

To the Board of Directors of Telefonaktiebolaget LM Ericsson

## **The Nomination Committee's proposals to the Annual General Meeting 2014**

The Nomination Committee of Telefonaktiebolaget LM Ericsson hereby presents its proposals and information to the Board of Directors.

### **Chairman of the Annual General Meeting**

The Nomination Committee proposes that Advokat Sven Unger be elected Chairman of the Annual General Meeting of shareholders 2014.

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

According to the articles of association, the Board 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 remain twelve 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 elected by the Annual General Meeting**

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

- SEK 3,975,000 to the Chairman of the Board of Directors (*previously SEK 3,850,000*);
- SEK 950,000 each to the other Board members (*previously SEK 900,000*);
- SEK 350,000 to the Chairman of the Audit Committee (*unchanged*);
- SEK 250,000 each to the other members of the Audit Committee (*unchanged*);
- SEK 200,000 each to the Chairmen of the Finance and the Remuneration Committee (*unchanged*); and
- SEK 175,000 each to the other members of the Finance and the Remuneration Committee (*unchanged*).

It is important that Board fees are maintained at an appropriate level to make it possible to recruit the best possible international competence to the Board of Directors of Ericsson and to make it possible to keep such competence. The Nomination Committee has compared the Board fees in Ericsson with Board fees in other international high-tech companies. The Nomination Committee has concluded that compared with the Board fees in companies of equal size and complexity, Ericsson's Board fees are lower. When assessing the level of fees it must be considered that the Ericsson group has customers in more than 180 countries and that sales amount to more than SEK 200 billion.

Against this background, the Nomination Committee considers well-justified the proposed increases of the individual Board fee from SEK 900,000 to SEK 950,000 and of the fee to the Chairman of the Board from SEK 3,850,000 to SEK 3,975,000.

The Nomination Committee considers that the fees for Committee work are reasonable, and proposes that these fees remain unchanged.

The proposal of the Nomination Committee implies all in all an increase of the fees of approximately 4.2 percent compared with the total fees to the Board members for Board and Committee work resolved by the Annual General Meeting 2013.

### **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 Board members elected by the shareholders to, during a five year period, build a holding of shares or synthetic shares in Ericsson at least corresponding to the value of the annual Board fee (after tax) (excluding fees for Committee work), and that such holding be kept during the time the Board member remain Board member in Ericsson.

To make it possible for 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 possibility 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 OMX Stockholm at the time of payment.

### Proposal

The Nomination Committee therefore proposes that the Annual General Meeting of shareholders 2014 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
  - (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 to an average of the market price of shares of series B in the Company on NASDAQ OMX Stockholm during a period of five trading days immediately following the publication of Ericsson's interim report for the first quarter of 2014. 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 2019, receive payment of a cash amount per synthetic share corresponding to the market price of shares of series B in the Company at 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, split, 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 very limited.

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

The Nomination Committee proposes that the following persons be elected Board members:

Chairman of the Board:  
re-election: Leif Johansson.

Other Board members:  
re-election: Roxanne S. Austin, Sir Peter L. Bonfield, Nora Denzel, Börje Ekholm, Alexander Izosimov, Ulf J. Johansson, Sverker Martin-Löf, , Kristin Skogen Lund, Hans Vestberg, Jacob Wallenberg and Pär Östberg.

In the composition of the Board of Directors, the Nomination Committee considers, among other things, necessary experience and competence but also the value of diversity, gender balance and renewal. The Nomination Committee also assesses the appropriateness of the number of members of the Board. At the Annual General Meeting 2013, three new Board members were elected to the Board of Directors of Ericsson and the percentage of women on the Board increased to 25% of Board members elected by the shareholders, an increase considered positive by the Nomination Committee.

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. The Nomination Committee considers it important that Board members can devote the necessary time and care required to fulfill their tasks as Board members in Ericsson, and has therefore also familiarized itself with the proposed Board members' engagements outside of Ericsson and the time they require.

The Nomination Committee has further thoroughly familiarized itself with the Board work and the work of individual Board members. The Nomination Committee is of the opinion that the current Board and Board work is well functioning and that the Board fulfils high expectations in terms of composition and that the Board as well as the individual Board members fulfil high expectations in terms of expertise. All Board members contribute meritoriously with their respective expertise. The Nomination Committee has noted that Board members in Ericsson have high Board meeting attendance and that they are well prepared at the meetings. After thorough discussion and evaluation, the Nomination Committee is of the opinion that the proposed Board members have sufficient time to fulfil their tasks as Board members in Ericsson and the Nomination Committee has not seen reason to propose any

amendments in the composition of the Board at the Annual General Meeting 2014.

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

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

### **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 at least the following Board members are independent of the Company and its senior management:
  - a. Roxanne S. Austin
  - b. Sir Peter L. Bonfield
  - c. Nora Denzel
  - d. Börje Ekholm
  - e. Alexander Izosimov
  - f. Leif Johansson
  - g. Ulf J. Johansson
  - h. Kristin Skogen Lund
  - i. Pär Östberg
  
- (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. Roxanne S. Austin
  - b. Sir Peter L. Bonfield
  - c. Nora Denzel
  - d. Alexander Izosimov
  - e. Leif Johansson
  - f. Ulf J. Johansson
  - g. Kristin Skogen Lund

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

- a. Roxanne S. Austin
- b. Sir Peter L. Bonfield
- c. Nora Denzel
- d. Alexander Izosimov
- e. Leif Johansson
- f. Ulf J. Johansson
- g. Kristin Skogen Lund

### **Fees payable to the auditor**

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

### **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.

### **Election of auditor**

The Nomination Committee proposes that PricewaterhouseCoopers AB be appointed auditor for the period as of the end of the Annual General Meeting 2014 until the end of the Annual General Meeting 2015.

Stockholm in March 2014

The Nomination Committee