

## To the Board of Directors of Telefonaktiebolaget LM Ericsson

The Nomination Committee is hereby presenting its proposal and information to the Board of Directors.

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

The Nomination Committee proposes Michael Treschow be elected Chairman of the Annual General Meeting of Shareholders 2011.

### **Number of Directors elected by the Annual General Meeting**

According to the articles of association, the Board shall consist of no fewer than five and no more than twelve Directors, with no more than five Deputy Directors. The Nomination Committee proposes the number of Directors elected by the Annual General Meeting of Shareholders remains twelve and that no Deputy Directors be elected.

### **Fees payable to the non-employed Board members elected by the Annual General Meeting and to the non-employed members of the Committees to the Board**

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

- SEK 3,750,000 to the Chairman of the Board of Directors (*unchanged*);
- SEK 825,000 each to the other Board members (*previously SEK 750,000*);
- 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 (*previously SEK 125,000*); and
- SEK 175,000 each to the other members of the Finance and the Remuneration Committee (*previously SEK 125,000*).

The Nomination Committee proposes that the individual fee to the Board members as well as the fee in respect of work in the Finance and Remuneration Committees be increased.

The Board fee has remained unchanged for four years, and the Committee fee for five years. During this time, the Board and Committee work has gradually become more demanding, in terms of time spent and competence, partly because Ericsson is subject to U.S. regulation. It is therefore important that the Board fees are maintained at a level that makes it easier to recruit the best possible expertise to the Board of Directors. The Nomination Committee has made comparisons with the level of Board fees in companies in the Northern and European market as well as Board fees in certain U.S high-tech companies. In comparison with Board fees in companies of equal size and complexity, Ericsson's Board fees are lower. When assessing the level of fees it must be borne in mind that this is a group having operations in 175 countries and with sales amounting to more than SEK 200 billion.

The Nomination Committee has also analyzed statistics for work performed in the Committees in the past years to assess whether the fees for Committee work are reasonable in relation to the amount of work required. The Nomination Committee has observed that during the past years the Committee work has evolved to become more

extensive and there does not seem to be any substantial difference in workload between the different Committees. However, specific demands of expertise and independence are placed on members of the Audit Committee, which justifies a higher fee for these members.

Against this background, the Nomination Committee considers well-justified the proposed increase in respect of the individual Board fee from SEK 750,000 to SEK 825,000, as well as an increase in the fee to the members of the Finance and the Remuneration Committee from SEK 125,000 to SEK 175,000, and, finally, of the fee to the Chairmen of the two Committees from SEK 125,000 to SEK 200,000.

The Nomination Committee considers the fee to the Chairman of the Board to be reasonable, and proposes consequently that it remains unchanged, and likewise that the Audit Committee fee remain unchanged.

The proposal implies a total increase of the Board and Committee fees of approximately 8.6 per cent after a period of unchanged fees during four and five years, respectively.

### **Fees in the form of synthetic shares**

#### **Background**

With the purpose of further increasing the mutual interest in the Company of Directors and shareholders, the Nomination Committee considers that the Directors should, on unchanged terms, be offered the possibility of receiving part of the fees in the form of synthetic shares. By a synthetic share is understood a right to receive a future 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 the Annual General Meeting of Shareholders 2011 resolves that it be possible to pay part of the fees to the Directors, in respect of their Board assignment (however, not in respect of committee work), 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 per cent 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 2011. The synthetic shares are vested during the term of office, with 25 percent per quarter of the year.

The synthetic shares entail a right to receive payment, following the publication of Ericsson's year-end financial statement in 2016, 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.

Dividend in respect of shares of series B in the Company, which the Annual General Meeting has resolved on 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 not 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 of the synthetic shares.

The complete terms and conditions of the synthetic shares are described in **Exhibit 1**.

The intention is that the Company's future commitment to pay with regard to the synthetic shares, as set out above, should be hedged by the Company, either through repurchased own shares which are sold on the market in connection with payments to the Directors or through a hedging agreement with a bank. Due to the hedging measures, 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.

## **Board members nominated for election by the Annual General Meeting of Shareholders**

*Michael Treschow and Marcus Wallenberg have declined re-election.*

Chairman of the Board: election of Leif Johansson as new Chairman of the Board.

Other Board members: re-election of Roxanne S. Austin, Sir Peter L. Bonfield, Börje Ekholm, Ulf J. Johansson, Sverker Martin-Löf, Nancy McKinstry, Anders Nyrén, Carl-Henric Svanberg, Hans Vestberg and Michelangelo Volpi as new Board members, and;

election of Jacob Wallenberg as new Board member.

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 and renewal, and assesses the appropriateness of the number of members of the Board.

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 has 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 is well functioning and that the Board comes up to high expectations in terms of composition and expertise. All Board members contribute meritoriously with their respective expertise. Michael Treschow and Marcus Wallenberg have however notified their intention to leave the Board after many years of duty.

The Nomination Committee is of the opinion that Leif Johansson, with his long experience of managing a global group, his technical knowledge and international experience, is well suited to take over the chairmanship in the Board of Directors of Ericsson.

Investor AB has proposed the nomination of Jacob Wallenberg in place of Marcus Wallenberg. It is the opinion of the Nomination Committee that Jacob Wallenberg, with his many years' experience within Banking and Finance and international experience, will add valuable expertise to the Board and is therefore well suited as a Board member in Ericsson.

With respect to the number of Board members of the Board, the Nomination Committee is of the opinion that it should be reduced. However, the Nomination Committee considers such a change be not appropriate for the time being, considering, among other reasons, that the new Chairman of the Board should take part in such a change.

The Nomination Committee also recommends that future Nomination Committees perform a thorough assessment of the expertise that should be represented in the Board, and continue with the process of recruiting suitable candidates to the Board.

#### **Information regarding proposed Board members, Exhibit 2.**

##### **Independence of Board members**

The Nomination Committee has made the following assessments in terms of applicable Swedish rules on independence:

- (i) The Nomination Committee considers the following Board members, at the least, be independent of the Company and its senior management:
  - a. Roxanne S. Austin
  - b. Sir Peter L. Bonfield
  - c. Börje Ekholm
  - d. Leif Johansson
  - e. Ulf J. Johansson
  - f. Nancy McKinstry
  - g. Michelangelo Volpi
  
- (ii) From among the Board members reported in (i) above, the Nomination Committee considers the following, at the least, be independent of the Company's major shareholders:
  - a. Roxanne S. Austin
  - b. Sir Peter L. Bonfield
  - c. Leif Johansson
  - d. Ulf J. Johansson
  - e. Nancy McKinstry
  - f. Michelangelo Volpi

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

- a. Roxanne S. Austin
- b. Sir Peter L. Bonfield
- c. Leif Johansson
- d. Ulf J. Johansson
- e. Nancy McKinstry
- f. Michelangelo Volpi

**Fees payable to the members of the Nomination Committee**

The Nomination Committee proposes that no fees be paid to the members of the Nomination Committee, but the Company shall bear costs related to the work of the Nomination Committee.

**Proposal of the procedure on appointment of the members of the Nomination Committee, Exhibit 3.**

**Election of Auditor**

The Nomination Committee proposes PricewaterhouseCoopers be appointed Auditor for the period as of the end of the Annual General Meeting 2011 until the end of the Annual General Meeting 2012.

**Auditor fees**

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

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**Stockholm in March 2011**

**NOMINATION COMMITTEE**