



## **Item 16 Implementation of LTV 2024 including transfer of treasury stock, directed share issue and authorization for the Board of Directors to decide on an acquisition offer of shares of series C**

### **Background**

The Remuneration Committee and the Board of Directors evaluate the long-term variable compensation ("LTV") programs to the Executive Team ("ET") and for employees classified as executives ("**Executives**") on an ongoing basis. The evaluation considers the LTV programs for effectiveness in serving their purpose to support achieving the Ericsson Group's strategic business objectives and sustainable long-term interests as well as their facility to increase the long-term focus of the members of the ET and the Executives and align their interests with the long-term expectations and the interests of the shareholders.

Upon evaluation of the currently ongoing LTV programs for the ET (LTV 2021, LTV 2022 and LTV I 2023) and the ongoing LTV program for the Executives (LTV II 2023), the Remuneration Committee and the Board of Directors concluded that these ongoing LTV programs, which are all in essence the same in terms of plan structure, performance criteria and performance periods, enabled the Company to achieve its long-term objectives. The LTV I 2023 and LTV II 2023 were put forward to the AGM 2023 as two separate programs: LTV I 2023 for the ET and LTV II 2023 for the Executives. For administrative reasons, the Board of Directors has decided to put forward the Long-Term Variable Compensation Program 2024 ("**LTV 2024**") as one program applicable to both the ET and the Executives. The ongoing LTV programs have further enabled the Company to attract, retain and motivate senior leaders and offer them globally competitive remuneration, and remain committed to create increased shareholder value. In order to further strengthen Ericsson's, as well as the ET's and Executives', commitment to long-term sustainability and responsible business, the Board of Directors, upon recommendation from the Remuneration Committee, has concluded to propose to the AGM 2024 an LTV 2024 for the ET and the Executives.

LTV 2024 is an integral part of the Company's remuneration strategy and the Board of Directors in particular expects the members of the ET and the Executives to build significant equity holdings to align the interests and expectations of the LTV program participants with those of shareholders.

### **Proposals**

#### **16.1 Implementation of the LTV 2024**

The Board of Directors proposes that the AGM 2024 resolve on the LTV 2024 for the ET and the Executives comprising a maximum of 10.4 million shares of series B in the Company as set out below.

### *Objectives of the LTV program*

The LTV program is designed to provide long-term incentives for the ET and the Executives (“**Participants**”), thereby creating long-term value for the shareholders. The aim is to attract, retain and motivate senior leaders in a competitive market through performance-based share related incentives, to encourage the build-up of significant equity holdings to align the interests of the Participants with those of shareholders and to further strengthen the ET’s and the Executives’ commitment to long-term sustainability and responsible business.

### *The LTV Program in brief*

The LTV Program is proposed to include all members (current and future) of the ET and the Executives, currently comprising 215 employees, including the President and CEO. Awards under LTV 2024 (“**Performance Share Awards**”) will be granted free of charge entitling the Participant, provided that, among other things, certain performance criteria as set out below are met, to receive a number of shares at no consideration, following expiration of a three-year vesting period (“**Vesting Period**”). Allotment of shares pursuant to Performance Share Awards will be subject to the achievement of performance criteria, as set out below, and will generally require that the Participant retains his or her employment over the Vesting Period. All major decisions relating to LTV 2024 will be taken by the Remuneration Committee, with approval by the full Board of Directors as required.

### *Granting of Performance Share Awards*

Granting of Performance Share Awards to the Participants will generally take place as soon as practicably possible following the AGM 2024. For 2024, the value of the underlying shares in respect of the Performance Share Awards made to the President and CEO will not exceed 150% of the Annual Base Salary at the time of grant, and for other Participants, the value will not exceed 100% of the Participants’ respective Annual Base Salary at the time of grant, unless the Participant is employed in the USA where the value will not exceed 200% of Participants’ Annual Base Salary.

The share price used to calculate the number of shares to which the Performance Share Awards entitle will be the volume-weighted average of the market price of shares of series B in Ericsson on Nasdaq Stockholm during the five trading days immediately following the publication of the Company’s interim report for the fourth quarter 2023.

### *Performance criteria*

The vesting of the Performance Share Awards will be subject to the satisfaction of a performance criterion related to 2024 Group EBITA (earnings (loss) before interest, taxes, amortizations and write-downs of acquired intangible assets) (operating income), along with



performance criteria related to three-year total shareholder return ("TSR"<sup>1</sup>) and Group Environmental Social Governance ("ESG"), which will determine what portion (if any) of the Performance Share Awards will vest at the end of the Vesting Period.

The 2024 Group EBITA (operating income) performance criterion relates to 45% of the Performance Share Awards and the maximum vesting level is 200%.

The performance criteria based on TSR are absolute TSR development and relative TSR development for the Ericsson series B share over the period January 1, 2024 – December 31, 2026 ("Performance Period"<sup>2</sup>). The absolute and relative TSR performance criteria relate to 25% and 20%, respectively, of the Performance Share Awards and the maximum vesting level for both TSR performance criteria is 200%.

The Group ESG performance criterion measured over the Performance Period will relate to 10% of the Performance Share Awards, and the maximum vesting level is 200%.

The following conditions will apply to the performance criteria:

- 2024 Group EBITA (operating income) performance criterion

45% of the Performance Share Awards granted to a Participant will be subject to fulfilment of a Group EBITA (operating income) performance criterion for the 2024 financial year. The 2024 Group EBITA (operating income) performance criterion established by the Board of Directors will stipulate a minimum level and a maximum level. The 2024 Group EBITA (operating income) target is not disclosed due to stock market and competition considerations. The vesting level of Performance Share Awards related to 2024 Group EBITA (operating income) performance criterion will be determined by the Board of Directors when the audited result for the financial year 2024 is available.

If the maximum performance level is reached or exceeded, the vesting will amount to (and will not exceed) the maximum level of 200% of the Performance Share Awards related to the 2024 Group EBITA (operating income) performance criterion. If performance is below the maximum level but exceeds the minimum level, a linear pro-rata vesting of shares will occur. No vesting will occur if performance amounts to or is below the minimum level. The allotment of the shares will not occur until the end of the Vesting Period in 2027.

---

<sup>1</sup> Total shareholder return, i.e., share price growth including dividends.

<sup>2</sup> To provide a stable assessment of performance, the TSR development will be calculated based on the average closing price of the Ericsson series B share on Nasdaq Stockholm (or the corresponding closing share price of the relevant peer group company) for the three-month period immediately prior to the commencement and expiration of the Performance Period.



- TSR performance criteria

Absolute TSR performance criterion

25% of the Performance Share Awards granted to a Participant will be subject to fulfillment of an absolute TSR performance criterion over the Performance Period. If the absolute TSR development reaches or exceeds 14% per annum compounded, the maximum vesting of 200% of the Performance Share Awards related to absolute TSR performance criterion will occur. If the absolute TSR development is below or reaches only 6% per annum compounded, no vesting will occur in respect of the Performance Share Awards related to the absolute TSR performance criterion. A linear pro-rata vesting from 0% to 200% of the Performance Share Awards related to absolute TSR performance criterion will apply if the Company's absolute TSR performance is between 6% and 14% per annum compounded.

Relative TSR performance criterion

20% of the Performance Share Awards granted to a Participant will be subject to fulfillment of a relative TSR performance criterion over the Performance Period, compared to a peer group consisting of eleven peer companies ("**Peer Group**"<sup>3</sup>). The vesting of the relative TSR related Performance Share Awards varies depending on the Company's TSR performance ranking versus the other companies in the Peer Group. If the Company's relative TSR performance is below the TSR development of the company ranked 6<sup>th</sup> in the Peer Group, no vesting will occur in respect of the Performance Share Awards related to relative TSR performance criterion. Vesting of the Performance Share Awards related to relative TSR performance criterion will occur at the following percentage levels, based on which ranking position in the Peer Group the Company's TSR performance corresponds to:

<i>Position within the Peer Group</i>	<i>Associated vesting percentage level</i>
6 or lower	0%
5	50%
4	100%
3	150%
2 or higher	200%

---

<sup>3</sup> The Peer Group consists of the following companies: Cap Gemini, CGI Group, Cisco Systems, Cognizant, Corning, F5 Networks, International Business Machines, Juniper Networks, Motorola Solutions, Nokia, and Qualcomm. TSR will be measured in SEK for all companies in line with best practice.



If the Company's TSR performance is between two of the ranked companies, a linear pro-rata vesting will apply between the vesting percentage levels for the relevant ranked positions.

- Group ESG performance criterion

10% of the Performance Share Awards granted to a Participant will be subject to fulfilment of a Group ESG performance criterion comprised of two equally weighted subcomponents covering environmental and social aspects of ESG measured over the Performance Period.

Reduction of greenhouse gas emissions

5% of the Performance Share Awards granted to a Participant will be subject to fulfilment of a subcomponent of reducing greenhouse gas ("GHG") emissions<sup>4</sup> from service fleet vehicles, energy consumption at facilities and from business travel<sup>5</sup>.

Subcomponent target- and corresponding achievement levels are defined in the schedule below and broken down for each of the three years<sup>6</sup> covered by the Performance Period. Vesting is determined at the end of each year, with each year corresponding to one third (1/3) of the total subcomponent Performance Share Awards. A linear pro-rata vesting of one third (1/3) of 0% to 200% of the Performance Share Awards related to reducing emissions in the subcomponent will apply if reported emissions in scope are between the minimum and maximum vesting levels for each of the years covered by the Performance Period. An illustrative example is included below.

These target levels are aligned to the emissions reduction trajectory set for achieving Net Zero emissions from the Ericsson Group's own activities by 2030.

**Achievement GHG emissions target levels for emission in scope by fiscal year (ktonne CO<sub>2</sub>e)**

(%)	2024	2025	2026
0	138	133	126
100	122	117	110

<sup>4</sup> Measured as the carbon dioxide equivalents ("CO<sub>2</sub>e") of several greenhouse gases including, but not limited to, carbon dioxide. The so-called high-altitude effect of greenhouse gas emissions from air travel is not to be considered in these calculations.

<sup>5</sup> Corresponding to emissions in Scope 1, Scope 2 (market-based) and Scope 3 category Business Travel, as defined in the Greenhouse Gas Protocol, and reported in the Company's annual statutory Sustainability and Corporate Responsibility report.

<sup>6</sup> GHG emissions are reported on a calendar year basis but for practical and timing reasons, some of the emissions in scope of the subcomponent are measured on the twelve-month period December up to and including November.



200                      114                      110                      102

*Illustrative example: first, if reported emissions in scope for the year 2024 are 114 ktonne, the maximum vesting of one third of 200% ( $1/3 \times 200\% = 66.67\%$ ) of the Performance Share Awards related to this subcomponent and year will occur. Next, if reported emissions for the year 2025 are 117 ktonne, vesting of one third of 100% ( $1/3 \times 100\% = 33.33\%$ ) of the Performance Share Awards related to this subcomponent and fiscal year will occur. Last, if reported emissions in scope for the year 2026 are 126 ktonne, no vesting ( $1/3 \times 0\% = 0.00\%$ ) of the Performance Share Awards related to this subcomponent will occur. Consequently, in this example total vesting of the Performance Share Award related to this subcomponent over the Performance Period will be ( $66.67\% + 33.33\% + 0.00\%$ ) 100%.*

#### Increasing the representation of women leaders in Ericsson

5% of the Performance Share Awards granted to a Participant will be subject to fulfilment of a subcomponent of increasing the representation of women leaders (i.e., women holding roles with people management responsibility) in the Ericsson Group to 26% by the end of the Performance Period, which is in line with achieving the target trajectory for increasing the representation of women leaders in the Ericsson Group to 30% by 2030.

If the representation of women leaders in the Ericsson Group amounts to 27% or above by the end of the Performance Period, the maximum vesting of 200% of the Performance Share Awards related to this subcomponent will occur. If the representation of women leaders in the Ericsson Group amounts to 25% or below by the end of the Performance Period, no vesting will occur in respect of the Performance Share Awards related to this subcomponent. A linear pro-rata vesting from 0% to 200% of the Performance Share Awards related to increasing the representation of women leaders in the Ericsson Group subcomponent will apply if the representation of women leaders in the Ericsson Group exceeds 25% but is below 27% by the end of the Performance Period.

The vesting level of Performance Share Awards related to the Group ESG performance criterion will be determined by the Board of Directors when the audited results for both subcomponents at the end of the financial year 2026 are available.

Information about the outcome of the performance criteria will be provided no later than in the annual report for the financial year 2026.

### *Allotment of shares*

Provided that the performance criteria above have been met and that the Participant has retained his or her employment (unless special circumstances are at hand) during the Vesting Period, allotment of vested shares will take place as soon as practicably possible following the expiration of the Vesting Period.

When determining the final vesting level of Performance Share Awards, the Board of Directors shall examine whether the vesting level is reasonable considering the Company's financial results and position, conditions on the stock market and other circumstances, such as environmental, social, ethics and compliance factors, and if not, as determined by the Board of Directors, reduce the vesting level to the lower level deemed appropriate by the Board of Directors.

In the event delivery of shares to Participants cannot take place under applicable law or at a reasonable cost and employing reasonable administrative measures, the Board of Directors will be entitled to decide that Participants may, instead, be offered a cash settlement.

The Company has the right to, before delivering vested shares to the Participants, retain and sell the number of shares required to cover the cost for withholding and paying tax and social security liabilities on behalf of the Participants in relation to the Performance Share Awards for remittance to revenue authorities. In such an event, net amount of vested shares will thus be delivered to the Participants after the vested Performance Share Awards are reduced by the number of shares retained by the Company for such purposes.

### **Financing**

The Board of Directors has considered different financing methods for transfer of shares under the LTV 2024 such as transfer of treasury stock and an equity swap agreement with a third party. The Board of Directors considers that a directed issue of shares of series C in the Company, followed by buy-back and transfer of treasury stock is the most cost efficient and flexible method to transfer shares under LTV 2024.

The Company's current holding of treasury stock is not sufficient for the implementation of the LTV 2024. Therefore, the Board of Directors proposes a directed share issue and buy back of shares as further set out below under item 16.2. Under the proposed transactions, shares are issued at the share's quota value and repurchased as soon as the shares have been subscribed for and registered. The purchase price paid by the Company to the subscriber equals the subscription price. As compensation to the subscriber for its assistance in the issuance and buy-back of shares under items 16 and 17, the Company will pay to the subscriber an amount totaling SEK 100,000.



The procedure of issuance and buy-back of shares for the Company's LTV programs has previously been decided by the AGMs in 2001, 2003, 2008, 2009, 2012, 2016, 2017 and 2023.

Since the costs for the Company in connection with an equity swap agreement will be significantly higher than the costs in connection with transfer of treasury stock, the main alternative is that the financial exposure is secured by transfer of treasury stock and that an equity swap agreement with a third party is an alternative in the event that the required majority for approval is not reached.

### Costs

The total effect on the income statement of the LTV 2024, including financing costs and social security fees, is estimated to range between SEK 260 million and SEK 475 million distributed over the years 2024-2027. The costs will depend on the future development of the price of Ericsson series B share.

The administration cost for hedging the financial exposure of the LTV 2024 by way of an equity swap agreement is currently estimated to approximately SEK 70 million, compared to the cost of approximately SEK 100,000 for using newly issued and acquired shares in treasury (SEK 100,000 is the total cost paid to the subscriber in relation to items 16 and 17, regardless of the number of share issuances).

### Dilution

The Company has approximately 3.3 billion registered shares. As per February 27, 2024, the Company held approximately 12.5 million shares in treasury. The number of shares that may be required for ongoing LTV programs (2021, 2022, and II 2023) as per February 27, 2024, is estimated to approximately 10 million shares, corresponding to approximately 0.30 percent of the number of registered shares of the Company. In order to implement the LTV 2024, a total of up to 10.4 million shares are required, which corresponds to approximately 0.31 percent of the total number of registered shares of the Company, hence an issue of new shares of series C, followed by a buy-back, is proposed for the implementation of LTV 2024. The effect on important key figures is only marginal.

## 16.2 Transfer of treasury stock to employees and on an exchange, directed share issue and acquisition offer for the LTV 2024

### a) *Transfer of treasury stock under the LTV 2024*

To secure the delivery of Performance Shares in accordance with the terms and conditions of the LTV 2024, the Board of Directors proposes that the AGM resolve that the Company shall have the right to transfer no more than 8.6 million shares of series B in the Company less any shares retained by the Company as per item 16.2 c) on the following terms and conditions:



- The right to acquire shares shall be granted to such persons within the Ericsson Group covered by the terms and conditions pursuant to the LTV 2024. Furthermore, subsidiaries within the Ericsson Group shall have the right to acquire shares, free of consideration, and such subsidiaries shall be obligated to immediately transfer, free of consideration, shares to employees covered by the terms and conditions of the LTV 2024.
- The employee shall have the right to receive shares during the period when the employee is entitled to receive shares pursuant to the terms and conditions of the LTV 2024.
- Employees covered by the terms and conditions of the LTV 2024 shall receive shares of series B in the Company free of consideration.
- The number of shares of series B in the Company that may be transferred under the LTV 2024 may be subject to recalculation in the event of bonus issues, splits, rights issues and/or similar measures, under the terms and conditions of the LTV 2024.

*b) Transfer of treasury stock on an exchange to cover expenses for the LTV 2024*

The Company may, prior to the AGM in 2025, transfer no more than 1.8 million shares of series B in the Company, in order to cover certain expenses, mainly social security payments. Transfer of the shares shall be effected on Nasdaq Stockholm at a price within the, at each time, prevailing price interval for the share as disseminated by Nasdaq Stockholm.

*c) Authorization to decide on transfer of treasury stock on an exchange to cover costs for tax and social security liabilities for the Participants in the LTV 2024*

Authorization for the Board of Directors to decide to, in conjunction with the delivery of vested shares under LTV 2024, prior to the AGM in 2025, retain and sell no more than 70% of the vested shares of series B in the Company in order to cover the costs for withholding and paying tax and social security liabilities on behalf of the Participants in relation to the Performance Share Awards for remittance to revenue authorities. Transfer of the shares shall be effected on Nasdaq Stockholm at a price within the, at each time, prevailing price interval for the share as disseminated by Nasdaq Stockholm. These shares form a part of the final number of vested shares to the employees under LTV 2024 and do not incur additional costs to the LTV 2024 for the Company.

*d) Directed issue of shares of series C in the Company for the LTV 2024*

Increase of the share capital in the Company by SEK 52,000,000.01 through an issue of 10.4 million shares of series C in the Company, each share with a quota value of approximately SEK 5. The terms and conditions of the share issue are the following:

- The new shares shall – with deviation from the shareholders' preferential rights – be subscribed for only by Investor AB or its subsidiaries.



- The new shares shall be subscribed for during the period as from April 25, 2024, up to and including May 2, 2024. Over-subscription may not occur.
- The amount that shall be paid for each new share shall be the quota value (approximately SEK 5).
- Payment for the subscribed shares shall be made at the time of subscription.
- The Board of Directors shall be entitled to extend the period for subscription and payment.
- The new shares shall not entitle the holders to dividend payment.
- It is noted that the new shares are subject to restrictions pursuant to Chapter 4, Section 6 (conversion clause) and Chapter 20, Section 31 (redemption clause) of the Swedish Companies Act.

The Board of Directors proposes that the President and CEO shall be authorized to make the minor adjustments to the above resolutions that may prove to be necessary in connection with the registration with the Swedish Companies Registration Office.

*Reasons for deviation from the shareholders' preferential rights and principles on which the subscription price is based*

The Board of Directors considers that a directed issue of shares of series C, followed by buy-back and transfer of treasury stock is the most cost efficient and flexible method to transfer shares under the LTV 2024. Shares are issued at the share's quota value and repurchased as soon as the shares have been subscribed for and registered. The purchase price paid by the Company to the subscriber equals the subscription price.

*e) Authorization for the Board of Directors to decide on a directed acquisition offer for the LTV 2024*

Authorization for the Board of Directors to decide that 10.4 million shares of series C in the Company be acquired according to the following:

- Acquisition may occur by an offer to acquire shares directed to all holders of shares of series C in Ericsson.
- The authorization may be exercised until the AGM in 2025.
- The acquisition shall be made at a price corresponding to the quota value of the share (approximately SEK 5 per share).
- Payment for acquired shares shall be made in cash.

### **16.3 Equity Swap Agreement with third party in relation to the LTV 2024**

In the event that the required majority for approval is not reached under item 16.2 above, the financial exposure of the LTV 2024 shall be hedged by the Company entering into an equity



swap agreement with a third party, under which the third party may, in its own name, acquire and transfer shares of series B in the Company to employees covered by the LTV 2024.

### Majority rules

The resolution of the AGM on implementation of the LTV 2024 according to item 16.1 requires that more than half of the votes cast at the AGM approve the proposal. The resolution of the AGM on transfer of treasury stock to employees and on an exchange, directed share issue and acquisition offer for the LTV 2024 according to item 16.2 requires that shareholders representing at least nine-tenths of the votes cast as well as the shares represented at the AGM approve the proposal. The resolution of the AGM on an Equity Swap Agreement with third party according to item 16.3 requires that more than half of the votes cast at the AGM approve the proposal.

### Description of other ongoing long-term variable compensation programs

In addition to the LTV programs 2021, 2022 and I 2023, which are directed at the President and CEO and the members of the ET, and LTV II 2023, which is directed at the Executives, the Company has other ongoing long-term variable compensation programs directed at other employees within the Group. These programs are an integral part of the Company's remuneration strategy as well as a part of the Company's talent management strategy. The Company has decided to implement one other share-related compensation program for 2024: the Key Contribution Plan 2024 ("**KC Plan 2024**"). Ericsson has also implemented an all-employee share purchase plan in 2021 (ESPP).

#### *The KC Plan 2024*

The KC Plan 2024 is designed to recognize the best talent, individual performance, potential and critical skills as well as encourage the retention of key employees. Approximately 10% to 14% of Ericsson employees will be eligible for the KC Plan 2024. The award levels are assigned to employees mainly within in a range of 10 – 50% of Annual Base Salary to bring greater alignment with the local market conditions.

Participants are assigned a potential award, which is converted into a number of synthetic shares based on the same market price of the shares of series B in Ericsson used for the LTV 2024 at the time of grant. The plan has a three-year total service period ("**Service Period**") during which the awards are paid on an annual rolling bases following the below payment schedule:

- 25% of the award at the end of the first year,
- 25% of the award at the end of the second year, and
- 50% of the award at the end of the full Service Period.

The value of each synthetic share is driven by the absolute share price performance of shares of series B in Ericsson shares during the Service Period. At the date of vesting for each instalment



of the above-described annual rolling payment schedule, the synthetic shares are converted into a cash amount, based on the market price of the Ericsson series B share on Nasdaq Stockholm at the respective vesting date, and this final amount is paid to the Participant in cash gross before tax. It is estimated that approximately 30 million synthetic shares will be awarded under the KC Plan 2024. The maximum total cost effect of the KC Plan 2024 on the income statement, including social security fees, is estimated to be approximately SEK 5 billion distributed over the years 2024-2027. The costs will depend on the future development of the market price of the Ericsson series B share.

*The Ericsson share purchase plan ("ESPP")*

Ericsson is committed to helping employees thrive and to recognizing them for the impact they create by providing opportunities to enrich their working experience. In order to encourage employees to play an active role in achieving the Company's purpose, further create sense of belonging and ownership, the ESPP was launched in November 2021 (in 58 countries to approximately 58,900 eligible employees), with continued deployment in 2022 to 20 additional countries and 30,100 eligible employees. In total the ESPP is now live in 79 countries for 88,000 eligible employees of which 15,099 were actually participating at year-end 2023.

The ESPP is an all-employee share purchase plan that enables employees to purchase shares of series B in Ericsson up to a maximum value of SEK 55,000 per year via monthly payroll deduction. In recognition of the employees' commitment, Ericsson supports the participants with a net cash payment up to 15% of their elected contribution amounts and covers the tax on the Company supported amount, which is payable via payroll. Under the ESPP participants will acquire shares of series B in Ericsson at market price on Nasdaq Stockholm and the ESPP does therefore not have any dilutive effect.

The Company's ongoing variable compensation programs are described in further detail in the Annual Report 2023 in the Notes to the consolidated financial statements, Note G3: Share-based compensation and on the Company's website.