

To the Board of Directors of Telefonaktiebolaget LM Ericsson

The Nomination Committee's proposal to the Annual General Meeting 2017, including explanations

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

1. Description of the Nomination Committee's work before the Annual General Meeting 2017

The composition of the Nomination Committee was made public by Ericsson on May 18, 2016.

The Nomination Committee consists of the following members:

- Petra Hedengran (Investor AB), the Chairman of the Nomination Committee
- Johan Held (AFA Försäkring)
- Leif Johansson, the Chairman of the Board of Directors
- Bengt Kjell (AB Industrivärden and Svenska Handelsbankens Pensionsstiftelse)
- Anders Oscarsson (AMF Försäkring och Fonder)

The Nomination Committee started its work by going through a checklist of its duties under the Swedish Corporate Governance Code (the "Code") and the Instruction for the Nomination Committee resolved by the Annual General Meeting 2012. A time plan was set for the Nomination Committee's work ahead.

A good understanding of Ericsson's business and strategy is important for the members of the Nomination Committee. Therefore, the Chairman of the Board presented his views on the position and strategy of the Ericsson Group. During the fall of 2016, the Committee met with Ericsson's former President and CEO Jan Frykhammar who presented his views on the Company's position and strategy. The Committee was thoroughly informed of the results of the evaluation of the Board work and procedures, including the performance of the Chairman of the Board. On this basis, 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 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 also met with the Chairman of the Audit Committee to acquaint itself with the assessments made by the Company and the Audit Committee of the quality and efficiency of external auditor work. The Audit Committee also provided its recommendation that PricewaterhouseCoopers AB be re-elected external auditor and provided its recommendations on external auditor fees.

As of February 24, 2017, the Nomination Committee has held six meetings.

2. The Nomination Committee's proposals and explanations

Chairman of the Annual General Meeting

The Nomination Committee proposes that Advokat Sven Unger be elected Chairman of the Annual General Meeting of shareholders 2017.

Number of Board members and deputies 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 shall be 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 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 elected by the Annual General Meeting be paid as follows:

- SEK 4,075,000 to the Chairman of the Board of Directors (*unchanged*);
- SEK 990,000 each to the other Board members (*unchanged*);
- 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*);
- SEK 175,000 each to the other members of the Finance and the Remuneration Committee (*unchanged*);
- SEK 200,000 to the Chairman of the new Committee for Technology and Science; and
- SEK 175,000 each to the other members of the new Committee for Technology and Science.

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. When assessing the level of fees, a comparison has been made in relation to the Board fees in companies of equal size and complexity and it should be considered that the Ericsson Group has customers in more than 180 countries and that sales in 2016 amounted to more than SEK 220 billion.

The Nomination Committee considers that the fees for Board and Committee work are reasonable, and proposes that all fees remain unchanged. The Board has resolved to institute a new Technology and Science Committee. The Nomination Committee proposes that the fees to the Chairman and other members of the new Committee shall be the same as the fees to the Chairmen and members of the Finance Committee and the Remuneration Committee.

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 Stockholm at the time of payment.

Proposal

The Nomination Committee therefore proposes that the Annual General Meeting of shareholders 2017 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 Stockholm during a period of five trading days immediately following the publication of Ericsson's interim report for the first quarter of 2017. 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 2022, 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:

1. Jon Fredrik Baksaas (new election);
2. Jan Carlson (new election);
3. Nora Denzel;
4. Börje Ekholm;
5. Eric A. Elzvik (new election);
6. Leif Johansson;
7. Kristin Skogen Lund;
8. Kristin S. Rinne
9. Sukhinder Singh Cassidy;
10. Helena Stjernholm; and
11. Jacob Wallenberg.

The Nomination Committee proposes that Leif Johansson be re-elected Chairman of the Board.

In the composition of the Board of Directors, the Nomination Committee considers, among other things, experience and competence needed in the Board and its Committees, and also the value of diversity in age, gender and cultural/geographic background as well as the need for renewal. The Nomination Committee also assesses the appropriateness of the number of members of the Board and whether the Board members can devote the necessary time required to fulfill their tasks as Board members in Ericsson. The Nomination Committee primarily searches for potential Board member candidates for the upcoming mandate period but also considers future competence needs.

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 Nomination Committee has further thoroughly familiarized itself with the results of the Board work evaluation and of the work of the Board and the individual Board members. The Nomination Committee believes that it is very important that the composition of Board members proposed includes complementing experiences and competencies to make it possible for the Board to contribute to a positive development of Ericsson. The Nomination Committee aims to propose a Board of Directors that constitutes a good team to lead Ericsson.

The Nomination Committee is of the opinion that the current Board and Board work is well functioning. Further it is the Nomination Committee's view 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.

Ulf J. Johansson has advised that he wishes to leave the Board. The Nomination Committee proposes that three new Board members be elected: Jon Fredrik Baksaas, Jan Carlson and Eric A. Elzvik. It is the Nomination Committee's assessment that each of the proposed Board members, with their respective experiences, will add valuable expertise and experience to the Board. Jon Fredrik Baksaas has extensive international experience from work within the telecommunications business, among other things from his previous positions within Telenor where he was President and CEO during more than ten years. He also has extensive experience within finance from previous positions. Jan Carlson is Chairman, CEO and President of Autoliv, listed at the New York Stock Exchange and Nasdaq Stockholm, and has long-term experience from managing a large international corporation. Eric A. Elzvik has long-term international experience from senior management positions within the ABB Group, most recently as Chief Financial Officer and member of the Group Executive Committee. He also has broad and extensive experiences from previous positions within ABB Ltd., among others within finance, mergers and acquisitions and new ventures.

Out of the proposed Board members to be elected by the Annual General Meeting of shareholders (excluding the President) 50% are women.

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. Jon Fredrik Baksaas
 - b. Jan Carlson
 - c. Nora Denzel
 - d. Eric A. Elzvik
 - e. Leif Johansson
 - f. Kristin Skogen Lund
 - g. Kristin S. Rinne
 - h. Sukhinder Singh Cassidy
 - i. Helena Stjernholm
 - j. Jacob Wallenberg

- (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. Nora Denzel
 - d. Eric A. Elzvik
 - e. Leif Johansson
 - f. Kristin Skogen Lund

- g. Kristin S. Rinne
- h. Sukhinder Singh Cassidy

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

- a. Jon Fredrik Baksaaas
- b. Jan Carlson
- c. Nora Denzel
- d. Eric A. Elzvik
- e. Leif Johansson
- f. Kristin Skogen Lund
- g. Kristin S. Rinne
- h. Sukhinder Singh Cassidy

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 of the Audit Committee, the Nomination Committee proposes that PricewaterhouseCoopers AB be appointed auditor for the period as of the end of the Annual General Meeting 2017 until the end of the Annual General Meeting 2018 (re-election).

Stockholm in February 2017

The Nomination Committee