



ERICSSON

# Modern slavery and human trafficking statement 2020

# Introduction

Ericsson does not tolerate modern slavery or human trafficking and works with business partners with the aim to eliminate such practices from Ericsson'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 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 commitment to human rights remains clear, the company continuously works to evaluate and strengthen its responsible business practices, with a focus on building and maintaining trust, transparency and integrity regardless of where in the world it operates. This approach enables Ericsson both to be proactive and to work to respond to issues as they arise.

This statement covers the financial year 2020 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, and is prepared in accordance with the reporting requirements of the UK Modern Slavery Act and the Australian Modern Slavery Act.

Below is a summary of Ericsson's key activities in 2020, the planned activities for 2021, and Ericsson's long-term ambition when it comes to the prevention of modern slavery and human trafficking.

## Key activities 2020

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Initiated review of the Ericsson Code of Business Ethics, to provide additional clarification and guidance on issues such as forced labor.

Thorough analysis of Ericsson's supply chain and supplier categories to determine salient human rights risks. Forced labor was identified as one of the prioritized areas.

Engagement with business support service and facility management suppliers, to ensure awareness and mitigation of modern slavery risks.

Analysis of Covid-19 impacts on Ericsson's supply chain and communication to suppliers in order to mitigate risk of modern slavery as a result of the pandemic.

Review prevalence of modern slavery statements amongst hardware suppliers in Malaysia.

Increased transparency and reporting on Ericsson's approach to addressing human rights in our supply chain.

## Planned activities 2021

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Establish action plans to address salient human rights issues in Ericsson's supply chain, with focus on forced labor, trade union rights, living wage, working hours and discrimination.

Review sourcing process for onboarding of suppliers and supplier management.

Strengthen human rights training as part of the sourcing process.

## Continuous efforts

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Continue engagement with key suppliers in high-risk countries and categories, creating and implementing action plans to identify and mitigate modern slavery risks, in order to reach further upstream in the supply chain.

Implement improvements of Ericsson's responsible sourcing framework based on best practice and learnings from benchmarks and rankings

## Long-term ambition

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Ericsson has no tolerance for modern slavery and human trafficking, and the long-term ambition is to eliminate such practices throughout the company's value chain

## Reporting entities

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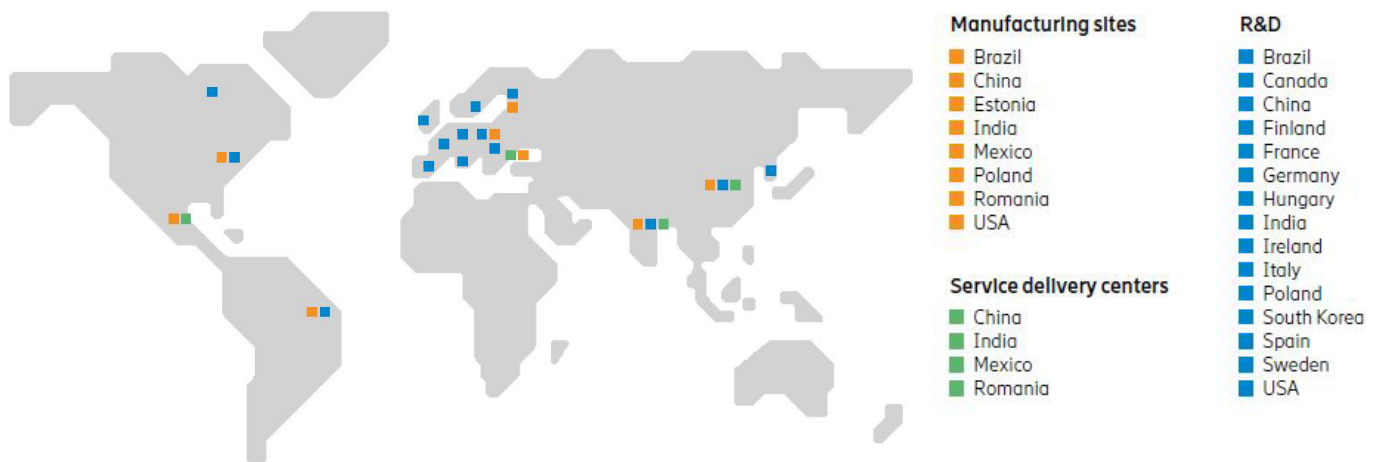
## Structure and operations

Ericsson is a company providing 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.

Ericsson's global operations are organized in business areas and market areas and there are more than 200 legal entities within the Group with approximately 80 branch offices with representation (via legal entities, branch and representative offices) in more than 150 countries. Ericsson is

headquartered in Stockholm, Sweden and has approximately 100,000 employees across the Group. Ericsson Australia Pty Ltd, employs approximately 980 employees across its operations in Australia and is administered by its head office in Docklands, Victoria. See picture 1 for an overview of Ericsson's Manufacturing sites, Service delivery Centers and R&D sites.



Picture 1. Ericsson's Manufacturing sites, Service delivery centers and R&D sites.

## 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 does not tolerate 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 Business Ethics includes the prohibition of any form of forced, bonded or compulsory labor and human trafficking.

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 also prohibits the payment of recruitment fees by prospective employees and 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. 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.

## Ericsson's Supply Chain

Responsible management of suppliers is an important part of Ericsson's procurement process. Ericsson's supply chain comprises approximately 19,000 first tier global, regional and local suppliers in more than 150 countries which provide a wide range of products and services, please see the supply chain category structure in table on picture 2. Ericsson's supply chain consists of several tiers of suppliers, including sourcing of raw materials such as minerals and metals in equipment and components. Suppliers are generally managed through the centralized sourcing group function but, depending on function and delivery, the responsibility for various aspects of supplier management is also distributed to market areas or Group functions.

Due to the complex and often opaque nature of the company's supply chain, Ericsson adopts a risk-based approach to identify high-risk suppliers. The company's approach is to work collaboratively with suppliers towards continual improvement. Ericsson has a dedicated responsible sourcing team that supports the sourcing organization in the area of sustainability and corporate responsibility, including human rights and forced labor. The responsible sourcing team addresses all four areas (human rights, labor rights, environmental management and anti-corruption) of the Ericsson Code of Conduct. Each market area and supplier category also have

responsible sourcing representatives supporting the respective sourcing area.

Ericsson's responsible sourcing human rights strategy includes activities such as supplier capacity building, audits and improvement programs, risk and impacts assessments, policy implementation, stakeholder dialogue and engagement, and benchmarking. The strategy is continually evaluated and updated based on results and learnings from these activities. The strategy is managed in close collaboration with Ericsson's sustainability and corporate responsibility team. Progress and targets are regularly reviewed by management, including the Executive Team. Ericsson also collaborates with external parties such as civil society organizations, customers and suppliers, industry peers and experts in order to work for continuous development. For more information on identified salient human rights risks in Ericsson's supply chain, see [Ericsson.com](https://www.ericsson.com).

Ericsson addresses risks further upstream in the supply chain in collaboration with its first-tier suppliers, through industry initiatives such as the Responsible Business Alliance (RBA) and the Responsible Minerals Initiative (RMI), and through other stakeholder engagements. While Ericsson does not have visibility to identify source countries of raw materials for specific products, the company publishes an annual Conflict Minerals Report which includes a list of smelters and a country of origin list for relevant minerals based on the Ericsson's reasonable country of origin inquiries.

## 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 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 supplier policies and processes, including modern slavery and human trafficking.

Ericsson uses a risk-based approach to identify relevant suppliers for Code of Conduct audits looking at five criteria – size of business with supplier, country, business considerations, time since last audit and type of service or product provided. Ericsson acknowledges that modern slavery and human trafficking is not easily detected through audits, however, it is still a necessary tool to understand some parts of the supplier operations related to the overall human rights area, which may be related to forced labor issues. Due to Covid-19, several audits planned for 2020 were delayed or postponed to a later date, while other audits were in part conducted remotely. During 2020 Ericsson performed more than 80 Code of Conduct audits.

The majority of critical findings as a result of Code of Conduct audits, for the area of human rights, are related to working hours, wages and benefits. Additional frequent issues of non-compliance are

unacceptable disciplinary measures, as well as insufficient or missing employee contracts. During 2020, there were no audit findings of actual forced labor. A few suppliers, however, had non-conformities as a result of lack of adequate policies and procedures to address modern slavery risks. The identified suppliers were required to address findings through corrective actions such as implementing adequate policies and procedures.

### Risk assessment

During 2020 Ericsson conducted a deeper analysis of its salient, supply chain human rights issues using internal and external expertise as well as stakeholder consultations, audit results, and a comprehensive analysis of its supplier categories. All Ericsson supplier categories were reviewed based on factors such as geographical location, industry, education/skill level needed to perform work and size of the workforce.

The following issues were identified as most important: forced labor, living wage, working hours, non-discrimination, occupational health and safety, conflict-related impacts such as sourcing of raw materials, freedom of association and the right to collective bargaining.

Additionally, Ericsson has previously reviewed its sourcing categories from a modern slavery risk perspective to identify high risk supplier categories. The assessment is based on factors such as workforce skill level, risk of informal employment, countries of operation, documented industry risks etc., in order to map the risk per sourcing category group. The mapping below provides a simplified view of where modern slavery or human trafficking are most likely to occur and where to direct resources to mitigate this risk. The latest review of the category risks was conducted in 2018.

Category group area	Category group	Modern slavery risk	Category group area	Category group	Modern slavery risk
Network Product HW	Digital Semiconductor	High	External Workforce	R&D Consultancy	Low
	Radio Frequency Signal Chain	High		Temporary Workforce	Mid
	Standard Electronics	High	Network Services & Managed Services	Site Services	High
	Connectivity	High		Buy back	Low
	Filters & Mechanics	High	Business support services	Cars	Low
	Enclosures & Energy	High		Professional Support Services	Low
Production Services & Test	EMS (Electronics Manufacturing Services)	High		Real Estate	High
	Test- Manufacturing & Industrial Equipment	Mid		Facility Management	High
	After Market Services	High		HR & Education Services	Mid
Site Products & Logistics	Site Products	High		Travel	High
	Logistics	High		Market Communication	Low
IT Products and Services	IT Hardware	High			
	IT Software	Low			
	IT Services	Low			

Picture 2. Modern slavery supplier category risk

The type and severity of modern slavery risks depend on the supplier category. Modern slavery and human trafficking risks in hardware and component manufacturing are often related to migrant labor and issues such as recruitment fees, debt bondage, withholding of identification papers and low wages. Modern slavery and human trafficking risks are also present further upstream in these supply chains, in the extractive sector, where child labor and forced labor can be linked to ongoing armed conflicts and instability in source countries.

For logistics suppliers, issues such as low wages, excessive overtime and migrant labor are known to be connected to potential forced labor. Moreover, risks of human trafficking are also linked to the logistics industry.

Business support services include risks related to hiring of cleaning, security and canteen staff, which often include vulnerable groups such as migrant workers. Additionally, business travel can include modern slavery and human trafficking risks in specific countries where such risks are prevalent in the hospitality sector.

Regarding Ericsson's own operations, the main risk of modern slavery and human trafficking is connected to the use of temporary labor through recruitment agencies. Especially when recruiting labor in high risk countries.

In accordance with the Australian Modern Slavery Act, in addition to the risks noted above that apply across Ericsson's product supply chain, the main risks for Ericsson Australia Pty Ltd in relation to modern slavery and human trafficking have been reviewed. Main risk areas include local business support services, and site service providers. To raise awareness, during 2020, Ericsson engaged with local suppliers in these categories by informing them of the new requirements, Ericsson's approach to addressing modern slavery risks, and the importance of informing Ericsson of risks identified by the suppliers. Key local suppliers in risk categories were also engaged through bilateral dialogue to further discuss their modern slavery mitigation efforts and how to improve. Dialogues will continue during 2021 to evaluate measures taken and identify additional needs for risk mitigation. Ericsson plans to continue to monitor

performance of these suppliers and engage in capacity building where necessary.

### Actions taken and tracking performance

Through benchmarking and dialogue with stakeholders, including suppliers, customers, industry and civil society organizations and experts, Ericsson works to continuously develop its policies and practices to be a leader on human rights issues. The learnings gained are then used in the development and implementation of human rights strategies and activities. Based on learnings from benchmarks such as the Corporate Human Rights Benchmark and Know the Chain, Ericsson, during 2020, strengthened the company's external communication and transparency by publishing additional information on its approach to human rights, including modern slavery and human trafficking, on Ericsson's website.

Facility management is one of the Ericsson's high-risk supplier categories as they employ labor that often is at risk of exploitation, such as cleaning and security staff. Ericsson currently has business engagements with a small number of global facility management providers, all of which were reviewed during 2020, through dedicated dialogue sessions to discuss their human rights due diligence processes and activities, with a special focus on their own supply chains. Follow-up engagements will take place throughout 2021 to monitor improvements of current processes.

When there are public reports of human rights risks in Ericsson's supply chain, or countries that Ericsson might be sourcing from, the company aims to take prompt action by initiating an investigation and requiring corrective actions as well as remedy when applicable. During 2020, Ericsson acted on several findings related to ethnic minorities in China, especially Uyghur forced labor in the Xinjiang province and labor transfer programs throughout mainland China. Following reports such as the Australian Strategic Policy Institute report "[Uyghurs for Sale](#)", Ericsson mapped its supply chain to the results of the report. Following the exercise, it was found that none of the companies identified in the report were Ericsson suppliers.

Ericsson has its own, limited, operations in Xinjiang, servicing mobile operators with standard network infrastructure. The company does not provide surveillance equipment or solutions to the province. Additionally, Ericsson also mapped its supply chain in Xinjiang, concluding that no Ericsson suppliers are based in the province.

The complexity of risks related to ethnic minorities and forced labor in China requires further, collective, action. Ericsson has therefore engaged with the RBA to further understand how the ICT industry is linked to these risks. Based on a newly developed audit methodology and red flag analysis by the RBA, Ericsson aims to conduct further due diligence in its supply chain and of business engagements during 2021.

As reported in Ericsson's Modern Slavery and Human Trafficking Statement 2019, modern slavery in ICT manufacturing in Malaysia has been identified. Following up on these findings, Ericsson has received confirmation from the RBA that the identified impacts have been remedied through audits and corrective actions. The main findings and corrective actions of the audits being repayment of recruitment fees. Ericsson has continued its focus on Malaysia throughout 2020 in order to further strengthen human rights due diligence management. A review was conducted during the year of the prevalence of modern slavery policies amongst Ericsson's manufacturing suppliers in Malaysia for purposes of creating a baseline and to have a better understanding of how Ericsson suppliers address modern slavery and keeping the company informed of where further efforts are needed. The investigation confirms that manufacturing suppliers covering the majority of spend in Malaysia are outwardly showing an understanding of the topic and further indicates that focused efforts are most relevant further upstream in the supply chain. Ericsson acknowledges that simply having a statement is not enough to prevent modern slavery practices. However, Ericsson believes that it is an important indicator of the level of awareness of a company and that it can provide a good starting point for closer collaboration to reach beyond the first tier.

Ericsson has decided to focus on closer collaboration with first tier suppliers in order to reach further in the supply chain,

to build capacity of lower tier suppliers through joint efforts to manage modern slavery and human trafficking risks. A joint pilot project with a key first tier supplier and the RBA was initiated in Malaysia. The aim of the project is to engage with suppliers further upstream through workshops and awareness raising. The activity was planned for 2020, but due to the Covid-19 pandemic, travel and in person workshops were not possible. Because of the uncertainty of when travel will be possible, a virtual workshop will be held in 2021, with in-person follow up when possible.

### 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 is been on the sourcing of tin, tantalum, tungsten and gold, and since 2020 cobalt has been added to the list of minerals for which Ericsson is requesting information from suppliers.

### Consultation, 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 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.

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. All employees with sourcing job roles that have supplier responsibilities or regular supplier contact are required to participate in a mandatory e-learning on modern slavery. This includes over 800 employees in Ericsson's sourcing and supply organizations, which also covers Ericsson's own manufacturing sites.

In addition to the above-mentioned trainings, Ericsson acknowledges the high value of raising awareness through closer discussions and collaborations with stakeholders, such as the examples mentioned under the section "Actions taken". Ericsson also regularly engages with customers on the topic of human rights and modern slavery.

As mentioned above, management of suppliers is primarily addressed through the Group level sourcing organization, which covers the sourcing by Ericsson subsidiaries. Due to new requirements under the Australian Modern Slavery Act, cross-functional early engagement was initiated involving representatives from the Group sustainability and sourcing functions as well as a wide range of market area functions for purposes of raising awareness on the requirements of the new requirement and to identify specific risks and implement mitigating actions.

### 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 human rights violations. 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 77 languages.

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 2020.

#### 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 2020 and has been approved by the Board of Directors.

Stockholm, March 4, 2021

Börje Ekholm

President & CEO and member of the Board of Directors of Telefonaktiebolaget LM Ericsson Original signature available on file

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Ericsson enables communications service providers to capture the full value of connectivity. The company's portfolio spans Networks, Digital Services, Managed Services, and Emerging Business and is designed to help our customers go digital, increase efficiency and find new revenue streams. Ericsson's investments in innovation have delivered the benefits of telephony and mobile broadband to billions of people around the world. The Ericsson stock is listed on Nasdaq Stockholm and on Nasdaq New York.