An overview of Ethics and Compliance at Ericsson
Ericsson takes pride in being a responsible, relevant driver of positive change within the communities and societies we impact. To succeed, we must set a high standard for winning business on merit, ability and fairness, and acting vigorously to correct any irregularities we encounter.

As a company, we do not want to be measured only on whether we are complying with our legal obligations. The Ericsson Code of Business Ethics and the Code of Conduct for Business Partners set out our commitments, and those we place upon our partners, to internal and external stakeholders that go beyond merely complying with law.

We are equally committed to ethical conduct and acting with integrity in how we treat and respect each other, how we interact with our customers, suppliers and other stakeholders, and how we engage with the communities at large.

We believe that compliance and acting with integrity is good for business and enables us to attract the right employees and business partners. As such, we work to empower our people to make not just lawful decisions but right decisions.

Over the past few years, we have worked hard to strengthen our efforts within ethics and compliance. The Ethics & Compliance program presented here is the successful outcome of this process; however, we strive to continuously improve. This work will never stop — we will remain relentless in our efforts to implement and safeguard a strong culture of integrity throughout the company.

“Ultimately, conducting business responsibly with integrity is the only way we can drive real and positive change. We are all jointly accountable for the future direction of the company and for what we together can enable in society.”

Börje Ekholm
President & CEO
Recognizing the risks

Every employee has a responsibility to identify and assess corporate risks and take appropriate actions — on a daily basis. Nonetheless, in addition to other assurance functions, a team of compliance professionals supports our employees in identifying and managing risk.

The Compliance function at Ericsson focuses on business ethics risks such as corruption and money laundering, fair competition, data protection, and sanctions and export control. Through awareness building and professional support, we work hard to ensure our employees can prevent, detect and, when needed, report compliance-related risks.

Corruption and money laundering
As a global company building communications networks in 180 countries with a wide range of business partners, the risk of corruption is high on our radar. Fighting and preventing corruption and money-laundering requires discipline, persistence and clear strategies, and is a fight that needs to be battled on many fronts. We engage not only our employees but also our suppliers, partners and the larger anti-corruption community in the fight against corruption.

Fair competition
At Ericsson, we like to win but we only want to win business if we win business fairly, and we believe in tough but fair competition. We support the promulgation of fair competition rules and all applicable regulations.

Data protection
Privacy is an increasing concern for all of us. Enhanced data protection regulations in the form of the EU General Data Protection Regulation (GDPR) has had ripple effects across the globe, leading to not only greater international compliance but also increased focus. At Ericsson, we work to ensure adequate protection of individual data regardless of whether that individual is an employee, supplier, customer or other stakeholder.

Sanctions and export control
An increasingly complex global trading environment requires a robust sanctions and export control program. Regulations may change daily. As such, our team remains vigilant in order to stay compliant with applicable law related to import and export laws, trade embargos and sanctions.
Conducting business responsibly

We are working hard to ensure that our leadership teams, employees and business partners always understand the importance of operating business responsibly, in all parts of the world. Two documents frame the way Ericsson works: The Ericsson Code of Business Ethics (CoBE) and the Ericsson Code of Conduct for Business Partners.

**Code of Business Ethics**
The CoBE describes our commitment to responsible business. It contains our corporate policies and directives that are fundamental to Ericsson’s ways of working. The CoBE is periodically reviewed by experts, regularly acknowledged by employees and translated into 40 languages to ensure that it is accessible to everyone performing work for Ericsson. All employees will renew their commitment to our ways of working reflected in the CoBE at the end of 2019.

**Code of Conduct for Business Partners**
We require our business partners to commit to our standards as defined in the Ericsson Code of Conduct for Business Partners. This document outlines Ericsson’s expectations and requirements in key areas such as anti-corruption, labor and human rights, occupational health and safety, environment and climate change.
A common responsibility

Everyone within Ericsson has a requirement to conduct business responsibly. Higher expectations are placed on the company’s leaders. Group Compliance and other assurance functions provide professional support.

Specifically, the company expects that each employee:

— complies with our Code of Business Ethics
— seeks help when not sure what is the right course of action
— speaks up when he or she believes in good faith a decision or action has or may violate the Code of Business Ethics

In addition, we expect our leaders to:

— lead by example
— encourage open and frank discussions about ethics and compliance
— anticipate and proactively resolve compliance issues within their teams

Compliance and other assurance functions are on hand to provide all employees and leaders with support in fulfilling these commitments.
Our Ethics & Compliance program

We are committed to have a robust, fit-for-purpose and world-class Ethics & Compliance program – so that employees are educated and have the right tools and resources to make the right decisions.

Our Ethics & Compliance program consists of ten core elements that collectively enable the Company to raise awareness and prevent mistakes and breaches of our CoBE, detect those mistakes and breaches when they do happen, and respond and remediate quickly when needed.

These ten elements are based on the expressed expectations of national regulators such as the U.S. Securities and Exchange Commission (SEC), the U.S. Department of Justice (DOJ)\(^1\), the U.K. Serious Fraud Office (SFO) and others, as well as good practices endorsed by public international organizations such as the OECD, Transparency International and the World Bank.

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In recent years, we have made significant investments to strengthen our Ethics & Compliance program with policies, processes and tools for preventing, detecting, reporting and remediating non-compliance. The improved program is the work of our internal teams working alongside external experts.

We have focused much of our efforts over the past years on the following four areas:

- Leadership and culture
- Third party engagements
- Compliance & investigation capabilities
- Internal controls
1. Leadership and culture

A global company culture that is deeply committed to ethics and compliance, with zero tolerance for bribery and corruption.

Holding leaders to a higher standard requires we hire and promote the right leaders to begin with. As such, in 2018, we have introduced an ethics and compliance vetting process for current and future senior leaders. We believe accountability applies to not only leaders but all employees, which is why we provide every employee with enhanced compulsory compliance-related trainings and obtain regular commitment to our CoBE.

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<tr>
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<th>Percentage</th>
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<tr>
<td>Code of Business Ethics acknowledgements in 2017</td>
<td>98.6%</td>
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<tr>
<td>Participation in face-to-face compliance training for key target groups (Customer Unit leadership teams) in 2018</td>
<td>85%</td>
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<tr>
<td>Employee completion of Anti-corruption 3.0 e-learning (June 2019)</td>
<td>92%</td>
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**A culture of integrity**

Integrity starts at the top. Ericsson’s leadership team is responsible for building an ethical business culture and doing business the right way. Ethics and compliance are a part of the standard appraisal process and are basic criteria employees must meet in order to receive variable compensation.

Talking about ethics and compliance regularly ensures employees understand its importance. Ethics and compliance are regular topics in our CEO’s All employee letters, in leadership forums, and in a variety of employee meetings. It is a key subject of our communications both internally and externally.
Accountability and speaking-up
We believe a speak-up culture is critical to driving sustainability, innovation and an ethical work environment. We strive to ensure all ideas and voices are heard. Regarding ethics and compliance, anyone — employees, suppliers, customers and others — may report conduct that they believe, in good faith, might be a violation of the law or the CoBE. In turn, we ensure reporters have safe ways of reporting concerns as multiple channels are available and we do not tolerate any form of retaliation against employees who bring concerns to our attention.

At the same time, there is no place at Ericsson for anyone who does not act with professional and personal integrity, in line with our Code of Business Ethics, and in pursuit of our strategic objectives. We have and will continue to take, where necessary, disciplinary measures against employees who do not comply or live up to our values.

In the latter part of 2019 and first half of 2020, we are focusing on active deployment of our enhanced Ethics & Compliance program in our Market Areas, Customer Units, Business Areas and Group Functions. Full day face-to-face workshops are organized with all leadership teams and certain roles that have higher levels of exposure to corruption-related risks. There we focus on the global anti-corruption environment, relevant laws and impact of corruption on societies. We discuss expectations of leaders driving a culture of integrity, past compliance failures and remediation, and the enhanced Ethics & Compliance program, including relevant policies, procedures, systems, and controls.

See something you think isn’t right? Speak up!

All concerns raised in good faith are taken seriously and action is taken when warranted.

Where to turn:
— Your manager or her/his manager
— People, Legal, or Compliance functions
— Report via the Ericsson Compliance Line
2. Enhanced third-party management

We continue to enhance the rigor and robustness of our due diligence of third-party suppliers, as well as the assessment and monitoring of third-party engagements.

We require the same ethical behaviour from our external partners as we do from our employees. When establishing a relationship with a new business partner, we evaluate their own compliance policies and procedures, as well as their ability to comply with Ericsson’s values and standards.

Over the last few years, we have enhanced the rigor and robustness of our due diligence process in relation to third party suppliers, as well as the assessment and monitoring of third-party engagements. Since 2017, we have established a Business Partner Review Board in all Market Areas tasked with reviewing and approving the appointment and terms of engagement of all business partners.

We have implemented an anti-corruption screening tool that enables our due diligence of our business partners. We educate employees to identify red flags that might warrant additional reviews and rely on external due diligence screenings when needed.

Ericsson’s Third-party management and due diligence program

- Identification of high-risk third parties
- Enhanced validation checks, using due diligence providers
- Review for unusual patterns by Finance
- Reviewing substance of arrangement
- Cross-functional approvals at senior leadership levels
- Audits of third parties
3. Compliance and investigation capabilities

Ericsson’s Compliance function has been substantially reinforced with additional staff and increased training. We have strengthened our allegations management and investigation processes to ensure more methodical and robust investigations and follow-up.

Our Compliance professionals help employees to prevent, identify and manage compliance-related risk through our Ethics & Compliance program.

In recent years, we have improved the organizational structure of the Compliance function to make sure that our compliance resources are closer to the markets while maintaining the required level of independence.

In 2017 and 2018, our Group Compliance, and other assurance functions, have been substantially reinforced with additional resources, headcount and levels of expertise that support the operation of the Ethics & Compliance program. Group Compliance professionals report on a solid line directly to the Chief Compliance Officer who, in turn, reports to the General Counsel, responsible for legal and compliance. The Ethics & Compliance program is overseen by the Group Compliance Committee at the executive level and Audit & Compliance Committee of the Board.

Full time compliance-dedicated professionals also sit within the Sourcing and Finance functions. Employees with gatekeeper functions (Legal, Sourcing and Finance) are trained specifically in anti-bribery and corruption compliance awareness and detection.

Improved allegations management
The process for handling allegations of misconduct has been re-designed to ensure all allegations are followed up in a systematic and timely manner – policies and guidance govern the intake, assessment, investigation and remediation steps.

An Allegation Management Office (AMO) exists to centralize intake, management, and oversight of compliance-relevant allegations reported within the Company.

A professional Corporate Investigations (CI) team has been significantly expanded in recent years with staff having considerable investigative and forensic experience.

| Allegation Intake | Allegation Assessment | Investigation and Reporting | Remediation | Monitoring |
4. Enhanced internal controls

To proactively manage bribery and corruption risks, the Finance and Compliance functions are equipped with improved analytic tools to better identify and prevent high-risk transactions and engagements, supplemented with additional clear compliance related mandates.

In Finance, Security and Corporate Audit, we are working on several fronts to strengthen the Internal control framework for compliance. Here are some examples:

- A strengthened mandate for the Finance department that includes systematic screening and substance review of high-risk transactions (or those that present “red flags”) – with an obligation to put transactions on hold until reviewed and cleared.

- Investment in sophisticated analytical tools to support Finance and Compliance to better identify high-risk transactions.

- Creation of Payment Control units serving to monitor all incoming and outgoing payments flagged for review.

- Automated screening of travel and expense claims based on pre-defined criteria and risk factors.

- Enhanced controls around purchasing resulting in a reduction of one-time-vendors and authorized requesters in order to control spending and ensure compliance.

- Compliance Representation Statements signed by leaders on an annual basis to personally acknowledge that they are not aware of compliance breaches.
Oversight and management of the Ethics & Compliance program

Members of the Group Compliance Committee

Xavier Dedullen
Senior Vice President, Chief Legal Officer, Head of Group Function Legal Affairs & Compliance and secretary of the Board of Directors for Telefonaktiebolaget LM Ericsson

Stella Medlicott
Senior Vice President, Chief Marketing and Communications Officer and Head of Group Function Marketing & Corporate Relations

Carl Mellander
Senior Vice President, Chief Financial Officer and Head of Group Function Finance and Common Functions

Nunzio Mirtillo
Senior Vice President and Head of Market Area South East Asia, Oceania & India

MajBritt Arfert
Senior Vice President, Chief Human Resources Officer and Head of Group Function People

Management of the Ethics & Compliance program

Laurie Waddy
Chief Compliance Officer, Head of Compliance Office, Group Function Legal Affairs & Compliance