportation was 139 ktonnes, which was 76 ktonnes lower than in 2018. This considerable decrease in emissions resulted from a reduction in using air freight transportation for components, which was high in 2018 due to component shortages. Further efforts have been made to increase the use of surface based transportations. Furthermore, Ericsson has continued to implement its Transportation Management System (TMS), which is designed to enhance the consolidation, control and planning of transports with the aim to reduce costs and environmental impact.

### Business travel

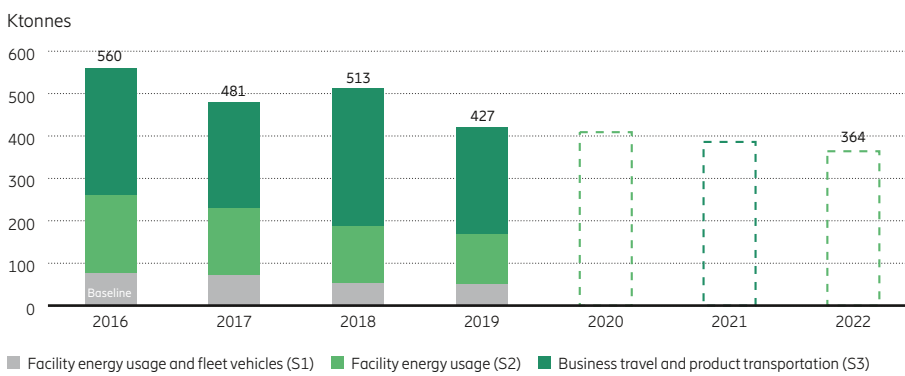
The carbon emissions from business travel in 2019, were 114 ktonnes which corresponds to an increase of 4% from 2018.

#### Main risks include:

- New or changes in stakeholders or regulatory environment requirements related to Ericsson’s own activities.
- Absence of scalable sustainable solutions in some regions could adversely impact Ericsson’s own activities strategy and target fulfillment.

<sup>1)</sup> For the purpose of this report, carbon emissions is used instead of carbon dioxide equivalents. Carbon dioxide equivalents (CO<sub>2</sub>e) is used to convert other emitted greenhouse gases’ global warming potential to a common metric, to understand their effect on the climate during a specific time period.

## Ericsson’s own activities <sup>2)</sup>, Carbon footprint target



<sup>2)</sup> Ericsson’s own activities including facility energy use (S1 and S2), fleet vehicles (S1), business travel (S3), and product transportation (excluding commuting, S3).

## Network energy performance

Energy use in network operation remains a priority for Ericsson and its customers. Increased energy performance of Ericsson’s products and solutions offering is a key enabler to lower customers’ total cost of ownership and network related carbon footprint. The Company is committed to develop innovative products and solutions that enable the mobile industry to meet current and future traffic demands while simultaneously addressing the energy consumption and climate challenge.

Ericsson’s work with network energy performance (including energy efficiency and absolute energy consumption) is one of the workstreams within its Circular Economy and Portfolio Sustainability program, which includes representatives from Business Areas and other relevant organizations.

### 5G – the most energy efficient standard yet

Ericsson has long been driving efficient energy performance as one of the key requirements in standardization and development. 5G is designed to enable high performance and low network energy consumption. Key technical enablers for better energy performance are ultra-lean design and Massive MIMO. Ultra-lean design allows the mobile system to more effectively use smart sleep modes during periods of low load. Massive MIMO extends the coverage area, provides higher capacity and speed, and therefore allows the system to faster return to a state of low load.

### From vision to reality

There are concerns in the industry that 5G will increase the total network energy use, based on the fact that each new mobile network generation historically has entailed a rise in energy consumption. To address this concern, Ericsson developed in 2016 a vision to break the increasing energy curve, presenting a structured approach to reduce the energy consumption of mobile networks.

The shift to 5G brings an opportunity for our customers to efficiently address the overall energy cost of the existing network by modernizing and replacing old equipment. The latest radio equipment also opens up for a more energy efficient way to aggregate standards, and sleep modes can be utilized more strategically. As telecom operators expand their 5G networks, deploying the right configurations are key to meet the traffic demands with both the lowest investment and energy consumption.

Among the efforts to make this vision a reality, the Company has been driving three product targets.

### Ericsson 5G energy performance target

One of the Company targets is that by 2022, Ericsson’s 5G product portfolio is ten times more energy-efficient, for the same transferred data, than 4G portfolio (baseline 2017) for an enhanced mobile broadband (eMBB) use case. Results from 2019 show that the Company’s current 5G radios are already approximately five times more energy-efficient.

### Targets on installed base modernization

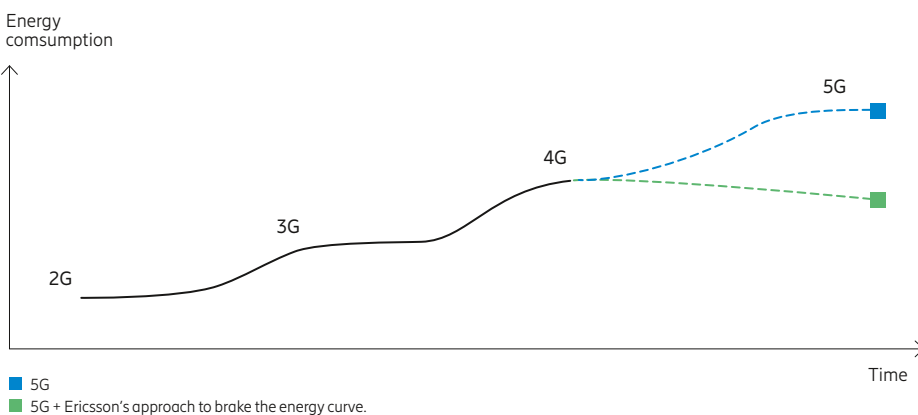
Ericsson believes that energy savings can be achieved by replacing less efficient equipment in a legacy network. Thus, the Company has set a target of 35% energy saving in Ericsson Radio System (ERS) versus the legacy portfolio by 2022 (baseline: RBS 6000, 2016 portfolio). This target has been approved by Science Based Target initiative. In 2019, the Company achieved a 32% energy saving from delivered ERS radios versus the legacy portfolio.

To help avoid the use of diesel generators on sites, Ericsson supports its customers to find economically viable renewable energy solutions where electricity grids are unreliable. To achieve this, a Company target was set in 2016 to innovate making renewable energy sources economically feasible in 25% of a total installed base by 2020. In 2019, Ericsson concludes that this target has been achieved based on the improvements made on both its radio base stations and site management solutions.

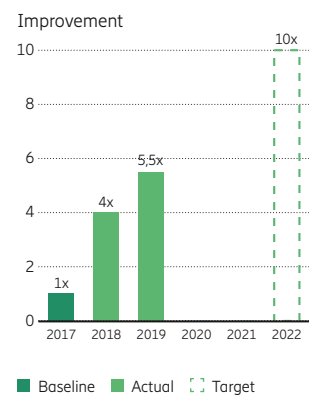
#### Main risks include:

- New or changes in stakeholders or regulatory environment requirements related to product energy consumption.

### Breaking the energy curve



### Ericsson 5G energy performance target



## Circular economy approach to design and material use

Efficient and sustainable use of materials is a topic with growing importance on a global level. Potential impacts are associated with resource exploitation such as mining of minerals and risks of pollution, as well as the increasing awareness related to the scarcity of raw materials used in Information and Communications Technology (ICT) solutions, such as rare earth metals. Additionally, requirements related to the content of substances in products are increasing worldwide. Waste from electrical and electronic equipment (e-waste) is one of the fastest growing waste streams in the world. Minimizing waste is key in a circular economy context, and regulatory frameworks in many countries are developing detailed standards and design requirements for recyclability, reuse and recovery.

For Ericsson, efficient and sustainable use of materials is based on a circular economy approach, including responsible materials selection and product design, effective reuse and efficient recycling. The work is based on more than 20 years of life-cycle assessments covering data on raw material extraction, design, manufacturing, transport, use of products and end-of-life management. Ericsson's sustainability strategy includes the development, manufacture and distribution of products where circular business models and materials efficiency are key.

Circular economy is one of the workstreams under the Company's Circular Economy and Sustainability Program established in 2019.

### Efficient use of raw materials

The use of materials involves both, risks, such as unwanted substance content as well as opportunities, such as innovative materials that can impact energy performance positively. Further on, there is an increased focus from stakeholders related to materials traceability

in the supply chain and product content knowledge to support circular economy agendas.

Environmentally conscious design has been an integrated part of the Ericsson product development process for over twenty years to ensure that requirements from regulators, standards and customers are implemented. To fulfill the Company's design requirements, secure compliance and enable substance phase-out, Ericsson requires its suppliers to adhere to the Ericsson List of Banned and Restricted Substances List and collects full material declarations from its component suppliers. Principles such as product durability, upgradability, reparability, serviceability and recyclability are an integrated part of the Ericsson product-design and life-cycle management processes.

Software installations can be done remotely. During 2019 Ericsson continued to launch new multi band radios. The hardware weight can be reduced by approximately 40% compared with a single band implementation.

In 2019 as part of the Company's Circular Economy and Sustainability Program, Ericsson initiated a workstream to further coordinate and drive design and material related topics in product development. This includes topics such as material content and selection to minimize unwanted substances and materials, material innovation aiming at new materials that can contribute to increased product energy performance and product modularity.

### Circular economy business transformation

Minimizing waste and increasing materials efficiency is a key factor in a circular economy context. Ericsson's strategy in this area includes reuse, refurbishment and sales of used equipment as well as exploration of new business models within circular economy.

### Producer responsibility

The Ericsson group take-back directive steers the Company's extended global producer responsibility for products that have reached their end-of-life stage. When end-of-life equipment is collected through the Product take-back program, Ericsson works to secure data-wiping, compliance with relevant legislation and the delivery of a certificate of destruction to its customers with the purpose to secure and fulfil any privacy and data-protection requirements.

In 2019 the total weight of retrieved equipment was over 8,400 metric tons. As equipment is the property of the customer, the take-back depends on customer management of used equipment. Ericsson believes that improving standards and handling of used equipment are important activities to reduce the risk of privacy breaches due to poor data-wiping and the uncontrolled recycling operations that causes environmental harm. This trend is further enhanced by the drive for a more circular economy approach in the industry.

#### Main risks include:

- Materials scarcity and regulatory requirements may impact supplier ability to deliver components.
- Ericsson products, at the end-of-life stage, not entering its Product take-back program may end up in poorly managed waste treatment.
- Regulatory and customer requirements related to circularity may impact Ericsson's product design and product development strategies.

During the year, the Company launched Ericsson Refurbished Spares, a commercial offering focusing on buy-back, refurbishment and re-use of spare parts from used equipment, to create both customer and sustainability value. Ericsson refurbished spares' quality is comparable to new ones and supports a more efficient way to utilize materials in a circular approach.



## Digital inclusion



For more than a century, Ericsson's technologies have transformed sectors across society. The Company remains committed to leading this journey and believes that deployment of mobile broadband networks can help tackle a range of global challenges.

Ericsson continues to research and develop products and services that support and reach for the accessibility and affordability of com-

munication infrastructure by offering services that drive sustainable economic growth and innovative solutions across areas such as education, financial services, health and humanitarian response.

The Company believes that partnerships are at the heart of the Sustainable Development Goals, and public-private partnerships play a key role in Ericsson's approach to

sustainability and digital inclusion. Ericsson drives two public-private partnership programs globally: Connect to Learn and Ericsson Response.

The Company leverages employee and customer engagement to demonstrate the positive impacts of technology in society.

## Digital inclusion

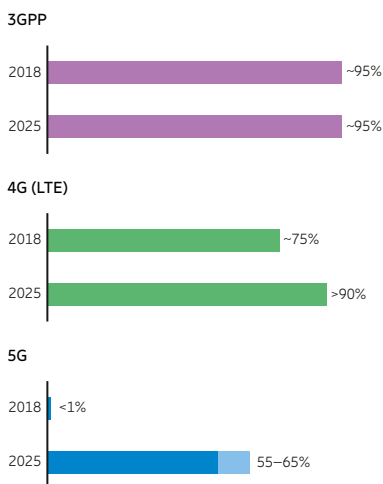
### Access to mobile broadband

Access to mobile broadband for all offers unprecedented opportunities to improve social inclusion, sustainable innovation, economic growth and productivity. The rapid development in society through digitalization depends both on mobile broadband coverage in densely as well as on sparsely populated areas.

However, as stated in the UN Human Development Report 2019, lack of broadband coverage and technological advances such as machine learning and artificial intelligence, can leave behind entire groups of people or even countries, creating the spectre of an uncertain future under these shifts. Over 40% of the world's population lacks internet access.

Year on year, the number of subscribers that get access to internet through Ericsson's mobile broadband solutions has increased with approximately 115 million.

### World population coverage by technology<sup>1,2)</sup>



<sup>1)</sup> Source: Ericsson Mobility Report November 2019.

<sup>2)</sup> The figures refer to coverage of each technology. The ability to utilize the technology is subject to factors such as access to devices and subscriptions.

Momentum continues in the build-out of 4G (LTE) networks and global population coverage is forecasted to reach over 90% in 2025, see graph in this page.

### Solutions for sustainable economic growth

There is evidence that mobile broadband penetration contributes to Gross Domestic Product (GDP) growth. Ericsson has in previous years done a joint research project with Imperial College in London. Results show that, on average, a 10% increase in the mobile broadband adoption ratio causes a 0.8% increase in GDP. In 2019, a continuation of this cooperation focused on the correlation between Internet of Things (IoT) deployment and productivity as well as GDP.

One of the Company's solutions, the Ericsson Wallet Platform, allows users to transfer and withdraw money, paying merchants and utility providers. It also contributes to digital inclusion by enabling the usage of financial services like savings and loans in a more open, easy and accessible way.

### Advocacy

Through the Company's work in fora such as the Broadband Commission for Sustainable Development, the World Economic Forum, the Alliance for Affordable Internet and the Smart Africa Alliance, Ericsson aims to ensure that the benefits of broadband, which underpin achievement of the Sustainable Development Goals, are affordable and accessible to all. In these forums Ericsson advocates efforts such as spectrum policies and international investments as well as progress towards connecting the unconnected and exploring multi-stakeholder business initiatives to bridge the digital divide. Ericsson is also engaged in capacity development with partners like the Swedish International Development Cooperation Agency (SIDA) and SPIDER, one of the programs focusing on capacity building so that populations will have access to good quality and secure telephony and broadband services and communications.

### Partnerships for progress

Partnerships are at the heart of the Sustainable Development Goals, and public-private partnerships play a key role in Ericsson's approach to sustainability. The Company takes a proactive leadership role in a number of high-level forums and collaborates with a wide range of stakeholders to scale the impact of its sustainability efforts. Programmatically, Ericsson drives two public-private partnership programs: Connect to Learn and Ericsson Response.

Connect to Learn is Ericsson's flagship education program. Its purpose is to empower teachers, students and schools through ICT solutions to deliver a quality 21st century education, as well as providing young people worldwide with digital skills and prepare them for a 5G future.

Ericsson Response is the Company's global volunteer initiative, aimed at responding to human suffering caused by disasters. Together with partners, Ericsson uses its core competencies to provide communication and support to help humanitarian workers save lives and support communities affected by natural disasters.

The Company's Technology for Good employee volunteer program is being rolled-out step-wise globally and it has activated employees in more than 80 countries, with more than 2,600 registered employee volunteers on its platform. Employees engage in Connect to Learn and Ericsson Response as well as in different locally relevant initiatives.

#### Main risks include:

- Without policy frameworks in place supporting affordability and accessibility, new digital divides could emerge.

### Board of Directors

Stockholm, March 2, 2020

Telefonaktiebolaget LM Ericsson (publ)  
Org. no. 556016-0680



# Consolidated sustainability notes

## S1 Reported compliance concerns

Compliance concerns reported to Audit and Compliance Committee, received via Ericsson Compliance Line but also via certain other channels.

The category of reported compliance concerns is determined based on the most significant impact identified by Corporate Investigation's team. Categorization may be modified during an investigation as additional information related to the initial allegations is obtained.

### Reported compliance concerns (by category)

	2019	2018	2017	2016	2015
Fraud, corruption and regulatory breach (%)	35	29	26	29	16
Security (%)	6	2	3	1	10
Operations (%)	12	8	11	11	9
Human resources (%)	24	24	35	49	54
Conflicts of interest (%)	9	12	11	10	9
Sustainability (%)	0	0	0	0	1
Other (%)	15	23	14	0	1
<b>Total (No.)</b>	<b>538</b>	<b>445</b>	<b>412</b>	<b>145</b>	<b>116</b>

## S2 Sensitive business

### Number of cases reviewed in the sensitive business process

	2019	2018	2017	2016	2015
Cases approved	262	362	593	350	312
Cases approved with conditions	358	199	210	209	98
Cases rejected	31	26	43	45	28
<b>Total</b>	<b>651</b>	<b>587</b>	<b>846</b>	<b>604</b>	<b>438</b>

## S3 Information security and privacy

Information security and privacy incidents reported through Security Incidents Management System (SIMS).

### Number of incidents reported via SIMS<sup>1)</sup>

	2019	2018	2017	2016 <sup>2)</sup>	2015 <sup>2)</sup>
Critical	3	8	5	18	1
Major	30	51	54	82	91
Medium	1,233	887	963	852	1,120
Minor	2,574	2,366	2,213	1,573	1,612
<b>Total</b>	<b>3,840</b>	<b>3,312</b>	<b>3,235</b>	<b>2,525</b>	<b>2,824</b>

<sup>1)</sup> Excluding both canceled and unrelated incidents reported.

<sup>2)</sup> Only information security incidents reported through SIMS.

## S4 Diversity

### Employee diversity – female representation

%	2019	2018	2017	2016	2015
Overall workforce	25	23	25	23	22
Line manager	20	20	20	20	18
Executive Team	20	27	31	35	31
Board of Directors	42	23	48	40	36

## S5 Occupational health and safety

Number of occupational health and safety fatalities and major incidents reported via Ericsson Global Incident Reporting Tool (GIRT) by geography.

Ericsson suppliers are to report occupational health and safety incidents that occur during the operations on behalf of Ericsson, according to binding OHS requirements via GIRT.

### Number of fatalities

#### Ericsson employees

	2019	2018	2017	2016	2015
South East Asia, Oceania and India	0	0	0	0	0
North East Asia	0	0	0	0	0
North America	0	0	0	0	0
Europe and Latin America	0	0	0	0	0
Middle East and Africa	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### Supply chain and public

	2019	2018	2017	2016	2015
South East Asia, Oceania and India	2	2	6	6	4
North East Asia	0	1	1	2	0
North America	1	0	0	0	0
Europe and Latin America	7	3	6	6	4
Middle East and Africa	1	8	10	3	19
<b>Total</b>	<b>11</b>	<b>14</b>	<b>23</b>	<b>17</b>	<b>27</b>

### Number of major incidents<sup>3)</sup>

#### Ericsson employees, supply chain and public

	2019	2018	2017	2016	2015
South East Asia Oceania and India	21	24	24	33	15
North East Asia	5	3	19	19	8
North America	29	5	4	4	2
Europe and Latin America	106	94 <sup>4)</sup>	147	115	94
Middle East and Africa	18	9 <sup>4)</sup>	19	15	49
<b>Total</b>	<b>179</b>	<b>135<sup>4)</sup></b>	<b>213</b>	<b>186</b>	<b>168</b>

<sup>3)</sup> Major incidents is defined as incident that results in more than 3 days lost work days.

<sup>4)</sup> Nominal discrepancies with previous reporting.

## S6 Environmental aspects

Ericsson uses life-cycle assessment (LCA) as input to identify significant environmental aspects and follows ISO 14040 and ISO 14044 standards for LCA.

Energy usage (facilities' energy use) (GWh) <sup>5)</sup>					
	2019	2018	2017	2016	2015
Electricity <sup>6)</sup>	588	634	704	788	759
Of which renewable	333	335	357	351	331
District heating	26	33	33	34	30
Other energy	50	49	45	60	81
<b>Total</b>	<b>665</b>	<b>716</b>	<b>782</b>	<b>882</b>	<b>870</b>

Energy intensity (GWh/SEK billion)					
	2019	2018	2017	2016	2015
<b>Total</b>	<b>2.9</b>	<b>3.4</b>	<b>3.9</b>	<b>4.0</b>	<b>3.5</b>

Business travel (Mpkm)					
	2019	2018	2017	2016	2015
Air travel	889	800	928	1,134	1,177
Road travel	60	57	55	71	91
Fleet vehicles	198	260	351	377	386
Commuting	360	370	415	440	448
<b>Total</b>	<b>1,507</b>	<b>1,487</b>	<b>1,749</b>	<b>2,022</b>	<b>2,102</b>

Product transportation (Mtonnekm)					
	2019	2018	2017	2016	2015
Air transport	175	295	161	178	231
Road transport	245	235	288	304	232
Sea transport	370	296	212	370	296
Rail transport	10	1	1	5	9
<b>Total</b>	<b>800</b>	<b>827</b>	<b>662</b>	<b>857</b>	<b>768</b>

## S7 Environmental impacts

Office and production sites waste management (Tonne)					
	2019	2018	2017	2016	2015
Recycling	4,900	3,510	4,465	5,060	6,180
Energy	2,300	2,861	2,943	3,990	3,610
Landfill	3,800	3,830	4,331	4,590	4,680
Hazardous	13	16	16	25	24
<b>Total</b>	<b>11,013</b>	<b>10,217</b>	<b>11,755</b>	<b>13,670</b>	<b>14,490</b>

Product take-back (including batteries) and end-of-life treatment					
	2019	2018	2017	2016	2015
Re-use (%)	2	0	0	0	0
Recycling (%)	91	93	94	93	95
Energy (%)	6	5	5	5	3
Landfill (%)	1	1	1	2	2
<b>Total (Tonne)</b>	<b>8,403</b>	<b>8,380</b>	<b>12,252</b>	<b>14,009</b>	<b>16,446</b>

Water consumption (Mm <sup>3</sup> )					
	2019	2018	2017	2016	2015
<b>Total</b>	<b>1.5</b>	<b>1.6</b>	<b>1.8</b>	<b>2.7</b>	<b>2.5</b>

<sup>5)</sup> Numbers reflect measurements on real estate contracted floor area (80%), electricity consumption (90%) and reported emission (85%) and extrapolation to cover 100% of Ericsson's activities.

<sup>6)</sup> District cooling converted into electricity.

## S8 Green House Gas Emissions (CO<sub>2</sub>e)

Ericsson measures CO<sub>2</sub>e in all Scope categories (1, 2 and 3). Additionally, the Company submits its performance to CDP's signatory investors.

Ericsson own activities (direct and indirect) (Ktonne)					
	2019	2018	2017	2016	2015
<b>Total</b>	<b>487</b>	<b>575</b>	<b>550</b>	<b>633</b>	<b>675</b>

Direct (Ktonne)					
	2019	2018	2017	2016	2015
Facilities' energy use (S1)	11	11	14	14	18
Fleet vehicles (S1)	38	43	59	61	64
Facilities' energy use (S2)	124	134	156	185	183
<b>Total</b>	<b>174</b>	<b>188</b>	<b>229</b>	<b>260</b>	<b>266</b>

Indirect (Ktonne)					
	2019	2018	2017	2016	2015
Business travel (S3) <sup>7)</sup>	114	110	123	154	163
Product transport (S3)	139	215	129	146	172
Commuting (S3)	60	61	69	73	75
<b>Total</b>	<b>314</b>	<b>386</b>	<b>320</b>	<b>373</b>	<b>410</b>

Other indirect (Mtonne)					
	2019	2018	2017	2016	2015
Use of sold products.					
Products in operation (S3)	33	32	34	34	30
<b>Total</b>	<b>33</b>	<b>32</b>	<b>34</b>	<b>34</b>	<b>30</b>

S1, S2 and S3 stand for GHG Protocol Scope 1, Scope 2 and Scope 3.

CO<sub>2</sub>e is the amount of a particular greenhouse gas, expressed as the amount of carbon dioxide that gives the same greenhouse effect.

### Emission factors used in the consolidation

Aspect	Emission factor	Source/Comments
Electricity	Country specific for supply mix (location based) and residual mix (market based)	International Energy Agency (IEA), US Energy Information Administration (EIA), European Residual Mixes 2018 Association of Issuing Bodies (AIB)
Green electricity	0 kgCO <sub>2</sub> /kWh	Scope 2
District heating, other regions	0.2 kgCO <sub>2</sub> /kWh	Country-specific
District heating, Sweden	0.074 kg CO <sub>2</sub> /kWh	Site-specific from district heating suppliers
Air travel	0.11 kgCO <sub>2</sub> /pkm	GHG protocol for long/medium air travel. DEFRA GHG indicators for long air travel.
Car travel	0.165 kgCO <sub>2</sub> /pkm	European Federation for Transport and Environment AISBL
Air transport	0.65 kgCO <sub>2</sub> /tonnekm	
Road transport	0.066–0.08 kgCO <sub>2</sub> /tonnekm	Emission factors are averages provided by Ericsson's Logistic Service Providers.
Sea transport	0.012 kgCO <sub>2</sub> /tonnekm	
Rail transport	0.029 kgCO <sub>2</sub> /tonnekm	

<sup>7)</sup> Excluding fleet vehicles (Scope 1).

## Auditor's Assurance Report on the Sustainability and Corporate Responsibility Report and statement on the statutory sustainability report

*To the general meeting of the shareholders in Telefonaktiebolaget LM Ericsson, corporate identity number 556016-0680.*

### Introduction

We have been engaged by the Board of Directors and Executive Management of Telefonaktiebolaget LM Ericsson (publ) ("Ericsson") to undertake an assurance engagement of the Ericsson Sustainability and Corporate Responsibility Report 2019. The company has defined the scope of its sustainability report on page 41, which also constitutes Ericsson's statutory sustainability report.

### Responsibilities of the Board and Management

The Board of Directors and Executive Management are responsible for the preparation of the Sustainability and Corporate Responsibility Report, including the statutory sustainability report, in accordance with the applicable criteria, and the Annual Accounts Act. The criteria presented on page 173, consist of the parts of the GRI Sustainability Reporting Standards, which are applicable to the Sustainability Report, and the accounting and calculation principles that Ericsson has developed. This responsibility includes the internal control relevant to the preparation of a sustainability report that is free from material misstatement, whether due to fraud or error.

### Responsibilities of the auditor

Our responsibility is to express a conclusion on the Sustainability and Corporate Responsibility Report based on the procedures we have performed and to provide a statement on the statutory sustainability report. Our assignment is limited to the historical information that is presented and thus does not include future-oriented information.

We conducted our engagement in accordance with ISAE3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information, as well as AA1000AS (2018) issued by AccountAbility (type 2 engagement). The assurance engagement includes limited assurance on the complete Sustainability and Corporate Responsibility Report, and an audit of CO<sub>2</sub>e emissions data regarding Ericsson's own activities on page 197. The objective of an audit is to obtain reasonable assurance that the information is free of material misstatements. A reasonable assurance engagement includes examining, on a test basis, evidence supporting the selected information in the Sustainability and Corporate Responsibility Report. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability and Corporate Responsibility Report, and applying analytical and other limited assurance procedures. We conducted our examination of the statutory sustainability report in accordance with RevR 12, Auditor's report on the statutory sustainability report. A limited assurance engagement and an examination according to RevR 12 have a different focus and a considerably smaller scope compared to the focus and scope of an audit in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden.

The audit firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent in relation to Ericsson according to generally accepted auditing standards in Sweden and have fulfilled our professional ethics responsibility according to these requirements. Our assurance engagement has been performed by a multidisciplinary team specialized in reviewing economic, environmental and social issues in sustainability reports, and with experience from the Information and Communication Technology (ICT) sector.

The procedures performed in a limited assurance engagement and examination according to RevR 12 do not allow us to obtain such assurance that we become aware of all significant matters that could have been identified if an audit was performed. The stated conclusion based on a limited assurance and review in accordance with RevR 12, therefore, does not have the security that the conclusion of our reasonable assurance procedures. Since this assurance engagement is combined, our conclusions regarding the reasonable assurance, the limited assurance and the review according to RevR12 will be presented in separate sections.

Our procedures are based on the applicable criteria defined by the Board of Directors and the Executive Management, as described above. We consider these criteria suitable for the preparation of the Sustainability and Corporate Responsibility Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions below.

**Conclusions**

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability and Corporate Responsibility Report is not prepared, in all material respects, in accordance with the applicable criteria, including adherence to the AA1000AP (2018) principles inclusivity, materiality, responsiveness, and impact.

In our opinion, the selected information in the Sustainability and Corporate Responsibility Report which has been subject to our reasonable assurance procedures has, in all material respects, been prepared in accordance with the applicable criteria.

A statutory sustainability report has been prepared.

**Other information**

The following is other information that has not affected our conclusion above. According to AA1000AS (2018), we have included observations and recommendations for improvements in relation to adherence to the AA1000AP (2018) principles:

**Regarding inclusivity**

We recognize that Ericsson has a clear commitment from management to be accountable to stakeholders, actively seeking engagement with and input from key stakeholders to further develop the company's approach to sustainability and corporate responsibility. We understand that Ericsson is evaluating improved metrics to better be able to measure the effectiveness, outcomes and impact of stakeholder engagement, and we encourage Ericsson to continue this work. We have no other specific recommendations regarding inclusivity.

**Regarding materiality**

We can confirm that Ericsson has a well-established process in place for making relevant and comprehensive assessments of material sustainability and corporate responsibility topics. This process has also been applied at business area level, and in 2019 was extended to the market areas, focusing on the perceptions of customers and governments. As in previous years, Ericsson has administered a group-wide survey to gather input on material topics from employees, also contributing to raising awareness on sustainability and corporate responsibility in the company. We have no specific recommendations regarding materiality.

**Regarding responsiveness**

We appreciate that Ericsson is attentive to stakeholder concerns and works systematically in responding to stakeholder input. We have interviewed selected Ericsson stakeholders to assess the perceived level of responsiveness, and these stakeholders all confirm that Ericsson addresses their key concerns and expectations in ongoing dialogues and through the annual Sustainability and Corporate Responsibility Report. We have no specific recommendations regarding responsiveness.

**Regarding impact**

We recognize that Ericsson is well aware of the nature of the company's direct and indirect impacts on stakeholders and society, and is continuously developing processes and procedures to assess, measure and manage these impacts. One area that requires more attention from all global companies is climate change, Ericsson has set science based targets and actively contributed to development of a 1.5°C trajectory for the ICT sector and in 2019 set a target to be carbon neutral by 2030. We encourage Ericsson to continue its efforts to mitigate and adapt to climate change, and also report on climate-related risks in line with established frameworks.

Stockholm, March 2, 2020

**PricewaterhouseCoopers AB**

**Bo Hjalmarsson**  
Authorized Public Accountant

**Fredrik Ljungdahl**  
Sustainability Assurance  
Specialist Member of FAR

# Ten-year summary – Non-financial information

For additional information, see Consolidated non-financial statements and notes (pages 196–197).

Ten-year summary	2019	Change
<b>Number of employees</b>		
Headcount at year-end	99,417	4%
Average	94,503	–3%
Temporary employees	582	4%
Employees who have left the Company	11,078	–33%
Employees who have joined the Company	15,136	34%
<b>Employee diversity by age at year-end (%)</b>		
Under 25 years old	3%	0%
25–35 years old	35%	–3%
36–45 years old	32%	0%
46–55 years old	22%	0%
Over 55 years old	8%	14%
<b>Employee diversity – female representation (%)</b>		
Overall workforce	25%	9%
Line manager	20%	0%
Executive team	20%	–26%
Board of directors	42%	83%
<b>Number of reported compliance concerns</b>		
Total reported compliance concerns	538	21%
<b>Number of cases reviewed in the Sensitive Business process</b>		
Cases approved	262	–28%
Cases approved with conditions	358	80%
Cases rejected	31	19%
Total cases reviewed in the sensitive business process	651	11%
<b>Number of information security and privacy incidents reported</b>		
Incidents reported	3,840	16%
<b>Occupational health and safety</b>		
Number of fatalities – Ericsson employees	0	0%
Number of fatalities – Supply chain and public	11	–21%
Number of major incidents – Ericsson employees, supply chain and public	179	33%
<b>Environmental aspects</b>		
Energy consumption – Electricity (facilities' energy use) (GWh)	588	–7%
of which renewable (facilities' energy use) (GWh)	333	–1%
Energy consumption – District heating (facilities' energy use) (GWh)	26	–21%
Energy consumption – Other energy (facilities' energy use) (GWh)	50	2%
Total energy consumption – Electricity, district heating and other energy (facilities) (GWh)	665	–7%
Energy intensity (GWh/SEK Billion)	2.9	–15%
Business travel – Fleet vehicles (Mpkm)	198	–24%
Business travel – Air and road travel and commuting (Mpkm)	1,309	7%
Product transportation – Air, road, sea and rail transport (Mtonnekm)	800	–3%
Total water consumption (Mm <sup>3</sup> )	1.5	–6%
<b>Environmental impacts</b>		
Office and production sites waste management – Recycling (%)	44.5%	29%
Office and production sites waste management – Energy (%)	21%	–25%
Office and production sites waste management – Landfill (%)	34.5%	–8%
Office and production sites waste management – Hazardous (%)	0.2%	0%
Total office and production sites waste management (Tonne)	11,013	8%
Total product take-back (including batteries) and end-of-life treatment (Tonne)	8,403	0%
<b>Green House Gas Emissions (CO<sub>2</sub>e)</b>		
Facilities' energy use (S1) (Ktonne)	11	0%
Fleet vehicles (S1) (Ktonne)	38	–12%
Facilities' energy use (S2) (Ktonne)	124	–7%
Business travel (S3) (Ktonne)	114	4%
Product transport (S3) (Ktonne)	139	–35%
Use of sold products. Products in operation (S3) (Mtonne)	33	3%

<sup>1)</sup> Nominal discrepancies with previous reporting.

	2018	2017	2016	2015	2014	2013	2012	2011	2010
	95,359	100,735	111,464	116,281	118,055	114,340	110,255	104,525	90,261
	97,843	107,369	114,302	119,718	117,156	116,630	112,758	103,130	91,825
	560	676	1,142	1,413	776	493	766	901	978
	16,630	21,791	18,998	16,610	15,536	13,025	12,280	10,571	10,066
	11,254	11,062	15,048	14,836	19,251	17,110	18,010	24,835	17,834
	3%	4%	4%	4%	5%	4%	8%	8%	6%
	36%	37%	38%	40%	39%	39%	36%	36%	35%
	32%	32%	31%	31%	32%	33%	33%	34%	37%
	22%	21%	20%	19%	19%	18%	18%	17%	18%
	7%	7%	6%	6%	6%	5%	5%	4%	5%
	23%	25%	23%	22%	22%	21%	22%	22%	22%
	20%	20%	20%	18%	19%	18%	18%	18%	18%
	27%	31%	35%	31%	29%	29%	29%	29%	14%
	23%	48%	40%	36%	30%	25%	27%	20%	33%
	445	412	145	116	76	70	16	7	–
	362	593	350	312	214	183	–	–	–
	199	210	209	98	85	24	–	–	–
	26	43	45	28	20	12	–	–	–
	587	846	604	438	319	219	–	–	–
	3,312	3,235	2,525	2,824	–	–	–	–	–
	0	0	0	0	1	0	1	1	–
	14	23	17	27	21	15	6	11	–
	135 <sup>1)</sup>	213	186	168	69	64	98	31	–
	634	704	788	759	761	845	808	830	650
	335	357	351	331	288	296	275	249	–
	33	33	34	30	36	47	56	60	93
	49	45	60	81	89	96	121	130	100
	716	782	882	870	886	988	985	1,020	843
	3.4	3.8	4.0	3.5	3.9	4.3	4.3	4.5	4.1
	260	351	377	386	411	390	339	–	–
	1,227	1,398	1,645	1,716	1,943	1,827	1,689	1,904	1,640
	827	662	857	768	836	872	1,215	993	661
	1.6	1.8	2.7	2.5	2.3	2.4	1.8	1.8	1.6
	34.4%	38.0%	37.0%	42.7%	45.2%	37.4%	45.7%	52.5%	46.5%
	28.0%	25.0%	29.2%	24.9%	28.1%	32.4%	33.5%	27.1%	27.7%
	37.5%	36.8%	33.6%	32.3%	25.3%	28.0%	18.3%	17.4%	21.4%
	0.2%	0.1%	0.2%	0.2%	0.3%	0.9%	2.4%	3.0%	4.5%
	10,217	11,755	13,670	14,490	18,100	16,100	29,512	31,045	23,863
	8,380	12,252	14,009	16,446	16,440	9,872	7,748	5,567	5,672
	11	14	14	18	20	20	30	32	30
	43	59	61	64	68	66	62	–	–
	134	156	185	183	210	270	263	228	174
	110	123	154	163	193	172	159	189	164
	215	129	146	172	204	229	326	370	229
	32	34	34	30	35	28	26	24	18

# Forward-looking statements

This Annual Report includes forward-looking statements, including statements reflecting management's current views relating to the growth of the market, future market conditions, future events, financial condition, and expected operational and financial performance, including, in particular the following:

- Our goals, strategies, planning assumptions and operational or financial performance expectations
- Industry trends, future characteristics and development of the markets in which we operate
- Our future liquidity, capital resources, capital expenditures, cost savings and profitability
- The expected demand for our existing and new products and services as well as plans to launch new products and services including research and development expenditures
- The ability to deliver on future plans and to realize potential for future growth
- The expected operational or financial performance of strategic cooperation activities and joint ventures
- The time until acquired entities and businesses will be integrated and accretive to income
- Technology and industry trends including the regulatory and standardization environment in which we operate, competition and our customer structure.

The words "believe", "expect", "foresee", "anticipate", "assume", "intend", "likely", "projects", "may", "could", "plan", "estimate", "forecast", "will", "should", "would", "predict", "aim", "ambition", "seek", "potential", "target", "might", "continue", or, in each case, their negative or variations, and similar words or expressions are used to identify forward-looking statements. Any statement that refers to expectations, projections or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements.

We caution investors that these statements are subject to risks and uncertainties many of which are difficult to predict and generally beyond our control that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements.

Important factors that could affect whether and to what extent any of our forward-looking statements materialize include but are not limited to the factors described in the section Risk Factors.

These forward-looking statements also represent our estimates and assumptions only as of the date that they were made. We expressly disclaim a duty to provide updates to these forward-looking statements, and the estimates and assumptions associated with them, after the date of this Annual Report, to reflect events or changes in circumstances or changes in expectations or the occurrence of anticipated events, whether as a result of new information, future events or otherwise, except as required by applicable law or stock exchange regulation.

