HOW WE MANAGE OUR BUSINESS
Customer first

Commitment

This is how

It's our responsibility!

Quality Policy

1  Ericsson Group Management System

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In an industry in transformation our customers face new challenges and opportunities every day, and we need to make sure they continue to see us as the preferred partner. We build trust by showing that we listen, that we can meet customer needs, and that we deliver what we promise. We act with speed and strive to build our relations on mutual understanding. Achieving excellence in all aspects of our operations is a prerequisite for maintaining world leadership as an Information and Communication Technology (ICT) solution provider, and quality is a key enabler for this. We ensure that all aspects of our operations meet the requirements of a truly world-class company.

By identifying good practices in every dimension of our operations, with a solid understanding of customer needs and with innovative and empowered employees, we have fostered an environment dedicated to serving our customers better than anybody else.

We put our customer first.

Hans Vestberg
President and CEO
We integrate quality aspects in our daily work and strive to proactively and continuously meet the agreed requirements of our customers, shareholders and employees in the most efficient way.

Our commitment to our customers is:

- we understand their needs, determine and agree on the critical requirements and translate them into innovation, business models, products, services and solutions
- we consider relevant legal and regulatory requirements in different markets and work with our suppliers to ensure high environmental and social standards
- we deliver with the right quality, short lead-times and fast feedback cycles for every project
- we drive customer dialog and feedback on the result of every project.

Our commitment to our employees is:

- we continue to be an excellent and challenging employer, 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 the views and perceptions of our employees to ensure that all of them have the opportunity to participate in our efforts for improvement.

Our commitment to our shareholders is to run our business such that:

- we aim to grow faster than the market and drive efficient business operations to deliver best-in-class margins to generate a competitive return on investment.
To secure our position as a company of world-class quality, we have to 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.

**Quality**
Together we ensure that the policies, 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.

**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.

**Improvements**
In our business-related improvement efforts, we focus on achieving our objectives and targets such 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.
The way to achieve world-class quality is for all of us to contribute.

We all need to be aware of the various aspects of quality and how these are integrated in our daily work. Furthermore, each and every one of us must know the essential components to achieve world-class quality.

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

**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.

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

**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.
Ericsson stands for world-class quality in all areas of our business.

Our commitment to quality excellence is secured and demonstrated through a system of controls for the following:

1. providing products, services and solutions that satisfy customer expectations
2. operating effective and efficient processes aligned with our vision and strategies
3. releasing the full potential of our global workforce through leadership and inspiration
4. fostering a work culture dedicated to customer satisfaction
5. securing compliance with relevant external standards
6. systematically reviewing and improving the quality of our products, services, solutions and operations.

Ericsson Group Management System is the vehicle for delivering and securing our Group Quality Policy by defining, communicating and applying good 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 of our operations, worldwide.

Ericsson Group Management System's consistency and global reach builds trust in the way we work. It is defined as a set of elements for systematic management of all our operations, based on Ericsson Business Processes, structured according to Ericsson Group Management System Framework and accessed via our intranet.

Ericsson Group Management System is:

- a complete global system containing information with significant impact on our business visualized through process descriptions, organization descriptions, policies, directives, instructions, guidelines, results and so on

- 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. Our Management System provides easy access to company structures, processes, risk management, policies and directives. Ericsson Group Management System takes both a local and a global view.

ERICSSON GROUP MANAGEMENT SYSTEM AS A METHOD

Having one global management system makes it possible for us to realize synergies of scale, which is a competitive advantage that ultimately will benefit our customers.

Jan Frykhammar
CFO

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

Having one global management system, covering all units all over the world enables us to achieve certification on a Group level, which verifies consistent global implementation. We are globally certified to ISO 9001, ISO 14001 and OHSAS 18001.

Ericsson Group Management System provides a controlled way of integrating new requirements into the already existing framework. All new requirements shall be integrated in 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.
Ericsson Business Processes describe how we deliver value to our customers, proactively and on-demand. They describe how market changes are carefully analyzed and how customer needs drive product, service and solution innovation, and drive priorities that are transformed into customers’ business fulfillments.

Our operations are built on a set of processes, Ericsson Business Processes, that are market-centric and implemented wherever the actual task is performed. Markets’ demands and trends are identified and investigated in order to identify opportunities for new products, services and solutions, aligning our capabilities with market expectations.

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

Ericsson Business Processes offer capabilities to translate the customer requirements into defined proposed solutions agreed upon in the customer order. The processes enable the fulfillment of customer expectations on products, services and solutions through an optimal combination of development, production, sourcing and resource provisioning, ensuring a roll-out and commissioned complete solution, satisfying all aspects of the contract.

Our management processes transform stakeholder requirements and expectations into strategies, which in turn are deployed into business plans, market plans, objectives, targets and results.

Support processes provide additional value within the Ericsson Business Process scope. Support processes are significant in ensuring efficiency in operations, thus contributing to the satisfaction of our customers and other key stakeholders in the business.
Identifying and understanding the requirements and opportunities of all areas of our operations is a key feature of Ericsson Group Management System. Our business processes ensure efficiency in managing all types of requirements.

**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 a number of criteria forms a prerequisite for establishing customer fulfillment. Our business processes transform commercial requirements into internal product and service requirements.

**Product and service 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 impacts**
We are concerned about the environment in which we operate. We use Life-Cycle Assessment (LCA) to understand our own environmental impacts and to guide research and innovation into solutions that lessen our environmental footprint.

Through LCA we can chart our overall environmental performance and impacts from “cradle to grave” through raw material extraction, manufacture, transport, use, disassembly and end-of-life. The LCA approach guides our efforts toward energy efficiency, material management and Product Take-Back without compromising products, quality or performance.

*Quality is everything. We are putting the customer first if our solutions are easy to use and offer the best possible user experience.*

Hans Vestberg
President and CEO
Company management

The Board of Directors is ultimately responsible for our organization and the management of our operations.

Our President and CEO, supported by the Executive Leadership Team, attends to the day-to-day management of the company and directs and controls the operations in accordance with the guidelines issued by the Board of Directors. The President and CEO reports to the Board of Directors.

Group Functions support the President and CEO in the development and governance of the Group. They are accountable for developing and deploying strategies and Group policies, directives, Group-wide processes and tools for their respective functional areas. The Heads of Group Functions report to the President and CEO.

Business Units are accountable, within their defined scope, to develop, supply/deliver and maintain a competitive portfolio, with high-quality products and service offerings, attractive for our customers. The Head of a Business Unit reports to the President and CEO.

Regions are accountable for sales, delivery and customer satisfaction. They are also accountable for customer relations and Government and Industry relations in the local market environment where we serve. The Regional Head reports to its Internal Steering Group, chaired by a member of the Executive Leadership Team.

We have Internal Steering Groups for our Business Units, Regions and Group Functions that take decisions and follow up on strategic, operational and financial targets and issues.

Group policies and directives

Group-wide policies and 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, and accounting and reporting directives to fulfill external reporting requirements and the Sarbanes-Oxley Act (SOX). The Group Steering Documents Committee secures that the policies and directives cover relevant issues; that they are aligned and consistent with group strategies, values and structures, and that they are not in conflict with legal and regulatory requirements.
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.

Our work is driven in a coordinated annual cycle, where strategies, annual targets and strategic programs are updated. Targets for the overall company and our main units are expressed in the perspectives of customers/markets, employees/capabilities and shareholders/financials. Alignment and consistency is strived for across our company in the chain from our long term wanted position to short term goals and remuneration of individual employees. Targets are followed-up regularly, analyzed and communicated as a basis for performance management.

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 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 policies, directives and processes through internal assessment and management reviews within all units.

External financial audits are performed by PricewaterhouseCoopers, and external ISO/management system audits by independent 3rd party certification bodies. Internal audits are performed by the company’s internal audit function, which reports to the Audit Committee of the Board of Directors. Audits of suppliers are also conducted in order to secure compliance with agreed key performance indicators and Ericsson’s Code of Conduct and Ericsson Suppliers Environmental Requirements.
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 learning opportunities. We attract and retain the talent of our choice and help our employees develop their competence in line with the needs of our customers. We act upon input from our annual employee survey, and instigate action regarding interpersonal relations, empowerment, recognition and enhancement of employee satisfaction.

Efficient knowledge networking
Knowledge forms the basis of our competitive advantage and is continuously developed, applied and protected. We have a number of virtual and global knowledge networks, to support improved ways of working in alignment with our business needs. By providing an efficient infrastructure and IT tools for collaboration, we support learning and knowledge sharing. Across the borders of organizations, companies, geography and time, our people build knowledge networks and share information with each other, our partners, customers and suppliers.

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 ensure that the necessary and most efficient tools are provided, while the line managers ensure that the tools are correctly applied.

Supplier management and relationships
Our suppliers' activities are an extension of our processes. We therefore choose suppliers on the basis of their ability to meet our requirements, needs and expectations. We have methods for evaluating, selecting and monitoring suppliers and external services. Environmental, legal, ethical, social and safety criteria are also being considered.

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 organizations are the most valued resources – though suppliers, methods and tools also 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 satisfies relevant criteria and commitments. Each unit aligns the performance measurements 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**
Our 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 unit targets (including process targets), based upon specified measurements, in regular performance reviews with the relevant management team or steering group and report such performance in the monthly business reports.
We drive effective improvements by using the Ericsson Improvement Management Process.

The improvement management process takes an end-to-end approach on improvements – from selecting an area with a need for improvements (Define), investigating this in order to find the right solutions (Measure-Analyze), implementing (Improve) to ensuring sustainable improvements (Control).

Our improvement management process includes both behavioral and operational aspects of change and originates from the DMAIC model, widely used globally in Six Sigma initiatives.

Identifying
Input into the improvement management process originates from our strategy development and deployment process, performance measures, business requirements, assessment results and suggestions from employees. In addition, gaps and overlaps identified in Ericsson Group Management System are considered in the improvement management process.

Prioritizing and executing
All organizations use established frameworks to effectively define, prioritize and carry out improvement activities in accordance with general objectives and targets.

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.

Improvement Management Process. The process of defining, measuring, analyzing, improving and controlling different kinds of improvements.

**DEFINE**
Understand need of change

**MEASURE**
Understand the reality

**ANALYZE**
Identify root-causes

**IMPROVE**
Make it happen

**CONTROL**
Make it stick
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 certified to:

- Quality Management System Standard – ISO 9001
- Environmental Management System Standard – ISO 14001

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 and ISO 27001 Information technology – Security techniques, are also addressed in Ericsson Group Management System.

Commitment to open industry standards

We are a member of more than 150 standardization organizations and industry forums. 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, IETF, ITU, IEEE, OMA, ETSI, ATIS, MEF, BBF and SA Forum.

Product approvals

The Ericsson Products Approval Process is implemented to ensure that our products comply with relevant legislation. Units that define 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.
Our Vision is to be the Prime Driver in an all-communicating world. In the Networked Society, this means harnessing technology, competence and innovation to empower people, business and society. As part of this vision, sustainability and corporate responsibility is central to our business strategy.

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.
Fundamental Group policies and directives guiding our relationships to each other and to our stakeholders are found in our Code of Business Ethics and Code of Conduct.

**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.

Integrity and ethics have always characterized our way of conducting business. Values such as trust and loyalty are deeply rooted within our company corporate culture. Good relations among colleagues and with stakeholders are of fundamental importance to us. With strong integrity and ethical behavior, the company ensures that it continues to be trusted by its customers.

All our employees and contractors must be aware of, and comply with, the rules and guidelines summarized in the Code of Business Ethics. By reading and applying its content in their daily work, employees make it their individual responsibility to ensure that business is conducted in accordance with the Code of Business Ethics.

**Code of Conduct**

For the purpose of protecting human rights, promoting fair employment conditions, safe working conditions, responsible management of environmental issues and high ethical standards, the Code of Conduct is applied in the production, supply and support of our products and services worldwide.

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

We require 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 shall be publicly available.
ERICSSON IN BRIEF

Ericsson is a world-leading provider of telecommunications equipment and related services to mobile and fixed network operators globally. Over 1,000 networks in more than 180 countries utilize our network equipment and 40 percent of all mobile calls are made through our systems. We are one of the few companies worldwide that can offer end-to-end solutions for all major mobile communication standards.

Communication is changing the way we live and work. Ericsson plays a key role in this evolution, using innovation to empower people, business and society.

We provide communications networks, telecom services and multimedia solutions, making it easier for people all over the globe to communicate.