ERICSSON

Item 21 Resolution on proposal of new Guidelines for remuneration to Group management

Guidelines for Remuneration to Group Management

The Board of Directors proposes that the AGM 2023 resolves on the following guidelines for remuneration to group management. In comparison with the guidelines decided by the AGM 2020, the guidelines have been updated in order to:

- Adapt the guidelines to ensure the Company's business strategies and ways of working can be supported through the lifecycle of the guidelines;

- Clarify the mandate for the Board of Directors and Remuneration Committee to define meaningful short-term variable compensation ("STV") targets linked to the business plan. This enables STV targets to be defined and weighed differently for different parts of the business given the phase in the business lifecycle they are in as required by the business strategy. Therefore, detailed requirements for mandatory weighting and definition of STV targets has been removed;

- Enable for the Board of Directors to potentially include STV in the remuneration package of the President and CEO. Any inclusion of STV for the future or current President and CEO will take into account the aggregated target opportunity of long-term variable compensation programs and STV; and

- Broaden the pension guidelines for Swedish members of the group management by removal of specific wordings related to the Swedish collective pension plan ITP1, to accommodate for potential future changes in collective pension plans and to allow for supplementary pension contributions or supplementary cash pension allowance, in excess of any caps of pension contributions allowed under collective pension plans.

Introduction

These Guidelines for Remuneration to Group Management (the "Guidelines") apply to the Executive Team of Telefonaktiebolaget LM Ericsson (the "Company" or "Ericsson"), including the President and Chief Executive Officer (the "President and CEO") ("Group Management"). These Guidelines apply to remuneration agreed and changes to previously agreed remuneration after the date of approval of the Guidelines and are intended to remain in place for four years until the Annual General Meeting of shareholders 2027. For employments outside of Sweden, due adaptations may be made to comply with mandatory local rules or established local practices. In such cases, the overall purpose of these Guidelines shall be accommodated to the largest extent possible. These Guidelines do not cover remuneration resolved by the general meeting of shareholders, such as long-term variable compensation programs ("LTV").

Objective

These Guidelines aim to ensure alignment with the current remuneration philosophy and practices applicable for the Company's employees based on the principles of competitiveness, fairness, transparency, and performance. In particular to:

- attract and retain highly competent, performing, and motivated people that have the ability, experience, and skill to deliver on the Ericsson strategy;

- encourage behavior consistent with Ericsson's culture and core values;

- ensure fairness in reward by delivering total remuneration that is appropriate but not excessive, and clearly explained;

- have a total compensation mix of fixed pay, variable pay and benefits that is competitive where Ericsson competes for talent; and

- encourage variable remuneration which aligns employees with clear and relevant targets, reinforces their performance and enables flexible remuneration costs for Ericsson.

The Guidelines and the Company's strategy and sustainable long-term interest

A successful implementation of the Company's strategy and sustainable long-term interests requires that the Company can attract, retain, and motivate the right talent and can offer competitive remuneration. These Guidelines aim to allow the Company to offer the members of the Group Management attractive and competitive total remuneration. Variable compensation covered by these guidelines shall be awarded against specific pre-defined and measurable business targets derived from the short and long-term business plan approved by the Board of Directors. Targets will include financial targets at Group, Business Area and/or Market Area level. In addition, strategic targets, operational targets, employee engagement targets, customer satisfaction targets, sustainability and corporate responsibility targets or other lead indicator targets will be applied as deemed appropriate by the Remuneration Committee.

The Company operates long-term variable compensation programs for the Group Management as approved by the Annual General Meeting ("AGM"). Such decisions are not covered by these Guidelines. Details of Ericsson's current remuneration policy and how we deliver on our policy and guidelines and information on previously decided long-term variable compensation programs that have not yet become due for payment, including applicable performance criteria, can be found in the Remuneration Report and in Note G2, "Information regarding members of the Board of Directors, the Group management" and Note G3, "Share-based compensation" in the annual report.

Governance of remuneration to Group Management

The Board has established a Remuneration Committee (the "Committee") to handle compensation policies and principles and matters concerning remuneration to Group Management. The Board has authorized the Committee to determine and handle certain issues in specific areas. The Board may also on occasion provide extended authorization for the Committee to determine specific matters.

The Committee is authorized to review and prepare for resolution by the Board salary and other remuneration for the President and CEO. Further, the Committee shall prepare for resolution by the Board proposals to the AGM on Guidelines for Remuneration to Group Management at least every fourth year and on Long-term Variable compensation programs and similar equity arrangements.

The Committee has the mandate to resolve salary and other remuneration for the other members of Group Management except for the President and CEO, including targets for short-term variable compensation ("STV"), and payout of STV based on achievements and performance.

To conduct its responsibilities, the Committee considers trends in remuneration, legislative changes, disclosure rules and the general global executive remuneration environment. Before preparing salary adjustment recommendations for the President and CEO for resolution by the Board and approving any salary adjustments for the other members of Group Management the Committee reviews salary survey data, Company results and individual performance. No employee is present at the Committee's meetings when issues relating to their own remuneration are being discussed. Similarly, the President and CEO is not present at Board meetings when issues relating to the President and CEO's own remuneration are being discussed. The Committee may appoint independent expert advisors to assist and advise in its work.

The Chair of the Remuneration Committee along with the Chair of the Board work together with Ericsson's Investor Relations team, striving to ensure that healthy contact is maintained as necessary and appropriate with shareholders regarding remuneration to Group Management.

Overview of remuneration package covered by these Guidelines

For Group Management the remuneration package may consist of fixed salary, short-term and long-term variable compensation (STV and LTV), pension and other benefits.

Below are the key components of remuneration of Group Management covered by these Guidelines, including why they are used, their operation, opportunity levels and related performance measures. In addition, the AGM has resolved and may in the future decide to implement LTV for Group Management. The ongoing share-based LTV programs resolved by the AGM have been designed to provide long-term incentives for the members of Group Management and to incentivize the Company's performance creating long-term value. The aim is to attract, retain and motivate executives in a competitive market through performance-based share related incentives and to encourage the build-up of significant equity holdings to align the interests of the members of Group Management with those of shareholders. The vesting period under the ongoing share-based LTV programs resolved by the shareholders is three years and vesting is subject to the satisfaction of identified performance criteria. Although LTV is an important component of the remuneration of Group Management, it is not covered by these Guidelines, because these programs are resolved separately by the AGM.

Element and purpose

<u>Fixed salary</u>
Fixed compensation paid at set times.

Purpose:

- attract and retain the executive talent required to implement Ericsson's strategy
- deliver part of the annual compensation in a predictable format

Description
Salaries shall be set taking into account:

- Ericsson's overall business performance
- business performance of the Unit that the individual leads
- year-on-year performance of the individual
- external economic environment
- size and complexity of the position
- external market data
- pay and conditions for other employees based in locations considered to be relevant to the role.

When setting fixed salaries, the impact on total remuneration, including pensions and associated costs, shall be taken into consideration.

Element and purpose

Short-term variable compensation (STV)

STV is a variable compensation plan that shall be measured against targets derived from the business plan and paid over a single year.

Purpose:

- align members of Group Management with clear and relevant targets to Ericsson's strategy and sustainable long-term interests
- provide individuals an earning opportunity for performance at flexible cost to the Company

Description

The STV shall be paid in cash every year after the Committee and, as applicable, the Board have reviewed and approved performance against targets which are normally determined at the start of each year for each member of Group Management.

Target pay-out opportunity for any financial year may be up to 150 percent of annual fixed salary of the individual. This shall normally be determined in line with the external market practices of the country of employment. Maximum pay-out shall be up to two times the target pay-out opportunity (i.e., no more than 300 percent of annual fixed salary). Any existing long-term variable pay-opportunity should be taken into account when determining target opportunity for STV (and vice versa).

The STV shall be based on measures linked to the annual business plan and to Ericsson's long-term strategy and sustainability. Measures will include financial targets at Group, Business Area and/or Market Area level (for relevant members of Group Management). Other potential measures may include strategic targets, operational targets, employee engagement targets, customer satisfaction targets, sustainability and corporate responsibility targets or other lead indicator targets.

At the end of the performance period for each STV cycle, the Board and the Committee shall assess performance versus the measures and determine the formula-based outcome using the financial information made public by the Company for the financial targets when applicable.

The Board and the Committee reserve the right to:

- Revise any or all of the STV targets at any time
- Adjust the STV targets retroactively under extraordinary circumstances
- Reduce or cancel STV if Ericsson faces severe economic difficulties, for instance in circumstances as serious as no dividend being paid
- Adjust STV in the event that the results of the STV targets are not a true reflection of business performance
- Reduce or cancel STV for individuals either whose performance evaluation or whose documented performance feedback is below an acceptable level or who are on performance counselling

The Board and the Committee shall have the right in their discretion to:

- Deny, in whole or in part, the entitlement of an individual to the STV payout in case an individual has acted in breach of Ericsson's Code of Business Ethics
- Claim repayment in whole or in part the STV paid in case an individual has acted in breach of Ericsson's Code of Business Ethics
- Reclaim STV paid to an individual on incorrect grounds such as restatement of financial results due to incorrect financial reporting, non-compliance with a financial reporting requirement etc.

Element and purpose

<u>Pension</u>

Contributions paid towards retirement fund.

Purpose:

- Attract and retain the executive talent required to implement Ericsson's strategy
- Facilitate planning for retirement by way of providing competitive retirement arrangements in line with local market practices

Description

The operation of the pension plan shall follow competitive practice in the individual's home country and may contain various supplementary plans in addition to any national system for social security.

Pension plans should be defined contribution plans unless the individual concerned is subject to defined benefit pension plan under mandatory collective bargaining agreement provisions or mandatory local regulations.

For Group Management members in Sweden:

- Pension benefits shall be granted based on a defined contribution plan except where law or collective bargaining agreement require a defined benefit pension. The pensionable salary shall include fixed salary and, where required by law or collective bargaining agreement, any variable salary.
- A supplementary pension contribution can be paid amounting to a maximum of 35 percent of the fixed annual salary that exceeds any cap in collective pension plans, unless a higher percentage is obliged by law or collective bargaining agreement.
- The supplementary pension contribution can, as an alternative to a pension contribution, be exchanged for a cash payment provided that it is done in a way that is cost-neutral for the Company.

Members of Group Management employed outside of Sweden may participate in the local market competitive pension arrangements that apply in their home countries in line with what is offered to other employees in the same country.

In some special circumstances where individuals cannot participate in the local pension plans of their home countries of employment:

- Cash equivalent to pension may be provided as a taxable benefit, or
- Contributions may be made to an international pension fund on behalf of the individual on a cost-neutral basis

In all cases the annual pension contributions shall be capped at 70 percent of annual fixed salary.

Element and purpose

Other Benefits

Additional tangible or intangible compensation paid annually which do not fall under fixed salary, short-term and long-term variable compensation, or pension.

Purpose:

- Attract and retain the executive talent required to implement Ericsson's strategy
- deliver part of the annual compensation in a predictable format.

Description

Benefits offered shall consider the competitive practices in the individual's country of employment and should be in line with what is offered to other senior employees in the same country and may evolve year on year.

Benefits may for example include Company phones, Company cars, wellbeing assistance, medical and other insurance benefits, tax support, travel, Company gifts and any international relocation and/or commuting benefits if the individual is required to relocate and/or commute internationally to execute the requirements of the role.

Benefit opportunities shall be set in line with competitive market practices and shall reflect what is offered to other senior employees in the individual's country of employment.

The levels of benefits provided may vary year on year depending on the cost of the provision of benefits to the Company.

Other benefits shall be capped at 10% of annual fixed salary for members of Group Management located in Sweden.

Additional benefits and allowances for members of Group Management who are commuters into Sweden or who are on long-term assignment ("LTA") in countries other than their home countries of employment, shall be determined in line with the Company's international mobility policy which may include (but is not limited to) commuting or relocation costs; cost of living adjustment, housing, home travel or education allowance; tax and social security equalization assistance.

Consideration of remuneration offered to the Company's employees

When developing these Guidelines, the Board and the Committee have considered the total remuneration and employment conditions of the Company's employees by reviewing the application of Ericsson's remuneration policy for the wider employee population to ensure consistency.

There is clear alignment in the remuneration components for the members of Group Management and the Company's employees in the way that remuneration policy is applied as well as the methods followed in determining fixed salaries, short-term and long-term variable compensation, pension, and benefits, which are to be applied broadly and consistently throughout the Company. The targets under short-term variable compensation are similar and the performance measures under long-term variable compensation program are the same for the members of Group Management and other eligible employees of the Company. However, the proportion of pay that is linked to performance is typically higher for Group Management in line with market practice and the higher levels of total compensation applicable at that level.

Employment contracts and termination of employment

The members of Group Management are employed on permanent rolling contracts. The maximum mutual notice period is no more than 12 months. In case of termination by the employee, the employee has no right to severance pay.
In any case, the fixed salary paid during the notice period plus any severance pay payable will not together exceed an amount equivalent to the individual's 24 months fixed salary unless otherwise determined by local legislation or collective bargaining agreements.

The employee may be entitled to severance pay up until the agreed retirement age or, if a retirement age has not been agreed, until the month when the employee turns 65. In a case where the employee is entitled to severance pay from a date later than 12 months prior to retirement, the severance pay shall be reduced in proportion to the time remaining and calculated only for the time as of the date when the employee's employment ceases (i.e., the end of the period of notice) and until the time of retirement.

Severance pay shall be reduced by 50 percent of the remuneration or equivalent compensation the employee receives, or has become entitled to, from any other employer or from his/her own or other activities during the period that severance is paid to the employee by the Company.

The Company shall have the right to terminate the employment contract and dismiss the employee with immediate effect, without giving any advance notice and entitlement to severance pay, if the employee commits a serious breach of his/her obligations towards the Company.

Normally disputes regarding employment agreements or any other agreements concerning the employment of the members of Group Management, the way such agreements have been arrived at, interpreted, or applied, as well as any other litigation proceedings from legal relations based on such agreements, shall be settled by arbitration by three arbitrators in accordance with the Rules of the Arbitration Institute of the Stockholm Chamber of Commerce. Irrespective of the outcome of any arbitral award, the Company may, in the relation between the parties, carry all fees and expenses charged by the arbitrators and all of its own litigation costs (including attorney's fees), except in the event the arbitration proceedings were initiated by the employee without reasonable cause.

Recruitment policy for new members of Group Management

In determining the remuneration of a new member of Group Management, the Board and the Committee shall take into consideration all relevant factors to ensure that arrangements are in the best interests of the Company and its shareholders. These factors include:

- The role being taken on
- The skills, experience and caliber of the candidate
- The level and type of remuneration opportunity received at a previous employer
- The geography in which the candidate is being recruited from and whether any relocation allowance is required
- The circumstances of the candidate.
- The current external market and salary practice
- Internal relativities

Additional arrangements

By way of exception, additional arrangements can be made when deemed appropriate and necessary to recruit or retain an individual. Such arrangement could be in the form of short-term or long-term variable compensation or fixed component and can be renewed, but each such arrangement shall be limited in time and shall not exceed a period of 36 months and twice the annual fixed salary that the individual would have received if no additional arrangements were made. In addition, if appropriate, different measures and targets may be applied to the new appointment's incentives in the first year.

In addition, it may on a case-by-case basis be decided by the Board and the Committee respectively to compensate an individual for remuneration forfeited from a previous employer during recruitment. The Board and the Committee will consider on a case-by-case basis if all or some of the remuneration including incentives forfeited need to be 'bought-out'. If there is a buy-out of forfeited incentives, this will take into account relevant factors including the form they were granted (cash vs. shares), performance conditions attached to these awards and the time they would have vested/paid. Generally, buy-out awards will be made on a comparable basis to those forfeited.

In the event of an internal candidate being promoted to Group Management, legacy terms and conditions may be honored, including pension and benefit entitlements and any outstanding incentive awards. If a Group Management member is appointed following a merger or acquisition with/of another company, legacy terms and conditions may also be honored for a maximum period of 36 months.

Board of Directors' discretions

The Board upon recommendation from the Committee may in a specific case decide to temporarily deviate from these Guidelines in whole or in part based on its full discretion in unusual circumstances such as:

- upon change of the President and CEO,
- upon material changes in the Company structure, organization, ownership, and business (for example takeover, acquisition, merger, demerger etc.) which may require adjustments in STV and LTV or other elements to ensure continuity of Group Management, and
- in any other circumstances, provided that the deviation is required to serve the long-term interests and sustainability of the Company or to assure its financial viability.

The Committee is responsible for preparing matters for resolution by the Board, and this includes matters relating to deviations from these Guidelines. Any such deviation will be disclosed in the Remuneration Report for the relevant year.