HOW WE MANAGE OUR BUSINESS
“We are in one of the most exciting industries in the world, impacting billions of people every day. Just think about how access to education via the internet changes the lives of children in remote villages in developing countries. Just one way that Ericsson can impact the world, as our industry pushes the boundaries of innovation and connects billions of devices.

The pace of change and innovation in the industry has never been higher. Cloud technologies and business models, automation and new competitors are quickly disrupting our industry and creating new opportunities.

We will be the partner that you, our customers, need in a changing market.

We will create the most intelligent and efficient networks, deliver the most competitive solutions, and innovate so our customers succeed in a fully connected world.

We will enable our customers to expand into new profit pools, fully leveraging the potential of our latest technology, Internet of Things and Cloud. Furthermore, our leading solutions will allow our customers to be more efficient.

We will also simplify how we work to become faster and more responsive. We will minimize waste and unnecessary complexity, ensuring customer engagements which are efficient, easy, and of high quality.

Obsession with our customers remains our top priority.”

Börje Ekholm
President and CEO
We integrate quality and operational excellence in all areas of our business. We are committed to quality in our daily work and strive to meet the agreed requirements of our customers, shareholders, and employees proactively and continuously in the most efficient way.

We monitor the needs of our stakeholders; to ensure that we can adapt our business and operations for continued success and future relevance.

Our commitment to our customers:
> We understand and predict needs, determine, and agree on the critical requirements and translate them into innovation, business models, products, services, and solutions
> We prioritize quality, short lead-times, and fast feedback cycles for every project
> We drive customer dialog and feedback including the result of every project

Our commitment to our employees:
> We continue to be an excellent and challenging employer, releasing the full potential of our global workforce through thought leadership and inspiration; offering people opportunities to grow and advance within our company
> We promote diversity, reject discrimination and act ethically and in a socially responsible manner
> We systematically collect views and perceptions of our employees to ensure that all of them can participate in our efforts for continual improvement

Our commitment to our shareholders is to run our business such that:
> We aim to create shareholder value, drive efficient business operations, and generate a competitive return on investment

Our commitment to society:
> We secure compliance to relevant legal and regulatory requirements in different markets and work with our suppliers to ensure high environmental and social standards
> We act to be a responsible and relevant driver of positive change
> The UN Sustainable Development Goals (SDGs) are the framework we increasingly use to define and measure our impact through Technology for Good programs and other initiatives
To secure our position as a company of world-class quality, we must be successful in the following areas:

### Customer satisfaction

Our customers’ business situations and needs are critical inputs for us as a company in developing, marketing and delivering our products, services, and solutions. Customer satisfaction is essential for our success.

We are continuously pursuing ways to understand our customers’ situations and needs, both in our day-to-day interaction with customers and in regular customer satisfaction surveys. Customer satisfaction is managed through the Ericsson Business Processes.

### Assessment/Performance

We ensure that:

- external and internal business requirements are implemented and followed up by selected and supported assessment methods
- performance measurements are carried out to ensure capable and efficient processes
- performance feedback is given from both process and line perspectives, including root-cause analysis

### Quality

We together ensure that the Group Policies, Group Directives, and guidelines set forth in the Ericsson Group Management System are implemented in our operation. We rely on our organizational structure to provide:

- effective communication
- management commitment and follow-up
- clear accountability and responsibility
- support in the implementation of selected methods and good practices

### Improvements

In our business-related improvement efforts, we focus on achieving our objectives and targets so that we:

- ensure customer satisfaction
- work with improvement initiatives that support strategy implementation
- identify areas for improvements, effective activity selection and execution
- communicate and reuse good practices
How we manage our business

It’s our responsibility!

The way to achieve world-class quality is for all of us to contribute.

All Ericsson employees need to be aware of the various aspects of quality and how these are integrated in our daily work. Furthermore, every one of us has the responsibility to know the essential components to achieve world-class quality.

**Project managers** are responsible for delivering the project objectives by managing schedule, budget, resources, risks and quality as agreed with our customers and other stakeholders.

**Process owners** are responsible for providing the line organization with appropriate and efficient processes. These include defining and documenting the process, its measurements, and controls, as well as implementing necessary support systems, tools and training methods. Process owners manage process improvements based on performance measurements.

**Product owners** are responsible to define the quality framework for product development. This is done by continuously refining the requirements put towards product development, between releases, to reflect customer expectations on quality.

**Line managers** are responsible for implementing and communicating the Ericsson Group Management System within their organizations and meeting business objectives through the effective use of established processes. Their responsibilities also include ensuring that business and process measurements are implemented to sustain the organization’s process capabilities, thereby improving the use of the processes based on performance measurements and assessments.

**Employees** are responsible for using relevant parts of the Ericsson Group Management System, taking responsibility for the quality of their work, highlighting opportunities for improvement and supporting improvement activities.
QUALITY POLICY

Ericsson stands for World Class Quality and Operational Excellence in all areas of our business as perceived by our customers and stakeholders. Our commitment to quality excellence is secured and demonstrated through a system of controls for the following:

- Providing products, services and solutions which satisfy customer expectations and requirements during the complete life cycle;
- Operating effective and efficient processes aligned with our vision and strategies;
- Releasing the full potential of our global workforce through thought leadership and inspiration;
- Fostering a work culture dedicated to customer satisfaction;
- Securing compliance to relevant external standards, applicable laws, listing requirements, governance codes, and corporate social responsibilities;
- Systematically setting quality objectives, reviewing performance against targets and improving the quality of our products, services, solutions, and operations;
- Monitor and review information about future needs of interested parties; to ensure our ability to act and adapt the Ericsson operations for our continued success and relevance – aligned with our strategic direction.

Ericsson Group Management System is the vehicle for delivering and securing our Group Quality Policy by defining, communicating and applying best practice in our global operations.
Through Ericsson Group Management System, we manage our business in a way that builds efficiency and trust from our customers and stakeholders. One system is applied to all our operations, worldwide.

The consistency and global reach of the Ericsson Group Management System builds trust in the way we work.

It is defined as a set of elements for systematic management of our operations, based on Ericsson Business Processes, structured according to the Ericsson Group Management System Framework and accessed via our Intranet.

**Ericsson Group Management System** is:

- a **global system** containing information with significant impact on our business visualized through process descriptions, organization descriptions, Group Policies, Group Directives, instructions, guidelines etc.
- a **framework** consisting of rules and requirements to ensure compliance with agreed standards, and a structure defining mandatory information that must be available
- a **method** used for integrating new requirements into the framework

Ericsson Group Management System is a dynamic system that enables us to adapt to evolving demands, including new legislation and stakeholder expectations. Both local and global aspects are taken into account.
ERICSSON GROUP MANAGEMENT SYSTEM AS A METHOD

Ericsson Group Management System provides a controlled way of integrating new requirements into the already existing framework as our stakeholders’ demands and expectations on our organization change.

Having one global management system, covering all units all over the world makes it possible to achieve certification on a Group level, which verifies consistent global implementation. We are currently globally certified to ISO 9001, ISO 14001, and OHSAS 18001/ISO 45001. We have a multi-site certificate for ISO 27001 covering selected areas of our business.

New requirements shall be integrated in the Ericsson Group Management System and implemented in our ways of working through our processes. The process owner is responsible for adding new requirements into the existing process structure so that process adherence provides compliance with all agreed requirements.

The method used for integrating new requirements is aligned with our Improvement Management Process, the Change Engine.

“Having one global management system enables us to operate as ONE Ericsson; allows us to bring simplicity, efficiency, and scale to our operations. This ultimately benefits our customers as do the transparency and trust this way of operating our business creates.”

Carl Mellander, CFO
Ericsson Business Processes is a set of well-defined, group-wide business processes integrated in our Ericsson Group Management System. Ericsson Business Processes describe how we deliver value to our customers, proactively and on-demand.

Ericsson Business Processes offer capabilities to translate customer requirements into defined products, solutions, and services offered by Ericsson. The processes enable the fulfillment of customer expectations through an optimal combination of development, production, sourcing and resource provisioning.

The Ericsson Business Processes are divided into three flow oriented Core Process Areas:

**Develop:** from product or service idea to available solution

**Sell:** from customer opportunity to commitment

**Deliver:** from contract to payment

The common focus for the Core Process Areas is customer centricity. Market demands and trends are identified and investigated to identify opportunities for new products, services, and solutions by aligning our capabilities with market expectations.

Ericsson Business Processes support product, service, and solution innovation, compiled into a competitive portfolio of offerings, through effective product management. Development activities start when the possibilities for a product, service or solution are identified, demands are established and the expectations of our customers are understood by using competitive lean and agile ways of working. A stepwise approach with short feedback loops during development ensures that quality targets can be met and that customer expectations can be fulfilled. Our focus on continuous improvements, based on performance measurements, secures efficient and effective process flows that deliver superior performance within, research and development, supply, service delivery, in-service performance, financial control etc.

The Core Process Areas are enabled by:

**Management Processes** which transform stakeholder requirements and expectations into strategies, which in turn are deployed into business plans, market plans, objectives, targets, and results.

**Support Processes** which secure efficiency in operations, thus contributing to the satisfaction of our customers and other key stakeholders.

Ericsson Business Processes

We are actively seeking inspiration on global best practices from customers, authorities, suppliers, and global industry associations to improve our operations.
DEMANDS AND EXPECTATIONS

Identifying and understanding the requirements and opportunities of our operations is a key feature of the Ericsson Group Management System. Our business processes ensure efficiency in managing all types of requirements.

Stakeholder
We engage regularly with our stakeholders to inform about our strategy. Our stakeholder engagement aims to create a meaningful dialogue and build relationships that can help achieve shared goals. A robust stakeholder engagement approach also takes the pulse of stakeholder concerns so that we gain insight into risks as well as opportunities.

Market and customer demands
Demands and expectations are considered in our strategy, product development and target-setting processes. The processes facilitate the alignment of objectives and their measurement in activities at all levels of the business.

Requirements are identified, clarified, reviewed, and formalized in Ericsson Business Processes. Clear understanding of requirements across several criteria forms a prerequisite for establishing customer fulfillment. Our business processes transform commercial requirements into products, services, and solutions.

Product, service, and solution requirements
Product and service-related requirements – such as technical, environmental, product safety and legal/regulatory considerations – are managed within Ericsson Business Processes. These requirements form the basis for planning projects, specifying product parameters and tracking the fulfillment of these at every stage of the process.

Environmental aspects
We shall reduce the environmental impact of our own operations and take a precautionary approach to environmental challenges.

We use a circular approach in management of materials, waste and water, and aim to develop and deliver solutions to support climate action. Life-cycle methodology is used to manage our energy, environment and climate change impacts and includes raw material extraction, design, manufacturing, transport, use of products, disassembly and closing the loop with proper end-of-life management.

Occupational Health and Safety
Ensuring Occupational Health and Safety of our people is at the forefront of everything we do and we extend this paradigm to our suppliers as well as members of the public.

In addition to complying with legal requirements, many of our customers expect higher standards of Occupational Health and Safety compliance along with the safe delivery of our projects.

By actively integrating Occupational Health and Safety in all our operations we aim to secure ZERO major incidents thus securing our position as a responsible employer and meeting our customer expectations.

“We will simplify how we work to become faster and more responsive. We will minimize waste and unnecessary complexity and make sure that we all can get things done more easily.”
MANAGEMENT CONTROL AND GOVERNING PRINCIPLES

Company management

The Board of Directors of Telefonaktiebolaget LM Ericsson (LME) is ultimately responsible for the organization of Ericsson and the management of Ericsson's operations.

Our President and CEO, supported by the Executive Team, is appointed by the Board of Directors of LME and handles the day-to-day management of the company in accordance with guidelines issued by the Board of Directors.

Group Functions support the President and CEO in the governance and management of Ericsson. They are accountable for developing and deploying strategies and Group Policies, Group Directives, common group processes and tools for their respective functions. The Heads of Group Functions report to the president and CEO.

Business Areas develop competitive products, services, and solutions – with strategic objectives to enforce technology leadership, becoming the trusted transformation partner as well as a focused innovator. The Head of a Business Area reports to the President and CEO.

Market Areas sell and deliver customer solutions, with strategic objectives to establish leading positions in critical markets. The Market Areas develop and maintain customer relationships. The Head of a Market Area reports to the President and CEO.

Group Policies and Group Directives

Group Policies and Group Directives govern how the organization works and are core elements in managing and controlling Ericsson. The policies and directives include a Code of Business Ethics, a Code of Conduct, Accounting and Reporting directives to fulfill external reporting requirements and the Sarbanes-Oxley act (SOX). Ericsson has a Group Steering Documents Committee for purposes of aligning policies and directives with Group strategies, values, and structures.
Strategy, targets, and monitoring
The scope of our strategy process includes the whole chain from business intelligence and strategic forecasting to deployment of developed strategies into targets and programs in coordinated cycles. Alignment and consistency is strived for across our company, both from our long term wanted position to short term goals and remuneration of individual employees.

Risk management
Risk management is integrated with the business and its operational processes and is a part of the Ericsson Group Management System to ensure accountability, effectiveness, efficiency, business continuity and compliance with corporate governance, legal and other requirements. The Board of Directors is also actively engaged in the company’s risk management.

Financial reporting
Policies and controls are implemented to ensure compliance with relevant financial reporting standards and stock market regulations – for example, the Sarbanes-Oxley act (SOX) – including Entity Wide Controls.

Monitoring and audits
Company management monitors the compliance with Group Policies, Group Directives and processes through internal assessment and management reviews within all units.

Authorized independent external auditors perform external financial audits. External ISO/management system audits are performed by independent 3rd party certification bodies. Internal Audits are performed by the company’s internal Corporate Audit function, which reports to the Audit Committee of the Board of Directors. Audits of suppliers are also conducted to secure compliance to signed agreements and also with Ericsson’s Code of Conduct.
RESOURCE AND COMPETENCE MANAGEMENT

Our people and culture
We are a process-oriented and knowledge-based organization. We continuously review and address our competence and resource requirements by providing a multitude of appropriate learning opportunities. We work to attract and retain talent and support our employees develop their competence in line with the needs of our customers. We act upon input from employee surveys, and initiate action to improve interpersonal relations, empowerment, recognition, and enhancement of employee satisfaction.

Efficient knowledge networking
Knowledge forms the basis of our competitiveness and must be continuously developed, applied and protected. We have several virtual and global knowledge networks, to support improved ways of working in alignment with our business needs. We support learning and knowledge sharing across the borders of organizations, companies, geography, and time. Our people build knowledge networks internally but also in the interaction with our customers, partners, and suppliers. This is enabled by an efficient infrastructure for collaboration.

Methods and tools
Our business and operational environment is continuously changing. This drives us to always stay one step ahead through continuous development and re-engineering our processes, methods, and tools. The process owners must ensure that the necessary and most efficient tools are provided, while the line managers ensure that the processes, methods, and tools are correctly applied.

Supplier management and relationships
We select and evaluate suppliers based on their capabilities and commitment to contribute to our customer offerings. We measure supplier performance and act to mitigate supplier risks to secure deliveries. The supplier base is continuously challenged through effective supplier relationship management, considering commercial, legal, ethical, environmental, social and safety aspects. Responsible sourcing is on top of our agenda.

Capability management
Our capability to successfully meet the strategic objectives of the business relies on the development and application of necessary tools and competencies. Ericsson Group Management System provides a structure that ensures an efficient use of our resources to optimize our operational capability. The employees throughout our global organization is the most valued resource and together with suppliers, methods and tools they form an important source of capability.
Managing performance is a vital part of managing our business operations.

**Operational performance**
Performance measurements and checkpoints are designed to ensure that the quality of our products, services, solutions, and processes satisfy relevant criteria and commitments. Each unit aligns the performance objectives of each employee and process with the objectives and targets of its organization.

Quality is a function of underlying process capabilities. When measurements indicate performance outside of the expected result, a corrective action or improvement activity is initiated. Performance is systematically followed up and communicated within the organization.

**Performance evaluation**
Line managers are responsible for monitoring and improving performance within their area of responsibility. This responsibility includes ensuring that each unit works toward documented objectives and targets, which are approved by and aligned with relevant stakeholders. It is also the responsibility of each manager of a project, contract, or process to evaluate and manage performance against predefined agreed targets. Finally, it is the responsibility of each line manager to agree and manage the individual goals of each employee, which must be aligned with relevant targets of the unit.

We review performance against targets set (including process targets), based upon specified measurements, in regular performance reviews with the relevant management team or steering group and report such performance.
We drive effective improvements by using the Ericsson Change Engine, including the Ericsson Improvement Management Process.

The Change Engine takes an end-to-end approach on improvements – from capturing business needs to delivering business value. We ensure that we drive the right changes (Align & Prioritize) and that we drive the changes in the right way (Execute).

**Align – Capturing Business Needs**

We understand and capture business needs as part of our strategy development process, but we also continuously capture improvement opportunities, from external and internal sources, e.g. customer input, market data, performance indicators, assessment results, opportunities & ideas as well as good practices from other organizations. In addition, gaps and overlaps identified in Ericsson Group Management System are fed into the Align phase.

**Prioritize – Doing the right things**

The opportunities are continuously prioritized considering effects (e.g. business benefits, customer value and strategic impact) as well as feasibility (e.g. change readiness, investment needs and resources).

**Execute – Doing the things right**

Execution is the vital element where we make change happen. This encompasses all changes we run in Ericsson, from the large amount of continuous improvements to the vital few strategic initiatives. In the Execute phase, we are using the Ericsson Improvement Management Process, DMAIC (see below), which includes both behavioral and operational aspects of change. For major changes we combine DMAIC with project and program management.

**Responsibility**

Managers are responsible for monitoring and improving performance within their areas. Performance improvements in general are part of the daily work of the organizations.
EXTERNAL STANDARDS AND STANDARDIZATION

We consider relevant international, regional and local external standards wherever we conduct business.
We continuously monitor the markets where we operate to ensure that the Ericsson Group Management System – and by extension our products, services and solutions – are performing in accordance with customer expectations and relevant national legislation.

Ericsson Group Management System is currently certified to:
› Quality Management system standard – ISO 9001
› Environmental Management system standard – ISO 14001
› Occupational Health and Safety Management system standard – OHSAS 18001/ISO 45001
› Information Security Management system standard - ISO 27001

Other standards
Ericsson Group Management System is based on ISO 9001, but with substantial additions to improve the capability of managing the global operations. Ericsson Group Management System is continuously audited, both internally and externally.

Requirements from several standards, for example TL 9000 Quality Management system is also addressed in Ericsson Group Management System.

Commitment to open industry standards
We are a member of more than 150 standardization organizations and industry fora. We are committed to open standards and multi-vendor interoperable systems.

As an industry leader, we drive innovation and shape the global technical solutions in 3GPP, ITU, IEEE, ETSI, ATIS, MEF, BBF and GSMA.

Product approvals
The Ericsson products approval process is implemented to ensure that our products comply with relevant legislation. Organizations defining the general product and system requirements ensure that relevant legislation is defined as input to this process.

Our products are designed to meet the requirements of the markets we serve.
SUSTAINABILITY AND CORPORATE RESPONSIBILITY

Sustainability and Corporate Responsibility is a core part of our business strategy and embedded across the company – focused on responsible business, environment and Technology for Good. The UN Sustainable Development Goals (SDGs) are the framework we use to define and measure our impact.

Our Sustainability Policy describes our commitments within sustainability. Our key corporate responsibility policies include our further commitment to the UN Global compact 10 principles in the areas of human rights, labor standards, environment, and anti-corruption.

The Ericsson Sustainability and Corporate Responsibility Report, including objectives and achievements, is published in conjunction with our annual report in compliance with Global Reporting Initiative (GRI) standards. We focus on the sustainability and corporate responsibility issues that are most material to Ericsson, our sector, and our stakeholders.
The Code of Business Ethics reflects our commitment to conducting business responsibly. Our Code of Business Ethics contains rules for all individuals performing work for Ericsson while the Code of Conduct covers human rights, fair employment conditions, safe working conditions, responsible management of environmental issues, and high ethical standards to be applied in our own operations as well as by our suppliers.

**Code of Business Ethics**

The Code of Business Ethics summarizes the fundamental Group Policies and Group Directives governing our relationships to each other and to our stakeholders.

We understand the importance of doing business sustainably. It creates long-term value and trust which are critical to ongoing business success.

Good governance is fundamental to conducting business responsibly across our operations. The Code of Business Ethics sets the tone for how we conduct business globally.

The Ericsson Code of Business Ethics is an overview of our fundamental Group Policies and Group Directives, guiding Ericsson’s relationships among employees and with external stakeholders.

The Ericsson Code of Business Ethics contains rules for all individuals performing work for Ericsson, under the staff management of Ericsson, whether as an employee of Ericsson or of a subcontractor, or as a private contractor.

The Ericsson Code of Business Ethics is periodically reviewed and acknowledged by all employees and it is translated into more than 30 languages ensuring that it is accessible to all employees.

**Code of Conduct**

The Code of Conduct has been developed to protecting human rights, and promoting fair employment conditions, safe working conditions, responsible management of environmental issues, and high ethical standards.

The Code of Conduct shall be applied throughout the company’s operations including in the management, development, production, supply, sales and support of Ericsson solutions, products, and services worldwide.

The Code of Conduct is valid for all Ericsson suppliers and applied through contractual terms and conditions.

In addition to compliance with applicable laws, regulations and standards in the countries in which we operate, all our units, companies and employees shall comply with the Code of Conduct. This holds true even if our Code of Conduct stipulates a higher standard than required by national laws or regulations.

We require our suppliers and their subcontractors to comply with the Code of Conduct, or similar standards, and to verify compliance by providing information and allowing access to their premises.

We support the United Nations Global Compact. In order to make this commitment clear to employees, suppliers, customers and other stakeholders, the Code of Conduct is based on the UN Global compact’s 10 principles and is publicly available.

We are also committed to implementing the United Nations Guiding Principles on Business and Human Rights throughout our business operations.
Our purpose

Ericsson has always driven our technology development with the intention that we will improve people's lives and contribute to the betterment of society. Whether it was the first phone call, or bringing communications to Africa over a century ago, to digital infrastructure and IoT, or the AI systems of the future, we take active measures to ensure that we are a responsible and relevant driver of positive change, and that humanity is at the core. Our company purpose is, and has always been: Innovating Technology for Good

Our mission

We will enable the full value of connectivity and create game-changing technology that is easy to use, adopt and scale to make our customers successful in a fully connected world. We have a focused business strategy to do this.

Core values

Respect. Professionalism. Perseverance. These are the core values that define Ericsson culture and guide us in our daily work and in the way we do business. They guide us in our commitment to our customers – a commitment that is bound by trust, innovation and performance.

Celebrate 140 years of innovating ahead

For 140 years, our ideas, technology and people have created monumental impact: real turning points that have transformed lives, industries and society as a whole. The greatest changes are yet to come. Together, we innovate to create these future turning points, driving extraordinary impact in the Networked Society.