Corporate governance is a generic term describing the ways in which rights and responsibilities are distributed among the various corporate bodies according to the rules, processes or laws they are subject to. In practice, corporate governance defines the decision-making systems and structure through which owners directly or indirectly control a company.

OUR COMMITMENT TO CORPORATE GOVERNANCE

At Ericsson we are committed to high standards of corporate governance and pride ourselves on how we conduct our business.

We have policies and directives that guide all employees in how to work to meet legal and regulatory requirements and the ethical standards that we set for ourselves. The Company’s reputation for integrity and good corporate citizenship stems from its core values of professionalism, respect and perseverance.

ERICSSON’S CORE VALUES

PROFESSIONALISM
- Listen – lead through innovation
- Keep commitments – be responsive
- Seek the truth – know your numbers

RESPECT
- Build strength through a shared vision
- Qualify everyday – generate energy
- Diversity as a strength – provide equal opportunities

PERSEVERANCE
- Lead change – shape the future
- Always deliver – walk the extra mile
- Trusted global partner for more than a century!

While these ideals and values are embedded in our ways of working, we know that controls and procedures are integral to maintaining our high standards and we are constantly seeking ways to make our corporate governance even more effective and reliable.

This Corporate Governance Report describes the corporate governance, direction and management of Ericsson, including information on how the Board of Directors ensures the quality of the financial reports and its interaction with Ericsson’s independent auditors. The auditors have not reviewed Ericsson’s Corporate Governance Report 2006. The report does not constitute a part of our formal annual report.

HIGH STANDARDS IN BUSINESS ETHICS

Our Code of Business Ethics sets out how we work to achieve and maintain our high standards.

This document has been translated into more than 20 languages to ensure that everyone who works for Ericsson understands our policies and directives and the importance of conducting all business activities in an ethical manner. We also arrange corporate governance training for executives so that they can reinforce the messages among Ericsson’s widespread workforce. All employees must regularly review the Code of Business Ethics and acknowledge that they have understood its principles. Our Code of Business Ethics satisfies the applicable requirements of the Sarbanes-Oxley Act of 2002 and NASDAQ. The Code can be found at: www.ericsson.com/ericsson/corporate_responsibility/employees/code_businessethics.shtml

Information on our website does not form part of this document.

The Code of Business Ethics has been translated into more than 20 languages.
COMPLIANCE WITH REQUIREMENTS

As a Swedish public limited liability company, Ericsson is governed on the basis of its Articles of Association and the Swedish Companies Act. We also comply with the listing requirements of the Stockholm Stock Exchange, including the Swedish Code of Corporate Governance ("the Code"). The Code is based on the "comply or explain" principle, which means that a company may deviate from individual rules but is required to explain why.

In addition, we comply with the listing requirements of the other stock exchanges we are listed on, that is the London Stock Exchange and NASDAQ. We also satisfy the applicable NASDAQ corporate governance requirements, subject to a few exemptions principally reflecting mandatory Swedish legal requirements, see "NASDAQ Corporate Governance Exemptions" below. Moreover, we comply with the applicable requirements of the Sarbanes-Oxley Act, including the certification of our Annual Report on the SEC’s (Securities and Exchange Commission’s) Form 20-F by the Chief Executive Officer and Chief Financial Officer. The Sarbanes-Oxley Act, commonly called SOX, is a United States federal law establishing, among other things, enhanced corporate governance standards and is applicable to Ericsson as we have securities quoted on NASDAQ.

Application of the Swedish Code of Corporate Governance

Ericsson has been applying the Code since July 2005. To ensure Ericsson’s compliance with the Code, our group steering documents and procedures have been evaluated and adapted to also reflect the requirements of the Code. Internal processes, such as reporting information on the corporate governance website, as well as procedures in connection with the Annual General Meeting of Shareholders, have likewise been adapted to meet the requirements of the Code.

Ericsson does not report any deviations from the Code in 2006.

CORPORATE BODIES IN CORPORATE GOVERNANCE

The governance and control of Ericsson is carried out through a number of corporate bodies.

At General Meetings of Shareholders, the shareholders exercise their voting rights with regard to, for example, the composition of the Board of Directors of Ericsson and election of external auditors.

A Nomination Committee proposes candidates to serve as Board members, the Board Chairman and external auditors.

The Board is responsible for Ericsson’s long-term development and strategy as well as controlling and evaluating the Company’s daily operations. In addition, the Board appoints the President of Ericsson, who is also the Chief Executive Officer (CEO). The duties of the Board are partly exercised through its three Committees; the Audit, Finance and Remuneration Committees.

The President and CEO is in charge of the day-to-day management of Ericsson in accordance with guidelines and instructions provided by the Board.

Ericsson reports three operating segments, Systems, Phones and Other Operations for the year ending December 31, 2006. The President and CEO is also head of the Systems segment, and the heads of the business units and market units in Systems report directly to him. The heads of the five units in Other Operations also report to the President and CEO.

For more information on general aspects of Swedish corporate governance, please refer to a memorandum “Special features of Swedish corporate governance” posted on the website of the Swedish Corporate Governance Board www.corporategovernanceboard.se. Information on this website does not form part of this document.
MEETINGS WITH THE SHAREHOLDERS

In accordance with the Swedish Companies Act and Ericsson’s Articles of Association, shareholders who exercise their voting rights at the Annual General Meeting determine the composition of the Board of Directors and all other issues voted on at General Meetings of Shareholders.

The Annual General Meeting is held in Stockholm, generally at the end of March or beginning of April. The exact date is advertised, along with the agenda and information on how shareholders can give notice of attendance, on Ericsson’s website and in the Swedish newspapers Svenska Dagbladet, Dagens Nyheter and Post- och Inrikes Tidningar, as well as in the European edition of Financial Times, as a courtesy to our shareholders abroad.

Shareholders who cannot participate in person may be represented by proxy (proxies are valid for a maximum of one year). To allow non-Swedish speaking shareholders to participate, the Annual General Meeting is simultaneously interpreted into English. All information material is also available in English.

Resolutions at General Meetings of Shareholders are normally passed by simple majority. However, the Swedish Companies Act requires special quorums and majorities in certain cases. At General Meetings of Shareholders each Class A share carries one vote and each Class B share one-tenth of one vote. For more information on the shares of Ericsson, please see “Share Information” in the Annual Report.

The Annual General Meeting offers shareholders the opportunity to raise questions regarding the Company and the results of the year under review. The members of the Board of Directors, the executive management as well as the external auditors are normally all present to answer such questions.

Shareholders and other interested parties can also correspond in writing with the Board of Directors or executive management at any time.

The Board of Directors’ Secretariat can be contacted by email at boardsecretariat@ericsson.com, or by post:
Telefonaktiebolaget LM Ericsson
The Board of Directors’ Secretariat
SE-164 83 Stockholm, Sweden

Ericsson’s Annual General Meeting 2006

1,106 shareholders, representing 57.4 percent of the votes and 30.9 percent of the capital of Ericsson, attended the Annual General Meeting held on April 10, 2006, at the Annex to the Globe Arena in Stockholm. Ericsson’s Board of Directors, Group Management and the external auditors, were present at the meeting. Decisions of the 2006 Annual General Meeting include:

- Re-election of Michael Treschow as Chairman of the Board of Directors, re-election of Marcus Wallenberg and election of Sverker Martin-Löf as Deputy Chairmen.
- Re-election of Sir Peter L. Bonfield, Ulf J. Johansson, Nancy McKinstry and Carl-Henric Svanberg as members of the Board of Directors and election of Börje Ekholm, Katherine Hudson and Anders Nyrén as new members of the Board of Directors.
- Resolution to adopt the Parent Company Income Statement.
and Balance Sheet and the Consolidated Income Statement and Balance Sheet.

• Discharge of liability of the members of the Board of Directors and the President for the fiscal year 2005.
• Resolution that a dividend of SEK 0.45 per share be paid for the year 2005.
• Resolution that the number of Board members be 10 with no deputies.
• Resolution that Board of Directors’ fees be paid as follows: Chairman SEK 3,750,000; other non-employed Board members SEK 750,000 each; in addition SEK 350,000 to the Chairman of the Audit Committee and SEK 250,000 each to the other two non-employed members of the Audit Committee; and SEK 125,000 each to the Chairmen and other non-employed members of the Finance and Remuneration committees.
• Approval of the Nomination Committee’s proposals for the procedure for appointing the members of the Nomination Committee and the assignment of the Nomination Committee.
• Amendments of the Articles of Association to reflect the new Swedish Companies Act that came into effect on January 1, 2006.
• Approval of the principles on remuneration and other employment terms for Ericsson’s top executives.
• Resolution to implement a Long-Term Incentive Plan for 2006 and transfer of own shares as a part thereof.

Ericsson’s Annual General Meeting 2007

Ericsson’s Annual General Meeting 2007 will take place on April 11, 2007, at the Globe Arena in Stockholm. This was announced in conjunction with the release of the third quarter financial report in 2006.

NOMINATION COMMITTEE

The Nomination Committee, appointed on the basis of the procedure resolved by the Annual General Meeting of Shareholders 2006, consists of Michael Trewchow (Chairman of the Board of Directors) and of the four members appointed by the four largest shareholders by voting power as of April 28, 2006: Jacob Wallenberg (Investor AB), Carl-Olof By (AB Industrivärden, Chairman of the Nomination Committee), Caroline af Ugglas (Livförsäkringsaktiebolaget Skandia), Tomas Nicolin (Alecta Pensionsförsäkring).

The tasks of the Nomination Committee

The main task of the Nomination Committee is to propose candidates for election to the Board of Directors, including the Chairman and the Deputy Chairmen. The Nomination Committee must take into consideration the various rules on independence of the Board in relation to the Company, its senior management and major shareholders, in accordance with the requirements of the Code.

In years in which election of auditors are held, the Nomination Committee also proposes candidates for election of auditors, based on the preparations carried out by the Audit Committee of the Board. The Nomination Committee also proposes a candidate for election of the Chairman of General Meetings of Shareholders and prepares proposals concerning the level of remuneration for Directors elected by the Annual General Meeting of Shareholders not employed by Ericsson, the auditors and members of the Nomination Committee for resolution by the Annual General Meeting. So far, the Nomination Committee has not proposed any fee to be paid to the Nomination Committee.

Recommendations to the Nomination Committee may be submitted by e-mail to nomination.committee@ericsson.com, or by post to:

Telefonaktiebolaget LM Ericsson
The Nomination Committee
c/o General Counsel’s Office
SE-164 83 Stockholm
Sweden

Work of the Nomination Committee for the Annual General Meeting 2007

The Nomination Committee held five meetings and had informal contacts between meetings. The Nomination Committee has thoroughly familiarized itself with how the Board work is conducted and functions and has made assessments in terms of the competence and experience that is required by the Board. In addition to matters prepared each year by the Nomination Committee, the Nomination Committee for the Annual General Meeting 2007 has, in close cooperation with the Board’s Audit Committee, prepared a proposal for the election of auditors for resolution by the Annual General Meeting of Shareholders 2007.

A report on the work of the Nomination Committee will be published on Ericsson’s website in connection with the notice of the Annual General Meeting of Shareholders 2007.
BOARD OF DIRECTORS

The Board of Directors is ultimately responsible for the organization of the Company and the management of the Company’s operations. It develops guidelines and instructions for the day-to-day management of the Company, conducted by the President and CEO who ensures the Board of Directors receives regular reports regarding the Group’s business development – its results, financial position and liquidity – and events of importance to the Group.

According to the Articles of Association, Ericsson’s Board of Directors shall consist of a minimum of five directors and a maximum of twelve directors, with no more than six deputies. Directors are elected by the shareholders at the Annual General Meeting for the period from the date of the Annual General Meeting until the close of the following Annual General Meeting, but can serve any number of consecutive terms. In addition, under Swedish law, unions have the right to appoint three directors and their deputies to the Ericsson Board of Directors.

Ericsson abides by strict rules and regulations regarding conflicts of interest. Directors and the President and CEO cannot participate in any decision regarding agreements between themselves and the Company, or between the Company and any third party or legal entity that the individual has an interest in.

Further, the Audit Committee has implemented a procedure for the approval of related-party transactions in accordance with NASDAQ’s corporate governance rules as well as a pre-approval process for non-audit services carried out by the external auditors, in order to ensure their independence.

Members of the Board of Directors

Our Board of Directors consists of 10 Directors, elected by the shareholders at the Annual General Meeting for the period until the close of the next Annual General Meeting, and three employee representatives, each with a deputy, appointed by the trade unions. The Chairman of the Board is elected by the Annual General Meeting. The President and CEO of the Company may be elected as a director, but the Swedish Companies Act prohibits the President of a public company from being elected Chairman of the Board.

Work Procedure of the Board of Directors

The Board of Directors has adopted a work procedure for its activities that outlines rules regarding the distribution of tasks between the Board and its Committees as well as between the Board, its Committees and the President and CEO. The work procedure is reviewed, evaluated and adopted by the Board as required, at least once a year. During 2006, the work procedure was adjusted by the Board at its meeting in December.

Independence of the Directors

In connection with its proposal to the Annual General Meeting of Shareholders 2006, the Nomination Committee elected by the Annual General Meeting of Shareholders 2005 made the assessment that, for the purposes of the Swedish Code of Corporate Governance, the following Directors are independent of the Company and its senior management, as well as of the Company’s major shareholders: Sir Peter L. Bonfield, Katherine Hudson, Ulf J. Johansson, Nancy McKinstry and Michael Treschow.

Work of the Board of Directors

The Board holds at least six meetings each year. Material for each Board meeting is distributed according to a pre-established time plan by the Board of Directors’ Secretariat on behalf of the President and CEO. Each Board meeting generally includes reports by the Chairman of each of the three Committees based on the minutes from the Committee meetings, which were distributed to all Directors prior to the Board meeting. Further, a Board meeting typically includes the President and CEO’s report on general business and market developments including the
performance of the Company. At Board meetings held in conjunction with interim reports, the financial statements are discussed along with any proposed press release related to the interim report. A substantial part of the Board’s ordinary work is devoted to strategy issues. Towards the end of the year, the Board performs an evaluation of the Board work, which serves as a guide for the work of the Nomination Committee. The Board is regularly informed of recent developments of legal and regulatory matters and addresses, whenever necessary, the adoption of and implementation of various corporate governance rules.

The Directors generally participate in all Board meetings and, to the extent possible, also attend General Meetings of Shareholders.

The Board is also responsible for financial oversight and meets regularly with Ericsson’s external auditors to receive and consider the auditors’ observations regarding the annual report, interim reports and internal controls. The auditors attend the regularly scheduled Audit Committee meetings and meet with the entire Board at least twice a year. At least one meeting with the auditors takes place without the presence of the President and CEO or other members of the management team.

To assist Directors in their work for Ericsson, training sessions are held each year to enhance the Directors’ knowledge of Group operations. Training is also provided to new Directors and to cover specific issues as needed.

Work of the Board of Directors in 2006

In 2006, ten Board meetings were held. The Directors’ attendance at Board and Committee meetings during 2006 is reflected in the table “Directors’ Attendance and Board of Directors’ Fees.” Apart from general Board matters referred to above, matters addressed by the Board during 2006 include:

- integration of the operations acquired from Marconi;
- acquisition of the Swedish company Netwise AB;
- divestment of the defense operations, Ericsson Microwave Systems AB to Saab AB;
- a new organization as from January 1, 2007, under three business units;
- long-term and short-term strategy with regard to the operator consolidation driven by convergence and development and the changes in the competitive landscape, and
- acquisition of the US company Redback Networks Inc.
Training sessions for the Board of Directors in 2006 included Research and Development, Human Resources and Corporate Responsibility.

**Board work evaluation**

The Chairman of the Board initiates and leads a thorough evaluation of Board work and the Board procedures each year. The evaluation process includes written questionnaires, as well as interviews and discussions. During 2006, the Chairman held individual discussions with each Director and each Director answered three separate written questionnaires, i.e. one covering the Board work in general, one covering the Chairman’s performance, and one covering the President and CEO’s performance. The Chairman and the President and CEO are neither involved in the development, compilation or evaluation of the questionnaires related to their respective performances, nor present when their respective performance is evaluated.

**Committees of the Board of Directors**

The Board of Directors has established three Committees: the Audit, Finance and Remuneration Committees. The Board appoints each of the Committee members amongst the Board members. The work of the Committees is principally preparatory, that is they prepare matters for final resolution by the Board. However, the Board has authorized each Committee to determine certain issues in limited areas and may also provide extended authorization to a Committee to determine specific matters. The Board of Directors and each Committee have the right to engage external expertise, either in general or in respect to specific matters, if deemed appropriate.

Prior to each Board meeting, each Committee submits a report to the Board on the issues handled, resolved or referred to the Board since the previous ordinary Board meeting. The minutes of each Committee meeting are attached to the minutes of the Board meeting following each Committee meeting.

**The Audit Committee**

The Audit Committee, on behalf of the Board, monitors the integrity of the financial statements, compliance with legal and regulatory requirements and the effectiveness of our systems of internal control over financial reporting.

The Audit Committee is primarily responsible for reviewing annual and interim financial reports, overseeing the external audit process, including audit fees and the internal audit function, and
resolving matters arising during the course of reviews and audits. This involves:

- reviewing, with management and the external auditors, the audited financial statements including conformity with generally accepted accounting principles;
- reviewing, with management, the reasonableness of significant estimates and judgments made in preparing the financial statements, as well as the quality of the disclosures in the financial statements;
- reviewing matters arising from reviews and audits performed.

The Audit Committee is also involved in the preparatory work of proposing candidates for the election of auditors, when applicable, and monitors their ongoing independence and performance, as well as monitoring Group transactions to avoid conflicts of interest. To achieve this, the Audit Committee has implemented approval procedures for audit and other services performed by the external auditors (see "Audit Committee Pre-approval Policies and Procedures"); a pre-approval process for transactions with related parties; and a "whistle-blower" procedure for the reporting of violations in relation to accounting, internal controls and auditing matters. The procedure for the reporting of these violations has been adjusted in 2006 to meet EU recommendations and French legal requirements in relation to whistle-blower procedures. These recommendations and requirements aim to limit misuse of the procedure and to secure handling of personal data in relation to reports made under such procedure.

Alleged violations are investigated by Ericsson’s internal audit function in conjunction with the relevant Group Function. Information regarding any incidents, including measures taken, details of the responsible Group Function and the status of any investigation are reported to the Audit Committee.

The Audit Committee itself does not perform audit work. Ericsson has an internal audit function, which reports to the Audit Committee and performs independent audits.

Members of the Audit Committee

The Audit Committee consists of four members appointed by the Board from among its members. In 2006, the Audit Committee comprised Sverker Martin-Löf (Chairman of the Committee), Sir Peter L. Bonfield, Ulf J. Johansson (succeeding Eckhard Pfeiffer from April, 2006) and Jan Hedlund. All members, except the employee representative, are independent from the Company and senior management. Each member is financially literate and familiar with the accounting practices of an international company comparable to Ericsson. At least one member must be an audit committee financial expert. The Board of Directors has determined that Sverker Martin-Löf, Sir Peter L. Bonfield and Ulf J. Johansson satisfy these requirements.

The Audit Committee has appointed an external expert advisor, Mr. Peter Markborn, to assist and advise the Committee.

Work of the Audit Committee

The Audit Committee held nine meetings during 2006 – attendance is reflected in the table "Directors’ Attendance and Board of Directors’ Fees 2006". The work of the Audit Committee during the year included: review of financial reports, the scope and execution of audits performed, the independence of the external auditors, the internal audit function and audit fees. Further, the Audit Committee has, together with the external auditors, reviewed each interim report prior to publishing. Part of the Committee’s work during the year has been to continuously monitor the progress of the Company’s implementation of the rules and regulations of the Sarbanes-Oxley Act. In addition, certain services other than audits performed by the external auditors have been approved by the Audit Committee under the pre-approval policies and procedures. Further, the Audit Committee has ap-

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**Directors’ Attendance and Board of Directors’ Fees 2006**

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<tr>
<th>Member</th>
<th>Board Meetings</th>
<th>Board Committee</th>
<th>Board and committee fee</th>
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<td>Michael Treschow</td>
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<td>Sverker Martin-Löf</td>
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<td>Marcus Wallenberg</td>
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<td>Kristina Davidsson</td>
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Total: 10 | 9 | 11 | 8 | 11,411,800

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1) Appointed as Member of the Board of Directors as of April 10, 2006.
2) Resigned from the Remuneration Committee and joined the Audit Committee as of April 10, 2006.
3) Resigned from the Board of Directors as of April 10, 2006.
4) Joined the Remuneration Committee as of April 10, 2006.
5) Resigned from the Remuneration Committee as of April 10, 2006.
6) Resigned from the Board of Directors as of 31 July, 2006.
7) Joined the Board of Directors as of August 1, 2006.
proved certain related-party transactions in accordance with the pre-approval process implemented by the Committee.

The Finance Committee
The Finance Committee is primarily responsible for:
- handling matters regarding acquisitions and divestments;
- capital contributions to companies inside and outside the Ericsson Group;
- raising of loans, issuances of guarantees and similar undertakings and approvals of financing support to customers; and
- continually monitoring the Group’s financial risk exposure.

The Finance Committee is authorized to determine matters such as direct or indirect financing, provision of credits, granting securities and guarantees and certain investments, divestments and financial commitments, or can delegate this power.

Members of the Finance Committee
The Finance Committee consists of four members appointed by the Board from among its members. In 2006, the Finance Committee comprised Marcus Wallenberg (Chairman of the Committee), Anders Nyrén, Torbjörn Nyman and Michael Treschow.

Work of the Finance Committee
The Finance Committee held eleven meetings during 2006 – attendance is reflected in the table “Directors’ Attendance and Board of Directors’ Fees 2006”. The work included: resolutions on matters such as customer financing and credit facility arrangements, and on certain acquisitions and divestments. The Finance Committee also monitored the financial risk exposure and risk limits and was informed on a large amount of finance-related matters such as the status of ongoing acquisitions, in particular the integration of the operations acquired from Marconi.

The Remuneration Committee
The Remuneration Committee’s main responsibility is to advise the Board of Directors regarding salary and other remuneration, including retirement compensation of the President and CEO, Executive Vice Presidents and other officers reporting directly to the President and CEO. Other responsibilities include:
- developing and monitoring strategies and general guidelines for employee compensation, including variable plans and retirement compensation;
- approving variable pay under the previous year’s plan (beginning of each year);
- preparation of the long-term variable plan for referral to the Board and subsequent resolution by the General Meeting of Shareholders, and
- Preparation of the targets for variable pay for the following year for resolution by the Board.

To achieve this, the Committee holds annual strategic compensation reviews with representatives of the Company to determine the direction to follow, allowing program designs and pay policies to be aligned with the business situation. Consideration is given to trends in compensation, legislative changes, disclosure rules and the general global environment surrounding executive pay. The Committee reviews salary survey data to approve any base pay increase for executives, effective from the following January.

Members of the Remuneration Committee
The Remuneration Committee consists of four members appointed by the Board from among its members. In 2006 the Remuneration Committee comprised Michael Treschow (Chairman of the Committee), Nancy McKinstry, Monica Bergström (succeeding Per Lindh as from April 2006) and Börje Ekholm (succeeding Ulf J. Johansson as from April 2006).

The Remuneration Committee has appointed an independent expert advisor, Mr. Gerrit Aronson, to assist and advise the Committee.

Work of the Remuneration Committee
The Remuneration Committee held eight meetings during 2006 – attendance is reflected in the table “Directors’ Attendance and Board of Directors’ Fees 2006”. The Committee reviewed and prepared for the Board a proposal for a long-term variable compensation plan, which was resolved by the 2006 Annual General Meeting of Shareholders, and started to prepare a long-term variable compensation plan to be presented to the Annual General Meeting of Shareholders 2007. Further, the Committee proposed to the Board a structure for variable pay for the Group Management Team and the Extended Management Team. The Committee also prepared proposals for salaries and variable pay for 2006, including compensation of the President and CEO and of officers reporting directly to him. For further information on compensation, fixed and variable pay, please see “Notes to the Consolidated Financial Statements – Note C29, Information Regarding Employees, Members of the Board of Directors and Management” in the Annual Report.
MEMBERS OF THE BOARD OF DIRECTORS

Board members elected by the Annual General Meeting of Shareholders

Michael Treschow (first elected 2002)
Chairman of the Board of Directors
Chairman of the Remuneration Committee
Member of the Finance Committee
Born 1943, Master of Engineering, Lund Institute of Technology. Board Chairman: AB Electrolux and the Confederation of Swedish Enterprise. Board member: ABB Ltd. and B-business partners. Holdings in Ericsson: 770,000 Class B shares

Marcus Wallenberg (first elected 1996)
Deputy Chairman of the Board of Directors
Chairman of the Finance Committee
Born 1956, Bachelor of Science of Foreign Service, Georgetown University, USA. Board Chairman: Skandinaviska Enskilda Banken, Saab AB, and International Chamber of Commerce (ICC). Board member: AstraZeneca plc, AB Electrolux, Stora Enso Oy, the Knut and Alice Wallenberg Foundation and Thibse AB. Holdings in Ericsson: 710,000 Class B shares
Principal work experience and other information: Positions within Investor AB, where he served as President and CEO 1999–2005. Prior to this he was Executive Vice President at Investor. Previous employers include Stora Feldmühle AG, Citicorp, Citibank and Deutsche Bank.

Sverker Martin-Löf (first elected 1993)
Deputy Chairman of the Board of Directors
Chairman of the Audit Committee
Born 1943, Doctor of Technology and Master of Engineering, Royal Institute of Technology, Stockholm. Board Chairman: Skanska, Svenska Cellulosa Aktiebolaget SCA and SSAB. Deputy Chairman: Industriärvärd. Board member: Confederation of Swedish Enterprise and Svenska Handelsbanken. Holdings in Ericsson: 52,000 Class B shares
Principal work experience and other information: President and CEO of Svenska Cellulosa Aktiebolaget SCA 1990–2002, where he was employed 1977–1983 and 1986–2002. Previous positions at Sunds Delfibrator and Mo och Domsjö AB.

Sir Peter L. Bonfield (first elected 2002)
Member of the Audit Committee

Börje Ekholm (elected 2006)
Member of the Remuneration Committee
Born 1963, Master of Science in Electrical Engineering, Royal Institute of Technology, Stockholm. Master of Business Administration, Insead, France. Board member: AB Chalmerinvest, Greenway Medical Techn. Inc. and Husqvarna AB. Holdings in Ericsson: 58,803 Class B shares
Principal work experience and other information: President and CEO of Investor AB since 2005. Prior to this, Börje Ekholm was head of Investor Growth Capital Inc and New Investments. Previous positions at Novare Kapital AB and McKinsey & Co Inc.

Katherine M. Hudson (elected 2006)
Born 1947, Bachelor of Science in Management, Indiana University, USA. Board member (and Lead Director): Charming Shoppes Inc. Holdings in Ericsson: 52,000 Class B shares
Principal work experience and other information: President and CEO of Brady Corporation 1994–2003. Management positions with Eastman Kodak Company, where she was employed for 24 years.

Ulf J. Johansson (first elected 2005)
Member of the Audit Committee
Principal work experience and other information: Founder of Europartitan Vodafone AB, where he was the Chairman of the Board 1990–2005. Previous positions at Spectra-Physics AB, where he was the President and CEO, Ericsson Radio Systems AB. Member of the Royal Academy of Engineering Sciences.
Nancy McKinstry (first elected 2004)
Member of the Remuneration Committee
Born 1959, Master of Business Administration in Finance and Marketing, Columbia University, USA. Bachelor of Arts in Economics, University of Rhode Island, USA. Board Chairman: CEO and Chairman of the Executive Board of Wolters Kluwer n.v. Board member: The American Chamber of Commerce, the Netherlands, and Tias Nimbas Business School. Holdings in Ericsson: None

Anders Nyrén (elected 2006)
Member of the Finance Committee
Born 1954, Graduate from Stockholm School of Economics, Master of Business Administration from Anderson School of Management, UCLA, USA. Board Chairman: Association of Exchange Listed Companies and Association for Generally Accepted Principles in the Securities Market. Deputy Chairman: Sandvik AB. Board member: Svenska Handelsbanken. Holdings in Ericsson: 33,428 Class B shares
Principal work experience and other information: President and CEO of Industriavärden since 1997. Earlier positions at SEB, SEB banken, and SEB. Member of the Swedish Chamber of Commerce. Member of the Advisory Council of ABN AMRO Holding n.v. and the Advisory Board of the University of Rhode Island.

Carl-Henric Svanberg (first elected 2003)
Born 1952, Master of Science, Linköping Institute of Technology. Bachelor of Science in Business Administration, University of Uppsala. Board Chairman: Sony Ericsson Mobile Communications AB. Deputy Chairman: Assa Abloy AB. Board member: The Confederation of Swedish Enterprise and Hexagon. Holdings in Ericsson: 15,683,577 Class B shares
Principal work experience and other information: President and CEO of Telefonaktiebolaget LM Ericsson since 2003. Prior to this, Carl-Henric Svanberg was the President and CEO of Assa Abloy AB (1994–2003). Various positions within Securitas AB (1986–1994) and ABB Group (1977–1985). Carl-Henric Svanberg does not have material shareholdings or part ownerships in companies with which the Company has material business relationships.

Jan Hedlund (first appointed 1994)
Employee representative.
Member of the Audit Committee
Born 1946. Appointed by the union IF Metall. Holdings in Ericsson: 1,603 Class B shares

Monica Bergström (first appointed 1998)
Employee representative.
Member of the Remuneration Committee
Born 1961. Appointed by the union SIF. Holdings in Ericsson: 3,694 Class B shares

Torbjörn Nyman (first appointed 2004)
Employee representative.
Member of the Finance Committee
Born 1961. Appointed by the union The Swedish Association of Graduate Engineers. Holdings in Ericsson: 10,440 Class B shares

Per Lindh (first appointed 1994)
Deputy employee representative.
Born 1957. Appointed by the union SIF. Holdings in Ericsson: 203 Class B shares

Anna Guldstrand (first appointed 2004)
Deputy employee representative.

Kristina Davidsson (appointed 2006)
Deputy employee representative.
Born 1955. Appointed by the union IF Metall. Holdings in Ericsson: 1,026 Class B shares

Carl-Henric Svanberg is the only Director who holds an operational management position at Ericsson. No Director has been elected pursuant to an arrangement or understanding with any major shareholder, customer, supplier or other person.

The number of Class B shares (and Class A shares and options, if applicable) includes holdings by related natural or legal persons.

Board members and deputies appointed by the unions:

Jan Hedlund (first appointed 1994)
Employee representative.
Member of the Audit Committee
Born 1946. Appointed by the union IF Metall. Holdings in Ericsson: 1,603 Class B shares

Monica Bergström (first appointed 1998)
Employee representative.
Member of the Remuneration Committee
Born 1961. Appointed by the union SIF. Holdings in Ericsson: 3,694 Class B shares

Torbjörn Nyman (first appointed 2004)
Employee representative.
Member of the Finance Committee
Born 1961. Appointed by the union The Swedish Association of Graduate Engineers. Holdings in Ericsson: 10,440 Class B shares

Per Lindh (first appointed 1994)
Deputy employee representative.
Born 1957. Appointed by the union SIF. Holdings in Ericsson: 203 Class B shares

Anna Guldstrand (first appointed 2004)
Deputy employee representative.

Kristina Davidsson (appointed 2006)
Deputy employee representative.
Born 1955. Appointed by the union IF Metall. Holdings in Ericsson: 1,026 Class B shares

Carl-Henric Svanberg is the only Director who holds an operational management position at Ericsson. No Director has been elected pursuant to an arrangement or understanding with any major shareholder, customer, supplier or other person.

The number of Class B shares (and Class A shares and options, if applicable) includes holdings by related natural or legal persons.
COMPANY MANAGEMENT

The President and Chief Executive Officer
– Operational Management

The Board of Directors appoints the President and CEO and the Executive Vice Presidents. Management of day-to-day operations is the responsibility of the President and CEO and the Group Management Team which, in addition to the President and CEO, consist of the Chief Financial Officer, the Chief Technology Officer, the heads of Group Functions and the heads of Business Units Access, Systems, Global Services and Business Unit Broadband Networks.

Group Functions

Ericsson’s Group Functions perform tasks pertaining to group-wide matters that logically do not fall into a specific operational unit: Communications, Finance, Human Resources & Organization, Legal Affairs, Operational Excellence, Research & Development, Sales & Marketing, and Strategy & Product Management.

The Group Functions formulate Group strategy, issue policies and directives, perform business control, resource allocation and risk management. They are also responsible for consolidation and reporting of financial performance, financing and cash management, legal issues, communication with various stakeholders including employees, investors, press and media as well as coordination and administration of a number of Group-wide issues. Other important Group-wide matters, such as Corporate Responsibility, are managed by Group Functions in conjunction with a network of experts from various parts of the Company.

Operational Units

Our operations are carried out in three business segments; Systems, Phones and Other Operations. Systems, our largest segment, is organized into business units responsible for the provision of products and services, and market units, responsible for marketing, sales and customer support. For more information regarding our business segments and information on the new organisation effective as from January 1, 2007, please see the “Board of Directors’ Report” and “Information on the Company” in the Annual Report. Management of each operating unit has significant authority and responsibility in relation to day-to-day operations, while governance is carried out by steering committees that include representatives of the Group Management Team, the Extended Management Team and the unit’s own management.

Members of the Group Management Team

Carl-Henric Svanberg
President and CEO and member of the Board of Directors (since 2003)
Born 1952, Master of Science, Linköping Institute of Technology, Bachelor of Science in Business Administration, University of Uppsala. Chairman: Sony Ericsson Mobile Communications AB. Deputy Chairman: Assa Abloy AB. Board member: The Confederation of Swedish Enterprise and Hexagon. Holdings in Ericsson %: 15,683,577 Class B shares


Karl-Henrik Sundström
Executive Vice President and Chief Financial Officer and head of Group Function Finance (since 2003)
Born 1960, Bachelor in Finance, University of Uppsala, Advanced Management Program, Harvard Business School, USA. Board member: Sony Ericsson Mobile Communications AB. Holdings in Ericsson %: 34,230 Class B shares

Background: Prior to assuming his position, Karl-Henrik Sundström was head of Business Unit Global Services.

Kurt Jofs
Executive Vice President and head of Business Unit Access (since 2004)
Born 1958, Master of Science, Royal Institute of Technology, Stockholm. Board Chairman: Peoples Travel Group. Board member: Sony Ericsson Mobile Communications AB. Holdings in Ericsson %: 229,522 Class B shares

Background: President and CEO of Linjebuss and ABB Ventilation Products.

Bert Nordberg
Executive Vice President and head of Group Function Sales & Marketing (since 2004)
Born 1956, Bachelor in Electronic Engineering, Malmö, Engineer in the Marines, Berga, university courses in International Management, Marketing and Finance, Insead University, France. Holdings in Ericsson %: 43,817 Class B shares

Background: Prior to assuming this position, Bert Nordberg was head of Business Unit Systems and held other various positions within Ericsson.
Björn Olsson
Executive Vice President and head of Business Unit Systems (since 2004)
Born 1956, Master of Science in Industrial Engineering and Management, Linköping Institute of Technology.
Holdings in Ericsson: 40,176 Class B shares
Background: Prior to assuming this position, Björn Olsson was Chief Information Officer. He has held various positions within Ericsson since 1981.

Hans Vestberg
Executive Vice President and head of Business Unit Global Services (since 2003, appointed Executive Vice President in 2005)
Born 1965, Bachelor in Business Administration, University of Uppsala. Holdings in Ericsson: 27,364 Class B shares
Background: Previous to his current position, Hans Vestberg was Vice President and head of Market Unit Mexico (2002–2003). Hans Vestberg has held various positions in the Company since 1988.

Marita Hellberg
Senior Vice President and head of Group Function Human Resources & Organization (since 2003)
Background: Prior to assuming this position Marita Hellberg was Senior Vice President of Human Resources of NCC Group.

Torbjörn Nilsson
Senior Vice President (since 1998) and head of Group Function Strategy & Product Management (since 2003)
Born 1953, Master of Science, Lund's University, Master of Business Administration, Stockholm University. Holdings in Ericsson: 69,541 Class B shares
Background: Prior to his position above, Torbjörn Nilsson was head of Group Function Marketing & Strategic Business Development. Torbjörn Nilsson has held various management positions within the Company since 1978.

Carl Olof Blomqvist
Senior Vice President, General Counsel and head of Group Function Legal Affairs (since 1999)
Born 1951, Master of Law, LLM, University of Uppsala, Sweden. Holdings in Ericsson: 6,080 Class A shares and 46,491 Class B shares
Background: Prior to assuming this position, Carl Olof Blomqvist was a partner of Mannheimer Swartling law firm.

Henry Sténson
Senior Vice President and head of Group Function Communications (since 2002)
Born 1955, Studied law, sociology and political science, Linköping University and at the Swedish War Academy, Karlberg, Stockholm. Board member: Studsvik and the Stockholm Chamber of Commerce. Holdings in Ericsson: 42,574 Class B shares
Background: Prior to assuming his position above, Henry Sténson was head of SAS Group Communication, SAS AB.

Håkan Eriksson
Senior Vice President, Chief Technology Officer and head of Group Function Research & Development (since 2004)
Born 1961, Master of Science and Honorary Ph D, Royal Engineering Academy. Deputy Chairman: Section XI, Research and Education, Swedish Royal Engineering Academy. Board member: Linköping University, Anoto. Holdings in Ericsson: 22,980 Class B shares
Background: Prior to assuming this position, Håkan Eriksson was Senior Vice President and head of Research & Development. He has held various positions within Ericsson since 1986.

Joakim Westh
Senior Vice President and head of Group Function Operational Excellence (since 2004)
Born 1961, Master of Science, Royal Institute of Technology, Stockholm, Master of Science within Aeronautics & Astronautics, MIT, Boston, USA. Board chairman: Absolent AB. Board member: VKR Holding A/S. Holdings in Ericsson: 124,886 Class B shares
Background: Member of Assa Abloy Executive Management Team. Before this, Joakim Westh was a partner with McKinsey & Co. Inc.

Sivert Bergman
Senior Vice President and head of Business Unit Broadband Networks (since 2006)
Born 1946, Senior high school degree of Electric Engineering, Trollhättan, complemented with studies in mathematics. Holdings in Ericsson: 7,260 Class B shares
Background: Prior to assuming this position, Sivert Bergman was head of Business Unit Transmission and Transport Networks. Sivert Bergman has held various management positions in the Company since 1979.

1) The number of Class B shares (and Class A shares, if applicable) includes holdings by related natural or legal persons. Options and matching rights are reported in Notes to the Consolidated Financial Statements – Note C29, “Information Regarding Employees, Members of the Board of Directors and Management” in the Annual Report.
Extended Management Team

The Extended Management Team consists of the officers of the Group Management Team and:

- Cesare Avenìa, Vice President and head of Market Unit South East Europe.
- Rory Buckley, Vice President and head of Market Unit North East Asia.
- Ragnar Bäck, Chairman of the Market Units within the Central and Eastern Europe, Middle East & Africa (CEMA) regions;
- Jan Campbell, Vice President and head of Market Unit Central Europe;
- Mats Granryd, Vice President and head of Market Unit India & Sri Lanka;
- Jef Keustermans, Vice President and head of Market Unit Northern Europe;
- Ingemar Naeve, Vice President and head of Market Unit Iberia and Global Customer Account executive Telefonica;
- Mats Olsson, Vice President and head of Market Unit Greater China;
- Torbjörn Possne, Vice President and Global Customer Account executive Deutsche Telekom;
- Angel Ruiz, Vice President and head of Market Unit North America;
- Jan Signell, Vice President and head of Market Unit South East Asia; and
- Gerhard Weise, Vice President and head of Market Unit Mexico.

During 2006, the officers below were also members of the Extended Management Team of the Company:

- Sandeep Chennakeshu: former President Ericsson Mobile Platforms AB. Sandeep Chennakeshu left the Company on April 29, 2006.
- Anders Olin: former Vice President and Global Customer Account executive Vodafone. Anders Olin was appointed head of Sales & Marketing, Western Europe, within Group Function Sales & Marketing on October 1, 2006.

Extended Management Team members are not involved in any business activities that compete with or in any other way negatively affect Ericsson’s business. None of the Extended Management Team members have been appointed by arrangement or understanding with shareholders, customers, suppliers or other parties.

Compensation to top executives

Principles for remuneration and other employment terms for Ericsson’s top executives were approved by the Annual General Meeting of Shareholders 2006. For further information on compensation, fixed and variable pay, see Notes to the Consolidated Financial Statements – Note C29, “Information Regarding Employees, Members of the Board of Directors and Management” in the Annual Report.

AUDITORS

Ericsson’s external, independent auditors are elected by the shareholders at the Annual General Meeting for a period of four years. The auditors report to the shareholders at Shareholders’ Meetings.

The auditors;

- update the Board of Directors regarding the planning, scope and content of the annual audit;
- examine the year-end financial statements and report findings to assess accuracy and completeness of the accounts and adherence to accounting procedures and principles;
- advise the Board of Directors of additional services performed (non-auditing), the consideration paid and other issues that are needed to determine the auditors’ independence. For further information on the contacts between the Board and the auditors, please see “Work of the Board of Directors” above.

All Ericsson quarterly reports are reviewed by our auditors.

Statutory auditors

Peter Clemedtson
Authorized Public Accountant, PricewaterhouseCoopers.
Elected 2004 (as successor for the remaining mandate period of Carl-Eric Bohlin) until 2007.
Audit services performed in other large companies such as: Electrolux, KMT, Medivir, OMX, SEB.

Bo Hjalmarsson
Authorized Public Accountant, PricewaterhouseCoopers.
Audit services performed in other large companies such as OMX, Sony Ericsson, Lundin Petroleum, Vostok Nafta.
Thomas Thiel  
Authorized Public Accountant, KPMG.  
Audit services performed in other large companies such as Atlas Copco, Folksam, Handelsbanken, Holmen, Peab, Ratos, SKF, Swedish Match, Kungsleden.

Deputy auditors

Jeanette Skoglund  
Authorized Public Accountant, PricewaterhouseCoopers.  
Audit services performed in several large subsidiaries of global companies such as TDC Song.

Robert Barnden  
Authorized Public Accountant, PricewaterhouseCoopers.  
Elected 2004 (as successor for the remaining mandate period of Peter Clemedtson) until 2007.  
Audit services performed in other large companies such as: AcandoFrontec, Nokia, SCA, Seco Tools, VSM Group.

Stefan Holmström  
Authorized Public Accountant, KPMG.  
Audit services performed in other large companies such as: Länsförsäkringar, Posten, Swedish Meats, V&S Vin & Sprit.

Fees paid to external auditors

Ericsson paid the fees (including expenses) listed in the table in Notes to the Consolidated Financial Statements – Note C31, “Fees to auditors” in the Annual Report for audit-related and other services.

The Audit Committee reviews and pre-approves any non-audit services to be performed by the external auditors to ensure the auditors’ independence. Services other than audit services provided by the auditors from 2004 to 2006 are described in Notes to the Consolidated Financial Statements – Note C31, “Fees to auditors” in the Annual Report.

AUDIT COMMITTEE PRE-APPROVAL POLICIES AND PROCEDURES

The Audit Committee makes recommendations to the Board of Directors regarding the auditors’ performance and fees. It reviews the scope and execution of audits performed (external and internal) and analyzes the result and the cost.

The Audit Committee has established pre-approval policies and procedures for services other than audits performed by the external auditors. Such services fall into two broad headings:

General Pre-Approval services that can be pre-approved by the Audit Committee without consideration to specific case-by-case service. Tax, transaction, risk management, corporate finance, attestation and accounting services and general services have received a general pre-approval of the Audit Committee, provided that the estimated fee level for the project does not exceed SEK 1 million. The external auditors must advise the Audit Committee of services rendered under the general pre-approval policy.

Specific Pre-Approval – all other audit-related, tax and other services must receive specific pre-approval. The Audit Committee Chairman has the delegated authority for specific pre-approval, providing service fees do not exceed SEK 2.5 million. The Chairman reports any pre-approval decisions to the Audit Committee at its scheduled meetings. For other matters, an auditor submits an application to the CFO. If supported by the CFO, the application is presented to the Audit Committee for final approval.

Pre-approval authority may not be delegated to management. The policies and procedures include a list of prohibited services.

DISCLOSURE CONTROLS AND PROCEDURES

Ericsson has controls and procedures in place to make sure that information to be disclosed under the Securities Exchange Act of 1934, and under Ericsson’s agreements with the Stockholm and London stock exchanges and NASDAQ is done so on time, and that such information is provided to management, including the CEO and CFO, so that timely decisions can be made regarding required disclosure.

To assist managers in fulfilling their responsibility with regard to disclosures made by the Company to its security holders and the investment community, a Disclosure Committee was established in 2003. One of the main tasks of the Disclosure Committee is to monitor the integrity and effectiveness of the Company’s
disclosure controls and procedures.

Further, Ericsson has investments in certain entities that Ericsson does not control or manage. Accordingly, our disclosure controls and procedures with respect to such entities are necessarily substantially more limited than those we maintain with respect to our subsidiaries.

During the year, management, with the participation of Ericsson’s President and CEO and CFO, supervised and participated in an evaluation of the effectiveness of our disclosure controls and procedures. As a result, Ericsson’s President and CEO and CFO concluded that the disclosure controls and procedures were effective at a reasonable assurance level.

There were no changes to our internal control over financial reporting during the period covered by the Annual Report 2006 that have materially affected, or are likely to materially affect, our internal control over financial reporting.

ERICSSON’S DISCLOSURE POLICIES

Ericsson’s financial disclosure policies are designed to give transparent, informative and consistent communication with the investment community on a fair and equal basis, which will reflect in a fair market value for Ericsson shares. We want our shareholders and potential investors to have a good understanding of how our Company works, our operational performance, what our prospects are and the risks we face that these opportunities may not be realized.

To continue to achieve these goals, our financial reporting and disclosure must be:

- A reflection of best practice – we strive to ensure that our disclosure is in line with industry norms and, if possible, lead the way to improved best-in-class standards.

Our website (www.ericsson.com/investors) includes comprehensive information on Ericsson, including an archive of our annual and interim reports, on-demand-access to recent news and copies of presentations given by senior management at industry conferences. Information on our website does not form part of this document.

INDEPENDENCE REQUIREMENTS ON THE BOARD

The Ericsson Board of Directors is subject to, and complies with, a variety of independence requirements. However, it has sought and received exemptions from those NASDAQ requirements that are contrary to Swedish Law, see “NASDAQ Corporate Governance Exemptions” below.

Stockholm Stock Exchange listing requirements

- Only one person from senior management may be a member of the board (applies also to senior management in the company’s subsidiaries).
- The majority of the directors elected by the shareholders’ meetings (employee representatives not included) must be independent of the company and its management. An overall assessment should be made in each case in order to consider whether a director is independent or not.
- At least two of the directors who are independent of the company and its management must also be independent of the company’s major shareholders. One of these directors must be experienced in requirements placed on a listed company.

The Swedish Code of Corporate Governance

Independence requirements on the board of directors (excluding employee representatives):

- Only one person from the senior management may be a member of the board.
- A majority of the directors elected by the shareholders’ meetings must be independent of the company and its management.
- At least two of the directors who are independent of the company and its management must also be independent of the company’s major shareholders.
Independence requirements on the Audit Committee:
- The majority of Audit Committee members must be independent of the company and senior management.
- At least one member of the committee must be independent of the company’s major shareholders.
- A board member who is part of senior management may not be a member of the audit committee.

Independence requirements on the remuneration committee:
- Committee members must be independent of the company and the senior management.

The NASDAQ Marketplace Rules
Independence requirements on the board of directors:
- A majority of the members of the board of directors must be independent within the meaning of the NASDAQ rules.

Ericsson has obtained an exemption from NASDAQ allowing employee representative directors to be exempt from NASDAQ’s independence requirements.

Sarbanes-Oxley Act of 2002 and corresponding NASDAQ rules
Independence requirements on the audit committee:
- All members of the audit committee must be independent within the meaning of the Sarbanes-Oxley Act of 2002.

The Sarbanes-Oxley Act of 2002 includes a specific exemption for non-executive employee representatives.

NASDAQ Corporate Governance Exemptions
Pursuant to a 2005 amendment to NASDAQ’s Marketplace Rules, foreign private issuers such as Ericsson may follow home-country practice in lieu of certain NASDAQ corporate governance requirements.

Before the amendment was adopted, NASDAQ’s Marketplace Rules provided that foreign private issuers could, upon application, be exempt from certain of its corporate governance requirements when these requirements were contrary to the laws, rules or regulations, or generally accepted business practices of the issuer’s home jurisdiction.

Ericsson has received (and is entitled to continue to rely thereon under the 2005 amendment) exemptions from NASDAQ’s corporate governance requirements under the Marketplace Rules in order to allow:
- Employee representatives to be elected to the Board of Directors and serve on its Committees (including the Audit Committee), in accordance with Swedish law.
- Shareholders to participate in the election of Directors and the Nomination Committee, in accordance with Swedish law and common market practice respectively.
- Employee representatives on the Board to attend all Board and all Committee meetings (including the Audit Committee), in accordance with Swedish laws concerning attendance and decision making processes.

In addition, Ericsson relies on the exemption provided by the 2005 amendment to overcome contradictions between NASDAQ and Swedish law requirements regarding quorums for its meetings of holders of common stock.
INTERNAL CONTROL OVER FINANCIAL REPORTING FOR YEAR 2006

According to the Swedish Companies Act and the Swedish Code of Corporate Governance, the Board of Directors shall ensure that the Company has satisfactory internal controls and keep itself informed of the Company’s internal control system and assess how well it is working. This report has been prepared in accordance with the Swedish Code of Corporate Governance, section 3.7.2, and is thereby limited to internal control over financial reporting.

The Swedish Corporate Governance Board has made a pronouncement regarding the Board of Directors’ reporting on internal control under the Code to the effect that: this report is to be included as a part of the Corporate Governance Report; it is not necessary for the Board of Directors to make a statement of how well the internal control over financial reporting has worked; and the Internal Control Report does not have to be examined by the auditors. In accordance with this pronouncement, we are not making any such statement in this report for 2006 and this report has not been examined by our auditors.

As the Company is listed in the United States, the requirements in SOX section 404 regarding assessment of the effectiveness of internal controls over financial reporting are applicable as from the fiscal year 2006. The Company has implemented detailed controls, documentation and testing procedures in accordance with the COSO framework, issued by the Committee Of Sponsoring Organizations of the Treadway Commission, to ensure compliance with SOX 404. Management’s report according to SOX 404 will be included in Ericsson’s 20-F report to the SEC in the United States.

Internal control over the financial reporting

Ericsson has integrated risk management and internal control in its business processes. As defined in the COSO framework for internal control, components of internal control are: a control environment, risk assessment, control activities, information and communication, and monitoring.

Control environment

The Company’s internal control structure is based on:

- the division of work between the Board of Directors and its Committees and the President and CEO;
- a management system based on
  - the Company’s organization and mode of operations, with well-defined roles and responsibilities and delegations of authority;
  - steering documents such as policies and directives, including a code of business ethics and conduct; and
  - a number of well-defined planning, operational and support processes.

The most essential parts of the control environment regarding the financial reporting are included in steering documents related to accounting and financial reporting. Such steering documents are updated regularly for changes to, for example, laws, financial reporting standards and listing requirements, such as IFRS and SOX in the United States.

Risk assessment

Risks related to financial reporting are fraud and loss or embezzlement of assets, undue favorable treatment of counter-parties at the expense of the Company, and other risks of material misstatements in the financial statements, for example those related to recognition and measurement of assets, liabilities, revenue and cost or insufficient disclosure. Ericsson is managed through common processes, where risk management is integrated, applying various methods for risk assessment and control, to ensure that the risks the Company is exposed to are managed according to established policies. Accounting and reporting policies and directives cover areas of particular significance to support correct accounting, reporting and disclosure.

Control activities

The Company’s business processes include financial controls regarding approval and accounting for business transactions. The financial closing and reporting process has controls regarding recognition, measurement and disclosure, including the application of critical accounting policies and estimates, in consolidated companies as well as on Group level. All legal entities, business units and market units in Ericsson have their own controller functions participating in planning and evaluation of each
unit’s performance. Their regular analysis of the financial reports for their respective units, together with analysis performed at Group level, is an important element of the internal control to ensure that the financial reports do not contain material errors.

For external financial reporting purposes, additional controls that all disclosure requirements are fulfilled are performed by a Disclosure Committee established by Company management. The Company has implemented controls to ensure that the financial reports are prepared in accordance with IFRS. The Company also has detailed documentation of internal controls related to accounting and financial reporting, as well as monitoring of the performance and results of such controls, to ensure Ericsson can assess the effectiveness of the internal control in a way that is compliant with SOX requirements. A thorough review of materiality levels related to the financial reports has resulted in implementation of detailed control documentation in a number of subsidiaries with significant scale of operations. For other subsidiaries, overall controls related to the control environment and compliance with policies and directives related to financial reporting have been implemented.

**Information and communication**

The Company has information and communication channels supporting completeness and correctness of financial reporting, for example, by making internal instructions and policies regarding accounting and financial reporting widely known and accessible to all employees concerned, as well as regular updates and briefing documents regarding changes in accounting policies and reporting and disclosure requirements.

Legal and operational units make regular financial and management reports to internal steering groups and Company management, including analysis and comments of financial performance and risks. The Board of Directors receives financial reports monthly. The Audit Committee has established a "whistle blower" procedure for the reporting of violations in relation to accounting, internal controls and auditing matters.

**Monitoring**

The Company’s financial performance is reviewed at each Board meeting. The committees of the Board fulfill important monitoring functions regarding remuneration, borrowing, investments, customer financing, cash management, financial reporting and internal control. The Audit Committee and the Board of Directors review all interim and annual financial reports before they are released to the market.

The Company’s process for financial reporting is reviewed annually by Management and forms a basis for the evaluation of the internal management system and internal steering documents to ensure that these cover all significant areas related to financial reporting. Compliance with policies and directives is also monitored through annual self assessments and representation letters from heads and controllers in all consolidated companies as well as from business units and market units. The Company has an internal audit function, reporting to the Audit Committee, which performs independent audits.