

To the Board of Directors of Telefonaktiebolaget LM Ericsson

## **The Nomination Committee's proposal to the Annual General Meeting 2023, including explanations**

The Nomination Committee of Telefonaktiebolaget LM Ericsson presents the following proposals and information to the Annual General Meeting of shareholders 2023.

### **1. Description of the Nomination Committee's work before the Annual General Meeting 2023**

The composition of the Nomination Committee was made public by Ericsson on April 20, 2022.

The Nomination Committee consists of the following members:

- Johan Forssell (appointed by Investor AB), the Chair of the Nomination Committee
- Karl Åberg (appointed by AB Industrivärden)
- Anders Oscarsson (appointed by AMF Tjänstepension & Fonder)
- Niko Pakalén, (previously Jonas Synnergren until December 9, 2022; appointed by Cevian Capital Partners Limited)
- Ronnie Leten, the Chair of the Board of Directors

The Nomination Committee, over the course of the year, carried out its duties under the Swedish Corporate Governance Code (the "Code") and as set out in the Instruction for the Nomination Committee (as resolved by the Annual General Meeting 2012).

As of February 22, 2023, the Nomination Committee has held nine (9) meetings, since the appointment of the current Nomination Committee.

To ensure a thorough ongoing understanding of Ericsson's business and strategy, the Chair of the Board of Directors presented to the Nomination Committee his views on the position and strategy of the Ericsson Group. The Committee also met with Ericsson's President and CEO Börje Ekholm who presented his views on the Company's position and strategy. The Committee also undertook a review of competencies and the mix of skills required in the Board of Directors. Further, it was informed of and considered the results of the evaluation of the Board work and procedures led by the Chair of the Board of Directors. On the basis of the foregoing, the Nomination Committee has assessed the competence and experience required by Ericsson Board members as well as the need for improvement of the composition of the Board of Directors in terms of diversity in age, gender and cultural/geographic background. The Nomination Committee has in this respect applied section 4.1 of the Code as diversity policy.

The Nomination Committee met with the Chair of the Audit and Compliance Committee to review the assessments made by the Company and the Audit and Compliance Committee of the quality and efficiency of external auditor work. The Audit and Compliance Committee also provided its recommendation that Deloitte AB be re-elected external auditor.

## **2. The Nomination Committee's proposals and explanations**

### **Chair of the Annual General Meeting**

The Nomination Committee proposes that Advokat Eva Hägg be elected Chair of the Annual General Meeting of shareholders 2023.

### **Number of Board members and deputies to be elected by the Annual General Meeting**

According to the articles of association, the Board of Directors shall consist of no less than five and no more than twelve Board members, with no more than six deputies. The Nomination Committee proposes that the number of Board members elected by the Annual General Meeting of shareholders shall be ten (previously eleven) and that no deputies be elected.

### **Fees payable to members of the Board of Directors elected by the Annual General Meeting and to members of the Committees of the Board of Directors elected by the Annual General Meeting**

The Nomination Committee proposes that fees to non-employee Board members elected by the Annual General Meeting and non-employee members of the Committees of the Board of Directors elected by the Annual General Meeting be paid as follows:

- SEK 4,500,000 to the Chair of the Board of Directors (*previously SEK 4,375,000*);
- SEK 1,140,000 to each of the other Board members (*previously SEK 1,100,000*);
- SEK 495,000 to the Chair of the Audit and Compliance Committee (*previously SEK 475,000*);
- SEK 285,000 to each of the other members of the Audit and Compliance Committee (*previously SEK 275,000*);
- SEK 210,000 to each Chair of the Finance, the Remuneration and the Technology and Science Committee (*previously SEK 205,000*); and
- SEK 185,000 to each of the other members of the Finance, the Remuneration and the Technology and Science Committee (*previously SEK 180,000*).

The Nomination Committee considered the Board fees with the objective of ensuring that they allow for the recruitment and retention of high quality individuals while also being appropriate in comparison to other technology companies operating globally and with

similar size and complexity. As such, the Nomination Committee has concluded that an increase of the fees to all members of the Board and Board Committees, including their Chairs, in accordance with the above is reasonable, well-justified and in the best interests of the Company. The proposal of the Nomination Committee provides for an increase of the fees of approximately 3.3%<sup>1</sup> compared with the total fees to the corresponding number of Board and Committee members for Board and Committee work resolved by the Annual General Meeting 2022.

## **Fees in the form of synthetic shares**

### Background

The Nomination Committee believes that it is appropriate that Board members elected by the shareholders hold shares in Ericsson, in order to strengthen the Board members' and the shareholders' mutual interests in the Company. The Nomination Committee recommends that Board members elected by the shareholders, over a five year period, build a holding of shares or synthetic shares in Ericsson equal to at least the value of the annual Board fee (excluding fees for Committee work), and that such holding be kept during the time the Board member remain Board member in Ericsson.

To enable Board members to create an economic interest in the Company and considering that it is in many cases difficult for Board members to trade in the Company's share due to applicable insider rules, the Nomination Committee proposes that the Board members should, as previously, be offered the option of receiving part of the Board fees in the form of synthetic shares. A synthetic share constitutes a right to receive payment of an amount which corresponds to the market value of a share of series B in the Company on Nasdaq Stockholm at the time of payment.

### Proposal

The Nomination Committee therefore proposes that the Annual General Meeting of shareholders 2023 resolve that part of the fees to the Directors, in respect of their Board assignment (however, not in respect of Committee work), may be paid in the form of synthetic shares, on the following terms and conditions.

- A nominated Director shall be able to choose to receive the fee in respect of his or her Board assignment, according to the following four alternatives:
  - (i) 25 percent in cash – 75 percent in synthetic shares
  - (ii) 50 percent in cash – 50 percent in synthetic shares

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<sup>1</sup> Calculated as if the number of non-employed Board members elected by the Annual General Meeting was ten persons and an unchanged number of Committee members. A calculation in relation to the current proposal of nine non-employed Board members elected by the Annual General Meeting and an unchanged number of Committee members would instead entail a decrease of the fees by approximately 3.1% compared with the total fees to the Board and Committee members resolved by the Annual General Meeting 2022.

- (iii) 75 percent in cash – 25 percent in synthetic shares
- (iv) 100 percent in cash.

- The number of synthetic shares to be allocated shall be valued at the average of the market price of shares of series B in the Company on Nasdaq Stockholm during a period of five trading days immediately following the publication of Ericsson's interim report for the first quarter of 2023. The synthetic shares are vested during the term of office, with 25 percent per quarter of the year.
- The synthetic shares give a right to, following the publication of Ericsson's year-end financial statement in 2028, receive payment of a cash amount per synthetic share corresponding to the market price of shares of series B in the Company in close connection with the time of payment.
- An amount corresponding to dividend in respect of shares of series B in the Company, resolved by the Annual General Meeting during the holding period, shall be disbursed at the same time as the cash amount.
- Should the Director's assignment to the Board of Directors come to an end no later than during the third calendar year after the year in which the Annual General Meeting resolved on allocation of the synthetic shares, payment may take place the year after the assignment came to an end.
- The number of synthetic shares may be subject to recalculation in the event of bonus issues, splits, rights issues and similar measures, under the terms and conditions for the synthetic shares.

The complete terms and conditions for the synthetic shares are described in **Exhibit 1**.

The financial difference for the Company, should all Directors receive part of their fees in the form of synthetic shares compared with the fees being paid in cash only, is assessed to be limited.

### **Election of the Chair of the Board of Directors, other Board members and deputies of the Board of Directors**

#### **Proposals**

The Nomination Committee proposes that the following persons be re-elected as members of the Board:

1. Jon Fredrik Baksaas;
2. Jan Carlson;
3. Carolina Dybeck Happe;
4. Börje Ekholm;
5. Eric A. Elzvik;

6. Kristin S. Rinne;
7. Helena Stjernholm; and
8. Jacob Wallenberg.

The Nomination Committee proposes that the following two individuals be elected as new members of the Board:

9. Jonas Synnergren; and
10. Christy Wyatt.

The Nomination Committee proposes that Jan Carlson be elected as new Chair of the Board of Directors.

### **Information regarding proposed Board members**

Information regarding the proposed Board members is presented in **Exhibit 2**.

### **Considerations**

The Nomination Committee primarily searches for potential Board member candidates for the upcoming mandate period, but also considers future competence needs. It is a long journey to identify the right candidates and long-term planning is essential. In assessing the appropriate composition of the Board of Directors, the Nomination Committee considers, among other things, experience and competence needed on the Board and its Committees, and the value of diversity in age, gender and cultural/geographic background as well as the need for renewal. The Nomination Committee believes that diversity on the Board will support Ericsson's sustainable development and therefore continually focuses on identifying Board member candidates with different backgrounds. While acknowledging increased expectations on transparency relating to diversity on the Board, applicable privacy regulations prevent Ericsson and the Nomination Committee from processing certain sensitive personal data about its Board members, such as information relating to demographic background. The Nomination Committee has applied the Swedish Corporate Governance Code, Section 4.1, as diversity policy. Focusing on improving the gender balance over time of the Board, the Nomination Committee particularly works to identify women candidates matching the current and future needs of the Board. The Nomination Committee also assesses the appropriateness of the number of Board members and whether the Board members can devote the necessary time required to fulfill their tasks as Board members in Ericsson.

In its appraisal of qualifications and performance of the individual Board members, the Nomination Committee takes into account the competence and experience of each individual member along with the individual member's contribution to the Board work as a whole and to the Committee work. The Committee has familiarized itself with the results of the Board work evaluation that was led by the Chair of the Board of Directors. The Nomination Committee's objective is to propose and support the election of a Board that is comprised of individuals of the highest competency and integrity, while also holistically

comprising a strong mix of needed skills and experience to effectively oversee and lead Ericsson.

The Nomination Committee is of the opinion that the current Board of Directors and Board work is well functioning. Further, it is the Nomination Committee's view that the Board fulfills expectations in terms of composition and that the Board of Directors as well as the individual Board members fulfill expectations in terms of expertise. Competencies and experiences represented on the Board include broad international industry experience, experience from the telecom, IT and ICT sectors, technological and technical competencies and experiences (e.g. related to software and digitalization), financial expertise and experience from private equity, M&A and new business. The Nomination Committee further believes that competencies and experiences within the ESG areas (areas within environmental, social and governance) considered most relevant for Ericsson and the sector in which the Company operates are well represented on the Board, including for example related to the technologies the Company develops and delivers as well as relating to ethics and compliance. While the Board is well functioning and has a strong composition, the Nomination Committee believes that the Board would benefit from additional expertise within the software, technology and enterprise area.

Ronnie Leten, Kurt Jofs and Nora Denzel have informed the Nomination Committee that they will not stand for re-election at the Annual General Meeting 2023. The Nomination Committee proposes re-election of current Board members Jon Fredrik Baksaas, Jan Carlson, Carolina Dybeck Happe, Börje Ekholm, Eric A. Elzvik, Kristin S. Rinne, Helena Stjernholm and Jacob Wallenberg, and new election of Jonas Synnergren and Christy Wyatt as members of the Board. Jonas Synnergren has long-term international business experience as a Board member of Tieto Oyj and Veoneer Inc. and is currently a Board member of Nordea Oyj. In addition, Jonas Synnergren is Senior Partner in Cevian Capital AB, one of Ericsson's shareholders. Christy Wyatt has long-term international business experience from senior management roles within Motorola, Good Technology and DTEX Systems and is currently the President and CEO of Absolute Software.

It is the Nomination Committee's assessment that the proposed new Chair of the Board of Directors, Jan Carlson, with his long career both as CEO and Chairman, good knowledge of Ericsson after serving many years on the Board, international experience, technology background and personal qualities will be an excellent successor as Chair of the Board. Further, it is the Committee's assessment that each of the proposed Board members, with their respective experiences, adds valuable expertise and experience to the Board, and that Jonas Synnergren's and Christy Wyatt's extensive international business experiences and deep software, enterprise and technology expertise will be of additional value to Ericsson and will further strengthen the Board.

Out of the proposed Board members to be elected by the Annual General Meeting of shareholders (excluding the President and CEO) 44% are women. Gender balance continues to be a key priority for the Nomination Committee, and the Committee works to improve the gender balance on the Board of Directors over time.

### **Independence of Board members**

The Nomination Committee has made the following assessments in terms of applicable Swedish independence requirements:

- (i) The Nomination Committee considers that the following Board members are independent of the Company and its senior management:
  - a. Jon Fredrik Baksaas
  - b. Jan Carlson
  - c. Carolina Dybeck Happe
  - d. Eric A. Elzvik
  - e. Kristin S. Rinne
  - f. Helena Stjernholm
  - g. Jonas Synnergren
  - h. Jacob Wallenberg
  - i. Christy Wyatt
  
- (ii) From among the Board members reported in (i) above, the Nomination Committee considers that at least the following are independent of the Company's major shareholders:
  - a. Jon Fredrik Baksaas
  - b. Jan Carlson
  - c. Carolina Dybeck Happe
  - d. Eric A. Elzvik
  - e. Kristin S. Rinne
  - f. Jonas Synnergren
  - g. Christy Wyatt

Moreover, the Nomination Committee considers that at least the following Board members are independent in respect of all applicable independence requirements:

- a. Jon Fredrik Baksaas
- b. Jan Carlson
- c. Carolina Dybeck Happe
- d. Eric A. Elzvik
- e. Kristin S. Rinne
- f. Jonas Synnergren
- g. Christy Wyatt

The Nomination Committee concludes that the proposed composition of the Board of Directors meets the independence requirements applicable to Ericsson.

**Number of auditors**

According to the articles of association, the Company shall have no less than one and no more than three registered public accounting firms as auditor. The Nomination Committee proposes that the Company should have one registered public accounting firm as auditor.

**Fees payable to the auditor**

The Nomination Committee proposes, like previous years, that the auditor fees be paid against approved account.

**Election of auditor**

In accordance with the recommendation by the Audit and Compliance Committee, the Nomination Committee proposes that Deloitte AB be appointed auditor for the period from the end of the Annual General Meeting 2023 until the end of the Annual General Meeting 2024 (re-election).

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**Stockholm, February 2023**

**The Nomination Committee**