

# Modern slavery and human trafficking statement 2019

# Introduction

Ericsson has zero tolerance for modern slavery and human trafficking, and works with business partners with the aim to eliminate such practices from the Company's value chain.

Conducting business responsibly is the foundation of Ericsson's commitment to sustainability and corporate responsibility. At the core of this responsibility is ensuring that Ericsson operations, products, services and business engagements do not adversely impact on human rights. Ericsson believes that operating business with integrity, transparency and responsibility is critical to maintain trust and credibility with customers, partners, suppliers, employees, shareholders and other stakeholders. While Ericsson's zero tolerance commitment remains clear, the Company continuously works to evaluate and strengthen its responsible business processes, with a focus on building and maintaining trust, transparency and integrity regardless of where in the world it operates. This approach enables Ericsson both to be proactive and to work to respond to issues as they arise.

This statement covers the financial year 2019 and describes how Ericsson is tackling the challenge of modern slavery and human trafficking throughout its operations and supply chain and outlines Ericsson's policies, actions and plans for future improvements. This statement covers the entire Ericsson Group, including subsidiaries consolidated in Ericsson's financial statements.

Below is a summary of Ericsson's key activities in 2019, the planned activities for 2020, and Ericsson's long-term ambition when it comes to the prevention of modern slavery and human trafficking.

## Key activities 2019

Updated Code of Conduct for Business Partners, including emphasis on modern slavery and supplier requirements on effective management systems.

Modern slavery training conducted for the Ericsson Sourcing organization.

Increased efforts related to sourcing from high-risk countries, through dialogue and engagement with key suppliers aiming at a common approach and reaching further upstream in supply chain.

Review of prevalence of modern slavery policies amongst Ericsson's high risk first tiersuppliers, in selected cases also looking into second tier suppliers.

Supplier worker's voice survey conducted in India.

## Planned activities 2020

Continue engagement with key suppliers in high-risk countries, creating and implementing action plans to identify and mitigate modern slavery risks.

Implement improvements of responsible sourcing program based on best practice, and learnings from benchmarks and rankings.

Engage with high-risk Business Support Service providers, such as facility management service providers, to ensure awareness of and mitigation of modern slavery risks.

Increased awareness efforts and collaboration with high risk suppliers.

## Long-term ambition

Ericsson has zero tolerance for modern slavery and human trafficking, and the long-term ambition is to eliminate such practices throughout the Company's value chain

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## Business and supply chain

Ericsson provides high-performing solutions to enable its customers to capture the full value of connectivity. The Company provides communication infrastructure, services and software – especially in networks, digital services and managed services – to the telecom industry and other sectors. Ericsson has approximately 100,000 employees and serves customers in 180 countries. Ericsson's headquarters are located in Stockholm, Sweden.

Responsible sourcing is an important program for Ericsson. Ericsson's supply chain comprises over 20,000 first tier global, regional and local suppliers in more than 150 countries which provide a wide range of products, components and services, such as antennas, printed circuit boards, installation and consultancy services. As the supply chain is large and complex, Ericsson adopts a risk-based approach to identify high-risk suppliers and works with its suppliers towards continual improvement.

## Ericsson's position on modern slavery and human trafficking

Taking a strong stance against modern slavery and human trafficking as well as working to ensure high labor rights standards in general, are core aspects of conducting business responsibly at Ericsson. Ericsson has a zero tolerance policy against the use of forced, bonded or compulsory labor, or child labor, which is reflected in the Code of Business Ethics and the Code of Conduct for Business Partners (henceforth Code of Conduct). In both these codes, Ericsson expresses a commitment

to respect all internationally proclaimed human rights including the International Bill of Human Rights and the principles concerning fundamental rights set out in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. Ericsson is also committed to implementing the United Nations Guiding Principles (UNGPs) on Business and Human Rights throughout its business operations.

Ericsson's Code of Business Ethics, approved by the Board of Directors, sets the tone for conducting business globally. It contains rules to ensure that business is conducted with integrity. Everyone working for Ericsson has an individual responsibility to ensure that business practices adhere to the Code of Business Ethics. Employees acknowledge the Code of Business Ethics at the time of employment and periodically throughout the term of employment. The Code of Conduct, which applies to all suppliers, is based on the UN Global Compact principles and is approved by the CEO. It covers human rights, labor rights, environmental management and anti-corruption. The Code of Conduct requirements are available in multiple languages on Ericsson's website and form part of Ericsson's supplier contracts.

Under Ericsson's Code of Conduct, modern slavery, including forced, bonded or compulsory labor and human trafficking, is strictly prohibited. Employees shall be free to leave their employment after reasonable notice as required by applicable law or contract and employees shall not be required to lodge deposits of money or identity

papers with any entity during the hiring process. Ericsson respects the right to equal opportunity, freedom of association and collective bargaining. Ericsson requires suppliers to live by the same rules. Moreover, under the Code of Conduct, suppliers are required to demonstrate effective management systems, aimed at ensuring compliance with the provisions of the Code of Conduct, as well as demonstrate that sub suppliers adhere to the same standards.

Ericsson was an early adopter of the UNGPs and related UNGPs Reporting Framework. This work has improved the understanding of Ericsson's salient human rights issues, which include labor rights in general and modern slavery specifically. Responsible business is embedded at the highest levels of Ericsson, starting with the Board of Directors of the parent Company, the CEO and the Executive Team, who receive regular briefings on emerging issues and progress made.

## Training and awareness

Modern slavery and human trafficking are complex areas with impacts throughout the supply chain. Raising awareness about the issue is a key element in the work to improve working conditions, both in Ericsson's own business operations and those of Ericsson's suppliers and sub suppliers.

All employees are offered a business and human rights e-learning course. The aim is to help employees understand human rights risks and their role in identifying and mitigating such risks, as well as to help them understand how Ericsson works within this area. During 2019, employees in

the sourcing organization received a live, in-depth training session on modern slavery, elaborating on their specific roles and responsibilities in modern slavery prevention. One of the live sessions was recorded and distributed as a mandatory e-learning for employees with sourcing job roles that have supplier responsibility or regular supplier contact which includes over 800 employees in Ericsson's sourcing and supply organizations.

During 2019, a review of the prevalence of modern slavery policies amongst Ericsson's high risk first tier suppliers, in selected high-risk countries, was conducted. The aim of this exercise was to create a baseline and to have a better understanding of how Ericsson suppliers are working with modern slavery to keep the Company informed of where further efforts are needed. Ericsson acknowledges that simply having a statement is not sufficient to prevent modern slavery practices, it

is however an important indicator of the level of awareness of a company. Looking at high-risk suppliers in China, India and Malaysia, the review showed that approximately 30%, on average across these countries, have modern slavery policies. In selected cases also second tier suppliers were reviewed.

All Ericsson suppliers are encouraged to take the free of charge online Code of Conduct training that is available on the Company website. The training provides further guidance for suppliers on what is needed in practice in order to comply with Ericsson's Code of Conduct requirements.

### Due diligence

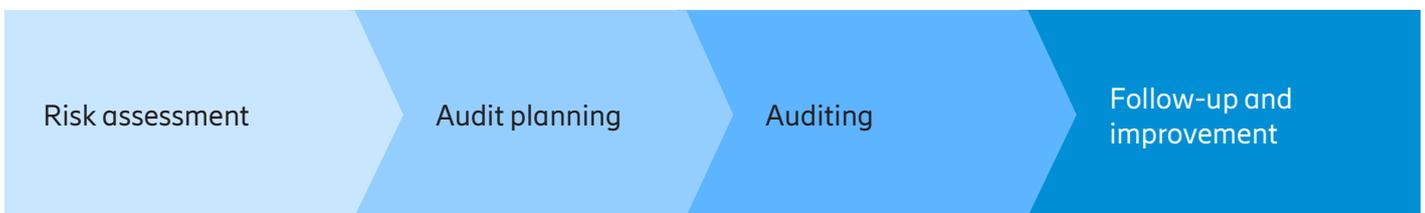
Ericsson's human rights due diligence is embedded in processes throughout business operations and functions, including within sales and sourcing. Ericsson works with a systematic, risk-based approach to respecting human rights; identifying potential human

rights risks, addressing such risks to prevent adverse impacts, tracking effectiveness of measures taken and providing or enabling remediation when applicable.

Before selecting a supplier, a supplier self-assessment is to be performed in the form of a questionnaire covering all areas of the Code of Conduct and other relevant issues. The questionnaire includes questions relating to suppliers' policies and processes within the areas of modern slavery.

Ericsson uses a risk-based approach to identify relevant suppliers for Code of Conduct audits. Prioritized risk areas in Ericsson's supply chain include anti-corruption, labor rights, occupational health & safety, environmental management, and communication of requirements further upstream in the supply chain.

#### Supplier Code of Conduct audit process



To understand the geographical risk for modern slavery, Ericsson uses a global third-party risk index that provides country specific information. Ericsson sources a large number of products, components and services from countries identified as high-risk countries. In 2020 Ericsson therefore plans to maintain its focus on these countries, with a particular focus

on Malaysia, by engaging with key suppliers to map lower levels of the supply chain and implement mitigating actions. One focus area will be to build joint capacity, with suppliers, to identify and prevent risks of modern slavery.

Ericsson has reviewed its sourcing categories, based on workforce skill level and risk of informal employment,

in order to map the risk per sourcing category group. The mapping gives a simplified view of where modern slavery or human trafficking is most likely to occur and where to direct resources to mitigate this risk. The latest review of the category risks was made in 2018 to keep the analysis up to date.

## Supplier category modern slavery risk

Assessment made based on work force skill level, risk of informal employment etc.

| Category group area         | Category group                             | Modern slavery risk |
|-----------------------------|--|---------------------|
| Network Product HW          | Digital Semiconductor                      | High                |
|                             | RF Signal Chain                            | High                |
|                             | Standard Electronics                       | High                |
|                             | Connectivity                               | High                |
|                             | Filters & Mechanics                        | High                |
|                             | Enclosures & Energy                        | High                |
| Site, Test, EMS & Logistics | EMS  | High                |
|                             | Test- Manufacturing & Industrial Equipment | Mid                 |
|                             | Site Products                              | High                |
|                             | Logistics                                  | High                |
| Network Product HW          | IT HW                                      | High                |
|                             | IT SW                                      | Low                 |
|                             | IT Services                                | Low                 |

| Category group area                 | Category group                | Modern slavery risk |
|-------------------------------------|-------------------------------|---------------------|
| Technical Consultancy               | Technical Consultancy         | Low                 |
| Network Services & Managed Services | Site Services                 | High                |
|                                     | After Market Services         | High                |
|                                     | External Workforce            | Mid                 |
|                                     | Buy back                      | Low                 |
|                                     | Cars                          | Low                 |
| Business Support Services           | Professional Support Services | Low                 |
|                                     | Real Estate                   | High                |
|                                     | Facility Management           | High                |
|                                     | HR & Education Services       | Mid                 |
|                                     | Travel                        | High                |
|                                     | Market Communication          | Low                 |

## Monitoring, audits and measuring performance

Ericsson acknowledges that modern slavery and human trafficking is not easily detected through audits. Therefore, in 2018 Ericsson initiated work to complement its audit program piloting targeted supplier workers' voice surveys on sites in China and India. This work continued in 2019 targeting second tier suppliers as the risks are believed to be more prevalent going further upstream the supply chain. The results of the workers' voice surveys showed that the risk of forced labor was low for the selected sites. Having evaluated the effectiveness of the surveys, Ericsson has decided to shift focus on closer collaboration with first tier suppliers in order to reach further upstream in the supply chain and through joint efforts build capacity of lower tier suppliers to manage modern slavery risks.

When there are public reports of human rights risks in Ericsson's supply chain, or countries which Ericsson might be sourcing from, the Company acts by initiating an investigation and requiring corrective actions as well as remedy when applicable. During 2019, Ericsson

acted on several findings in electronics manufacturing in China and Malaysia, as well as office furniture production in Sweden. Reports from NGOs identified cases of modern slavery in the ICT industry in Malaysia and exploitation of student workers in China. Ericsson continues its dialogue and monitoring of relevant suppliers and has initiated collaborations in specific cases to improve labor practices.

Following the reports in 2019 of modern slavery practices in ICT manufacturing in Malaysia, Ericsson took action by identifying and engaging with its own suppliers in Malaysia to evaluate their policies and process to prevent modern slavery, as well as disclose their sub-suppliers in order to enable Ericsson to identify potential risks further upstream in the supply chain. Modern slavery practices are a systemic issue in Malaysia and not limited to a few manufacturing sites. Even though the factories identified in the NGO reports are not Ericsson suppliers, the Company continues its engagement with key suppliers manufacturing in, or sourcing from, Malaysia and plan to conduct further investigations. In order to have

a better understanding of the specific situation in Malaysia, Ericsson also engaged with local NGOs and experts. In 2020 Ericsson plans to further build on the initial findings and engagements with stakeholders.

## Sourcing of raw materials

Social and environmental risks, including issues related to forced labor, exist in the sourcing and extraction of raw materials. Although these risks often occur several tiers upstream in Ericsson's supply chain, Ericsson acknowledges that this is an important risk area, also in terms of modern slavery and human trafficking. Ericsson's conflict minerals program requires suppliers to exercise due diligence in the sourcing and extraction of conflict minerals and to reasonably verify the origin of conflict minerals contained in products sold to Ericsson. For more information see Ericsson's Conflict-Minerals Report, available on [www.ericsson.com](http://www.ericsson.com). Ericsson's focus has been on sourcing of tin, tantalum, tungsten and gold, but the company also recognizes human rights risks related to sourcing of other minerals such as cobalt and copper.

## Grievance mechanism

Ericsson encourages people to speak up about any concerns regarding the Company's business practices. Ericsson's whistleblower tool, Ericsson Compliance Line, managed by an external service provider, can be used by employees, suppliers and others for reporting of alleged violations of laws or the Code of Business Ethics that are conducted by Group or local

management and relate to for example personal health and safety. Ericsson Compliance Line is available 24/7, 365 days per year and enables persons to report confidentially via phone or a secure website in 188 countries and in more than 75 languages. The tool enables anonymous reporting. Significant violations reported in Ericsson Compliance Line are reported to the Audit and Compliance Committee of the parent Company.

Ericsson acknowledges that it is difficult to identify modern slavery and human trafficking via whistleblowing tools. Therefore, Ericsson focuses on awareness-raising activities as an important complementary tool to identify and prevent modern slavery and human trafficking. No cases related to modern slavery or forced labor were reported through Ericsson Compliance Line during 2019.

## Additional information

Ericsson publishes information about its commitment to human rights and responsible sourcing and engagement with its suppliers and other stakeholders in its annual Sustainability and Corporate Responsibility report published together with the Annual Report. The Annual Report can be found at <http://www.ericsson.com/en/investors/financial-reports>

This statement covers the financial year 2019 and has been approved by the Board of Directors.

Stockholm, March 2, 2020

Börje Ekholm

President & CEO and member of the Board of Directors of Telefonaktiebolaget LM Ericsson

Original signature available on file

Ericsson is one of the leading providers of Information and Communication Technology (ICT) to service providers, with about 40% of the world's mobile traffic carried through our networks. We enable the full value of connectivity by creating game-changing technology and services that are easy to use, adopt and scale, making our customers successful in a fully connected world. For more than 140 years, our ideas, technology and people have changed the world: real turning points that have transformed lives, industries and society as a whole.

## Forward looking statements

Certain matters discussed in this document include forward-looking statements subject to risks and uncertainties. Readers of this document are cautioned that the forward-looking statements are not guarantees of Ericsson's future actions or developments, which may differ materially from those described or implied. Ericsson expressly disclaims a duty to provide updates to these forward-looking statements after the date of this report to reflect events or changes in circumstances or changes in expectations or the occurrence of anticipated events. The information included on any websites that appear in this document is not incorporated by reference in this statement.