Our corporate governance is based on a strong ethos of ethical business practice that starts at the top and permeates to all Ericsson employees. The Board is committed to high standards of corporate governance and we encourage all employees to constantly seek ways of making our internal controls and oversight even more effective and reliable. It is during challenging times that the quality of a company’s governance truly shows and during the past year we have been able to draw on our strengths in this area.

Michael Treschow
Chairman of the Board of Directors

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

This Corporate Governance Report is rendered in accordance with the Swedish Code of Corporate Governance. The report has not been reviewed by Ericsson’s auditor and does not constitute a part of the formal Annual Report.

HIGHLIGHTS OF 2009

› Hans Vestberg, CFO, was appointed new President and CEO succeeding Carl-Henric Svanberg as of January 1, 2010.
› Jan Frykhammar was appointed new CFO succeeding Hans Vestberg as of November 1, 2009.
› Three new members joined the Group Management Team.
REGULATION AND COMPLIANCE

As a Swedish public limited liability company with securities quoted on NASDAQ OMX Stockholm as well as on NASDAQ, Ericsson is subject to a variety of rules that affect its governance. Major external rules include:

- The Swedish Companies Act.
- Rulebook for issuers of NASDAQ OMX Stockholm.
- The Swedish Code of Corporate Governance (the “Code”).
- NASDAQ Stock Market Rules – including applicable NASDAQ corporate governance requirements, subject to certain exemptions principally reflecting mandatory Swedish legal requirements.
- Applicable requirements of the US Securities and Exchange Commission including the Sarbanes-Oxley Act.

In addition, to ensure compliance with legal and regulatory requirements and the high ethical standards that we set for ourselves, Ericsson has internal rules that include:

- Code of Business Ethics.
- Group Steering Documents including Group policies and directives, instructions and business processes for approval, control and risk management.
- Code of Conduct to be applied in the product development, production, supply and support of Ericsson products and services worldwide.

Further, the Board of Directors has included internal rules in its work procedure.

Compliance with the Swedish Code of Corporate Governance

The Code has been applied by Ericsson since July 2005. Ericsson is committed to complying with best-practice corporate governance on a global level wherever possible. This includes continued compliance with the corporate governance provisions expressed by the Code.

An ethical business

Ericsson’s Code of Business Ethics sets out how the Group achieves and maintains its high ethical standards and summarizes the Group’s fundamental policies and directives.

The ethical code has been translated into more than 20 languages. This ensures that it is accessible to all employees and underpins the importance of ethical conduct in all business activities. During recruitment employees sign a form to acknowledge that they are aware of the principles of the Code of Business Ethics. This procedure is repeated at regular intervals throughout the term of employment.

Through this meticulous process, Ericsson strives to ensure that high ethical standards are upheld continuously. All employees have an individual responsibility to ensure that business practice adheres to the rules of the Code of Business Ethics. The Code of Business Ethics satisfies the applicable requirements of the Sarbanes-Oxley Act of 2002 and NASDAQ Stock Market rules.

The Code of Business Ethics can be found at: www.ericsson.com/ericsson/corporate_responsibility/employees/code_businessethics.shtml (information on the Ericsson website does not form part of this Report).

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SHAREHOLDERS

Ownership structure
According to the share register kept by Euroclear Sweden AB, as of December 31, 2009 Ericsson had 690,726 shareholders. Almost 77 percent of the shares are owned by institutions, both Swedish and international. Investor and Industrivärd, two public listed Swedish industrial holding companies, are the largest shareholders. They hold 5.01 and 2.34 percent of the share capital and 19.33 and 13.62 percent of the voting rights, respectively.

A significant number of the shares held by foreign investors are nominee-registered, i.e. held off record by banks, brokers and/or nominees. This means that the actual shareholder is not displayed in the share register or included in the shareholding statistics. As a result, the ultimate shareholder does not show in the shareholder statistics used, for example, for the purpose of appointing members of the Nomination Committee.

For more information on the Company’s shareholders, see the chapter “Share Information” in the Annual Report.

Shares and voting rights
The share capital of Telefonaktiebolaget LM Ericsson consists of two classes of listed shares; A and B. Each class A share carries one vote and each class B share carries one tenth of one vote. Class A and B shares entitle the holder to the same proportion of assets and earnings and carry equal rights in terms of dividends. In addition, the Parent Company may issue Class C shares in order to create treasury stock to hedge incentive programs resolved by the General Meeting. Class C shares held by Ericsson do not entail rights to dividend or voting rights. The class C shares are converted into class B shares before they are transferred to participants of the incentive programs.

The members of the Board of Directors and the Group Management Team do not have different voting rights on shares than other shareholders.

OWNERSHIP PERCENTAGE (CAPITAL)

OUR GOVERNANCE STRUCTURE
GENERAL MEETING OF SHAREHOLDERS

The decision-making rights of Ericsson’s shareholders are exercised at General Meetings. The Annual General Meeting is held in Stockholm. The date and venue for the meeting are announced on the Ericsson website no later than in conjunction with the release of the third-quarter report.

Shareholders who cannot participate in person may be represented by proxy. Shareholders who have their shares nominee-registered must, to be able to vote, request to be entered into the share register in the owner’s own name by the record date for the General Meeting. The Annual General Meeting is held in Swedish and simultaneously interpreted into English. All documentation provided by the Company is also available in English.

The Annual General Meeting gives shareholders the opportunity to raise questions relating to the operations of the Group. Normally, the members of the Board of Directors and the Group Management Team are present to answer such questions. The auditor is always present at the Annual General Meeting. Shareholders and other interested parties may also correspond in writing with the Company at any time.

Most resolutions at General Meetings are passed by a simple majority. However, the Swedish Companies Act requires qualified majorities in certain cases. For example, qualified majority is required for the resolution to transfer own shares to employees participating in Ericsson’s Stock Purchase Plan and for amending the articles of association.

Ericsson’s Annual General Meeting 2009

696 shareholders, representing approximately 59 percent of the votes, attended the Annual General Meeting (AGM) held on April 22, 2009. The meeting was held at the Annex to the Ericsson Globe in Stockholm.

The Board of Directors, members of the Group Management Team and the external auditor were present at the meeting. Decisions of the AGM 2009 included:

- Payment of a dividend of SEK 1.85 per share for 2008.
- Re-election of Chairman of the Board of Directors, Michael Treschow.
- Board of Directors’ fees to remain unchanged: Chairman SEK 3,750,000 and other non-employed Board members SEK 750,000 each. 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. SEK 125,000 each to the Chairmen and other non-employed members of the Finance and Remuneration committees. Additionally, part of the Directors’ Board fees may be paid in the form of synthetic shares.
- Approval of the remuneration policy for senior management.
- Implementation of a Long-Term Variable Remuneration Program.
- Conditional amendments to the Articles of Association regarding the way General Meetings are convened.

The minutes of the AGM 2009 are available at: www.ericsson.com/ericsson/investors/shareholders/agm (information on the Ericsson website does not form part of this Report).

ANNUAL GENERAL MEETING 2010

Ericsson’s Annual General Meeting 2010 will take place on April 13, at Kistamässan, Kista/Stockholm.

Shareholders who wish to have a matter considered at the AGM shall make a written request to the Board in due time before the AGM. Further information on Ericsson’s website.

HOW TO CONTACT THE BOARD OF DIRECTORS

Telefoniaktiebolaget LM Ericsson
The Board of Directors’ Secretariat
SE-164 83 Stockholm, Sweden
boardsecretariat@ericsson.com
NOMINATION COMMITTEE

A Nomination Committee was elected by the Annual General Meeting for the first time in 2001. Since then, each Annual General Meeting has appointed a Nomination Committee, or resolved on the procedure for appointing the Nomination Committee.

The Annual General Meeting 2009 resolved that the Nomination Committee shall consist of representatives of the four largest shareholders by voting power by the end of the month in which the Annual General Meeting was held plus the Chairman of the Board of Directors. However, as further described in the procedure for appointing members of the Nomination Committee, it may include additional members following a request by a larger shareholder. Such a request must be justified by changes in the shareholder’s share ownership and be received by the Nomination Committee no later than December 31.

Members of the Nomination Committee
The current Nomination Committee consists of, in addition to the Chairman of the Board of Directors, the four representatives appointed by the four shareholders with the largest voting power as of April 30, 2009:

These are Petra Hedengran (Investor AB), Carl-Olof By (AB Industrivärden, Svenska Handelsbankens Pensionsstiftelse and Pensionskassan SHB Försäkringsförening, Chairman of the Nomination Committee), Caroline af Ugglas (Livförsäkrings-aktiebolaget Skandia) and Marianne Nilsson (Swedbank Robur Fonder). Marianne Nilsson replaced Mats Lagerqvist (Swedbank Robur Fonder) during the year.

The tasks of the Nomination Committee
Over the years the tasks of the Nomination Committee have evolved to comply with the requirements of the Code. The main task of the Committee is to propose candidates for election to the Board of Directors. The Committee must consider all applicable rules on the independence of the Board of Directors.

It also prepares remuneration proposals for those Directors elected by the Annual General Meeting but not employed by Ericsson, for the auditors and for members of the Nomination Committee, for resolution by the Annual General Meeting. To date, the Committee has not proposed that it should be paid any fees. When proposing auditors, the Nomination Committee selects candidates in co-operation with the Audit Committee of the Board.

The Committee also proposes a candidate for election of the Chairman of General Meetings.

Work of the Nomination Committee for the Annual General Meeting 2010
As of February 18, 2010 the Nomination Committee has held six meetings. The Committee starts its work by orientating itself on the functioning of the Board work and Ericsson’s strategy and future development. In 2009, the Nomination Committee has met with both the resigning President and CEO, Carl-Henric Svanberg, and the incoming President and CEO, Hans Vestberg, both of whom have given their views on the Company’s development and future. From this basis the Committee is able to make assessments on the competence and experience required by the Board members.

The Committee has been informed of the results of the evaluation of the Board work and procedures, including the performance of the Chairman of the Board. The Committee applies a recruitment procedure where it assesses potential candidates for the Board of Directors. The Committee has also acquainted itself with the assessments made by the Company and the Audit Committee in terms of quality and efficiency of external auditor work, including recommendations regarding audit fees.

Shareholders may submit proposals to the Nomination Committee at any time, but should do so in due time before the Annual General Meeting to assure that they are considered by the Committee. See further information on Ericsson’s website.

CONTACT THE NOMINATION COMMITTEE
Telefonaktiebolaget LM Ericsson
The Nomination Committee
c/o General Counsel’s Office
SE-164 83 Stockholm, Sweden
nomination.committee@ericsson.com
The Board of Directors is ultimately responsible for the organization of Ericsson and the management of the operations. It develops guidelines and instructions for the day-to-day operations, managed by the President and CEO. In turn, the President and CEO ensures the Board is updated regularly on events of importance to the Parent Company, including business development, results, financial position and liquidity of the Group.

According to the Articles of Association, the Board of Directors shall consist of no less than five directors and no more than 12 directors, with no more than six deputies. Directors will serve from the close of the Annual General Meeting where they are elected to the close of the following Annual General Meeting, but can serve any number of consecutive terms. In addition, under Swedish law, trade unions have the right to appoint three directors and their deputies to the Board.

While the President and CEO may be elected as a director of the Board, the Swedish Companies Act prohibits the President of a public company from being elected Chairman of the Board. Ericsson strictly follows rules and regulations regarding conflicts of interest. Directors are disqualified to participate in any decision regarding agreements between themselves and Ericsson. The same applies for agreements between Ericsson and any third party or legal entity in which the Board member has an interest.

In order to ensure compliance with NASDAQ Stock Market Rules, the Audit Committee has implemented a procedure on related-party transactions. Further, the Audit Committee has established a pre-approval process for non-audit services carried out by the external auditor.

Composition of the Board of Directors
The Board of Directors consists of 10 Directors, including the Chairman of the Board, elected by the shareholders at the Annual General Meeting 2009, for the period until the close of the Annual General Meeting 2010, and three employee representatives, each with a deputy, appointed by the trade unions for the same period of time. The President and CEO, Carl-Henric Svanberg, is the only Board member who was also a member of Ericsson’s management during 2009.

Work procedure of the Board of Directors
Pursuant to the Swedish Companies Act, the Board of Directors has adopted a work procedure that outlines rules for the distribution of tasks between the Board and its Committees as well as between the Board, its Committees and the President and CEO. This complements the regulation in the Swedish Companies Act and the Articles of Association of the Company. The work procedure is reviewed, evaluated and adopted by the Board at least once a year as required.

Independence of the Directors
The Board of Directors and its Committees are subject to a variety of independence requirements. Ericsson applies independence rules in applicable Swedish law, the Rulebook for issuers of NASDAQ OMX Stockholm, the Swedish Code of Corporate Governance, the NASDAQ Stock Market Rules and in the Sarbanes-Oxley Act of 2002. However, Ericsson has sought and received exemptions from certain requirements in the Sarbanes-Oxley Act and in the NASDAQ Stock Market Rules, including those that are contrary to Swedish Law.

The composition of the Board of Directors meets all applicable independence criteria.

The Nomination Committee concluded before the Annual General Meeting of Shareholders 2009, that, for the purposes of the Code of Corporate Governance, at least five of the
persons nominated to the Board were independent of Ericsson, its senior management and its major shareholders. These were Roxanne S. Austin, Sir Peter L. Bonfield, Ulf J. Johansson, Nancy McKinstry and Michael Treschow.

Work of the Board of Directors
The work of the Board follows a yearly cycle, starting with the statutory Board meeting which is held in connection with the Annual General Meeting. At this meeting, members of each of the three Committees are appointed and the Board resolves on matters such as signatory power.

At the next ordinary meeting, the Board handles the first interim report for the year. In June, a Board meeting generally takes place away from the headquarters, giving Directors a chance to visit major Ericsson business operations. In July, the Board convenes to handle the interim report for the second-quarter of the year. Particular strategy matters are regularly addressed at appropriate Board meetings and a two-day Board meeting following the summer is mainly devoted to the overall strategy of the Group. The strategy meeting also addresses the overall risk management of the Group. A Board meeting is held at the end of October to handle the third-quarter interim report.

The Board has developed a process to thoroughly evaluate its own work. The results of the evaluation are presented and discussed by the Board during the fall. The last meeting of the calendar year addresses budget and financial outlook. At the first meeting of the calendar year the Board focuses on the financial result of the entire year and handles the fourth-quarter report. At the second Board meeting in February, which closes the yearly cycle of work, the Board concludes the Annual Report.

As the Board is responsible for financial oversight, financials are presented and evaluated at each Board meeting. Each Board meeting generally also includes reports on committee work by the Chairman of each committee. In addition, minutes from the committee meetings are distributed to all Directors prior to the Board meeting.

A Board meeting also typically includes the President and CEO’s report on business and market developments, including the financial performance of the Company. The Board is regularly informed of developments in legal and regulatory matters of importance.

The Board meets with Ericsson’s external auditor at least once a year to receive and consider the auditor’s observations. The auditor also prepares reports for the management on the accounting and financial reporting practices of the Group. The Audit Committee also meets with the auditor to receive and consider observations on the interim reports. The auditor has been instructed to report on whether the accounts, the management of funds and the general financial position of the Group are well controlled in all material respects.

The Board also reviews and assesses the process for financial reporting, as described later in “Internal control over financial reporting 2009”. Combined with the internal controls, the Board’s and the auditor’s review of interim and annual reports are deemed to give reasonable assurance on the quality of the financial reporting.

Training of the Board of Directors
All new Directors receive comprehensive training tailored to their individual requirements. Introductory training typically includes meetings with the heads of the major businesses and functions and training arranged by NASDAQ OMX Stockholm on listing issues and insider rules. In addition, full-day training sessions are generally held twice a year for all Directors, to enhance their knowledge of specific operations and specific issues as appropriate.

Training sessions organized in 2009 have provided the Directors with an in-depth knowledge of the industry landscape, new technologies, network transformation and future products.

THE BOARD’S ANNUAL WORK CYCLE
In addition, annual training has been conducted to advise the Board on material issues and key focus areas regarding corporate responsibility and sustainability. These include energy efficiency, climate and health, human rights, supply chain management and anti-corruption.

**Work of the Board of Directors in 2009**

The work of the Board of Directors is continuously characterized by a high level of activity and 14 Board meetings were held in 2009. Two meetings were held away from the headquarters, one in Geneva, Switzerland and one in Lund, Sweden. Both meetings were particularly focusing on the joint ventures ST-Ericsson and Sony Ericsson respectively. For attendance at Board meetings see table on page 155.

2009 has been characterized by the financial turmoil and uncertainty in the market development. During the year the Board has thoroughly monitored and analyzed related risk factors. In a market downturn, focus on key strategic areas such as maintaining technology and services leadership, profitability and risk management has been continuously important. A leading position and effectiveness in research and development is key in the rapid technology evolution and in the increasingly competitive landscape, sharpened over the year by the uncertainty in the financial market.

Apart from regular matters in the annual Board work cycle, the Board addressed various acquisitions that were completed during the year, namely Nortel’s North American CDMA and LTE businesses, Bizitek and certain operations of Elcoteq and also the establishment of the new joint venture ST-Ericsson together with STMicroelectronics.

The Board addressed long and short-term goals and strategies with regard to the joint ventures Sony Ericsson and ST-Ericsson and a network transformation strategy. Also, in 2009, Hans Vestberg was appointed new President and CEO following Carl-Henric Svanberg’s resignation as of January 1, 2010.

The heads of the business units have provided the Board with thorough updates of their respective business operations and strategies. In terms of remuneration, the Board put forward a proposal for a Long-Term Variable Remuneration Program 2009 (LTV) to the Annual General Meeting 2009. For the purposes of financing the LTV, the Board further proposed a new directed issue and re-purchase of Class C shares to be converted into B shares.

The Board is continuously working to improve its ways of working based on the Board evaluation and discussions with the Chairman of the Board and the Committee Chairman.

**Board work evaluation**

A key objective of the Board evaluation is to ensure that the Board is functioning well. This includes gaining an understanding of the issues which the Board thinks warrant greater scope and determining areas within the Board where additional competence is needed. The evaluation also serves as guidance for the work of the Nomination Committee.

Each year, the Chairman of the Board initiates and leads the evaluation of Board and Committee work and procedures. The evaluation tools include detailed questionnaires, interviews and discussions. In 2009, the Chairman held individual meetings with all the Directors, following their response to two separate written questionnaires; one covering the Board work in general and one covering the Chairman’s performance. The Chairman was not involved in the development, compilation or evaluation of the questionnaire which related to his performance. Nor was he present when his performance was evaluated. The results of the evaluations were thoroughly discussed in order to further improve the work of the Board. Normally, an evaluation of the CEO’s work is conducted. However, in view of Carl-Henric Svanberg’s resignation as of January 1, 2010, it was deemed redundant this year.

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Committees of the Board of Directors
The Board of Directors has established three Committees: Audit Committee, Finance Committee and Remuneration Committee. Members of each Committee are appointed amongst the Board members.

The work of the Committees is mainly to 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 on occasion provide extended authorization to determine specific matters.

If deemed appropriate, the Board of Directors and each Committee have the right to engage external expertise, either in general or in respect to specific matters.

Prior to every Board meeting, each Committee submits, in addition to minutes, a written summary to the Board on the issues handled or resolved since the previous ordinary Board meeting. In addition to the minutes and the written summary, the Chairman of the Committee also reports on the Committee work at each Board meeting.

Audit Committee
On behalf of the Board, the Audit Committee monitors the scope and correctness of the financial statements, compliance with legal and regulatory requirements and internal control over financial reporting. The Audit Committee also reviews the annual and interim financial reports and oversees the external audit process, including audit fees.

This involves:

› Reviewing, with management and the external auditor, the 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 itself does not perform audit work. Ericsson has an internal audit function, which reports to the Audit Committee and performs independent audits.

When applicable, the Committee is also involved in the preparatory work of proposing candidates for the election of auditor. It also monitors Group transactions and the ongoing performance and independence of the auditor to avoid conflicts of interest.

To achieve this, the Audit Committee has implemented approval procedures for audit and other services performed by the external auditor (see “Audit Committee pre-approval policies and procedures”). A process for reviewing transactions with related parties and a whistle-blower procedure for the reporting of violations relating to accounting, internal control and auditing matters are also in place.

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.

Members of the Audit Committee
The Audit Committee consists of four Board members as appointed by the Board. In 2009, the Audit Committee comprised: Ulf J. Johansson (Chairman of the Committee), Roxanne S. Austin, Sir Peter L. Bonfield and Jan Hedlund.

All members, except Jan Hedlund, who is appointed Board member by the unions pursuant to Swedish mandatory law, are independent from the Company and senior management. Each member is financially literate and familiar with the accounting practices of an international company such as Ericsson. At least one member must be an audit committee financial expert, in accordance with the Sarbanes-Oxley Act,
Section 407. The Board of Directors has determined that Ulf J. Johansson, Roxanne S. Austin and Sir Peter L. Bonfield all satisfy this requirement.

Former authorized public accountant, Peter Markborn, is appointed external expert advisor to assist and advise the Audit Committee.

Work of the Audit Committee in 2009
The Audit Committee held eight meetings in 2009. Directors’ attendance is reflected in the table on page 155. During the year, the Audit Committee reviewed the scope and results of external financial audits and the independence of the external auditors and monitored the external audit fees.

Further, certain additional non-audit services performed by the external auditor were approved by the Audit Committee Chairman under the Committee’s pre-approval policies and procedures. The Committee approved the annual audit plan for the internal audit function and reviewed its reports. Prior to publishing, the Committee also reviewed and discussed each interim report with the external auditor. The Committee also monitored the continued compliance with the Sarbanes-Oxley Act and the internal control and risk management process. The Committee has also reviewed certain related-party transactions in accordance with its established process.

Audit Committee pre-approval policies and procedures
The Audit Committee reviews and approves the scope of audits to be performed (external and internal) and analyzes the results and costs of the audits. The Committee makes recommendations to the Board of Directors regarding the auditor’s performance and to the Nomination Committee regarding the external auditor’s fees.

In order to ensure the auditor’s independence, the Audit Committee has established pre-approval policies and procedures for non-audit related services to be performed by the external auditor. Pre-approval authority may not be delegated to management. The policies and procedures include a list of prohibited services and services that require pre-approval by the Committee. Such services fall into two broad categories; general pre-approval and specific pre-approval:

- General pre-approval – certain services regarding taxes, transactions, risk management, corporate finance, attestation and accounting and so called general services. These services have received general pre-approval by the Audit Committee, provided that the estimated fee for each project does not exceed SEK 1 million. The external auditor must advise the Audit Committee of services rendered under the general pre-approval policy.
- Specific pre-approval – all other non-audit related services must receive specific pre-approval. The Audit Committee Chairman has the delegated authority for specific pre-approval in between Committee meetings, provided that the fee in each case does not exceed SEK 2.5 million. The Chairman reports any pre-approval to the Audit Committee at its next meeting. For matters which may not be handled by the Chairman and, hence, require specific pre-approval by the Audit Committee, the auditor submits an application to the Parent Company for final approval by the Audit Committee.

Finance Committee
The Finance Committee is primarily responsible for:

- Handling matters related to acquisitions and divestments.
- Handling capital contributions to companies inside and outside the Ericsson Group.
- Raising of loans, issuances of guarantees and similar undertakings, and the approval of financial support to customers and suppliers.
- Continuously 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 of securities and guarantees and certain investments, divestments and financial commitments.

Members of the Finance Committee
The Finance Committee consists of four Board members as appointed by the Board. In 2009, the Finance Committee comprised: Marcus Wallenberg (Chairman of the Committee), Anna Guldstrand, Anders Nyrén, and Michael Treschow.

Work of the Finance Committee in 2009
The Finance Committee held seven meetings in 2009. Directors’ attendance is reflected in the table on page 155. The Committee has devoted considerable time to the uncertainty in the financial market and has thoroughly monitored the Company’s financial position and credit exposure. In order to reduce gross debt and to gain net interest savings, the Committee has approved a premature re-purchase during 2009 of a EUR 471 million bond loan, maturing in November 2010. In view of the unstable financial sector over the year, the Committee has re-arranged the investment policy and procedures to reduce the credit exposure.

During the year the Committee has also approved customer finance and credit facility arrangements, with a continued focus on capital structure, cash flow and cash generating ability.
Remuneration Committee
The Remuneration Committee’s main responsibility is to prepare for resolution by the Board of Directors matters regarding salary and other remuneration. This includes pension benefits of the President and CEO, the Executive Vice Presidents and other officers who report directly to the President and CEO. Other responsibilities include:

- Developing and monitoring strategies and general guidelines for employee remuneration, including short-term variable remuneration and pension benefits.
- Reviewing the results of short-term variable pay plans before pay out.
- Preparation of the long-term variable remuneration program for referral to the Board and resolution by the General Meeting.
- Preparation of targets for short-term variable pay for the following year, for resolution by the Board.

To achieve this, the Committee holds annual remuneration reviews with Company representatives to determine the strategic direction and align program designs and pay policies with the business objectives.

Consideration is given to trends in remuneration, legislative changes, disclosure rules and the general global environment surrounding executive pay. The Committee reviews salary survey data before approving any salary adjustment for CEO direct reports. In addition the Committee prepares salary adjustments for the President and CEO for resolution by the Board.

Members of the Remuneration Committee
The Remuneration Committee consists of four Board members as appointed by the Board. In 2009, the Remuneration Committee comprised: Michael Treschow (Chairman of the Committee), Börje Ekholm, Nancy McKinstry, and Karin Åberg.

Gerrit Aronson is appointed by the Remuneration Committee as an independent expert advisor to assist the Committee, particularly regarding international trends and developments.

Work of the Remuneration Committee in 2009
The Remuneration Committee held seven meetings in 2009. Directors’ attendance is reflected in the table on page 155. The Committee reviewed and prepared for resolution by the Board a proposal for a Long-term Variable Remuneration Program 2009, which was approved by the Annual General Meeting in April 2009. The Committee further resolved on salaries and short term variable pay for 2009 for CEO direct reports and prepared for resolution by the Board remuneration to the incoming President and CEO, Hans Vestberg. Also, the Committee prepared a remuneration policy, which was subsequently referred by the Board to the Annual General Meeting for approval. Towards the end of the year, the Committee concluded its analysis of the current long-term variable remuneration structure and remuneration policy. Proposals in respect hereof will be referred to the Annual General Meeting 2010 for resolution. For further information on remuneration, fixed and variable pay, please see Note C29 “Information Regarding Members of the Board of Directors, the Management and Employees” in the Annual Report and the “Remuneration Report” included the Annual Report.
Remuneration to Board members

Remuneration to Board members not employed by the Company is proposed by the Nomination Committee for resolution by the Annual General Meeting.

The Annual General Meeting 2009 approved the Nomination Committee’s proposal for fees to the non-employed Board members for Board and Committee work. For information on Board of Directors’ fees 2009, please refer to Notes to the Consolidated Financial Statements – Note C29 “Information Regarding Members of the Board of Directors, the Management and Employees” in the Annual Report. The Annual General Meeting 2009 also approved the Nomination Committee’s proposal that non-employed Board members may be paid part of their Board fee in the form of synthetic shares.

A synthetic share gives the right to receive a future cash payment of an amount which corresponds to the market value of a Class B share in Ericsson at the time of payment. The purpose of paying part of the Board of Director’s fee in the form of synthetic shares is to further align the Directors’ interest with shareholder interest. For more information on the terms and conditions of the synthetic shares, please refer to the notice convening the Annual General Meeting 2009 (www.ericsson.com/ericsson/investors/shareholders/agm). (Information on the Ericsson website does not form part of this document.)

DIRECTORS’ ATTENDANCE AND FEES 2009

<table>
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<tr>
<th>Board member</th>
<th>Fees resolved by the AGM 2009</th>
<th>Number of Board/Committee meetings attended</th>
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<td>Board fees</td>
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<td>Michael Treschow</td>
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<td>Sverker Martin-Löf a)</td>
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<td>Marcus Wallenberg</td>
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<td>Carl-Henric Svanberg</td>
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<td>Monica Bergström b)</td>
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<td>Jan Hedlund</td>
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<td>Pehr Claesson</td>
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<td>Anna Guldstrand</td>
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<td>Kristina Davidsson</td>
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<td>Karin Åberg c)</td>
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<tr>
<td>Total number of meetings</td>
<td>14</td>
<td>8</td>
</tr>
</tbody>
</table>

a) Member of the Audit Committee until April 22, 2009 and thereafter replaced by Roxanne S. Austin
b) Deputy employee representative as of April 22, 2009.
c) Ordinary employee representative and member of the Remuneration Committee as of April 22, 2009 (replacing Monica Bergström).
d) Non-employed Directors can choose to receive part of their Board fee (i.e. exclusive of Committee fees) in the form of synthetic shares.
MEMBERS OF THE BOARD OF DIRECTORS

Board members elected by the Annual General Meeting 2009

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 Science, Lund Institute of Technology.
Board Chairman: Unilever NV, and Unilever PLC.
Board member: ABB Ltd and the Knut and Alice Wallenberg Foundation.
Holdings in Ericsson \( ^{1} \): 164,008 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 AB Electrolux. Honorary Chairman: International Chamber of Commerce (ICC). Board member: AstraZeneca PLC, Stora Enso Oy, the Knut and Alice Wallenberg Foundation and Temasek Holdings Limited. Holdings in Ericsson \( ^{1} \): 1,200 Class A shares and 140,800 Class B shares.
Principal work experience and other information: Positions in 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
Born 1943, Doctor of Technology and Master of Engineering, Royal Institute of Technology, Stockholm. Board Chairman: Skanska AB, Svenska Cellulosa Aktiebolaget SCA and SSAB. Deputy Chairman: AB Industrivärden and the Confederation of Swedish Enterprise.
Board member: Svenska Handelsbanken.
Holdings in Ericsson \( ^{1} \): 10,400 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 Defibrator and Mo och Domsjö AB.

Roxanne S. Austin (first elected 2008)
Member of the Audit Committee
Holdings in Ericsson \( ^{1} \): 3,000 Class B shares.
Principal work experience and other information: President and CEO of Move Networks Inc. since 2009. President of Austin Investment Advisors since 2004. President and CEO of DIRECTV 2001–2003. Corporate Senior Vice President and Chief Financial Officer of Hughes Electronics Corporation 1997–2000, which company she joined in 1993. Prior to joining Hughes, Roxanne Austin was a partner at Deloitte & Touche. Member of the board of trustees of the California Science Center, member of the California State Society of Certified Public Accountants and the American Institute of Certified Public Accountants.

Sir Peter L. Bonfield (first elected 2002)
Member of the Audit Committee
Born 1944, Honors degree in Engineering, Loughborough University, Leicestershire, UK. Board Chairman: Supervisory Board of NXP. Deputy Chairman: British Quality Foundation. Board member: Mentor Graphics Inc., Sony Corporation, and TSMC. Holdings in Ericsson \( ^{1} \): 4,400 Class B shares.
Principal work experience and other information: CEO and Chairman of the Executive Committee of British Telecommunications plc 1996–2002.
Chairman and CEO of ICL PLC 1990–1996. Positions with STC PLC and Texas Instruments Inc. Member of the International Advisory Board of Citigroup. Member of the Advisory Boards of New Venture Partners LLP, The Longreach Group and Apax Partners LLP. Non-executive Director of Actis Capital LLP. Board Mentor of CMI.

**Börje Ekholm** (first elected 2006)

*Member of the Remuneration Committee*


**Holdings in Ericsson** 1): 21,760 Class B shares.

Principal work experience and other information: President and CEO of Investor AB since 2005. Prior to this, he was Head of Investor Growth Capital Inc. and New Investments. Previous positions at Novare Kapital AB and McKinsey & Co Inc.

**Ulf J. Johansson** (first elected 2005)

*Chairman of the Audit Committee*

Born 1945, Doctor of Technology and Master of Science in Electrical Engineering, Royal Institute of Technology, Stockholm.


Principal work experience and other information: Founder of Europolitan Vodafone AB, where he was the Chairman of the Board 1990–2005. Previous positions at Spectra-Physics AB as President and CEO and at 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:* The American Chamber of Commerce, TiasNimbas Business School.

**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 member:* Sony Ericsson Mobile Communications AB and ST-Ericsson until end of 2009, the Confederation of Swedish Enterprise, Melker Schörling AB, Uppsala University and BP PLC.

**Holdings in Ericsson** 1): 3,234,441 Class B shares.

Principal work experience and other information: President and CEO of Ericsson 2003 – 2009. Prior to this, Carl-Henric Svanberg was the President and CEO of Assa Abloy AB (1994–2003). He held 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.
MEMBERS OF THE BOARD OF DIRECTORS

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 IF Metall union.
Holdings in Ericsson \( ^1 \): 735 Class B shares.

Anna Guldstrand (first appointed 2004)
Employee representative
Member of the Finance Committee
Born 1964. Appointed by the union The Swedish Association of Graduate Engineers.
Holdings in Ericsson \( ^1 \): 1,373 Class B shares.

Karin Åberg (first appointed 2007)
Employee representative
Member of the Remuneration Committee
Born 1959. Appointed by the union Unionen.
Holdings in Ericsson \( ^1 \): 1,596 Class B shares.

Kristina Davidsson (first appointed 2006)
Deputy employee representative
Born 1955. Appointed by the IF Metall union.
Holdings in Ericsson \( ^1 \): 988 Class B shares.

Pehr Claesson (first appointed 2008)
Deputy employee representative
Born 1966. Appointed by the union The Swedish Association of Graduate Engineers.
Holdings in Ericsson \( ^1 \): 513 Class B shares

Monica Bergström (first appointed 1998)
Deputy employee representative
Born 1961. Appointed by the union Unionen.
Holdings in Ericsson \( ^1 \): 1,508 Class B shares.

Carl-Henric Svanberg was the only Director who held an operational management position at Ericsson in 2009. No Director has been elected pursuant to an arrangement or understanding with any major shareholder, customer, supplier or other person.

\( ^1 \) The number of Class B shares (and Class A shares, if applicable) includes holdings by related natural or legal persons and American Depositary Receipts, where applicable.
COMPANY MANAGEMENT

The President/CEO and Group Management
The Board of Directors appoints the President and CEO and the Executive Vice Presidents. The President and CEO is responsible for the management of day-to-day operations and is supported by the Group Management Team which, in addition to the President and CEO, consists of heads of Group functions and heads of business units.

The role of the Group Management Team is to:
- Establish a long-term vision, a strong corporate culture and group strategies and policies, all based on objectives stated by the Board.
- Determine targets for operational units, allocate resources and monitor unit performance.
- Secure operational excellence and realize global synergies through efficient organization of the Group.

Remuneration of Group Management
Guidelines on remuneration and other employment terms for Group Management were approved by the Annual General Meeting 2009. For further information on remuneration, fixed and variable pay, see Remuneration Report and Notes to the Consolidated Financial Statements – Note C29, "Information Regarding Members of the Board of Directors, the Management and Employees" in the Annual Report.

The Ericsson Group Management System
The CEO and heads of Group functions have implemented a management system to ensure that the business is managed:
- so that the objectives of Ericsson's major stakeholders (customers, shareholders, employees) are fulfilled,
- within established risk limits and with reliable internal control,
- so that the Company is compliant with applicable laws, listing requirements and governance codes and fulfills its corporate social responsibilities.

Ericsson is ISO 9001 and ISO 14001 certified. The management system is an important foundation and is continuously evaluated and improved in line with ISO requirements.

The Ericsson Group Management System comprises three elements:
- Management and control; i.e. corporate culture, objective setting and strategy formulation, and steering documents, such as Group policies and directives.
- Operational processes and IT tools, to support operational excellence and leverage Ericsson’s scale advantages.
- Organization and resources.

Risk management is an integrated part of the Ericsson Group Management System.

Management and control
Ericsson uses balanced scorecards as tools for translating strategic objectives into a set of performance indicators for its operating units. These focus primarily on market and customer performance, competitive position, internal efficiency, financial performance and employee satisfaction and empowerment. Based on the annual strategy work, these scorecards are updated with targets for each unit for the next year and communicated throughout the organization. The balanced scorecard is also used as a management tool to align operating unit and personal goals to Company goals, follow up progress and monitor identified risks.

Corporate culture has long been acknowledged as an important factor for driving behavior, not only for compliance but also in communication, decision making, efficiency and the reaching of objectives. Respect, professionalism and

ERICSSON'S CORE VALUES

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

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

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

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perseverance are the values that underpin Ericsson’s culture, guiding daily work, relationships and business. Consequently, executive management makes the communication and development of Ericsson’s culture a key task in the management of the Group.

Group-wide policies and directives govern how the organization works. These include important areas, such as a code of business ethics, policies on roles and responsibilities, segregation of duties, capital expenditures, management of intellectual property rights, financial reporting, environmental matters, and risk management.

**Operational Processes and IT tools**

As a leading vendor, Ericsson tries to utilize the competitive advantages that are gained through scale and has implemented common processes and IT tools across all its operating units. Through management and continuous improvement of these processes and IT tools, Ericsson reduces costs with standardized internal controls and performance indicators.

**Organization and resources**

Ericsson is operated in two dimensions:

- Legal entities: more than 200 companies in more than 100 countries, each with a board of directors, in many cases also with local non-Ericsson employee members. Ericsson also operates through two joint ventures.
- Operational units: business units (4) and market units (23).

In addition, Group functions coordinate Ericsson’s strategies, operations and resource allocation and define the necessary directives, processes and organization for the effective governance of the Group.

For more information on Ericsson’s organization, see chapter “Information on the Company” in the Annual Report.

**Risk management**

Risks are broadly categorized into operational and financial risks. Ericsson’s risk management is based on the following principles, which apply universally across all business activities and risk types:

- Risk management is an integrated part of the Ericsson Group Management System.
- Each operational unit is accountable for owning and managing its risks according to policies, directives and process tools. Decisions are made or escalated according to a well-defined delegation of authority. Financial risks are coordinated through Group Function Finance.
- Risks are dealt with during the strategy process, the annual planning and target setting and during operational processes by transaction (customer bid/contract, acquisition, investment, product development project). They are subject to various process controls such as decision tollgates and approvals.

A central security unit coordinates management of certain risks, such as business interruption, information security/IT and physical security. A Crisis Management Council deals with ad-hoc events of a serious nature.

For more information on Ericsson’s risk management, see the “Board of Directors’ Report” in the Annual Report.
MEMBERS OF THE GROUP MANAGEMENT TEAM

Carl-Henric Svanberg
President and CEO until December 31, 2009 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. Carl-Henric Svanberg holds honorary doctorates at Luleå University of Technology and Linköping University of Technology.
Board member: Sony Ericsson Mobile Communications AB and ST-Ericsson until end of 2009, the Confederation of Swedish Enterprise, Melker Schörling AB, Uppsala University and BP PLC.
Holdings in Ericsson %: 3,234,441 Class B shares.

Hans Vestberg
First Executive Vice President until December 31, 2009.
President and CEO as of January 1, 2010.
Born 1965, Bachelor of Business Administration and Economics, University of Uppsala.
Board member: Sony Ericsson Mobile Communications AB, Chairman of ST-Ericsson and Svenska Handbollsförbundet.
Holdings in Ericsson %: 39,825 Class B shares.
Background: Hans Vestberg was Chief Financial Officer and Head of Group Function Finance until October 31, 2009. Prior to these positions Hans Vestberg was Executive Vice President and Head of Business Unit Global Services. He has held various positions in the Company since 1988, including Vice President and Head of Market Unit Mexico and Head of Finance and Control in USA, Brazil and Chile.

Jan Frykhammar
Executive Vice President and Chief Financial Officer and Head of Group Function Finance (since November 1, 2009) and Head of Business Unit Global Services (since 2008)
Born 1965. Bachelor of Business Administration and Economics, University of Uppsala.
Holdings in Ericsson %: 2,307 Class B shares.
Background: Jan Frykhammar has held various positions within Ericsson such as Sales and Business Control in Business Unit Global Services, CFO in North America and Vice President, Finance and Commercial within the Global Customer Account Vodafone.

Johan Wibergh
Executive Vice President (as of January 1, 2010) and Head of Business Unit Networks (since 2008)
Holdings in Ericsson %: 14,024 Class B shares.
Background: Prior to assuming these positions, Johan Wibergh was President of Ericsson Brazil. He has also been President of Market Unit Nordic and Baltics, Vice President and Head of Sales at Business Unit Global Services.

Jan Wäreby
Senior Vice President and Head of Business Unit Multimedia (since 2007)
Born 1956, Master of Science, Chalmers University, Göteborg.
Board member: Sony Ericsson Mobile Communications AB, ST-Ericsson, LHS Telekommunikation.
Holdings in Ericsson %: 41,733 Class B shares.
Background: From 2002 to 2006, Jan Wäreby was Executive Vice President and Head of Sales and Marketing for Sony Ericsson Mobile Communications.
Magnus Mandersson

Senior Vice President and Head of Business Unit CDMA (since November 2009)
Born 1959, Bachelor of Business Administration, University of Lund.
Holdings in Ericsson: 5,146 Class B shares.
Background: Prior to assuming this position, Magnus Mandersson was Head of Market Unit Northern Europe and Global Customer Account Deutsche Telekom AG.

Cesare Avenia

Chief Brand Officer (since November 2009) and Head of Market Unit South East Europe (since 2006)
Born 1950, Bachelor’s degree of science, Tele Communication, University of Naples, Italy.
Board member: Ericsson Telecomunicazioni S.P.A. and sole Director in Ericsson Network Services Italia S.P.A.
Holdings in Ericsson: 10,913 Class B shares. Background: Prior to assuming these positions he was Head of Market Unit Italy.

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.
Board member: Aktiemarknadsbolagens Förening and the Swedish Securities Council (since 2010).
Holdings in Ericsson: 1,216 Class A shares and 31,839 Class B shares.
Background: Prior to assuming this position, Carl Olof Blomqvist was a partner of Mannheimer Swartling law firm.

Håkan Eriksson

Senior Vice President, Chief Technology Officer and Head of Group Function Technology & Portfolio Management (since 2003). As of January 1, 2010 also Head of Ericsson Silicon Valley.
Born 1961, Master of Science and Honorary Ph D, Linköping Institute of Technology.
Board member: Linköping University, Anoto, Vestas, Stockholm Chamber of Commerce.
Holdings in Ericsson: 25,500 Class B shares.
Background: Prior to assuming these positions, Håkan Eriksson was Senior Vice President and Head of Research and Development. He has held various positions within Ericsson since 1986.

Douglas L. Gilstrap

Senior Vice President and Head of Group Function Strategy (since September 2009)
Born 1963, Master of Business Administration, Emory University, Atlanta.
Holdings in Ericsson: 385 Class B shares.
Background: Prior to assuming this position, Douglas L. Gilstrap held senior management positions at Equant Networks and Cable and Wireless.
Marita Hellberg

Senior Vice President and Head of Group Function Human Resources and Organization (since 2003)
Born 1955, Bachelor of Human Resources Management, Stockholm University, Advanced Management Program, Cedep, France.
Board member: Utbildningsradion.
Holdings in Ericsson 1): 29,554 Class B shares.
Background: Prior to assuming this position, Marita Hellberg was Senior Vice President of Human Resources of the NCC Group.

Torbjörn Possne

Senior Vice President and Head of Group Function Sales and Marketing (since 2008)
Born 1953. Master of Science, Royal Institute of Technology, Stockholm.
Holdings in Ericsson 1): 21,874 Class B shares.
Background: Prior to assuming this position, Torbjörn Possne was Head of Market Unit Northern Europe and Global Customer Account Deutsche Telekom. He has held various positions within Ericsson since 1979.

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: Stronghold.
Holdings in Ericsson 1): 22,729 Class B shares.
Background: Prior to assuming this position, Henry Sténson was Head of SAS Group Communication.

Up to August 31, 2009, Bert Nordberg was Executive Vice President and Chairman of Redback and Entrisphere, and also Head of Ericsson Silicon Valley and a member of the Group Management Team of the Company. Bert Nordberg joined Sony Ericsson as Co-President on September 1, 2009, to become its President as of October 15, 2009.

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 Members of the Board of Directors, the Management and Employees” in the Annual Report.
AUDITORS

According to the Articles of Association, the Parent Company shall have no less than one and no more than three registered public accounting firms as external independent auditors. The auditors are elected by the shareholders at the Annual General Meeting for a period of four years. The auditors report to the shareholders at General Meetings.

The auditors:

- Update the Board of Directors regarding the planning, scope and content of the annual audit.
- Examine the year-end financial statements to assess accuracy and completeness of the accounts and adherence to accounting procedures and principles.
- Advise the Board of Directors of non-audit services performed, the consideration paid and other issues that determine the auditors’ independence.

For further information on the contacts between the Board and the auditors, please see “Work of the Board of Directors” earlier in the report.

All Ericsson’s quarterly reports are reviewed by the auditors.

Current auditor

PricewaterhouseCoopers AB was elected at the Annual General Meeting 2007 for a period of four years until the close of the Annual General Meeting 2011.

PricewaterhouseCoopers AB has appointed Peter Clemedtson, Authorized Public Accountant, to serve as auditor in charge. Peter Clemedtson is also auditor in charge of Skandinaviska Enskilda Banken.

Fees to the auditor

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

INTERNAL CONTROL OVER FINANCIAL REPORTING 2009

This section has been prepared in accordance with the Swedish Code of Corporate Governance, section 10.5, and is limited to internal control over financial reporting.

Since Ericsson is listed in the United States, the requirements outlined in the Sarbanes-Oxley Act (SOX) apply. These regulate the establishment and maintenance of internal controls over financial reporting and also management’s assessment of the effectiveness of the controls. In order to comply with SOX, the Company has implemented detailed controls as well as documentation, testing and reporting procedures in accordance with the COSO framework for internal control. The COSO framework is issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management’s internal control report according to SOX will be included in Ericsson’s Annual Report on Form 20-F and filed with the SEC in the United States. During 2009, the Company has continued to improve the design and execution of its financial reporting controls as well as include operations in acquired entities.

Disclosure policies

Ericsson’s financial disclosure policies aim to ensure transparent, relevant and consistent communication with the equity and debt investors on a fair and equal basis. This will support a fair market value for Ericsson shares. Ericsson wants current and potential investors to have a good understanding of how the Company works, including operational performance, prospects and potential risks.

To achieve these objectives, financial reporting and disclosure must be:

- Transparent – enhance understanding of the economic drivers and operational performance of the business, hence build trust and credibility.
- Consistent – comparable in scope and level of detail to facilitate comparison between reporting periods.
- Simple – to support understanding of business operations and performance and to avoid misinterpretations.
- Relevant – with focus on what is relevant to Ericsson’s stakeholders or required by regulation or listing agreements, to avoid information overload.
- Timely – with regular scheduled disclosures as well as ad-hoc information, such as press releases on important events, performed on a timely basis.
- Fair and equal – where all material information is published via press releases to ensure the whole investor community receives the information at the same time.
- Complete, free from material errors and a reflection of best practice – disclosure is compliant with applicable financial reporting standards and listing requirements and in line with industry norms.
Ericsson’s website (www.ericsson.com/investors) includes comprehensive information on the Group, including an archive of annual and interim reports, on-demand access to recent news and copies of presentations given by senior management at industry conferences. (Information on the Ericsson website does not form part of this document.)

Disclosure controls and procedures
Ericsson has controls and procedures in place to ensure timely information disclosure under the U.S. Securities Exchange Act of 1934 and under agreements with NASDAQ and NASDAQ OMX Stockholm. These procedures also ensure that such information is provided to management, including the CEO and CFO, so timely decisions can be made regarding required disclosure.

A Disclosure Committee comprising 15 members with various expertise assists managers in fulfilling their responsibility regarding disclosures made to the shareholders and the investment community. One of the main tasks of the committee is to monitor the integrity and effectiveness of the disclosure controls and procedures.

Ericsson has investments in certain entities that the Company does not control or manage. With respect to such entities, disclosure controls and procedures are substantially more limited than those maintained with respect to subsidiaries.

During the year, Ericsson’s President and CEO and the CFO evaluated the disclosure controls and procedures and concluded that they were effective at a reasonable assurance level as at December 31, 2009.

During the period covered by the Annual Report 2009, there were no changes to the disclosure controls and procedures that have materially affected, or are likely to materially affect, the internal control over financial reporting.

Internal control over financial reporting
Ericsson has integrated risk management and internal control into its business processes. As defined in the COSO framework, internal control includes components such as 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 labor between the Board of Directors and its Committees and the President and CEO. The Company has implemented a management system that is based on:

- Steering documents, such as policies, directives and a code of business ethics, and a strong corporate culture.
- The Company’s organization and mode of operations, with well-defined roles and responsibilities and delegations of authority.
- Several well-defined group-wide processes for planning, operations and support.

The most essential parts of the control environment relative to financial reporting are included in steering documents and processes for accounting and financial reporting. These steering documents are updated regularly to include, among other things, changes to laws, financial reporting standards and listing requirements, such as IFRS and SOX. The processes include specific controls to be performed to ensure high quality reports. Each reporting legal entity, market unit and business unit has a financial controller function supporting the entity management with execution of controls related to transactions and reporting. A financial controller function is also established on group level, reporting to the CFO.

Risk assessment
Risks of material misstatements in financial reporting may occur in relation to recognition and measurement of assets, liabilities, revenue and cost or insufficient disclosure. Other risks related to financial reporting include fraud, loss or embezzlement of assets and undue favorable treatment of counterparties at the expense of the Company.

Policies and directives regarding accounting and financial reporting cover areas of particular significance to support correct, complete and timely accounting, reporting and disclosure.

Identified types of risks are mitigated through well defined business processes with integrated risk management activities and segregation of duties and appropriate delegation of authority. This requires specific approval of material transactions and ensures adequate asset management.

Control activities
The Company’s business processes include financial controls regarding the approval and accounting of business transactions. The financial closing and reporting process has controls regarding recognition, measurement and disclosure. These include the application of critical accounting policies and estimates, in individual subsidiaries as well as in the consolidated accounts.

Regular analyses of the financial results for each subsidiary, market unit and business unit cover the significant elements of assets, liabilities, revenues, costs and cash flow. Together with further analysis of the consolidated financial statements performed at Group level, this ensures that the financial reports do not contain material errors.

For external financial reporting purposes, additional controls performed by the Disclosure Committee ensure that all disclosure requirements are fulfilled.

The Company has implemented controls to ensure that the financial reports are prepared in accordance with its internal accounting and reporting policies and IFRS as well as with relevant listing regulations. The Company also maintains detailed documentation on internal controls related to accounting and financial reporting, as well as records on the monitoring of the execution and results of such controls. This
ensures that the CEO and CFO can assess the effectiveness of the controls in a way that is compliant with SOX.

Entity-wide controls, focusing on the control environment and compliance with the financial reporting policies and directives, are implemented in all subsidiaries. Detailed process controls and documentation of controls performed are also implemented in almost all subsidiaries, covering all items with significant materiality and risk.

To ensure efficient and standardized accounting and reporting processes, the Company operates several shared services centers. Based on a common IT platform, a common chart of account and common master data, the centers perform accounting and financial reporting services for most subsidiaries.

**Information and communication**
The Company’s information and communication channels support complete, correct and timely financial reporting by making all relevant internal process instructions and policies accessible to all the employees concerned. Regular updates and briefing documents regarding changes in accounting policies, reporting and disclosure requirements are also supplied.

Subsidiaries and operating units prepare regular financial and management reports to internal steering groups and Company management. These include analysis and comments on financial performance and risks. The Board of Directors receives financial reports monthly. The Audit Committee of the Board has established a whistle blower procedure for reporting violations in accounting, internal controls and auditing matters.

**Monitoring**
The Company’s process for financial reporting is reviewed annually by the management. This forms a basis for evaluating the internal management system and internal steering documents to ensure that they cover all significant areas related to financial reporting. The shared service center management continuously monitors the accounting quality through a set of performance indicators. Compliance with policies and directives is monitored through annual self-assessments and representation letters from heads and controllers in all subsidiaries as well as in business units and market units.

The Company's financial performance is also reviewed at each Board meeting. The committees of the Board fulfill important monitoring functions regarding remuneration, borrowing, investments, customer finance, 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 internal audit function, which reports to the Audit Committee, performs independent audits. The Audit Committee also receives regular reports from the external auditor. The Audit Committee follows up on any actions taken to improve or modify controls.