

Sustainability and Corporate Responsibility report

Part of
Ericsson
Annual Report
2021

Annual Report 2021

Financial
report

Corporate
Governance
report

Remuneration
report

Sustainability
and Corporate
Responsibility
report



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This Sustainability and Corporate Responsibility report is rendered as a separate report added to Ericsson's Financial report in accordance with the Annual Accounts Act (SFS 1995:1554) chapter 6, section 10 and 11). An assurance report from the auditor is appended hereto.

Sustainability creates value

Ericsson has been a sustainability pioneer in the private sector and has been reporting on its progress in this area for more than 20 years. Sustainability and responsible business practices are fundamental to Ericsson's culture and its strategy to drive business transformation and create value for stakeholders. The Company firmly believes that part of that value is derived from its focus on sustainability in its operations, portfolio and how its technology is applied across sectors of society.

Technology as driver of positive change

Ericsson was founded on the premise that access to communication is a basic human need and should be available to all. Ericsson's vision to improve lives, redefine business and pioneer a sustainable future is built on the power of mobile connectivity to deliver positive impact. The Company's efforts in pioneering a sustainable future are grounded in research and science as well as concrete targets set across its value chain.

Energy consumption, costs and sourcing are global business challenges and directly linked to the ICT industry's ambition to be Net Zero. The Company and its customers have made reducing energy use in network operations a priority, and Ericsson continues to make substantial investments in energy-efficiency-led R&D, as well as product and solution development, across all technology portfolios. These investments allow the Company to offer customers sustainable and innovative alternatives for their network modernization strategies. The 5G standard is essential to many of these advances, as it is designed to enable high performance and low network energy consumption.

In line with the industry's aspiration, Ericsson has set an ambition to reach Net Zero carbon emissions across its value chain by 2040 and, to that end, is working toward halving emissions in its supply chain and portfolio by 2030 and being Net Zero in its own activities at the same time. In addition to reducing company and ICT industry impacts, the technology Ericsson delivers has the potential to reduce global carbon emissions in other sectors by 15% by 2030 and will play a key role as technology helps to redefine business.

During the second year of the global COVID-19 pandemic, digitalization continued to prove critical to social and economic development. However, around 2.9 billion

people globally remain offline and are unable to enjoy the benefits of the digital economy. There are several important ways in which Ericsson can improve lives, including developing and delivering offerings to bridge the digital divide, deploying networks that support universal connectivity and developing solutions that can help improve financial inclusion as well as access to information and other services.

The Company also contributes to digital inclusion through its efforts in education. Ericsson is a partner to UNICEF in the Giga initiative with the aim to connect every school to the internet by 2030. In addition, as part of the World Economic Forum's Edison Alliance, Ericsson has committed to improving digital literacy and skills development for one million children and youth by 2025 to help them prepare for a 5G future.

Conducting business responsibly

Responsible business is the foundation of everything Ericsson does, no matter where in the world it operates. Ericsson drives a proactive agenda to improve and strengthen its responsible business practices, with a focus on building and maintaining trust, transparency and integrity.

Ericsson's commitment to sustainability and corporate responsibility is reflected in its policies and practices. The Company supports the Ten Principles of the UN Global Compact as well as the UN Guiding Principles on Business and Human Rights. Ericsson is committed to building a culture founded on integrity and compliance as well as demonstrating how taking responsibility throughout its value chain is fundamental to its success and a way to drive real and lasting positive impact.

Building on decades of sustainability reporting, the Company has begun a journey to report progress on environmental, social, and governance goals aligned to the World Economic Forum's Stakeholder Capitalism metrics.

Contributing to the achievement of the Sustainable Development Goals

The technology Ericsson delivers has the potential to contribute to the achievement of all 17 United Nations Sustainable Development Goals (SDGs).

Ericsson's core contribution to the SDGs is primarily through SDG 9 – Industry, innovation and infrastructure, and SDG 17 – Partnerships for the goals. These two SDGs are central to Ericsson's business as a technology leader that creates and orchestrates ecosystems and works across trusted partnerships to create positive impact at scale.

With this approach, Ericsson enables public and industrial sectors to access technology that helps them accelerate progress towards targets in key areas related, but not limited to, SDG 13 – Climate action; SDG 12 – Responsible production and consumption; SDG 8 – Decent work and sustainable economic growth and SDG 4 – Education. Ericsson's sustainability targets on climate, responsible business practices and production systems contribute to the ambitions behind the same SDGs.

Sustainability performance summary

Value chain	Topic	Topic relevance	Ericsson's approach	Target or key performance indicator	Performance	SDG contribution
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Portfolio

	Climate action - Network energy performance	<p>The mobile industry has set the ambition to transform itself to reach Net Zero carbon emissions by 2050. Technological innovations and the introduction of 5G mobile systems have the potential to provide the increased capacity, coverage and efficiencies necessary to deliver on these sustainability commitments and to reduce emissions for the ICT industry as well as other sectors.</p> <p>Network energy performance improvements play a key role in enabling a fast tracked global 5G deployment to achieve this ambition.</p>	<p>To meet customer expectations and help the industry reach Net Zero, Ericsson has introduced an innovative approach to reduce network energy use. Ericsson's solutions also enable telecom operators to manage expected growth in data traffic to meet the needs of current and 5G networks.</p> <p>The energy performance of Ericsson's portfolio is a competitive advantage and delivers value from both a sustainability and a cost perspective. Environmental factors are considered in design principles and material choices within Ericsson's portfolio to minimize negative impacts on the environment.</p>			
	Security and privacy	<p>Innovative technologies and services are pioneering new ways to connect systems and societies. This also brings new privacy and security risks as connected devices, applications and integrated networks become potential targets for fraud, disruptive cyber-attacks and information and identity theft.</p> <p>Any responsible business must recognize the increasingly higher threat level and related security and privacy risks. Thus, companies must take proactive action in this area and formulate appropriate counter measures and effective security and privacy strategies.</p>	<p>Providing the world with resilient products and services now and in the future starts with robust and efficient security capabilities internally as well as throughout Ericsson's business processes. In 2021 Ericsson has not had any critical security or privacy incidents. Ericsson is committed to continue strengthening the protection of its assets and to contributing to a safe digital society by providing trustworthy products and services. As the value of information and the capabilities of threat actors increase, securing information and personal data is the foundation of the Ericsson's trustworthy technology leadership.</p>			
	Digital inclusion	<p>Digitalization and connectivity are a foundation for global sustainable development. Approximately 2.9 billion people still remain offline and are unable to enjoy the benefits of the digital economy.</p> <p>While digital technology is becoming more widespread and continues to prove critical to social and economic development, the COVID-19 pandemic has highlighted a growing divide between people who are connected and those who are not in both developed and developing markets.</p>	<p>Ericsson aims to be the preferred partner to bridge the digital divide as mobile broadband (3GPP technology) is one of the most cost-efficient options to empower people and societies through digital infrastructure. Important ways in which Ericsson can improve lives include developing and delivering offerings to bridge the digital divide, deploying networks that support universal connectivity and providing solutions that help improve financial inclusion. Ericsson also contributes to digital inclusion through its efforts in the area of education.</p>			
	Respect for human rights	<p>Within the ICT industry, there is increased focus on concerns related to the negative impact of technology on human rights, such as government surveillance, misuse of artificial intelligence, network shutdowns and widespread processing of personal data.</p> <p>All companies have a responsibility to respect and uphold internationally recognized human rights. It is therefore critical that companies in the ICT industry remain vigilant to potential human rights violations and work to ensure their technology is not misused.</p>	<p>Ericsson is committed to respecting human rights across its value chain and is a founding member of the UN Global Compact, an early adopter of the UN Guiding Principles on Business and Human Rights and a member of the Global Network Initiative. This responsibility is addressed throughout Ericsson's business operations, including its supply chain and end use of products. Ericsson's Sensitive Business Framework evaluates sales opportunities from a human rights risk perspective. Risks are identified based on the parameters of its Sensitive Business risk methodology.</p>			

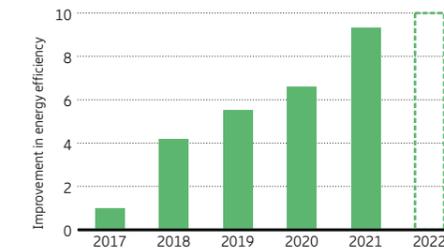
Supply chain

	Responsible management of suppliers	<p>Companies are today expected to integrate sustainability and responsible business practices across their value chains, including suppliers. This includes, but is not limited to, climate action, business ethics, human and labor rights and health and safety.</p> <p>Moreover, close collaboration across sectors and value chains is essential to achieving global climate objectives. Companies must work together to address emissions not directly caused by their own activities, including emissions in the supply chain.</p>	<p>Managing the social, ethical, and environmental impacts of Ericsson's supplier base is part of the Company's value chain approach. Ericsson's Code of Conduct for Business Partners is the basis for Ericsson's Responsible Sourcing program and is part of the standard supplier contract.</p> <p>Ericsson is one of the founders of the 1.5°C Supply Chain Leaders to drive climate action in global supply chains. The Company has set a target to engage with its high-emitting and strategic suppliers to have them set their own 1.5°C aligned climate targets.</p>			
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Group targets

- Achieve a 5G product portfolio that is ten times more energy efficient (per transferred data) than 4G by 2022. Performance year to date against target is shown in the graph to the right.
- Achieve 35% energy saving in Ericsson Radio System compared with the legacy portfolio by 2022. Approved by Science Based Target Initiative. Performance shown on page 12.

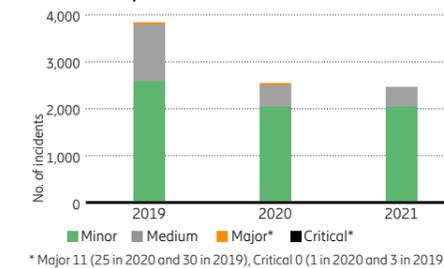
5G energy efficiency target



Key performance indicator

Incidents reported through Security Incidents Management System (SIMS).

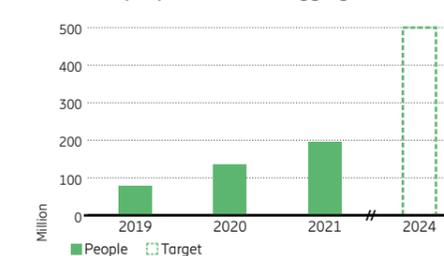
Incidents reported



Group target

Enable internet for all through roll out of mobile broadband to connect additional 500 million people by 2024.

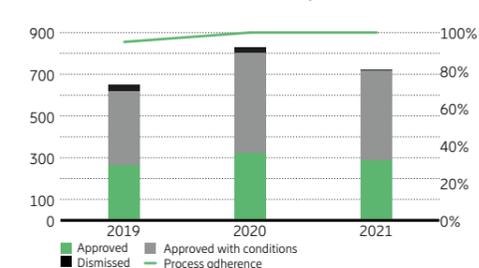
Additional people connected (aggregated)



Key performance indicator

Cases reviewed in the sensitive business process and process adherence.

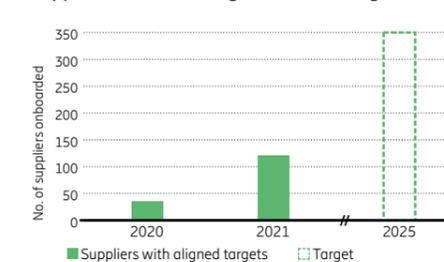
Outcome of cases reviewed and process adherence



Group target

Ericsson to engage with 350 of its high emitting and strategic suppliers, responsible for 90% of Ericsson's supply chain emissions, to set their own 1.5°C aligned climate targets by 2025.

Suppliers with 1.5°C aligned climate targets



Sustainability performance summary, cont'd.

Value chain	Topic	Topic relevance	Ericsson's approach	Target or key performance indicator	Performance	SDG contribution															
Own operations																					
	Our people	<p>Human capital is one of the most important assets for companies, particularly in the technology sector, as a cornerstone for driving innovation. Being able to attract, develop and retain talent can be a significant competitive advantage and keys to achieving this include building a corporate culture that values integrity, empathy, career and growth, as well as diversity and inclusion.</p> <p>COVID-19 has heightened the importance of the wellbeing of the workforce, requiring companies to provide greater levels of support and flexibility in a hybrid working model.</p>	<p>Ericsson's ability to attract, develop and retain talent for its people. Ericsson strives to enable employees to realize their full potential, and in doing so, create long term value for the business. This includes building a strong culture driven by courageous and ethical leaders. Ericsson is focused on employee development, building business-critical skills, enhancing workforce wellbeing and providing fair and competitive rewards. Ericsson also works to ensure it is accessing the whole talent pool to meet future business demands through a greater focus on inclusivity and a target to increase the representation of women across the Company.</p>	<p>Group target 30% women in the total workforce, line manager, and executive population by 2030.</p>	<p>Share of women employees</p> <table border="1"> <caption>Share of women employees</caption> <thead> <tr> <th>Year</th> <th>Share of women (%)</th> <th>Target (%)</th> </tr> </thead> <tbody> <tr> <td>2019</td> <td>25</td> <td>-</td> </tr> <tr> <td>2020</td> <td>25</td> <td>-</td> </tr> <tr> <td>2021</td> <td>25</td> <td>-</td> </tr> <tr> <td>2030</td> <td>-</td> <td>30</td> </tr> </tbody> </table>	Year	Share of women (%)	Target (%)	2019	25	-	2020	25	-	2021	25	-	2030	-	30	
Year	Share of women (%)	Target (%)																			
2019	25	-																			
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2030	-	30																			
	Health, safety and well-being	<p>An integrated approach to health, safety and well-being in an organization can enable heightened levels of employee engagement, productivity and help them to be an employer of choice.</p> <p>Providing a safe and healthy work environment should be a core element of companies' business strategy and central to the way an organization operates. Companies should therefore prioritize health, safety and well-being to stay productive and competitive.</p>	<p>Ericsson is committed to providing a safe and healthy work environment for its employees and the employees of its suppliers so everyone can be safe and well.</p> <p>Ericsson has launched Target Zero – a goal of zero fatalities and lost workday incidents – to demonstrate its strong commitment to the idea that nothing other than zero is acceptable. This target encompasses both physical injuries and other work-related illnesses including mental health. Ericsson aims to reach this target by providing a safe and healthy work environment through its global program Ericsson Care.</p>	<p>Group target Zero fatalities and lost workday incidents by 2025.</p>	<p>Number of fatalities and lost workday incidents</p> <table border="1"> <caption>Number of fatalities and lost workday incidents</caption> <thead> <tr> <th>Year</th> <th>Fatalities</th> <th>Lost workday incidents</th> </tr> </thead> <tbody> <tr> <td>2019</td> <td>0</td> <td>270</td> </tr> <tr> <td>2020</td> <td>0</td> <td>150</td> </tr> <tr> <td>2021</td> <td>0</td> <td>150</td> </tr> </tbody> </table>	Year	Fatalities	Lost workday incidents	2019	0	270	2020	0	150	2021	0	150				
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2021	0	150																			
	Business ethics and anti-corruption	<p>Corruption and unethical business practices are an obstacle to economic and social development. They often disproportionately affect fragile communities and undermine democratic institutions.</p> <p>There are increasing demands from all stakeholders for more transparency around business practices and for companies to have zero-tolerance policies for corruption and ethics and compliance programs to ensure a culture of compliance. Failure to implement a robust ethics and compliance program and to adequately train the workforce around it puts the Company at risk of losing trust and reputation, increasing costs and losing licenses to operate.</p>	<p>Ericsson recognizes that reputation and trust are hard won and easily lost and strives to win business with integrity and based on its technology leadership. Ericsson has raised integrity to the rank of a core value in 2021, and takes a value chain approach to embedding corporate responsibility in its business. This is notably reflected in Ericsson's training for leaders that focuses on leading with integrity and solving ethical dilemmas, and a targeted anti-bribery and -corruption (ABC) training for managers and employees in exposed roles. In addition, all employees must take a mandatory online ABC training.</p>	<p>Group target Strengthen and enhance Ericsson's Ethics and Compliance program to ensure an effective and sustainable anti-bribery and corruption program by 2022.</p>	<p>Compliance training and awareness</p> <table border="1"> <caption>2021 Attendance %</caption> <thead> <tr> <th>Training Type</th> <th>Attendance %</th> </tr> </thead> <tbody> <tr> <td>Mandatory ABC training – all employees</td> <td>100</td> </tr> <tr> <td>Enhanced ABC training – managers and employees exposed roles</td> <td>80</td> </tr> <tr> <td>Ethics training for leaders</td> <td>70</td> </tr> </tbody> </table>	Training Type	Attendance %	Mandatory ABC training – all employees	100	Enhanced ABC training – managers and employees exposed roles	80	Ethics training for leaders	70								
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	Climate action - Ericsson's own carbon emissions	<p>Climate change is one of the most urgent global challenges, and in order to be resilient, companies need to take a holistic approach to climate action. Expectations and requirements on companies in this area have increased dramatically in recent years, particularly regarding transparency around climate-related business impacts.</p> <p>To meet essential global climate targets, all companies must take responsibility for their own carbon emissions.</p>	<p>Proactive climate action and environmental management is a core component of Ericsson's Group strategy. By the end of 2021, Ericsson has achieved a 60% reduction compared to the baseline, which is ahead of the target trajectory. Ericsson has committed to achieve Net Zero emissions from its own activities – as well as reducing emissions by 50% in its portfolio and supply chain – by 2030, while the Company also continues to work for Net Zero emissions across its value chain by 2040.</p>	<p>Group targets</p> <ul style="list-style-type: none"> – Reduce emissions in Scope 1, 2 and Scope 3 categories Business travel and Downstream transportation by 35% by 2022 compared to a 2016 baseline. Approved by Science Based Target Initiative. Progress year to date is shown in the performance graph to the right. – Achieve Net Zero emissions from Ericsson's own activities by 2030. In 2021, Ericsson expanded its previous carbon neutral target for own operations into the Net Zero emissions target for own activities. See page 14. 	<p>Progression on Science Based Target</p> <table border="1"> <caption>Yearly emissions (Ktonne CO2e)</caption> <thead> <tr> <th>Year</th> <th>Yearly emissions</th> <th>Target</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>550</td> <td>-</td> </tr> <tr> <td>2021</td> <td>230</td> <td>-</td> </tr> <tr> <td>2022</td> <td>-</td> <td>350</td> </tr> </tbody> </table>	Year	Yearly emissions	Target	2016	550	-	2021	230	-	2022	-	350				
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2022	-	350																			

Sustainability approach

Ericsson focuses on embedding its sustainability strategy and programs across the Company to create positive impact and mitigate risks to the Company and its stakeholders.

The Company's contributions to the sustainable development of society can be seen in a wide variety of ways, including the development and deployment of technology and solutions, the impact of its partnerships and the contribution and expertise of its employees.

Science and research are fundamental to Ericsson's sustainability efforts. The Company

carries out peer-reviewed research, both independently and in collaboration with research partners from academia and business. Research topics include the direct and indirect sustainability impacts of the Information and Communication Technology (ICT) sector.

Ericsson recognizes the need for transparent and comparable environmental, social and governance (ESG) disclosures to enable both companies and their stakeholders to make fact-based decisions. The Company bases its ESG reporting on several complementary

reporting standards to ensure it is on par with global best practices. Ericsson aims to continuously improve by setting and reaching ambitious ESG targets that contribute to creating value for Ericsson, its customers, investors and society at large.

Ericsson's sustainability strategy covers three focus areas described below.

● Environmental sustainability

Ericsson's climate targets are in line with the 1.5°C ambition going towards Net Zero across the value chain by 2040. The Company's circular economy approach encapsulates everything from design, manufacturing and the use phase through reuse, product take-back and end of life. Ericsson strives to minimize the negative impacts of its operations and invests to improve the energy performance of its portfolio to reduce environmental impacts within the industry and across other industries.

● Digital inclusion

Universal and affordable connectivity is critical to the sustainable development of society, and Ericsson's approach is based on the belief that technology developed and deployed responsibly can help bridge the digital divide. The Company works towards this goal through institutional capacity building, digital literacy and skills development programs, as well as business-focused universal and affordable internet access solutions and services.

● Corporate responsibility

Ericsson is committed to conducting business responsibly and with integrity across its value chain. Ericsson drives an agenda that delivers value to the Company and stakeholders across its value chain and that extends beyond legal compliance by proactively mitigating and addressing risks. Ericsson engages with local communities and societal stakeholders through its corporate citizenship initiatives including volunteering and donations.

Enabled by our people

Ericsson is committed to placing its workforce at the center of everything the Company does. Ericsson strives to create a people experience that supports and enables a positive customer experience and the creation of long-term business value. The Company focuses on attracting the best talent, supporting competence development and enabling a work culture that supports its people to bring out the best version of themselves and Ericsson.

Stakeholder engagement

Ericsson engages with its stakeholders on an ongoing basis to understand their expectations, requirements and concerns. This engagement provides insights into risks as well as opportunities from sustainability-related topics, both current and emerging ones. For more detailed information on the stakeholders engaged, the types of engagement and topics raised and addressed, see page 28.

Overview significant topics

Pages 2–5 give an overview of the environmental, social and governance topics addressed in this report and that have been assessed as most relevant for Ericsson. The topic's context and Ericsson's approach are summarized, and information on relevant targets and key performance indicators is provided.

Proper management of these topics is key to meeting external and internal standards, and following relevant regulations. Further,

it is a key enabler for achieving strategies and business objectives as well as protecting reputation and brand. The overview, and the subsequent sections of the report, contain information on topic-specific risks and opportunities. This information is complemented by the Company-wide Risk factors presented on pages 99–112 in the Financial Report. For more details on Ericsson's significant topics, see page 29.

Sustainability governance

Governance of sustainability and corporate responsibility topics follow the Company's overall governance structure. The Board of Directors, Executive Team and management's respective roles and responsibilities with regards to sustainability and corporate responsibility are described below. The Board of Directors oversees Ericsson's sustainability and corporate responsibility strategy and receives reports on risk and performance annually, or more often as needed. The Board approves the annual Sustainability and Corporate Responsibility (S&CR) report.

The Audit and Compliance Committee of the Board of Directors oversees the Company's ESG reporting practices and the Ethics and Compliance Program, which currently has its focus on enhancing Ericsson's anticorruption framework.

The Executive Team (ET) is responsible for approving strategies as well as targets for sustainability and corporate responsibility. The ET regularly receives reports on the implementation of strategies and progress against targets and milestones. Its members are also part of dedicated Steering Boards and Committees that provide more frequent strategic guidance and oversight of S&CR-related matters.

Group policies are approved by the President and CEO and are reinforced by awareness and training programs across Ericsson. They reflect Ericsson's commitments to and requirements on its stakeholders. Responsibility for



executing on strategies and progressing on targets lies with the Group Functions, Business and Market Areas, in collaboration with each other. Execution is further reinforced by dedicated Group-wide programs. A dedicated S&CR unit, reporting to the Head of Group Function Marketing and Corporate Relations, is accountable for developing and implementing strategies, policies, steering documents, targets and processes related to sustainability and corporate responsibility topics.

Ericsson has incorporated sustainability into its business primarily through a company-

wide sustainable business program, governed by the ET. The scope of the program is to accelerate and fully integrate circularity and sustainability-related aspects of Ericsson's portfolio. The program is cross-functional and includes eight workstreams in areas with the highest impact on Ericsson's sustainability strategy and execution. The workstreams are: Climate action, Energy performance, Circular economy, Material and substances, Responsible sourcing, Position and standards, ESG reporting and Digital inclusion.

Steering boards and committees	Chaired by	Group-wide programs
Group Compliance Committee	SVP and Chief Legal Officer	Ethics & Compliance Program
Sensitive Business Board	SVP and Chief Legal Officer	Ericsson Care Program
Sustainable Business Reference Group	SVP and Chief Financial Officer	Sustainable Business Program
Group Enterprise Security Board	SVP and Chief Financial Officer	
Product and Technology Security Board	SVP and Chief Technology Officer	
Global Occupational Health and Safety Board	SVP and Head of Business Area Managed Services	
		Foundational policies and steering documents
		Code of Business Ethics
		Sustainability Policy
		Health, safety and well-being Policy
		Security and Privacy Policies
		Code of Conduct for Business Partners
		Business and human rights statement

Risk management

Ericsson has integrated the identification and treatment of S&CR-related risks into its Enterprise Risk Management (ERM) framework. The Company also has dedicated Risk Management frameworks aligned with its ERM framework that cover specific areas of risks such as Anti-corruption, Environment, Health and Safety and Information Security.

Ericsson assesses, manages and treats risk in the part of the business where it is most relevant, and the Heads of Group Functions,

Market and Business Areas, and other units with Group-wide responsibilities are given ownership for specific identified risks. To embed this approach throughout the Company, a central Group Risk Management Function coordinates and governs the ERM framework and process.

The S&CR report includes information on S&CR-related risks that are not considered significant on a group level but which from a sustainability perspective are relevant to

disclose. For more information on the ERM framework and identified risks factors, both financial and non-financial, see the Corporate Governance report, pages 17–19, and the Financial report, page 19. Additionally, as a contribution to its climate strategy, Ericsson has conducted a climate scenario analysis during 2021 in which climate-driven risks and opportunities were analyzed. More information on this topic on page 33.

Our people

Ericsson is committed to placing its workforce at the center of everything the Company does. Ericsson strives to create a people experience that enables employees to realize their full potential and, in doing so, creates long term value for the business.

This people experience is shaped by Ericsson's purpose, vision and values. In 2021 the Company added integrity to its existing three values of professionalism, respect, and perseverance. This reflects Ericsson's commitment to ethical, responsible, and sustainable practices and its pride in making transparent, honest, and uncompromising decisions. Ericsson embeds its values in its business through the Company's ongoing culture transformation program, Ericsson on the Move. This program has five focus areas: Empathy and humanness, Cooperation and collaboration, Executing speedily, Fact based and courageous decisions and Speak up.

Ericsson is committed to ensuring that its workforce has the diverse skills and capabilities necessary to create value. In 2021 Ericsson invested in enhancing talent attraction, providing targeted learning and development and strengthening retention of talent. This was paired with action to protect workforce wellbeing in the context of the continuing challenges of COVID-19.

Identified risks and opportunities

As Ericsson moves into 2022, it is mindful of the following risks:

COVID-19: COVID-19 continues to create challenges for the health, wellbeing, and work-life balance of all of Ericsson's workforce. In particular, the impact on schools and family life are disproportionately impacting women, potentially increasing attrition rates. This is occurring at a time when Ericsson is seeking

to increase gender balance as part of its strategy to ensure access to the whole talent pool to meet future business demands.

Talent attraction and retention: According to external reports, approximately 40% of the global workforce is considering changing jobs in the next three to six months¹⁾. Ericsson is already in a highly competitive market with skills shortages, and there is a risk that the Company cannot hire sufficient people with the key competencies and skills required by the business. To mitigate this, in 2021 Ericsson launched a new segmented recruitment model, which leverages the latest artificial intelligence technologies, to improve the candidate hiring experience.

Ericsson is also focused on capitalizing on opportunities including:

Upskilling for the future: Ericsson's business growth requires that it has world-leading capabilities connected to its strategy. Moreover, it is important for Ericsson to build these critical skills in anticipation of their relevance to future development. This is the basis for its focus on broad and deep upskilling in the workforce, which creates a strong employee value proposition in the market.

Attracting new and diverse talent: Ericsson has the opportunity to attract new and diverse candidates through an employee value proposition grounded in a human and empathetic experience of work. The Company's recent investments in cultural transformation (Ericsson on the Move) and its revised purpose, vision and values put Ericsson in a good position to attract new candidates.

Enhancing workforce well-being: Ericsson is well positioned to support its workforce in maintaining their productivity and wellbeing during challenging times. In 2021, Ericsson built on its systematic approach to well-being through the Ericsson Care program with tools and assets that are easy for employees to access. To support the workforce through the challenges of COVID-19, Ericsson also provided additional financial flexibility in locations where this was most needed, for example, salary advances. An Ericsson survey revealed that 90% of employees believe that a genuine interest has been taken in their well-being. This further enhances its employee value proposition.

Delivering on our People Strategy 2021

With its People strategy, Ericsson seeks to enable the future success of its business as the Company gears for growth, with a focus on three strategic people areas detailed here.

Talent and Skills: Ericsson works to ensure that it has the best talent in its business, where people are performing at their best. This is grounded in data-driven insight through global People analytics and workforce planning. Ericsson is committed to accessing the whole talent pool to meet future business demands. To deliver on this, in 2021, Ericsson launched a program of work to enhance the candidate hiring experience, including ensuring both that candidates from different backgrounds are represented in Ericsson's hiring process and that the hiring process is tailored to the many different roles the Company recruits at any one time. This complements Ericsson's ongoing work to increase representation in Science Technology Engineering and Math (STEM) fields, which includes partnering with organizations such as Black Girls Code in the US to increase the diversity of the future workforce.

Ericsson works to ensure that, once in the Company, people can perform at their best. In 2021, Ericsson delivered on this by clearly signalling the global, critical skills necessary to execute on its 2025 growth strategy and providing learning and development opportunities that enable the workforce to upskill and reskill in these areas. The critical skills identified are a mix of technology, including 5G, Internet of Things (IoT), artificial intelligence and sales and commercial as well as power skills such as transformation, design thinking and communication.

In 2021 over 97,000 employees actively used Ericsson's learning platform to upskill, completing 3.1 million learning sessions and earning more than 10,000 new credentials, such as digital badges. This represented a 64% year over year increase in the amount of learning. Employees together with their managers set individual career and learning plans and follow up on these throughout the year.

Diversity and inclusion: Ericsson aims to ensure that people from different backgrounds can succeed in the Company, and in 2021 there were a growing community of Employee Resource Groups to support this. The Company also continued its work to achieve greater gender balance with its leadership acceleration program for women, ALTitude. Since the program started, 26% of the 257 participants changed roles, and 23% had a change of job stage (seniority). Ericsson will scale the ALTitude program in 2022 alongside expanding a leadership training program piloted in 2021 to embed inclusive behaviors.

Ericsson matches its commitment to diversity and inclusion with public targets, and in 2021 the Company reviewed and reiterated its target of 30% representation of women in the total workforce, among line managers and in the executive population by 2030. Representation of women is currently at 25%, 21% and 36% respectively. This target is driven by the Executive Team, alongside greater focus on representation of nationalities and age groups and is underpinned by targets for each Business Area and Market Area.

To ensure it attracts and retains candidates across the whole talent pool, the Company is addressing the gender pay gap, which at the global level equates to an unadjusted average pay gap of women in relation to men of 18%. Among other things, this figure reflects the higher proportion of men in senior leadership positions and in technical roles. To ensure Ericsson continues to make progress in this area in 2022, it will continue to make inclusion and fairness a focus in training for leaders and a review criterion in reward processes.

Culture and Leadership: Ericsson supports all employees in being courageous and ethical. The addition of integrity as a new value, including performance metric, complemented the existing Ericsson on the Move global culture transformation program, which, to date, has engaged more than 80% of Company leaders in workshops on how to embed Ericsson's culture and values in the business. The Company also launched the revised and enhanced Code of Business Ethics, which was embedded in the business through a new approach to compliance training.

The impact of these actions is reflected in Ericsson's employee survey, where the highest score is in Ethics and Compliance, with 91% of respondents stating that they agree that Ericsson is showing a commitment to ethical and responsible business.

Future of Work: Ericsson is focused on being an attractive company for which to work, where everyone feels included and proud to belong to a caring technology leader.

In 2021, Ericsson worked to drive engagement, with a particular focus on preparing for the future of work. This included supporting more flexible ways of working, particularly through COVID-19, and providing wellbeing support for employees in challenging situations. Ericsson adjusted local rewards policies to better fit changing needs. For example, the Company provided enhanced support

and coverage for COVID-19 cases, enhanced Employee Assistance programs and access to telemedicine and IT support.

In preparation for a phased return to the office, when and where it is safe to do so, Ericsson's leaders have been trained in new ways of working and leading that promote flexibility, well-being, belonging, and performance in the hybrid workplace.

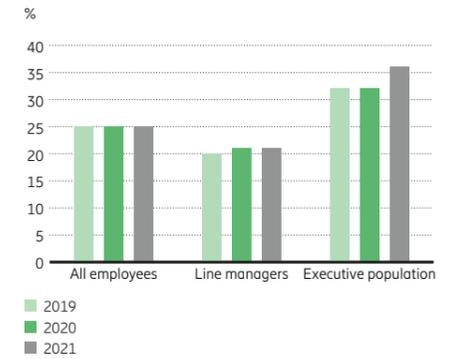
The impact of these actions is apparent in Ericsson's employee satisfaction score, which is currently at 81 and has been stable and above 80 the last two years. This is above average for the technology industry (73). After several years of steady increase in different employee engagement dimensions, Ericsson saw a stabilization of scores in 2021, with a slight decline in some dimensions in Q4. This decline is consistent across industries and may be linked to pandemic fatigue. While being above average of the technology industry for all areas measured, Ericsson is addressing the outcome through its cultural transformation to avoid a downward trend.

Governance

Ericsson's People Strategy is governed by Group Function People, with the Global People Leadership team having responsibility for strategy formulation and execution. Subject matter experts develop Group-wide processes that are embedded throughout business and market areas, and other group functions by unit people leaders. A global people services function supports the delivery of the people process in an efficient way, ensuring consistent practices across the business.

The People Strategy is anchored on Ericsson's Code of Business Ethics and summarizes the fundamental Group policies. The People Group Policy states that all activity relating to the workforce, including employment, development, compensation, and benefits, will be carried out without discrimination and with equal opportunity for all.

Share of women per employee category



Ericsson employee satisfaction

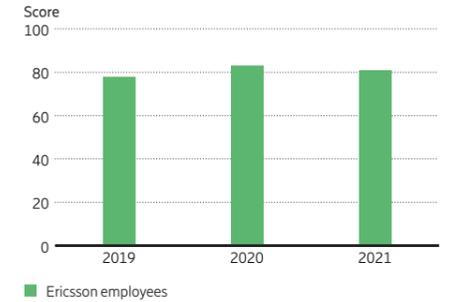


Figure 1: Strategy areas



Figure 2: Critical Skills Areas



¹⁾ <https://www.mckinsey.com/business-functions/people-and-organizational-performance/our-insights/great-attrition-or-great-attraction-the-choice-is-yours>

Environmental sustainability

Climate change is one of the most urgent global challenges. Ericsson continues its focus on energy use and environmental impact of technology as well as operations across the value chain to be a resilient company. Ericsson will continue to address rising requirements and stakeholder expectations on the Company, particularly regarding transparency around climate-related business impacts.

Approach to environmental sustainability

Ericsson strives to minimize the negative environmental impact across its value chain. The Company's circular economy approach encapsulates everything from design, manufacturing and the use phase through reuse, product take-back and end of life processes. Ericsson has continued to make significant investments to improve the energy performance of its portfolio. The Company's work on environmental sustainability is divided into the following areas:

- Improving the energy performance of Ericsson's portfolio.
- Reducing emissions from Ericsson's supply chain and own activities.
- Implementing a circular economy approach to product design and material use.
- Demonstrating how Ericsson's business and products can enable society and other industries to reduce emissions and become more circular.

Sustainability research

Science and research underpin Ericsson's sustainability efforts. Since 2008, Ericsson has made many relevant contributions to international standards in the area of environmental sustainability. The Company prioritizes research on the direct and indirect environmental impacts of the ICT sector. Ericsson also contributes to the development of international methodologies for assessing the environmental impact of the ICT sector.

To support the ICT sector's transition to a low carbon economy, the International Telecommunication Union (ITU) has released the Net Zero standard¹⁾ to guide companies in the sector on setting Net Zero targets and strategies. Ericsson has contributed to the development of this standard, which meets the requirements of Science Based Target Initiative and UN Race to Zero Net Zero definitions.

Ericsson's Net Zero ambition

The Company has committed to following the Net Zero standard¹⁾, and in 2021 Ericsson officially set a long-term ambition to be Net Zero by 2040 across its value chain.

To meet this ambition, Ericsson is progressing against its set targets in line with the 1.5°C ambition set by the Paris Agreement. Ericsson has set a first major milestone to achieve Net Zero emissions from its own activities – as well as reducing emissions by 50% in its portfolio and supply chain – by 2030, see Figure 1.

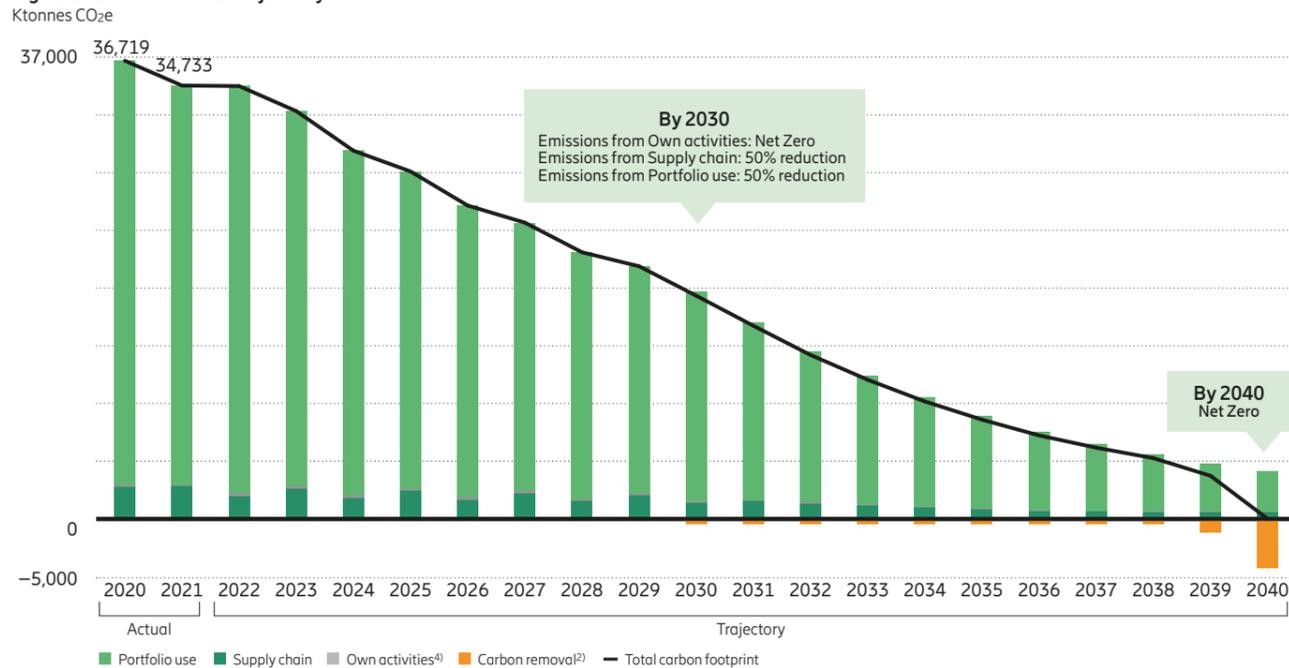
Figure 2 on page 11, shows Ericsson's carbon footprint and climate targets. The Company's initial focus is on reducing and avoiding emissions across the value chain as well as on investing in renewable energy. As a last resort to address any unavoidable emissions, Ericsson will work to remove remaining emissions from the atmosphere through approved carbon removal²⁾ credits. Ericsson is committed to building credibility regarding its long-term objectives in this area, with a focus on ownership of the issue and integration of its climate strategy in the line organization. The following pages cover targets, performance and the necessary actions to reduce emissions in each stage of Ericsson's value chain.

ICT is an enabler of climate action

ICT and digitalization are key enablers of reductions in global greenhouse gas emissions. According to Ericsson's research, ICT solutions has the potential to enable a 15% reduction of emissions across industries by 2030³⁾, while being responsible for only 1.4% of the global carbon footprint.

¹⁾ ITU L.1471 Net Zero standard
²⁾ Carbon dioxide removal, also known as negative CO₂ emissions, is a process in which carbon dioxide (CO₂) is removed from the atmosphere and locked away for long periods of time. To reach Net Zero in the value chain, companies can neutralize their residual emissions that cannot be further reduced, by means of specific removal trustworthy technologies that adhere to global standards.
³⁾ J. Malmodin and P. Bergmark, 2015, Exploring the effect of ICT solutions on GHG emissions in 2030: <https://www.atlantis-press.com/proceedings/ict4s-env-15/25836149>.
⁴⁾ Defined as Scope 1 (facilities and fleet vehicles), Scope 2, and Scope 3 categories Business Travel and Employee Commuting (and teleworking).

Figure 1: Ericsson's Net Zero journey



Climate action – Ericsson's carbon footprint

Advocacy

Ericsson actively contributes to consultations and hearings on strategies and legislative proposals presented by different legislative bodies. Within the European Union (EU) the EU Commission has historically taken a proactive approach to environmental legislation and is now accelerating its efforts through the EU Green Deal. The Company's approach is to advocate for clear environmental legal requirements that are effective, based on science and that improve the environmental performance of the sector.

To address these areas, Ericsson is active in industry organizations such as Digital Europe, the Association of Swedish Engineering Industries, the European Round Table for Industry and other relevant forums. The Company also engages with organizations¹⁾ that are focused on global environmental standardization development.

Further, in order to communicate the benefits of digitalization in the transition to a low carbon economy, Ericsson engages with organizations such as the World Economic Forum, the European CEO Alliance, the Exponential Roadmap Initiative, The Pathways Coalition and the EU Green Digital Coalition.

¹⁾ The International Telecommunication Union (ITU), the European Telecommunications Standards Institute (ETSI) and the European Committee for Standardization (CEN) and European Electrotechnical Committee for Standardization (CENELEC).

Ericsson was an early supporter of the Paris Agreement and recognizes the need to limit global warming to 1.5°C, as described by the Intergovernmental Panel on Climate Change (IPCC). The Company's climate action approach and target setting for its own operations and industry impact is based on more than two decades of sustainability research.

In 2021, Ericsson conducted a climate scenario analysis in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) to further understand potential climate-related risks and opportunities relevant to its business model.

The analysis confirmed that the main climate-related business opportunities for Ericsson relate to providing customers with energy efficient networks and expanding its connectivity offerings to other sectors enabling further emission reductions. Main risks identified under the scenarios used relate to carbon pricing and business disruptions driven by physical risks, such as those caused by severe weather events. More details on this analysis and conclusions can be found on page 33.

Ericsson's carbon footprint

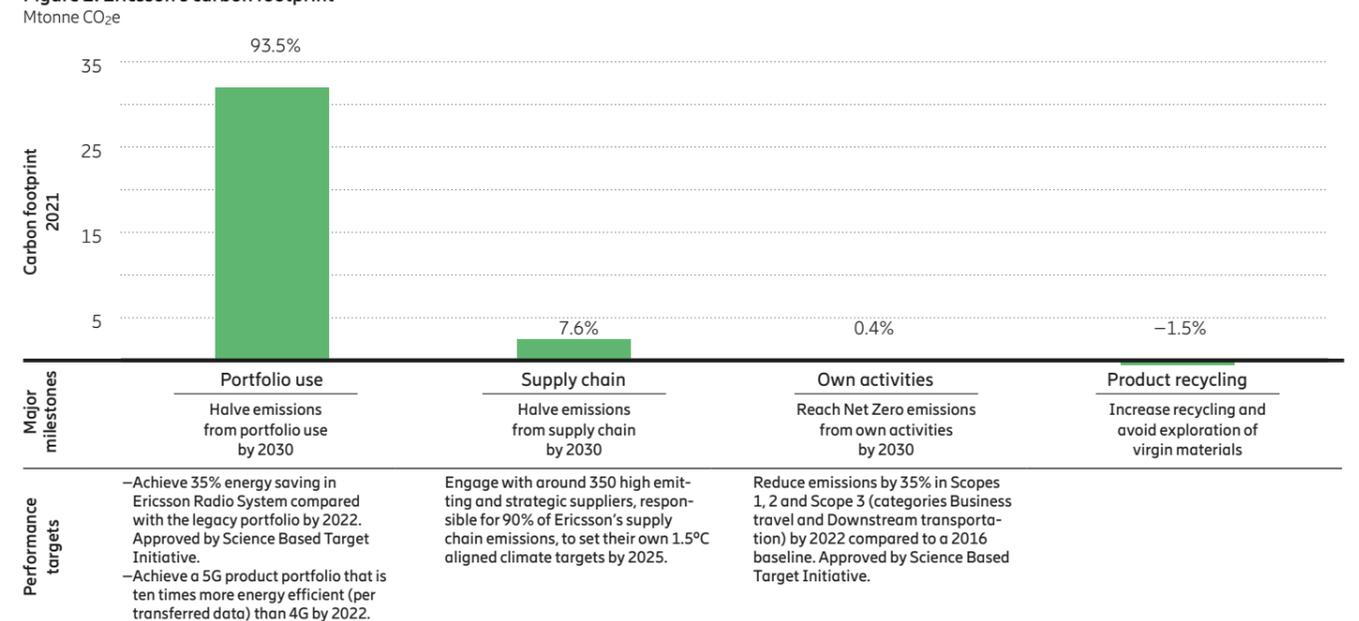
The environmental impact and carbon footprint of Ericsson's value chain are quantified based on life-cycle assessments of products and through extensive research on the impact of the ICT industry. Figure 2 shows the Company's total carbon footprint, measured in carbon

dioxide equivalents (CO₂e). The impact is divided into four sections: portfolio use (including products and software in operation); supply chain (including product design, procurement, and transport); own activities (including fleet vehicles, business travel, commuting, teleworking and facilities); and product recycling, (including end-of-life products that are taken back from customers and then recycled).

As seen in Figure 2, the carbon emissions resulting from the lifetime energy usage of Ericsson's delivered portfolio corresponded to approximately 94% and supply chain emissions accounted for 8% of the Company's total carbon footprint. Ericsson's emissions from own activities are small relative to the previous two categories. They make up 0.4% of the total emissions. In 2021, the Company expanded its carbon neutral target for own operations into a Net Zero emissions target for own activities by 2030, including fleet vehicles, facilities, business travel and commuting/teleworking. Own activities previously included product transportation, this is now moved to supply chain emissions.

According to Ericsson's estimations, recycling of its products at end-of-life contribute to lower supply chain emissions. The reason for this is that emissions from recovered raw materials, such as aluminum, are lower than those from virgin raw material. Thus, product recycling results in a negative share of Company emissions as shown in the figure below.

Figure 2: Ericsson's carbon footprint



Climate action – Network energy performance

To meet the industry aspiration to achieve Net Zero greenhouse gas emissions by 2050, technological innovations that enable mobile networks to support more traffic while using less energy will be needed. To achieve this ambition, 5G must be fast tracked globally in order to provide the increased capacity and coverage necessary to deliver on sustainability commitments and reduce emissions for the ICT industry as well as other sectors.

Energy use in network operations remains a priority for Ericsson and its customers. Carbon emissions resulting from the lifetime energy usage of Ericsson’s delivered portfolio correspond to approximately 94% of the Company’s total carbon footprint. With this in mind, Ericsson can contribute to its customers’ sustainability transformation primarily through improved energy performance across the mobile network, which also helps lower customers’ Total Cost of Ownership (TCO).

Ericsson’s ambition is to provide high quality, high performing 5G experiences while simultaneously aiming to reduce network energy consumption. To this end, Ericsson has developed an innovative network-wide approach called “Breaking the energy curve”. It provides a holistic approach to introducing 5G while managing mobile network energy use across core, transport, radio access and site equipment. This approach gives customers insights into how to maximize energy savings through products and solutions in Ericsson’s portfolio. Some examples include modernizing the installed base and rightsizing 5G equipment for new frequency bands, as well as the use of energy-saving software and intelligent remote site management of passive site equipment such as batteries, climate control units and diesel generators.

Improving energy performance

Through significant investments in R&D, Ericsson has been able to develop market leading products and solutions for more sustainable mobile networks and to achieve significant energy and performance improvements across its portfolio. These improvements also contribute positively to the business case for and viability of renewable energy as the primary energy source for future Radio Access Network (RAN) sites.

In the mobile network, the RAN is built to provide nationwide coverage and capacity for users. As a result, the RAN’s energy consumption represents over 75% of total network consumption. This means that RAN energy efficiency is of the utmost importance in keeping energy consumption under control while still delivering optimal user experience.

The transition from 4G to 5G involves a significant increase in processing requirements for the RAN equipment. The Company’s purpose-built Ericsson Silicon processing hardware, is designed to meet these performance demands. It also plays a key role in facilitating the creation of high-performing, energy efficient and lightweight products. The energy efficiency of Ericsson Silicon has grown by a factor of seven from 2016 to 2021, see figure 1.

Alongside other energy efficiency improvements, during 2021 the Company launched its ultra-lightweight massive MIMO family, exemplified by the AIR3268 radio that weighs only 12 kg with a volume of 23 liters. These additions to the portfolio aim to enable an easier and efficient 5G mid-band deployment.

The advancements with Ericsson Silicon also allow Ericsson to combine multiple frequency bands into a single ERS remote

radio unit. In 2021, the Company launched Radio 6626, making it possible to replace six single-band radios with one, which reduces energy consumption up to 50%, among other benefits.

The above high-performing RAN products are examples of how the Company can enable energy savings in mobile networks while managing the mobile broadband traffic growth including 5G roll-outs.

Targets and performance 2021

The Company’s target for its 5G product portfolio is to, by 2022, make it ten times more energy-efficient for the same transferred data than the 4G portfolio (baseline 2017) for an enhanced mobile broadband (eMBB) use case. Results from 2021 show that Ericsson’s current 5G radios already are very close to achieving the targeted level and are approximately 9,3 times more energy efficient, see figure 2.

Energy savings can also be achieved by replacing less efficient equipment in the legacy network. Ericsson has set a target of 35% energy savings in Ericsson Radio System (ERS) versus the legacy portfolio by 2022 (baseline 2016). This target has been approved by the Science Based Target initiative. In 2021, the Company achieved 36% energy savings from delivered ERS radios versus the legacy portfolio, surpassing the target level one year ahead of schedule. See figure 3.

Figure 1: Ericsson Silicon energy consumption for 32TR-200MHz product (normalized)

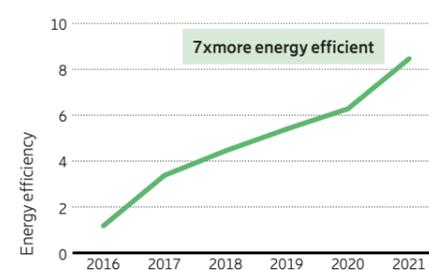


Figure 2: 5G portfolio energy performance (compared to 4G and same amount of transferred data)

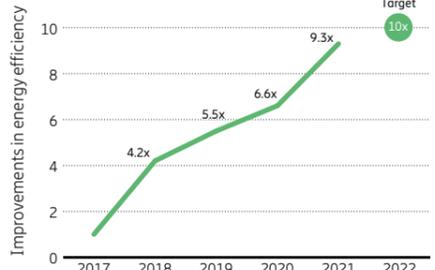


Figure 3: Progress Science Based Target Energy savings in Ericsson Radio System

Achieve 35% energy saving in Ericsson Radio System compared with legacy portfolio by 2022 (baseline 2016). Target approved by Science Based Target Initiative.

Result 2021
36%

Climate action – Supply chain

Ericsson is actively working to reduce emissions in its supply chain. In 2021 Ericsson supply chain emissions totalled 2.6 Mtonnes of CO₂e and corresponded to 8% of Ericsson’s total carbon footprint.

In 2020, Ericsson set a target to engage with 350 of its high emitting and strategic suppliers – responsible for 90% of Ericsson’s supply chain emissions – to set their own 1.5°C-aligned climate targets by 2025. In addition to the long-term commitment, this would also mean that the suppliers in scope must reduce their operational emissions by half by 2030. By the end of 2021, 121 suppliers had set such targets, which is in line with the Company’s outreach target.

Ericsson also set a new target in 2021 to cut supply chain emissions by 50% by 2030 from a 2016 baseline, aligning reductions in the supply chain with the Company’s Net Zero ambition. The results of this work will directly support Ericsson’s customers, many of which have shown a commitment to decarbonizing their purchased portfolio carbon footprint.

In addition to the work with reducing direct emissions from first-tier suppliers, Ericsson also aims to meet its supply chain decarbonization goals through other measures. These include further strengthening the Company’s approach to design, sourcing of raw material, country level energy emission factors, material substitution, use of recycled material and method of die casting, among others.

Decarbonization of product transportation is a particularly important strategic part of the overall supply chain emissions. In 2021, Ericsson focused its efforts in this area on optimizing processes, driven by digitalization of the supply chain data aiming to improve transportation planning and to reduce emissions. To achieve this, Ericsson has developed and started to deploy a transport management tool with the aim to have full end-to-end CO₂e reporting and target tracking for product transportation.

Furthermore, in 2021, an internal shadow carbon price of 100 EUR/ton CO₂ was launched as a pilot for part of the product transportation process in order to internally visualize the cost of carbon emissions.



Ericsson and Deutsche Telekom have partnered to bring solar panels to a RAN network site. Image source: DFMG Deutsche Funkturm GmbH.

Climate action – Own carbon emissions

The Company's Science Based Target to reduce emissions by 35% by 2022 covers emissions from fleet vehicles, facilities, business travel and outbound product transportation. By the end of 2021, Ericsson has achieved a 60% reduction compared to the baseline, which is ahead of the target trajectory. In 2021, Ericsson expanded its carbon neutral target for own operations into the Net Zero emissions target for own activities by 2030. The new target covers the Company's Scope 1 and 2 emissions, as well as Scope 3 categories, business travel and employee commuting (including teleworking).

Performance 2021

Facilities

Emissions from the Company's real estate portfolio, including offices, production sites, data centers and test labs, declined to 64 in 2021 from 81 Ktonnes in 2020. This represents a reduction of approximately 21% compared to 2020. Ericsson has taken targeted actions to reduce energy consumption and procure more renewable electricity at its sites in countries such as Sweden, the UK, the US, India, China, and Hungary. Renewable electricity amounted to 67% of the Company's total electricity consumption in 2021. Calculated as the share of total energy consumption, including heating and cooling, it equalled 62% (see Figure 2). Ericsson is on track to source 100% renewable energy by 2030.

Fleet vehicle

In 2021, Ericsson's fleet for operational activities included approximately 5,970 vehicles, and the related carbon emissions were 32 Ktonnes, which is a 3% reduction in emissions from 2020.

In 2020, Business Area Managed Services and Business Area Networks introduced a program to decarbonize the operational fleet in line with the Company's climate targets. The Company has started to prepare to replace vehicles with fossil fuel-free alternatives, and it has rolled out a Fleet Management System to all Market Areas. The introduction of telematics, a system to gather vehicle location and activity data through the use of GPS and cellular networks, in operational vehicles will further improve fleet management with more frequent, reliable and automated data collection processes. The telematics system is not yet fully rolled out in all Market Areas but, as this happens, will enable the Company to capture increasingly more accurate emissions data.

Business travel

The carbon emissions from business travel in 2021 were 12 KTonnes, which corresponds to a decrease of 29% compared to 2020. The Company has had a global travel restriction in place during the COVID-19 pandemic, resulting in significant reductions in travel and resulting emissions. As part of its Net

Zero ambition, the Company decided to cap business travels emissions in 2022 at 50% of 2019 levels. Each Group Function, Segment and Market Area will get a specific yearly business travel emission budget.

Commuting and teleworking

Emissions from commuting and teleworking are included in the new target for Net Zero emissions from own activities. A large part of Ericsson's workforce continued to work remotely in 2021 due to the pandemic, with related emissions amounting to 23 Ktonnes, of which teleworking is estimated to represent approximately 56%. As part of reaching the Net Zero target, Ericsson will increase focus on reducing global emissions from teleworking and commuting. Work in this area started in 2021 and will continue during 2022. It includes improving data collection and developing a target roadmap with defined actions that will support the Net Zero trajectory.

Figure 1: Performance against Science Based Target
Ktonne CO₂e

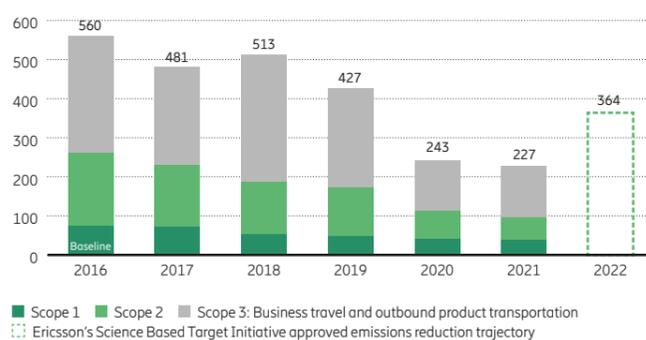
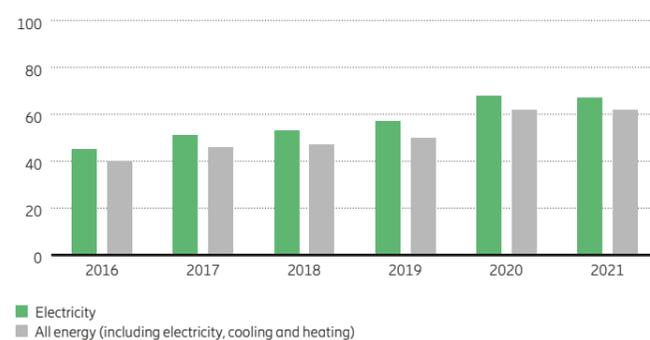


Figure 2: Energy usage at Ericsson facilities
Share of renewables %



Circular economy approach to design and material use

Minimizing waste and increasing reuse, recycling and recovery is key in a circular economy context. Further, waste from electrical and electronic equipment (e-waste) is one of the fastest growing waste streams in the world.

Potential impacts to the environment are associated with resource exploitation, scarcity, and increasing requirements related to the presence of certain substances in products. Material choices, increased use of recycled material and design enabling efficient recycling are all important for halving supply chain emissions by 2030 and lowering the embedded carbon footprint of our products.

Ericsson's approach

The Company's work in this area is based on more than 20 years of life-cycle assessments covering data on raw material extraction, design, manufacturing, transport, use of products and end-of-life management. Ericsson's sustainability strategy addresses the development, manufacture and distribution of products, areas in which circular business models and materials efficiency are key topics.

For Ericsson, efficient and sustainable use of materials is part of the Company's circular economy approach, including responsible materials selection and product design, manufacturing and supply and effective reuse and recycling of end-of-life products. A design that enables efficient recycling, material choices, and increased use of recycled material, are all important steps in halving supply chain emissions by 2030.

Risks and opportunities

Product design, product manufacturing and selection and use of materials involves both risks – such as unwanted substance content – as well as opportunities – such as innovative materials – that can positively impact energy and product performance. There is also an increased focus from stakeholders related to materials traceability in the supply chain and product content knowledge. Other possible risks include materials scarcity and increased regulatory requirements on substances, which impacts a supplier's ability to deliver components.

Environmentally conscious design has been an integrated part of the Ericsson product development process for over twenty years, ensuring that requirements from regulators, standard-setters and customers are implemented. To secure compliance, enable substance phase-out and fulfil design requirements, Ericsson requires its suppliers to adhere to the Ericsson List of Banned and Restricted Substances and collects full material declarations from its component suppliers.

Product design principles and end-of-life management

Principles such as product durability, upgradability, reparability, serviceability and recyclability are an integrated part of the Ericsson product-design and life-cycle management processes. Minimizing the size and weight of Ericsson's products decreases their embedded carbon and can positively impact cost of material and transport.

Contributing to lowering Ericsson's carbon footprint and securing environmentally sound recycling and material recovery, the Company collects equipment that has reached its end-of-life through the Company's global Product Take-Back program. As the equipment is the property of Ericsson's customers, the Take-Back depends on customer management of used equipment. There are risks that equipment that does not enter the Product Take-Back program may end up in poorly managed waste treatment activities. Improved handling of used equipment is also important to reducing the risk of privacy breaches due to poor data-wiping and avoiding uncontrolled recycling operations that cause environmental harm.

Performance 2021

When end-of-life equipment is collected through Ericsson's Product Take-Back program, the Company works to secure data-wiping, compliance with relevant legislation and delivering a certificate of destruction to its customers. During 2021 Ericsson initiated a review of its processes for trans-boundary shipments of e-waste, due to discussions with authorities in EU.

In 2021 the total weight of retrieved equipment was over 8,800 metric tons.

Ericsson circular economy approach



Ericsson Refurbished Spares is a commercial offering focusing on buy-back, refurbishment and re-use of spare parts from used equipment, to create both customer and sustainability value. Ericsson refurbished spares' quality is comparable to new ones and supports a more efficient way to utilize materials in a circular approach.



Digital inclusion

With around 2.9 billion people still being offline, the digital divide continues to be a key challenge to global economic development¹⁾. High costs, lack of digital literacy or lack of access to connectivity are some of the reasons for this.

Ericsson's aims to be the preferred partner to bridge the digital divide, as mobile broadband (3GPP technology) is considered one of the most cost-efficient option to empower people and societies through digital infrastructure.

Ericsson is focusing its efforts on areas where it can have the greatest influence while also positively impacting its customers' and own business. These areas include expanding connectivity and upgrading networks as well as advocating for future proof, secure, and cost-efficient networks. This work has the potential to develop societies, improve people's lives, drive economic growth and increase access to education and digital skills development.

Economic growth

Research done in conjunction with Imperial College London, shows that, on average, a 10% increase in the mobile broadband adoption can increase economic growth (GDP) by up to 0.8 %, with the effect being significantly larger in low-income countries. Further, mobile financial services are a strong creator of financial inclusion. Currently, more than 300 million people worldwide use Ericsson's Wallet Platform solutions, which are delivered by telecom operators.

Access and affordability

The ongoing COVID-19 pandemic increased global focus on the digital divide, and multi-lateral organizations are advocating for

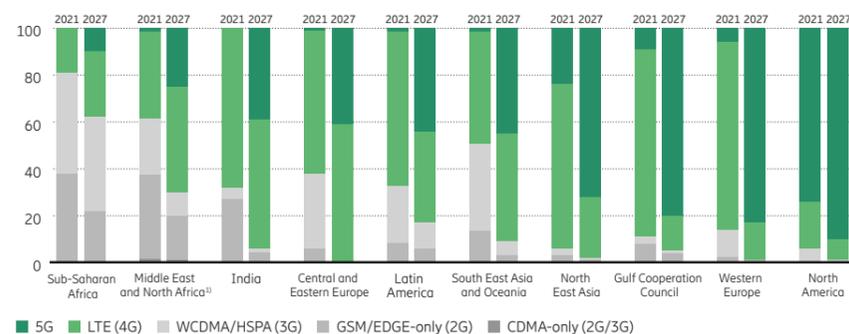
greater governmental efforts in providing affordable connectivity options for the unconnected across all geographies. To bridge the divide, there is a widespread need to upgrade existing networks to achieve faster and more meaningful connectivity. For example, according to the Ericsson Mobility Report²⁾, 62% of the mobile subscriptions in Sub-Saharan Africa will still be 2G and 3G subscriptions by 2027.

Ericsson's long-term target is to provide internet access through mobile broadband to an additional 500 million subscribers by 2024 compared to a 2018 baseline. During 2021, the number of subscribers that get access to internet through Ericsson's mobile broadband solutions has increased by approximately 59 million. The biggest challenges to achieving this are affordability for all users and business model profitability. To expand networks in unconnected areas, sustainable business models for telecom operators need to be developed, including cost efficient roll-out and operations as well as use cases for consumers and enterprises. In many regions high device costs can also be a major roadblock to access. Ericsson is working with customer and international organizations to address some of these challenges.

During 2021, Ericsson has explored how its portfolio and offerings can be used to develop cost efficient and profitable business offerings targeting regions with no or low internet penetration. The scope of these efforts includes radio and power management solutions as well as business cases and use case scenarios.

Ericsson is working in different forums to advocate for increased digitalization, universal coverage and affordability, such as the United Nations Broadband Commission for Sustainable Development and the Alliance for Affordable Internet.

Mobile subscriptions by region and technology (percent)



■ 5G ■ LTE (4G) ■ WCDMA/HSPA (3G) ■ GSM/EDGE-only (2G) ■ CDMA-only (2G/3G)

¹⁾ All Middle East and North Africa figures include GCC countries.

Access to digital learning and skills development

Ericsson's commitment to bridging the digital divide includes a sustained focus on access to education and digital skills. To reinforce this effort, the Company aims to positively impact 1 million children and youth by 2025 by providing access to digital learning and skill development programs. This commitment is part of the World Economic Forum-aligned EDISON Alliance 1 Billion Lives Challenge – a global movement of 45 champions bringing together digital inclusion commitments from governments, companies and other organizations.

Through its flagship education initiative Connect To Learn, Ericsson has to date empowered teachers, students, and schools in more than 30 countries.

This commitment is in addition to Ericsson's partnership with UNICEF in support of the Giga initiative which aims to connect every school to the internet by 2030. Through this effort, Ericsson is helping to tackle the challenge of mapping schools and assessing their connectivity in 35 countries by the end of 2023. This will enable Giga to aggregate demand and convene governments and the private sector with compelling business cases to secure financing for school connectivity. Giga has now mapped more than 1 million schools working together with national governments, Ericsson and other partners. For its part in the Giga project, Ericsson is building on its communication infrastructure capabilities coupled with data science expertise to support UNICEF to collect, validate, analyze and visualize connectivity data for schools.

Ericsson is also widening the reach of its digital skills development programs: Ericsson Educate and Ericsson Digital Lab, which are focused on training children and youth in existing and emerging technologies important to the telecom and IT sector. The Company also co-led the working group of the UN Broadband Commission for Sustainable Development which published the report Connecting Learning Spaces: Possibilities for Hybrid Learning, providing recommendations to governments on strategies for implementing digital learning.

¹⁾ <https://www.itu.int/itu-d/reports/statistics/facts-figures-2021/>

²⁾ Ericsson Mobility Report, November 2021 edition.

Corporate citizenship

Ericsson engages as an active local partner in the communities where it operates. Volunteering is one way Ericsson employees help the Company realize its vision to improve lives, redefine business and pioneer a sustainable future. During 2021 Ericsson strengthened its corporate citizenship efforts, including the launch of a new volunteering strategy focused on encouraging employee and community engagement. The Company also re-established global governance of this program with a new Volunteer Program Board.

Ericsson also strengthened its donation strategy to focus on proactive efforts, efficiency improvements and long-term partnerships.

Making a difference across the globe

In 2021 the Company's largest donation was related to the COVID-19 response in India. The donation of almost USD 1 million was a combination of direct company contribution and company-matched employee donations. The donation went to UNICEF India and helped with the acquisition of oxygen generation plants, RT-PCR testing machines and other medical equipment.

Due to the pandemic, Ericsson pivoted its volunteering efforts to virtual engagements. In 2021 Ericsson initiated multiple virtual volunteering pilots inviting more than 24,000 employees in 39 countries to participate.

Lessons from these pilots will be incorporated into the launch of the global volunteer program in 2022.

One example of a global virtual volunteer initiative is Missing Maps, an open and collaborative project in which volunteers can virtually map buildings in areas at risk of disasters. As a result of this global opportunity, Ericsson volunteers mapped more than 4,500 buildings.

Climate action

During 2021, Ericsson continued to support management of mangrove trees in Malaysia and renewed its partnerships with local stakeholders in the Philippines to protect more than 405 hectares of mangrove wetlands. This project in the Philippines utilizes Ericsson's technology and its employee expertise, and the project in Malaysia includes a company donation of mangrove saplings for reforestation purposes.

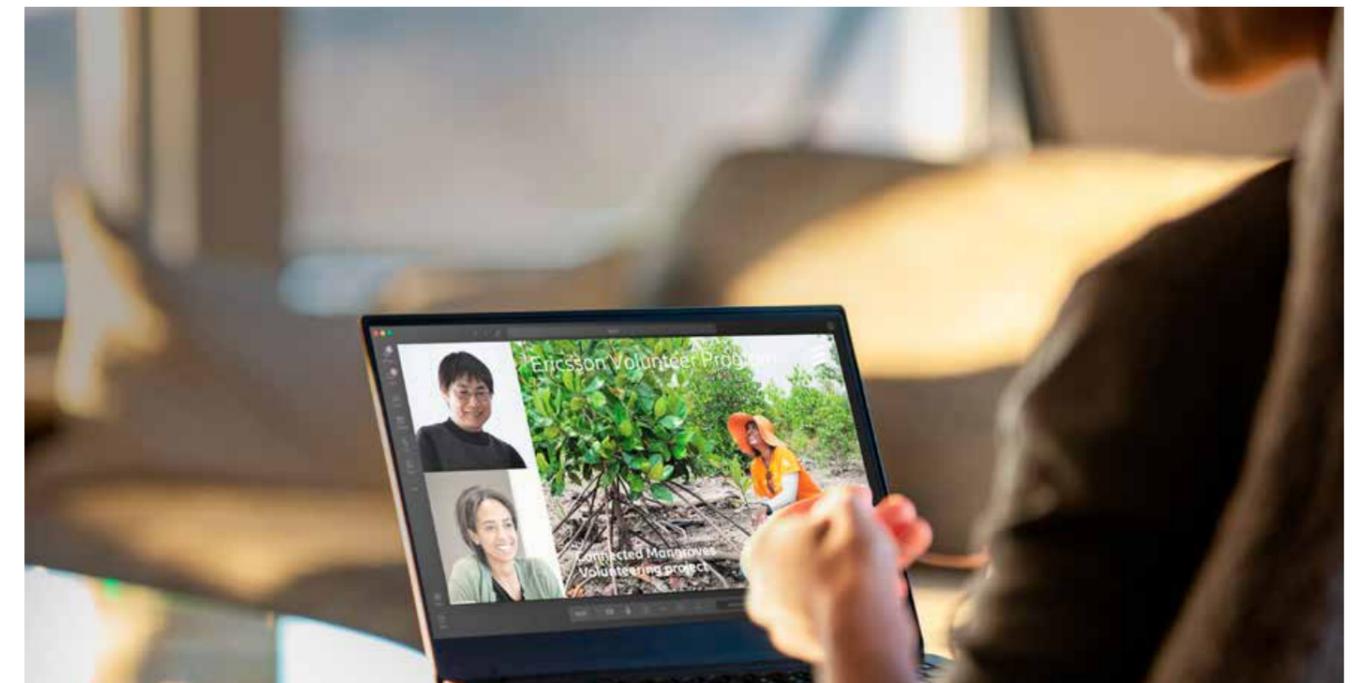
Building on its six-year commitment to mangrove preservation projects, Ericsson has made a pledge to contribute to the organization 1t.org, which aims to conserve, restore, and grow one trillion trees by 2030. 1t.org is part of the World Economic Forum's work to accelerate nature-based solutions in support of the UN Decade on Ecosystem Restoration (2021–2030).

Humanitarian response

Ericsson Response is the Company's flagship volunteer program and has been in operation since the year 2000. Together with partners, Ericsson uses its core competencies to provide communication and other support to help humanitarian workers save lives and to support communities in need of humanitarian relief, for example, after a natural disaster. The work is a continuous journey to prepare and improve the humanitarian response for future emergencies.

In 2021, the Company extended its partnership with the United Nations and established a partnership with UNHCR, the UN refugee agency to support its important work in the area of emergency response to refugee situations.

As a first deployment in support of UNHCR, Ericsson Response deployed in Colombia to support the Venezuelan refugee response. Ericsson Response supported other deployments after a devastating earthquake in Haiti and in response to severe flooding in Germany.



Ericsson Malaysia employees regularly volunteer their time to plant and care for mangrove trees for the Connected Mangroves project, which the Company has with the Kampong Dato Hormat community in Selangor, Malaysia since 2015.

Responsible business

The Company works to continuously improve and strengthen its responsible business practices, with a focus on building and maintaining trust, transparency and integrity everywhere Ericsson operates.

Ericsson drives an agenda to deliver value to both the Company and stakeholders. This agenda extends beyond legal compliance by proactively addressing and mitigating risks, including corruption risks.

Respect for human rights and ethically and environmentally sound business practices, fair and safe working conditions and employee well-being, are fundamental to Ericsson's culture and identity. This commitment to respon-

sible and ethical behavior starts at the Board of Directors level and is implemented throughout Ericsson's organization through on-going due diligence and specific frameworks and programs such as Ethics and Compliance, Sensitive business, Responsible sourcing and Health, safety and well-being.

The Ericsson Code of Business Ethics and the Code of Conduct for Business Partners set out the Company's commitments and requirements. Ericsson aims to prevent, mitigate and address risks of adverse impacts throughout its operations, products and business engagements.

Ericsson actively engages in awareness raising on responsible business topics and encourages employees and its stakeholders to report compliance concerns through the Ericsson Compliance Line.

Reporting compliance concerns

Ericsson encourages employees, suppliers, and other external parties to report conduct that could violate the law, Ericsson's Code of Business Ethics or Ericsson's Code of Conduct for Business Partners (collectively "Compliance concerns"). Compliance concerns may relate to corruption, fraud, auditing, questionable accounting, deficiencies in internal controls, personal health and safety, environmental issues, human right matters, working environment and conditions or other matters that could constitute a breach of law or that could harm Ericsson, its workforce, its shareholders or the Company's reputation.

Employees are encouraged to report Compliance concerns directly to their manager, the superior of a manager or Group Functions People or Legal Affairs and Compliance. Compliance concerns can also be reported anonymously, if permitted under applicable legislation, via the Ericsson Compliance Line by phone or secure website, 24/7, 365 days a year. Ericsson does not accept any

discrimination of, or retaliation against, individuals who report compliance concerns in good faith. The process for receiving and handling compliance concerns is designed to help maintain an appropriate degree of independence.

Ericsson's Allegation Management Office is responsible for the intake and assessment of allegations or reports of potential compliance violations and for tracking execution of the remediation plans until closure of cases. Corporate Investigations is responsible for conducting Group-relevant investigations and for oversight of investigations that it delegates to other Ericsson units or to external third-party investigators. Findings and remediation plans for Group-relevant cases are presented to Ericsson's Group Remediation Committee, consisting of the Chief Legal Officer, the Head of the Chief Financial Officer's Office, the Chief People Officer, and the Chief Compliance Officer. Findings from Group-relevant cases are presented every quarter to the Audit

and Compliance Committee of the Board of Directors. Cases that are non Group-relevant are handled according to the same process in the respective Market Areas and are presented to Ericsson's Market Area Remediation Committees.

Ericsson has seen an increase in compliance concerns reported from 933 in 2020 to 1,059 in 2021. Ericsson believes this reflects an increase in employee awareness of compliance-related risks and the Company's continued efforts to foster a stronger speak up culture.

Figure 1 shows the total number of allegations in 2021 by category. From the total, 237 cases were deemed to be substantiated allegations. 715 cases were assessed to be unsubstantiated, out of scope, or no further response was received from the reporter upon follow-up. 414 cases reported in 2020 and 2021 remain open. Figure 2 illustrates the actions taken in response to the substantiated cases in 2021.

Figure 1: Reported compliance concerns by category ¹⁾



Figure 2: Corrective or disciplinary actions ²⁾



¹⁾ The Allegation Management Office assesses allegations and categorizes them according to available information. The category may be modified during the investigation as additional information becomes available.

Figures rounded to nearest whole percentages wherefore total does not sum to one hundred percent.

²⁾ Corrective or disciplinary actions related to breaches of the Ericsson Code of Business Ethics executed in 2021. Each action represents a distinct employee. Numbers reflect the most severe action per employee.

Business ethics and anti-corruption

Since December 2019, Ericsson has been under a Deferred Prosecution Agreement (DPA) with the US Department of Justice (DOJ) to resolve criminal US Foreign Corrupt Practices Act (FCPA) charges and a consent judgment with the Securities and Exchange Commission (SEC) to resolve related civil claims. On October 21, 2021 Ericsson received correspondence from the DOJ stating its determination that the Company had breached its obligations under the DPA by failing to provide certain documents and factual information. At this time we cannot provide further details about the determination by the DOJ or predict the outcome of the resolution of this matter. Ericsson has taken steps to avoid a recurrence of the issues that led to the breach determination and is committed to cooperating openly and fully with the DOJ and its Independent Compliance Monitor consistent with all terms set out in the DPA.

Cultural Transformation

Ericsson continued to strengthen and enhance its Ethics and Compliance (E&C) Program in 2021 with a focus on the global cultural transformation to ingrain ethical, responsible and sustainable business practices everywhere the Company operates. One cornerstone of that transformation is Ericsson's new value of integrity, added in 2021. Concurrently, Ericsson launched a company-wide E&C strategy which focuses on ensuring that integrity is embedded into Ericsson's culture and ways of working to foster accountability, build trust and respect with customers, business partners and regulators, and drive sustainable success. The Company empowers its employees and business partners to take part in the transformation by providing them with tools and information to make fact-based, integrity-driven decisions.

Updated Code of Business Ethics

Ericsson's newly revised Code of Business Ethics (COBE), launched in 2021, outlines the Company's fundamental ethical principles and expectations. It reflects the Company's commitment to conduct business with integrity, consistent with all internationally recognized human rights principles and the applicable laws and regulations where Ericsson operates. COBE is applicable to all individuals performing work for Ericsson (including the Board of Directors and the President and CEO) and has been translated into 43 languages to ensure that it is understood by all. The Company reviews and updates COBE periodically and frequently runs an acknowledgment process, including during 2021, to ensure that everyone performing work for Ericsson has read and understood it.

Policies and Procedures

In addition to launching COBE, Ericsson has also been working towards enhancing and simplifying its E&C-related policies, procedures and processes to provide clarity, improve their user-friendliness and to set up adequate controls for high-risk transactions. Relevant examples include the new revision of the Gifts, Entertainment and Hospitality (GEH) Group Instruction and the global roll-out of the enhanced Third-Party Management (TPM) Program to identify and mitigate corruption- and integrity-related risk in connection with third party relationships (see page 26 on Responsible management of suppliers). Ericsson also launched guidance embedding E&C into the mergers and acquisitions process, ensuring adequate oversight of strategic transactions and the Company's portfolio of non-wholly owned companies.

Training and Communications

Ericsson has developed engaging communications and trainings on E&C-related topics to promote integrity-driven behaviors by employees and third parties. The Company launched "Putting our values into action – a guide to E&C for Ericsson Leaders" which includes resources that enable all leaders to embrace their E&C responsibilities. Notable new trainings include instructor-led workshops for senior executives and middle-management on leading with integrity and solving ethical dilemmas and a targeted anti-bribery and -corruption (ABC) e-learning for line managers and employees in highly exposed roles. In addition to these specific trainings, all employees must take a mandatory online ABC training which is frequently refreshed. Additional trainings are also available for employees in more exposed positions to ensure that they are equipped to face compliance risks inherent to their positions. Training is a mandatory condition to contracting with certain third parties where risk of corruption is higher.

Risk Assessment

Ericsson has continued to develop its compliance risk assessment process, which is used to identify and manage compliance risk and evaluate the effectiveness of the E&C Program. In 2021, Ericsson completed risk assessments of select units in each of its Market Areas, also including transaction testing in certain high-risk geographies. The risk assessments identified several risk areas in need of further attention, such as heightened risk of potential conflicts of interest between employees and external suppliers, the need for continued attention and improved guidance in connec-

tion with public official interactions and further improvement of third-party management.

Allegation Management and Investigations

Ericsson launched new steering and guidance documents, as well as a new Speak up reporting tool and case management system. The new system manages the allegation and investigation process from end-to-end and facilitates timely and consistent disciplinary and remedial measures, promoting accountability for non-compliant and unethical conduct.

Reward and Sanctioning

The Company's willingness to instill a change of culture is reflected in its performance assessment structure, which includes a new Integrity goal for all employees and new ethics and compliance targets that impact the Short Term Variable compensation of executives. Ericsson addresses breaches of COBE by way of consequence management for employees and for third parties as well as process and control enhancements (see page 18 for overview of disciplinary actions).

Digitalization, Monitoring, and Controls

Digitalization has also been at the core of Ericsson's E&C-related improvements in 2021. An E&C Portal has been deployed to facilitate controls by the Compliance Office around high-risk transactions, including benefits provided to third parties, particularly public officials. The newly-launched allegation case management system enables enhanced analytics of compliance-related incidents.

In addition, Ericsson has launched an integrated E&C reporting and analytics application to support overall program deployment, monitoring and testing. Central to those monitoring and testing efforts is the design and deployment of the Anti-corruption Internal Control System over core anti-corruption-related processes, such as GEH, TPM, and hiring, which progressed during 2021 and will continue in 2022.

All of the actions carried out by the Company during 2021 contribute to the realization of its three-year strategy for the implementation of a mature E&C Program where integrity, ethics and compliance will be reflected not just in core company values, but also consistently within its day-to-day business operations and with understanding and full ownership across the organization. Ericsson is continuously updating its E&C operational plan for the future, to ensure the effectiveness and sustainability of the E&C Program in the years ahead.

Respect for human rights

Companies have a responsibility to respect internationally recognized human rights. Ericsson is a founding member of the UN Global Compact, an early adopter of the UN Guiding Principles on Business and Human Rights and a member of the Global Network Initiative. Ericsson is committed to this responsibility across its business operations, including its supply chain and end use of products.

While there are many benefits to technology, the increasing use of Information and Communication Technology (ICT), and specifically of new technologies such as machine learning and artificial intelligence (AI), can create human rights challenges. Ericsson is committed to ensuring that misuse of its technology and related human rights impacts are prevented.

The Company leads by example in embedding human rights due diligence across its business operations. The aim of these actions is to ultimately provide better outcomes for people and ensure the Company's technology is a force for good, by preventing and mitigating intended and unintended misuse.

Risks and opportunities

Ericsson has analyzed its supply chain, own operations and the use of its products in terms of respect for human rights. Ericsson identifies its salient human rights issues as the right to freedom of expression, the right to privacy in relation to the use of its technology, as well as primarily labor-related rights as the prevailing set of rights for responsible management of suppliers. These salient human rights issues have been defined based on continuous due diligence, expert guidance, and internal and external dialogue, as well as through analysis of Ericsson's current operations and business engagements.

In 2021, Ericsson published a human rights assessment of 5G technology, identifying a range of impact areas and necessary mitigating actions for the Company and the broader ICT industry. The assessment cuts across the ICT value chain and includes impact areas such as automation and job transitions, IoT and privacy concerns, government surveillance, and digital inclusion, as well as mitigations for each impact area. Since its publication, the assessment has been a foundation for further stakeholder engagement and awareness raising throughout the year.

In order to assess, prevent and mitigate potential misuse of Ericsson's technology, the Company has integrated human rights

due diligence into its sales process through the Sensitive Business Framework. This framework aims to ensure that business opportunities and engagements are conducted in accordance with international human rights standards.

The Sensitive Business Framework evaluates sales opportunities from a human rights risk perspective. Risks are identified based on the parameters of the Sensitive Business risk methodology (see graph on page 21). As a result of these due diligence measures, Ericsson decides how to proceed with the opportunity and how to mitigate identified risks. The decision can be to approve, with or without conditions, or to reject the sales engagement. Conditional approvals include technical and contractual mitigations as applicable.

Governance

Ericsson's commitment to respect human rights is part of its Code of Business Ethics (CoBE) and its Code of Conduct for Business Partners (CoC). The Ericsson Business and Human Rights Statement further clarifies Ericsson's commitment to respect human rights throughout its value chain. Ericsson's Sensitive Business Board, a cross-functional forum that consists of high-level representatives of Group Functions and Business Areas, oversees the Sensitive Business Framework, and meets regularly.

Performance 2021

The market areas and Customer Units shall obtain Sensitive Business approval before moving ahead with a sales engagement. All contractual mitigations in a Sensitive Business conditional approval must be included in the customer contract.

Ericsson achieved its target of 100% adherence to the Sensitive Business process in 2020 and continued to monitor the adherence to the process during 2021.

In 2021, 722 cases were evaluated through the Sensitive Business framework. As in the previous year, all applicable contracts included relevant conditions, and all required conditions as decided in the Sensitive Business process were duly implemented. Ericsson continues to monitor the adherence to the Sensitive Business process during 2022.

During 2021, Ericsson has not, through its reporting channels, been made aware of any human rights violations in which the Company has been involved, and consequently no remediation actions have been undertaken.

Other relevant activities

During 2021 Ericsson continued its engagement as a thought leader on business and human rights within the ICT industry. Examples of activities include participating in the UN B-Tech Project's Community of Practice, joining the Danish Government's Tech for Democracy Initiative, as well as continuing the Company's engagement on aligning upcoming EU mandatory human rights due diligence legislation with international human rights standards. Additionally, developments in countries such as Myanmar and Afghanistan required the Company to implement enhanced due diligence measures to address rising human rights risks.

Sensitive Business case examples

The table below provides anonymized case examples of human rights due diligence measures conducted as a result of adhering to the Sensitive Business framework and process. The examples demonstrate how human rights risks are considered and addressed in sales opportunities.

Example of cases

Decision	Ericsson's customer	Description	Motivation
Approved	Global telecom operator	A telecom operator in a high-risk country approached Ericsson with a request to expand the core network hardware	The customer had already previously procured the related software that runs on the requested hardware, and agreed to use cases that prevent misuse. The core network software stores and processes sensitive data such as user location and call logs. The expansion would fall under the same use and was therefore already mitigated. Ericsson decided to approve the engagement with no additional Sensitive Business conditions.
Approved with conditions	Local telecom operator	A telecom operator in a high-risk country requested Ericsson to upgrade its radio and core network software.	The customer's network contains, and processes sensitive personal information such as user location and call logs. Contractual mitigations limiting the approved use of such functionalities, in line with human rights standards, were therefore agreed with the customer.
Dismissed	Local telecom operator	A local telecom operator requested Ericsson to provide a functionality that would give law enforcement authorities unrestricted direct access to all subscribers' current location. The purpose for such a functionality was not disclosed.	While locating subscribers in the mobile network, can be legitimate and proportionate, for example in case of emergencies such as natural disasters, the law enforcement authority did not agree to disclose the purpose of the functionality and how it would be used. In such a case the risk of misuse and potential adverse human rights impacts cannot be effectively mitigated. The engagement was therefore dismissed.
Approved with conditions	Local telecom operator	A local telecom operator requested Ericsson to supply a solution for network management	The requested solution processes sensitive personal information, and the customer account, supported by Ericsson's automatic evaluation tool decided to agree with the customer as to how and for what purpose the solution can be used.

Cases reviewed in the sensitive business process, by outcome



Approved 40%
Approved with conditions 60%
Dismissed 1%

Figures rounded to nearest whole percentages where total does not sum to one hundred percent.



Security and privacy

Innovative technologies and services are pioneering new ways to connect systems and societies. The technological evolution that enables this positive change also brings new privacy and security risks as applications, connected devices and integrated networks become potential targets for fraud, disruptive cyber-attacks and information and identity theft. The assumption that security and privacy incidents and breaches do and will occur is fundamental for any responsible business. Providing the world with resilient products and services now and in the future starts with robust and efficient security capabilities internally as well as throughout Ericsson's business processes.

Ericsson is committed to contributing to a safe digital society by providing trustworthy products and services. As both the value of information and the capabilities of threat actors increase, securing information and personal data is the foundation of the Company's trustworthy technology and services leadership.

Strategic priorities

Ericsson's security and privacy strategies outline the Company's ambition level and set the overarching long-term strategic objectives to further build Ericsson's trustworthiness by integrating security and privacy by design and enhance the maturity of security capabilities. Ericsson's ambition is to continue to strengthen the protection of its valuable assets and increase resilience throughout its portfolio. To support this journey, Ericsson is investing in more integrated, proactive and customized security and privacy controls throughout the Company and its portfolio.

The objectives that Ericsson has set for 2025 include, but are not limited to, enhanced capabilities in cyber defense, for example, advanced

threat hunting, AI-detection and behavioral analysis to quicker detect and eliminate any threat actor activities. Ericsson will also continue invest in rapid vulnerability management capabilities across the value chain to close any potential entry-point for threats.

Security and privacy risks

Identifying and managing security and privacy risks is embedded in the Company's business processes. Security or privacy risks identified by Ericsson, or its partners are handled directly or escalated to the regional or global level for mitigation in accordance with Ericsson's frameworks and processes. Key risks are fed into the strategy process as the basis for strategic direction and prioritization.

In all areas the Company continuously strengthens its security culture by improving competence and security and privacy awareness. Regularly recurring security and privacy trainings are mandatory for all employees. This includes in-depth training and security awareness programs for sensitive and critical functions to build specific security and privacy competence. During 2021 Ericsson rolled out its Security Masters concept to reinforce all product development units with colleagues who have received specialized security training.

The Company constantly dimensions its tools and capabilities to detect and respond to changing threats. Ericsson's threat intelligence teams assess potential threats against the Company, its products and the telecom and tech sector in general. New risks stemming from the assessments feed into strategic decision-making to improve the resilience throughout the Company portfolio and adjust defense mechanisms.

Ericsson's key security and privacy risks include, but are not limited to:

Ransomware attacks: During ransomware attacks, the threat actor prevents an organization from accessing its data and may also threaten to publish sensitive information unless a ransom is paid. Ransomware attacks continue to pose an exceedingly high threat to every company including Ericsson. The direct impact of a ransomware attack is violation of the availability, integrity and confidentiality of information. The barriers for engaging in ransomware attacks are decreasing as multiple adversaries are selling ransomware as a service to other cyber criminals. The trend is moving towards higher ransomware demands per victim each year, and ransomware is expected to continue to rise in coming years.

Ericsson follows the development of ransomware attacks closely. In 2021, Ericsson has increased its focus on ransomware threat intelligence, and reviewed and improved capabilities for ransomware protection and detection. The Company has also prioritized incidents and crises management exercises and published instructions on how to manage potential ransomware attacks in an efficient manner.

Supply chain attacks: As companies increase their cyber resilience, advanced threat actors manipulate suppliers' software components in the product development, deployment or reconfiguration stage to reach a well-protected target. If Ericsson were to be subject to such an attack, the end target could be end-user data, service disruption, Ericsson's own information or information related to its customers.

Before engaging a supplier, Ericsson identifies the sensitivity and criticality of the

project and performs risk-based security due diligence on the supplier and the solution they provide. Ericsson assesses the supplier's ability to adhere to the applicable Ericsson security and privacy requirements. During the supplier life cycle, Ericsson continually assesses the supplier's resilience to minimize risks associated with third parties. During 2021, Ericsson has further strengthened its Third-Party Risk Management process.

Conflicting privacy legislation: Stringent privacy regulations is implemented in a high pace in many countries and markets in which Ericsson operates. The high implementation phase and contradictions in conflicting local or regional privacy legislation may introduce a risk that Ericsson is found non-compliant to specific privacy legislation. Due to the nature of Ericsson's business at the core of critical infrastructure and the amount of personally identifiable information of which Ericsson is the controller or processor, such an event could have far-reaching consequences, even if it was caused by a third party outside of the control of Ericsson.

To be on par with evolving legislation, Ericsson continuously updates its internal frameworks and processes. Ericsson's local experts help guiding the company in the event of contractionary privacy legislation. During 2021, Ericsson boosted its global personal data mapping activities and redefined impact assessments. In addition, Ericsson has also refined its instruction on Privacy Trustworthy AI Development and launched a cross-organisational awareness program regarding new privacy and AI legislation.

For more extensive information about information, privacy and cyber security risks, see Risk factors section in the Ericsson Financial report 2021.

Incident management

Ericsson's incident management process is activated if a security or privacy risk materializes, or potential or actual vulnerabilities are detected involving the Company's people, infrastructure, information or Ericsson's products or services. Incidents are detected through technical controls or reported by

employees or business partners through Ericsson's Security Incident Management System and routed to the appropriate function for handling.

Incidents are escalated, managed and communicated in accordance with the Security Incident Management Process and legal requirements. Incidents that result in employee security investigations are handled by a dedicated and specially trained team. Ericsson's People and Legal functions are notified in the event of disciplinary actions, and law enforcement is notified in the suspicion of criminal offence.

Response and recovery plans and processes are implemented throughout the Company to limit the scale and impact of an incident. The efficiency and robustness of response and recovery plans are continuously tested. For severe incidents, a root cause analysis with lessons learned and recommendations for improvement or mitigating actions is conducted and communicated.

Governance

Enterprise security and privacy is governed through the Chief Security Officer Security Board and Ericsson's Group Enterprise Security and Privacy Board, while the Product and Technology Security Board governs product security.

The integration of security and privacy controls across all phases of the value chain for Ericsson's products and services is detailed in the Ericsson Security Reliability Model (SRM). SRM is aligned with GSMA NESAS¹⁾ and NIST CSF²⁾ and ensures a managed, risk-based approach tailored to the target environment. By that Ericsson continuously incorporates requests and learnings to adapt evolving technologies and comply with global legislation. SRM enables security and resilience by design in Ericsson's products while the Ericsson enterprise security capabilities and frameworks³⁾, such as the Information Security Management System (ISMS), protect the enterprise, including environments for product development.

The Ericsson ISMS ensures adequate and proportionate security controls across Ericsson's enterprise and its value chains. Ericsson's ISMS is globally certified to ISO/IEC 27001.

The certification scope includes management, research, product management, product development, production and supply, as well as sales, installation and maintenance of hardware, software, services and solutions for Information and Communications Technology (ICT), including emerging technologies.

The Audit and Compliance Committee and Technology and Science Committee of the Board of Directors regularly receives updates on security and privacy. Besides audits, Ericsson tests its internal resilience against a variety of attacks by utilizing internal and third-party simulation and tests. Tailored security tests and simulations against a variety of attacks are integrated and automated throughout Ericsson's product development process.

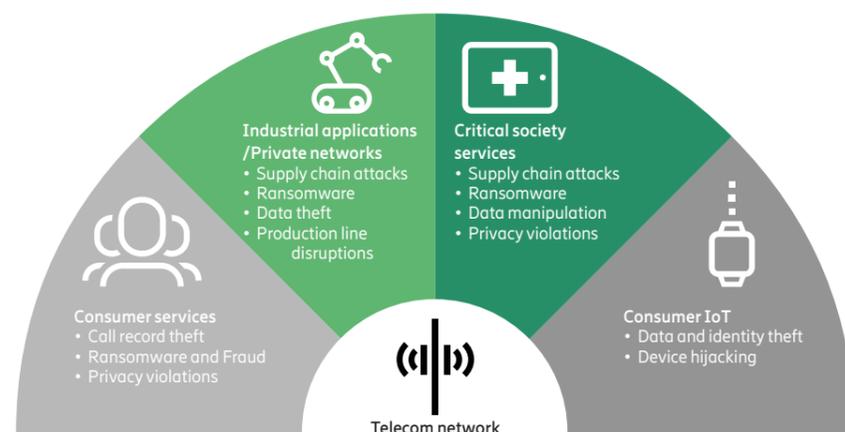
Ericsson actively contributes to the development of industry and security standards globally. For example, Ericsson representatives are part the EU work group ENISA AHWG EU5G developing the EU's 5G Cybersecurity Certification Scheme, as well as the Swedish Institute for Standards committee TK318 reviewing the ISO 27001 standard.

Performance 2021

Major efforts in 2021 to strengthen Ericsson's security posture included investments in state-of-the-art detection technology and insider threat prevention, as well as optimization of the security incident process, the vulnerability management process and the information security risk management process. The Company has also during 2021 run a cross-organizational product security program, to simplify and automate security by-design across the full value chain including increased risk evaluation and security requirements put on suppliers and open-source intake.

During 2021 Ericsson has not had any critical security or privacy incidents. Most incidents reported were of minor and medium severity. This means that the Company efficiently has mitigated risks of smaller incidents expanding to a critical severity level. The decrease in the number of incidents since 2019 is mainly due to fewer lost devices with a majority of the employees working from home and fewer lost devices. For more information see page 36.

As society, enterprises and consumers depend more and more on 5G networks and related interconnected digital services, opportunities for threat actors committing cyber-attacks are multiplied, leading to greater potential risk. This reality is crucial to address in order to uphold resilient infrastructure globally. Ericsson constantly strengthens its security posture and develops its portfolio in order to mitigate potential security and privacy risks that may impact the Company or society, enterprises and people. For more information see ericsson.com/security



¹⁾ The Network Equipment Security Assurance Scheme (NESAS) is jointly defined by the industry organisations 3GPP and GSMA, and provides an industry-wide security assurance framework to facilitate improvements in security levels across the mobile communications industry.

²⁾ NIST Cybersecurity Framework is a set of guidelines for mitigating organizational cybersecurity risks, published by the US National Institute of Standards and Technology (NIST).

³⁾ The Enterprise security frameworks cover information security, IT-security, physical security, risk management, sourcing and third parties, mergers and acquisitions, incident management, business continuity, insider threat prevention and travel and event security

Health, safety and well-being

The Company is committed to providing a safe and healthy work environment for anyone working on its behalf where everyone can stay safe and be well every day.

At Ericsson it is believed that all work-related injuries and illnesses are preventable, and the Company is committed to a proactive agenda that reaches beyond legal compliance, international standards and related customer requirements. The Company has launched Target Zero – its goal of zero fatalities and lost workday incidents – to demonstrate its strong commitment that nothing less than zero is acceptable. The target encompasses both physical injuries and work-related illnesses including mental health cases. The Company aims to reach Target Zero by 2025 through the global Ericsson Care program which covers health, safety and well-being efforts for everyone working for Ericsson.

During 2021, the Company's response to the COVID-19 pandemic included actions to monitor impact on employee well-being, specifically focusing on mental health using employee Pulse surveys and upskilling managers. The health and well-being offerings were expanded to include increased employee assistance program coverage, the launch of a global mental health training program and vaccine provision where national programs were not easily accessible.

Well-being in focus

Ericsson believes that employees perform better and deliver on the Company's business strategy when they are well. The well-being program is part of the holistic Ericsson Care framework, and it covers four areas: physical, emotional, financial and social well-being.

In 2021, Ericsson built on its systematic approach to well-being with tools and assets, easily accessible to employees through a dedicated internal website. Twice during the year, Ericsson ran an employee pulse survey specifically designed to assess its response to the pandemic. Results showed that 90% of the employees believed that a genuine interest had been taken in their well-being. However, with the ongoing uncertainty caused by the pandemic, more than half of employees continued to report that their stress levels had increased or remained unchanged.

Remote working continued for most employees and feedback indicates that the majority want to continue to work remotely part-time. In response to this, Ericsson is transitioning to a hybrid working model in 2022. A focus group in 2021, showed that

the home furniture package targeted at improving ergonomics for remote working is one of the benefits most valued by employees. It also highlighted further actions needed to be introduced in 2022 to improve the employees' understanding of financial well-being. The feedback also indicates that work life balance for some employees continues to be problematic due to perceived unclear boundaries between work and private life. In response Ericsson introduced software designed to analyze working habits and support employees to take breaks and disconnect from work. More than 19,000 employees have enrolled so far.

Ericsson's well-being activities in 2021 had a key focus on mental health, physical well-being and stress management. A global program with a mindfulness app, was launched; approximately 21% of employees are enrolled and more than 11,000 employees attended the engagement webinars. In addition, Ericsson has appointed a mental health training partner to deliver a range of webinars and training.

To further strengthen the Company's approach to and awareness of health, safety and well-being, Ericsson held its second virtual Ericsson Care Week in May 2021. This is an annual company-wide effort to reinforce Ericsson's commitment to this important topic. Due to COVID-19 pandemic, Ericsson has adapted its health and safety training and seminars to be delivered virtually.

Risk management

Strategic assessments are conducted annually to identify company-level health- and safety-related risks and opportunities, prevent undesired consequences and evaluate control measures. These assessments consist of compiled and analyzed risks from Market and Business Areas. They cover, but are not limited to, potential hazards, legal matters and customer and stakeholder requirements, as well as concerns and learnings from incident investigations.

Based on these assessments, targets, key performance indicators and performance metrics are set, which are followed up on at relevant levels across Market and Business Areas and Group Functions.

The primary health and well-being employee-related risks identified and exacerbated in part by the COVID-19 pandemic continue to be related to mental health, including stress and work-life balance, as well as musculoskeletal and ergonomic risks.

The highest safety risks identified within the Company are within suppliers, specifically field operators, and related to driving, climbing and working at heights and with electricity. These risks continued to account for the majority of fatalities and major incidents¹⁾ in 2021.

As part of the Company's efforts to mitigate safety risks, any person working on Ericsson's behalf, including contractors, must have adequate health and safety competence, training and experience for their specific role. Ericsson identifies training needs and ensures provision of training based on the roles and risks to which each employee is exposed. A health and safety introduction course is mandatory for all employees including employees of suppliers. Targeted courses, such as the Safe Driving Awareness and the Zero Tolerance Safety Rules, are also available to all employees and suppliers.

Incident reporting

All health and safety incidents involving Ericsson employees and suppliers are reported in the Global Incident Reporting Tool (GIRT). Reported incidents are investigated, including root-cause analysis to remedy damage and prevent reoccurrence. Ericsson encourages employees and suppliers' employees to report risks, hazards, opportunities and near misses related to health, safety and well-being.

During 2021 Ericsson deployed a new GIRT system designed to provide a better user experience, intelligent data analytics, real-time notifications, seamless integration with other tools and modules and offline reporting of incidents. Health and well-being concerns related to working from home or remote working considerations are also being captured in the tool.

Governance

Ericsson's approach and commitment to health, safety and well-being is summarized in the related Ericsson Group policy, available on the Company website.

Within Ericsson, health, safety and well-being issues are governed globally by two fora. The Global Occupational Health and Safety Board drives the execution of the strategy and programs within the business and includes Executive Team members. The Major Incident Review Board, reviews performance and major incidents and consists of senior leaders in the organization. These fora are mirrored in Market Areas to support consistency, alignment and accountability.

¹⁾ Incidents resulting in three or more lost workdays.

The Company's Environment, Health and Safety organization is structured as an overarching global unit with health and safety organizations in each of the business areas and market areas. The global unit sets the strategy, policy, framework and requirements. Business Areas develop processes, tools and solutions that aim to mitigate the risks in their respective areas based on the nature of their business. The Market Areas are responsible for deploying requirements from the global unit as well as managing local operational risks and driving initiatives focused on health, safety and well-being that encourage employee participation.

Ericsson's health and safety management system was reassessed during 2021 and globally certified to ISO 45001 Occupational health and safety managements systems standard.

Performance 2021

In 2021 there was an increase in fatalities compared to 2020, in contrast to the decreasing trend in recent years. The fatalities were in emerging markets, and the majority of them were reported by suppliers. Fatigue and mental health issues were identified as contributing factors to the increase in number of fatalities. In addition, there have been fatalities related to logistics and transportation of products.

During 2021, there was a slight increase in the number of major incidents. Control

measures taken for suppliers and Ericsson employees conducting field operations continued. There were slight increases in the number of lost workday incidents reported as well as number of lost workdays. There was a 35% increase in reported near misses and risk observations primarily due to an additional focus on and increased awareness of reporting. Near-miss and risk observation reporting allows the Company to proactively take action before an injury occurs.

As a result of Ericsson's efforts to increase the visibility of the cause of musculoskeletal illness and promote higher levels of reporting, the Company has seen a 460% increase of reported cases. The closure rate stood at 88% which is a substantial increase compared to 2020. At the same time, it has gained a better understanding of the underlying causes of the illnesses.

During 2021 Ericsson strengthened its work on supplier management including introducing new health and safety courses for the management teams and supplier employees in order to explain health and safety requirements, enhance the consequence management process and strengthen the onboarding and qualification process for new suppliers.

Ericsson continued its Consequence Management Process, further enforcing the consistency and implementation of Company health and safety requirements with suppliers

(see Figure 1). There has been a total of 247 violations by suppliers in 2021 with 82 red cards²⁾ and 165 yellow cards²⁾ issued. The majority of violations occurred due to lack of risk assessments and incorrect use of Personal Protective Equipment (PPE). The primary consequences that resulted from the issuing of red and yellow cards in order of volume were: increased volume of quality inspections/audits, financial penalty, written warning, reduction of business volume and termination of supplier (see Figure 2).

During 2021, Ericsson continued deployment of the Ericsson Care Program to achieve Target Zero of zero fatalities and lost workday incidents by 2025. Highlights of the Ericsson Care program include;

- Launch of a Global Safety Leadership Program to support cultural change.
- Performing diverse communication and engagement activities to increase awareness.
- Introducing a new tool to verify and follow-up supplier compliance with respect to Company's requirements.
- Conducting focused training for targeted audience to increase knowledge.

²⁾ Red card and yellow card indicate the severity of the consequence issued to a supplier after a violation of Ericsson's Health and Safety Standards. Red cards are used for serious breaches and carry significant consequences

Figure 1: Supplier consequence management in 2021

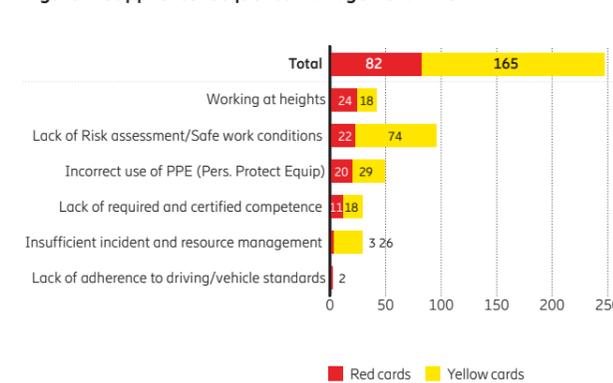
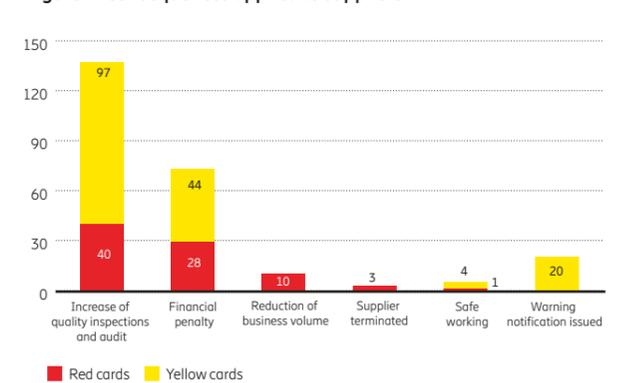


Figure 2: Consequences applied to suppliers



Responsible management of suppliers

Managing the social, ethical, and environmental impacts of Ericsson's supplier base is part of the Company's value chain approach and aims to meet increasing regulation and stakeholder expectations. Ericsson is working with its suppliers to create sustainable business value through integrating responsible business values in sourcing processes, tools and culture.

The Code of Conduct for Business Partners

Ericsson's Code of Conduct for Business Partners (CoC) is the basis for Ericsson's Responsible Sourcing program and is part of its standard supplier contract. It covers four main areas: environmental management, human and labor rights, occupational health and safety and business ethics and anti-corruption. Suppliers not adhering to the CoC may be subject to termination of their contracts. Ericsson offers free online training on the Company website for business partners that cover the CoC in general as well as additional focus training on anti-corruption, conflict minerals, occupational health and safety and climate action.

Risk assessments, audits and compliance

Every year Ericsson performs a risk assessment of its suppliers as input to planning due diligence activities for responsible sourcing. The assessment focuses on the largest suppliers that together make up 90% of Ericsson's purchasing spend. This represents approximately 2,000 suppliers out of Ericsson's close to 18,000 tier one suppliers. Among the 2,000, Ericsson assesses risk based on three criteria – country, time since last audit and type of service or product provided. In 2021, 99% of Ericsson's suppliers were assessed through this approach.

Ericsson audits its suppliers both using internal auditors and a third-party auditing firm to assess its suppliers' compliance with the CoC requirements. In 2021, 124 audits were performed on suppliers located in 40 countries. The choice of suppliers to audit is based on the risk assessment along with other business considerations. Ericsson views each audit as an opportunity for improvement, and suppliers are to address identified findings. During 2021, most of the major deviations concerned working hours and wages and benefits while most of the minor deviations were in hazards and health and safety. Ericsson is a member of the Responsible Business Alliance (RBA) and is working to have its suppliers join the organization to make further use of the RBA audit program and other RBA assets.

Due to the pandemic, audits have been delayed or postponed. Where on-site audits were not possible due to travel restrictions, Ericsson performed remote initial audits and then arranged for on-site audits as a follow up. The remote procedure has been satisfactory and will continue. However, they are not fully able to replace on-site audits, which are more comprehensive and are planned to be re-started when travel returns to normal.

Business ethics and anti-corruption

In 2021, Ericsson completed the global roll out of an enhanced Third Party Management (TPM) Program, which was supported by a robust training and communications initiative. The enhanced program is designed to secure effective identification and management of potential bribery and corruption risks in the supply chain and in sales. The Program introduced new or improved procedures and guidance documents clearly defining the

process and roles of employees and functions to ensure a comprehensive and consistent approach to third party due diligence. The enhanced TPM Program also features new tools to assist in risk-ranking, tracking, processing, monitoring and documenting third party relationships. In addition, the Company expanded its team of specialists conducting due diligence and assessing third party risks.

Under the enhanced TPM Program, Ericsson continues to automatically screen its suppliers on a regular basis. The screening covers corruption, regulatory, financial, environmental, social and labor issues through the review of adverse media coverage and watchlists that include politically exposed persons, sanction lists and state ownership. A dedicated team assesses the alerts identified in the screening process. The Company continues to improve the TPM Program based on stakeholder feedback, risk assessments and testing.

Environmental management

Ericsson has environmental requirements for its business partners that cover manufacturing, transport, energy use, greenhouse gas emissions, chemicals in manufacturing, product chemical content and water and waste management. The most significant environmental aspects identified in the supply chain are associated with suppliers' carbon footprint and the generation of waste.

Ericsson has a Supplier Climate Action program aimed at having around 350 high emitting and strategic suppliers, together covering 90% of Ericsson's supply chain emissions, set their own 1.5°C-aligned climate targets. Suppliers are engaged through seminars, one-on-one meetings and in writing. By the end of 2021, 121 out of the suppliers in

scope, have committed to setting such targets, see page 13. Ericsson is one of the founders of the 1.5°C Supply Chain Leaders to drive climate action in global supply chains. Within this initiative, the Company was part of the creation of the Supplier Engagement Guide, released at COP26 in Glasgow, which aims to help businesses take 1.5°C aligned climate action in their supply chain.

Human and labor rights

The most relevant risks identified in the area of human and labor rights, include forced labor, living wage, working hours, non-discrimination, occupational health and safety (OHS), conflict-related impacts such as sourcing of conflict materials, freedom of association and the right to collective bargaining. During the year an assessment of all supplier categories was conducted to better understand the level of forced labor risk for each respective category, and if the risk is for direct suppliers or sub-suppliers.

The main high-risk categories continue to be within suppliers manufacturing, logistics, site services and facility management, with the understanding that there are several other categories that may hold high risk of forced labor. Due diligence activities for human and labor rights are based on the risks identified and assessments made.

Focus during 2021 has been on collaboration and dialogue. Internal and external seminars and workshops have been conducted on the area of Worker Management Dialogue, Code of Conduct and the impact on suppliers coming from planning and forecasting a supply demand. A workshop has been held with second tier suppliers on the topic of human rights due diligence and dialogs have been arranged

with peers, suppliers, customers, and NGOs for sharing information and for collaboration. Further due diligence activities for human and labor rights are described in Ericsson's Modern Slavery and Human Trafficking Statement available on the Company website.

Occupational health and safety

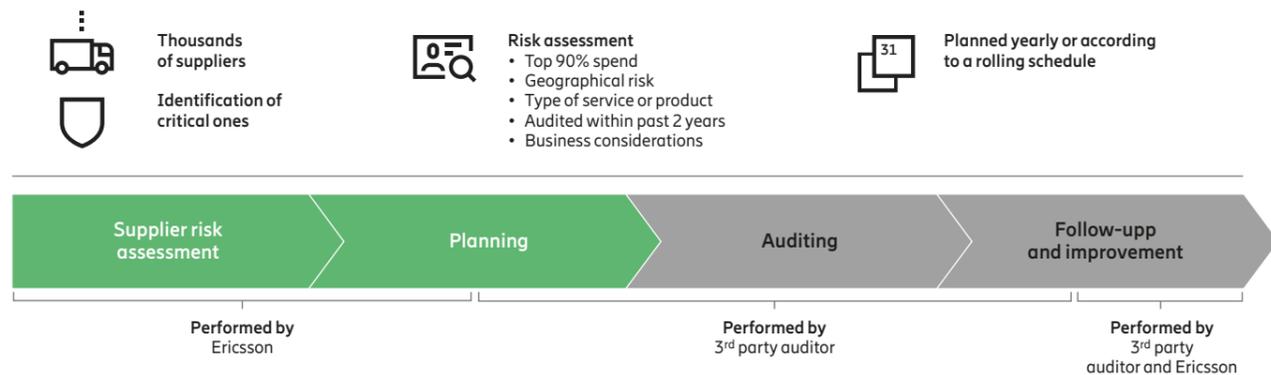
The Company believes that OHS incidents are preventable. The suppliers that are most exposed to OHS risks are field operators within the Sourcing Site Services category. To further strengthen Ericsson's sourcing process and ways of working OHS training has been implemented as a mandatory step during onboarding of new Site Services suppliers. For current suppliers a new competence program has been deployed both for supplier management teams and employees.

The Company's consequence management program applies to Site Service suppliers and aims at strengthening compliance and improving safety standards, as well as encouraging and facilitating reporting of non-compliance. In 2021 the most frequent findings and violations regarding Site Service suppliers were related to lack of risk assessment and incorrect use of personal protective equipment. More information on pages 24–25.

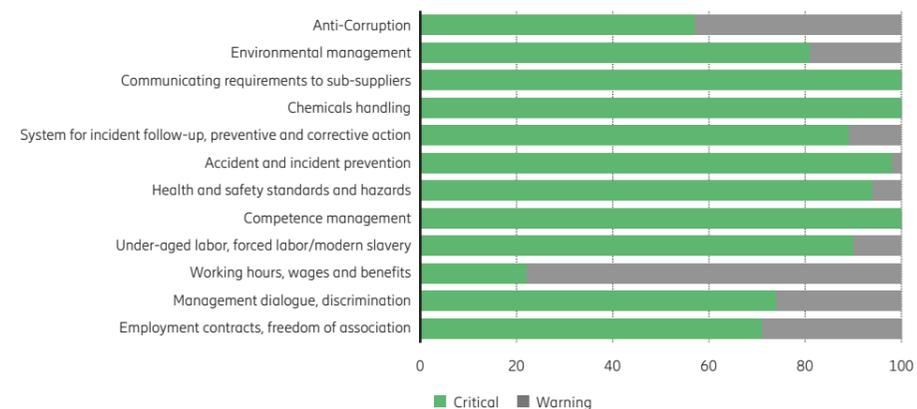
Raw materials sourcing due diligence

Ericsson's approach to sourcing of minerals and metals is in line with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (OECD Guidance). In addition to tin, tantalum, tungsten and gold (3TGs), cobalt has been added to the list of minerals for which Ericsson requests information from suppliers. There are often several tiers of suppliers

Risk assessment and audit planning



Distribution of non-conformities after follow-up, per audit area (%)



Consolidated sustainability notes

S1 About this report

Scope and boundaries

This Sustainability and Corporate Responsibility report ("the report") constitutes Ericsson's statutory sustainability report and contains information about targets, performance, governance, policies, risks, and opportunities relevant to significant environmental, social, and corporate governance related aspects and impacts of the Company's business. A description of Ericsson's business model can be found on pages 4-10, and a description of financial and non-financial risk factors on pages 99-112 in the Company's Financial Report, which is also part of the Annual Report.

Unless otherwise stated, the information and data provided pertain to the period January 1, 2021 to December 31, 2021. The report covers the Ericsson Group, that is the Parent Company Telefonaktiebolaget LM Ericsson and its subsidiaries.

Reporting principles and frameworks

The report has been prepared in accordance with the GRI Standards: Core option. Ericsson has in the preparation of the report applied principles for defining report content such as stakeholder inclusiveness, materiality, and completeness, as well as reporting quality principles such as accuracy, balance, clarity, comparability, reliability, and timeliness. The report has also been prepared in accordance with the UN Guiding Principles on Business and Human

Rights reporting framework. Ericsson is a UN Global Compact signatory since 2000 and the report serves as the Company's annual Communication on Progress. In addition, the report includes climate-related disclosures included in the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) as well as relevant disclosures in applicable SASB standards. Ericsson is currently in the process of implementing disclosures of the Stakeholder Capitalism Metrics developed and endorsed by the IBC and WEF.

As a supplement to the report, an ESG reporting reference index is published on the ESG-related section of the investor relations pages on Ericsson's website. This contains references to applied reporting frameworks and standards and includes the GRI content index.

External assurance

The report has been subject to assurance procedures by Deloitte AB, in accordance with ISAE 3000. The assurance statement can be found on page 37.

Related reporting

Ericsson publishes other annual statements and reports on its website such as the Company's annual CDP Climate Change response, a Modern Slavery and Human Trafficking Statement, and a Conflict Minerals Report.

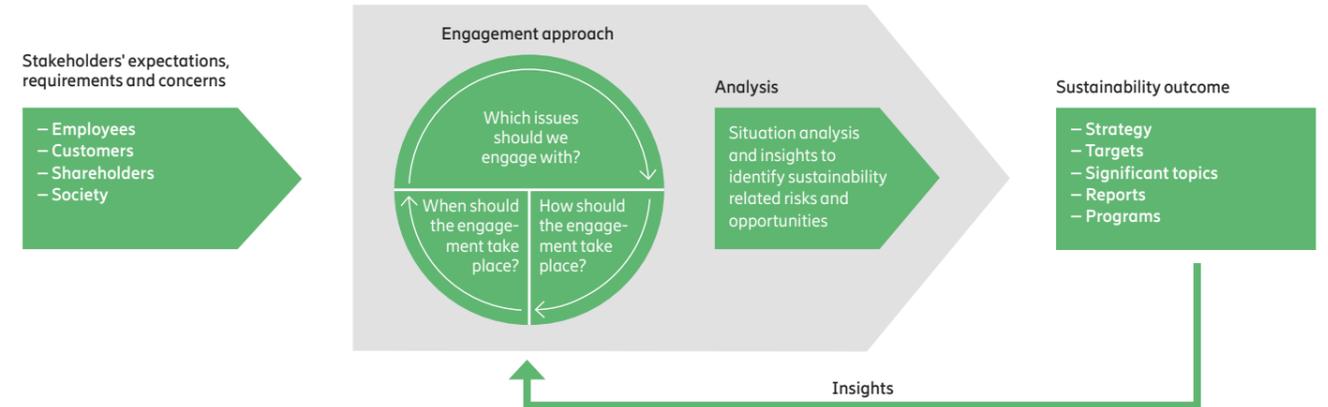
S2 Stakeholder engagement and materiality

During the past year Ericsson has engaged with its stakeholders through several channels and methods as presented below. In addition, Ericsson leverages its social media outreach to extend the conversation and hear from the public.

Stakeholder group	Examples of sustainability-related engagements	Focus of engagement and topics raised
Employees	<ul style="list-style-type: none"> Employee VOICE and S&CR surveys Training Volunteering and matching donations Ericsson On the Move (cultural transformation) workshops 	<ul style="list-style-type: none"> Business ethics and anti-corruption Health, safety, and well-being, including response to COVID-19 pandemic. Learning and development Climate action
Customers	<ul style="list-style-type: none"> Individual customer meetings and dialogues Customer ESG assessments Joint research and development 	<ul style="list-style-type: none"> Business ethics and anti-corruption Portfolio energy performance and circularity Product security and privacy Role of industry and digitalization in society Industry-wide supply chain requirements
Shareholders	<ul style="list-style-type: none"> Investor dialogues Analyst inquiries and meetings ESG surveys and rankings 	<ul style="list-style-type: none"> Business ethics and anti-corruption Portfolio sustainability Transparent and comparable ESG reporting Corporate governance
Society		
Suppliers	<ul style="list-style-type: none"> Responsible Business Alliance 1.5°C Supply Chain Leaders Supplier assessments and audits Supplier training, seminars, and workshops 	<ul style="list-style-type: none"> Business ethics and anti-corruption Health, safety, and well-being of workforce Labor rights and working conditions Environmental and climate requirements Conflict minerals and material traceability
Regulators and international institutions	<ul style="list-style-type: none"> Policy advocacy towards regulators Partnerships with: UNICEF/UNHCR/UN World Food Programme UN B-tech Project World Health Organization ITU/UNESCO Broadband Commission for Sustainable Development 	<ul style="list-style-type: none"> ICT impact on climate, environment, and human rights Digital inclusion and connectivity Humanitarian relief Radio waves and health
Academia and business	<ul style="list-style-type: none"> Joint research and research funding Development of technology curriculum Participation in standardization bodies Membership of industry associations European CEO Alliance 	<ul style="list-style-type: none"> Environmental impacts of ICT sector Enableness effect of IT in mitigating climate change Radio waves and health
Civil society, NGOs and other	<ul style="list-style-type: none"> Participation in/partnerships with: COP26 World-Wide Fund for Nature Exponential Roadmap Initiative Global Networking initiative Alliance for Affordable Internet 	<ul style="list-style-type: none"> Climate action Privacy and freedom of expression Digital inclusion and education

Note S2, cont'd.

Ericsson's stakeholder engagement model

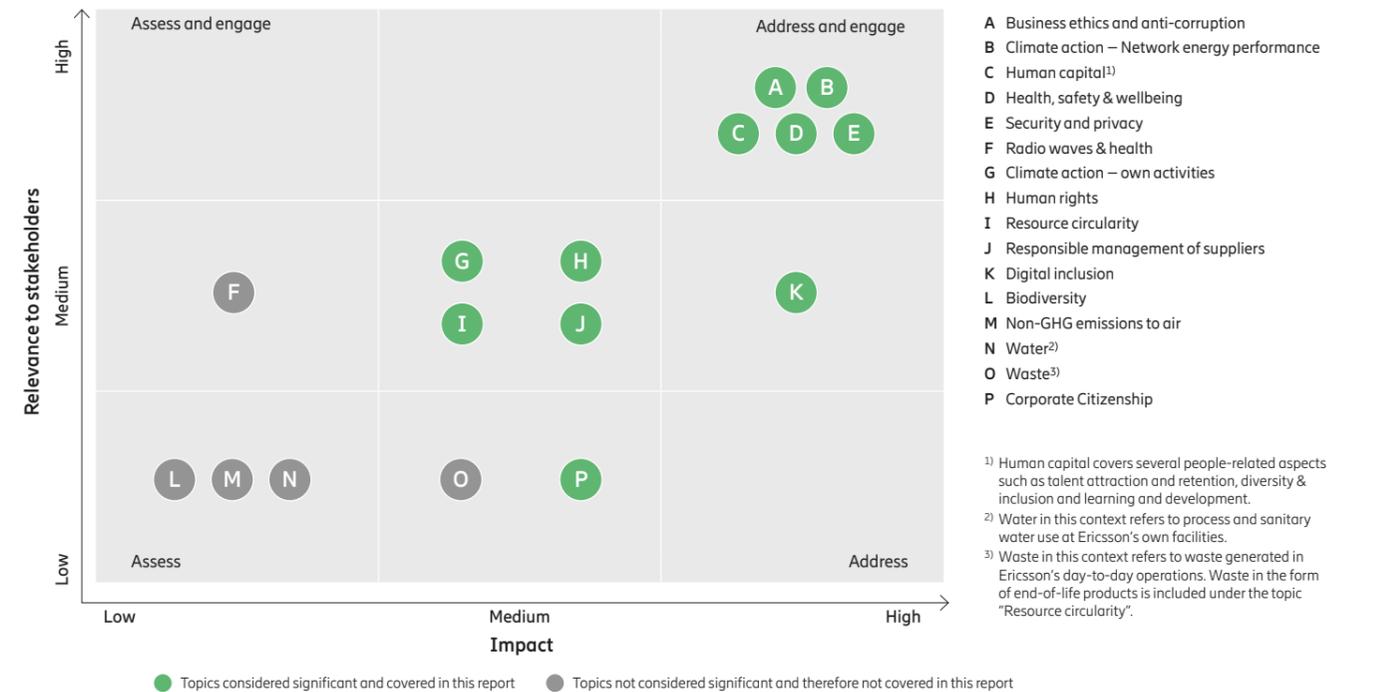


2021 materiality analysis and results

The annual materiality analysis starts with a review of the previous year's analysis. To this, input from stakeholder engagements, consultations with internal experts and other sources of information are incorporated. The universe of topics assessed is based on frameworks such as GRI and SASB. In 2021 the review focused on the information needs of investors and analysts. The results of Ericsson's

annual employee Sustainability and Corporate Responsibility survey were also included. This year shows no material changes in the assessed topics' significance compared to 2020, however new topics have been assessed and included in the analysis. The topic of Diversity and Inclusion was in 2021 expanded into the topic Human Capital, covering talent attraction and retention, diversity and inclusion, and learning and development,

and is identified as one of the most significant topics for Ericsson. In addition, the topics Resource Circularity and Corporate Citizenship were also included in the 2021 analysis. The Sustainability and Corporate Responsibility Report includes both qualitative and quantitative information about the identified significant topics.



- A Business ethics and anti-corruption
- B Climate action – Network energy performance
- C Human capital¹⁾
- D Health, safety & well-being
- E Security and privacy
- F Radio waves & health
- G Climate action – own activities
- H Human rights
- I Resource circularity
- J Responsible management of suppliers
- K Digital inclusion
- L Biodiversity
- M Non-GHG emissions to air
- N Water²⁾
- O Waste³⁾
- P Corporate Citizenship

¹⁾ Human capital covers several people-related aspects such as talent attraction and retention, diversity & inclusion and learning and development.
²⁾ Water in this context refers to process and sanitary water use at Ericsson's own facilities.
³⁾ Waste in this context refers to waste generated in Ericsson's day-to-day operations. Waste in the form of end-of-life products is included under the topic "Resource circularity".

Results inform strategy and disclosures

Ericsson's approach to each topic is based on the outcome of the materiality assessment. Topics with high impact and high importance to stakeholders are addressed through comprehensive management, including setting of performance targets,

paired with transparent disclosures and stakeholder engagement. Topics where the importance to stakeholders is high but the impact is assessed as low are continuously re-assessed through engagement with stakeholders. Topics where impact is high but importance to stakeholders is

low are addressed and proactively managed, and disclosures are made when relevant. Finally, topics with low impact and low importance to stakeholders are monitored and regularly re-assessed to capture any changes in their relevance to Ericsson.

S3 Human Capital

Employees and external workforce			
(No.)	2021	2020	2019
Executive Team	15	15	15
Executive population ¹⁾	163	170	165
Line managers	7,241	7,121	6,895
Technical employees ²⁾	75,859	75,952	74,776
Non-technical employees	18,044	17,566	17,626
Total	101,322	100,824	99,477
External workforce ³⁾	12,308	11,398	12,105

Share of women per employee category			
(%)	2021	2020	2019
Executive team	20	20	20
Executive population ¹⁾	36	32	32
Line managers	21	21	20
Technical employees ²⁾	20	20	20
Non-technical employees	47	46	48
All employees	25	25	25

Share of employees by age and employee category			
(%)	2021	2020	2019
Executive population ¹⁾			
<25	0	0	0
25–35	1	2	2
36–45	18	22	26
46–55	58	54	55
>55	23	23	17
Line managers			
<25	0	0	0
25–35	7	8	9
36–45	40	42	42
46–55	41	40	40
>55	12	10	9
Technical employees ²⁾			
<25	3	3	4
25–35	35	37	39
36–45	34	33	31
46–55	20	20	19
>55	8	7	7
Non-technical employees			
<25	2	2	2
25–35	26	27	29
36–45	33	33	32
46–55	26	26	26
>55	12	11	11

Share of employees by nationality and employee category ⁴⁾			
(%)	All employees	Line managers	Technical employees ²⁾
Indian	24	20	29
Chinese	12	16	12
Swedish	10	10	10
American	6	6	5
Romanian	4	3	3
Other	44	45	42

¹⁾ Employees reporting to members of the Executive Team.

²⁾ Non managerial employees in job roles within the fields of science, technology, engineering and mathematics (STEM).

³⁾ Includes consultants, contractors, interns and other workforce not directly employed by Ericsson

⁴⁾ Nationalities shown are the top five nationalities among all employees.

Turnover			
(%)	2021	2020	2019
Turnover rate	12	8	11
Leavers by gender			
Men	76	75	76
Women	24	25	24
Leavers by age			
<25	6	7	7
25–35	49	43	47
36–45	24	25	25
46–55	13	15	14
>55	8	9	7

Hiring			
(%)	2021	2020	2019
Hiring rate	12	9	15
New joiners by gender			
Men	70	74	70
Women	30	26	30
New joiners by age			
<25	19	14	17
25–35	54	51	49
36–45	19	23	19
46–55	6	10	11
>55	2	2	4
Positions filled by internal candidates ¹⁾	40	41	32

Ratio of compensation of women to men ²⁾			
(%)	2021	2020	2019
Base salary	86	83	80
Total compensation	82	80	77

CEO to average employee compensation			
(ratio)	2021	2020	2019
Base salary – Sweden ³⁾	25	25	23
Base salary – Global ³⁾	38	38	34
Total compensation – Sweden ⁴⁾	67	63	58
Total compensation – Global ⁴⁾	97	93	82

¹⁾ Derived by dividing the number of positions filled in a year by people already employed by Ericsson by the total number of positions filled in the same year

²⁾ The figures presented reflect the unadjusted average pay ratio of women to men for Ericsson's total global workforce. This metric does not take into consideration other factors affecting compensation levels, such as location, job role and responsibilities, experience, age, education level etc. For timing and practical reasons, the calculations are based on compensation levels as of October 1st of each respective year and covers full time annual base salary, short term variable pay / sales incentive plan (STV/SIP) target entitlement, and long-term variable pay (LTV) grants given in the current year. Data excludes employees who are in exit programs. In addition, the figure for Total Compensation excludes Field Service Organisation (FSO) employees (approximately 7,000 individuals) since local variances in STV plans and reporting for FSOs presents difficulties to making relevant comparisons.

³⁾ For comparison reasons, Base Salary in this context excludes holiday pay in Sweden (including for the CEO) and therefore differs from the data presented in the table "Total Remuneration to the President and CEO and Executive Vice Presidents", on page 5 in the 2021 Remuneration report, which includes holiday pay.

⁴⁾ For comparison reasons, Total Compensation in this context is based on STV/SIP target level entitlement and LTV granted in the specified year (including for the CEO) and therefore differs from the information presented in the "Total Remuneration to the President and CEO and Executive Vice Presidents", on page 5 in the 2021 Remuneration report, which shows actual earned STV and vested LTV.

Note S3, cont'd.

Learning and development			
(hrs.)	2021	2020	2019
Average recorded training hours per person			
Men	19.7	25.9	27.0
Women	17.0	22.0	23.7
All employees	19.0	24.9	26.2

(Thousands)			
Completed learning opportunities ¹⁾			
	2021	2020	2019
Men	2,321	1,428	392
Women	823	493	130
Total	3,144	1,921	522

(SEK)			
Average spend on L&D per employee			
	2021	2020	2019
	3,800	3,600	5,100

Performance evaluations			
(%)	2021	2020	2019
Employees receiving evaluations ²⁾	91	95	85

Employee satisfaction			
(eSAT score) ³⁾	2021	2020	2019
Men	81	83	78
Women	81	83	77
All employees	81	83	78

¹⁾ Completed learning opportunities refer to learning contents (courses, articles, webinars etc.) consumed and completed through Ericsson's learning platform Degreed. Includes both external and Ericsson-internal contents.

²⁾ Performance evaluations recorded as of January 31st the following year. Field service personnel not included.

³⁾ Measuring scale: 0–100 with 100 being the most favorable score.

Basis for consolidation

Employee-related data presented in note S3 covers employees of the Parent Company and all consolidated subsidiaries in which the Parent Company has a controlling interest. It does not include data related to employees of associated companies and joint ventures. Workforce composition related metrics refer to head count at year-end. Any other limitations in scope are specified in connection to each respective metric.

Collective bargaining

Ericsson's Code of Business Ethics stipulates that all employees shall be free to form and to join, or not to join, trade unions or similar organizations and to bargain collectively. The coverage varies from country to country. In Sweden, all employees except for Group Management are covered by collective agreements. The Company estimates that approximately 30% of all employees globally are covered by collective bargaining agreements.

S4 Waste, product take-back and water

Waste generated at facilities by disposal method ^{1) 2)}			
(ton)	2021	2020	2019
Recycling	4,573	3,370	4,900
Energy recovery	1,429	1,465	2,300
Landfill	740	2,065	3,800
Hazardous waste	35	16	13
Total	6,777	6,916	11,013

Product take-back (incl. batteries) by disposal method			
(%)	2021	2020	2019
Re-use	0	1	2
Recycling	96	94	91
Energy recovery	3	4	6
Landfill	0	1	1
Total ³⁾	100	100	100

Weight of products taken back (ton)			
	2021	2020	2019
	8,849	10,204	8,403

Water consumption ⁴⁾			
(Mm ³)	2021	2020	2019
All facilities ²⁾	1.2	1.5	1.5

¹⁾ Volumes of waste from production sites are based on reported figures. Waste from other facilities are estimates based on extrapolations of waste generated at the Company's headquarters.

²⁾ Facilities includes offices, production sites, warehouses, data centers and labs

³⁾ Figures rounded to nearest whole percentage wherefore individual values for certain years do not sum up to 100 percent.

⁴⁾ Reported water consumption covering approximately 40% of headcount is based on measured volumes with the remainder being estimated based on extrapolations of measured volumes.

S5 Energy & transportation

Energy consumption			
(GWh)	2021	2020	2019
Facilities ¹⁾			
Electricity & cooling – renewable	391	390	333
Electricity & cooling – non-renewable	189	182	255
District heating	26	23	26
Local heating and back-up electricity	25	33	50
Fleet vehicles ²⁾	122	127	146
Total	753	755	810

Energy intensity			
(GWh/net sales in SEK billion)	2021	2020	2019
Facility energy usage	2.7	2.7	2.9

Product transportation, by mode ³⁾			
(Mtonnekm)	2021	2020	2019
Air	154	117	175
Road	180	163	245
Sea	152	261	370
Rail	3	7	10
Total	489	548	800

¹⁾ Measured energy consumption at facilities (offices, production sites, warehouses, data centers and labs) represents approximately 93% of reported energy consumption. For locations where measured data is not available, extrapolation of consumption at similar locations have been used to estimate the consumption.

²⁾ Energy consumption is estimated based on number of vehicles in fleet.

³⁾ Data for 2021 is primarily based on information about transported derived from Ericsson's ERP system, while past years' data is primarily based on reported information from service logistic providers. Transported distances have been estimated based on linear routes between locations. For a smaller share (approximately 12%) of distances transported by truck and some additional air transport, data is derived from purchase orders using a spend-based method.

S6 GHG and other emissions

Scope 1 - direct GHG emissions

(kiloton)	2021	2020	2019
Facilities	6	7	11
Fleet vehicles	32	33	38
Total	38	40	49

Scope 2 - indirect GHG emissions

(kiloton)	2021	2020	2019
Market-based	58	74	124
Location-based	139	156	168

Scope 3 - other indirect GHG emissions

(kiloton)	2021	2020	2019
Upstream			
Purchased goods & services	2,313	2,272	2,342
Capital Goods	42	43	52
Fuel- and energy-related activities ¹⁾	49	52	82
Upstream transportation	79	79	88
Business travel ²⁾	12	17	114
Employee commuting (incl. teleworking)	23	30	60
Downstream			
Downstream transportation ²⁾	119	112	139
Use of sold products ³⁾	32,000	34,000	33,000
Total	34,637	36,605	35,877

Emissions intensity

(kiloton/net sales SEK billion)	2021	2020	2019
Scope 1	0.16	0.17	0.22
Scope 2 (market based)	0.25	0.32	0.55
Total	0.41	0.49	0.77

Other emissions to air

(kiloton)	2021	2020	2019
NOx	0.65	0.67	1.23
SOx	0.69	0.77	1.19
Particle matters	0.08	0.08	0.14

¹⁾ Emissions from fuel- and energy-related activities not included in Scope 1 or 2, typically from the manufacturing and transportation of fuels, and grid transmission and distribution losses.

²⁾ Figures reported do not include the so-called high-altitude effect of emissions from air travel. The high-altitude effect is estimated to correspond to emissions of 109 ktonne CO₂e in 2021.

³⁾ Underlying assumptions and input data used in the calculation of emissions in this category have been revised in 2021. In particular, emission factors of electricity grids have been updated and are now weighted based on actual sales volumes in the markets where Ericsson operates, as opposed to global averages used in previous years. In addition, the energy consumed by products sold is now based on actual energy consumption retrieved from field data, rather than on estimates based on manufacturing test data. These changes combined reduce the emissions from use of sold by approximately 20%. Had the model assumptions used in previous years been applied for the 2021 reporting period, the result would be emissions of around 40,000 kiloton from use of sold products.

GHG accounting methodology

Ericsson reports GHG emissions according to the GHG protocol using financial control as the basis for its GHG accounting. GHG Emissions are calculated and reported as carbon dioxide equivalents (CO₂e) and includes the following gases: CO₂, CH₄, N₂O, HFCs and PFCs. For practical and timing reasons energy and emission data for facilities and product transport is collected and reported for the period December–November.

Scope 1 and 2: Underlying energy consumption at facilities is partly estimated, see note S5. Emissions from fleet vehicles are calculated partially based on estimated distances driven.

Scope 3: Emissions in categories Purchased goods and services, Capital goods, Fuel- and energy-related activities, Upstream transportation, and Use of sold products are estimated based on Ericsson's LCA of the carbon footprint of its products. The assumed average useful life of products sold is ten years and emission factors relevant to the use phase have been estimated using the current energy mix of the grids in markets served. The majority of emissions in category Downstream transportation are calculated based on reported data of transported products and distances, with a smaller part being extrapolated based on reported figures, and include all transport sourced by Ericsson. The majority of emissions in category Business travel are based on data reported by travel agencies, with a smaller part being estimated based on travel spend. Emissions in category Employee commuting are estimated based on a survey of employees' commuting habits with data for 2021 and 2020 including estimated emissions from employees teleworking. Emissions in remaining Scope 3 categories have been assessed as not material and are therefore not reported on.

Emission factors used in consolidation

Energy type	Emission factor	Source/Comments
Electricity and cooling	0.012–0.928 kg/kWh.	IEA, US Energy Information Administration (EIA), Association of Issuing Bodies (AIB), supplier specific data where available.
Green Electricity	0.000 kg/kWh	Supplier specific data
District heating, Sweden	0.006 kg/kWh	
District heating, other	0.004–0.13 kg/kWh	Country averages
Local heating/natural gas	0.20 kg/kWh	DEFRA
Generator fuel/diesel	0.26 kg/kWh	DEFRA
Air travel	0.13 kg/pkm	Airline data
Car travel	0.11–0.4 kg/pkm	Country averages based on fleet composition
Air transport	0.65 kg/tonnekm	As provided by logistic service providers
Road transport	0.09 kg/tonnekm	
Sea transport	0.02 kg/tonnekm	
Rail transport	0.03 kg/tonnekm	

S7 Climate-related scenario analysis, risks, and opportunities

As part of the Company's overall climate strategy as well as its commitment to align to the reporting recommendations of the Task force on Climate-related Financial Disclosures (TCFD), Ericsson has analyzed potential climate-related risks and opportunities using two different climate scenarios, "Net Zero 2050" and "Current Policies". The main conclusions from this analysis are presented below, together with an overview of the assessment methodology. For further details, please refer to Ericsson's response to the CDP Climate Change questionnaire, available on the Company's website.

Scenarios used

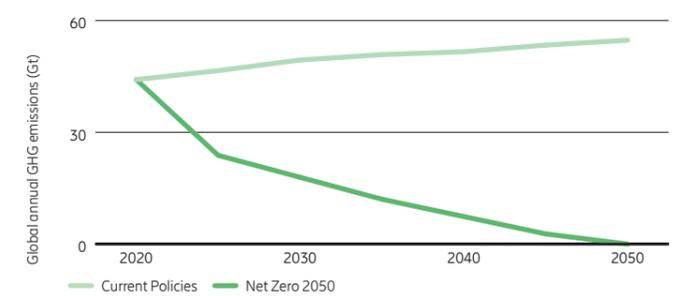
Net Zero 2050

- Ambitious mitigating actions introduced imminently
- Net-zero global CO₂ emissions around 2050
- 50% chance of limiting global warming to below 1.5 °C by end of century
- Relatively low physical risks but high transitional impacts

Current Policies

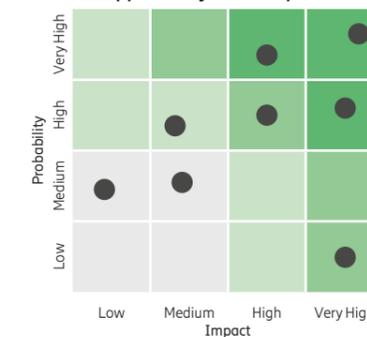
- Mitigating actions limited to currently adopted or announced policies
- Emissions grow until 2080
- Global warming of around 3 °C by end of century
- High physical risks but lower transitional impacts

Assumed emissions trajectory



Assessment approach

Risk and Opportunity Heat Map



The illustration shows an example of the heatmaps used in the scenario analysis.

As a starting point of the analysis, more than 30 potential climate related risks and opportunities were considered. The initial items on the longlist were identified through consultations with internal subject matter experts covering several company functions, and through external benchmarking. The probability and impact of all items were analyzed qualitatively through the usage of heatmaps. This was followed by a more granular analysis of a shortlist of risks and opportunities considered to be of highest relevance to Ericsson.

The Company considered risks and opportunities upstream and downstream in the value chain, as well as in its own operations. Physical risks were mainly assessed using the assumptions under the Current Policies Scenario, whereas transitional factors were primarily looked at using the Net Zero 2050 scenario. Both scenarios are published by the Network of Central Banks and Supervisors for Greening the Financial System (NGFS). Regarding time horizons¹⁾, the quantitative analysis of opportunities focused on the period up to 2025, and the quantitative analysis of risks on the period between 2025 and 2030. The more long-term impacts of risks and opportunities, stretching beyond 2030, were primarily assessed in a qualitative fashion. Under the Current Policies scenario, the impacts of the physical risks described below are expected to become more severe after 2030.

¹⁾ For the purpose of this analysis Ericsson defined short-, medium-, and long-term time horizons as up to 2025, 2025–2030, and beyond 2030 respectively.

Most relevant risks and opportunities under selected scenarios

Transition

Expansion of energy efficient network solutions

Under the Net Zero 2050 scenario, energy prices are expected to rise considerably. This will drive further efforts by telecom operators to increase energy efficiency in mobile communication networks. At the same time telecom operators are striving to reduce their own emissions, with many setting net-zero targets across value chains. The combination of these two factors creates opportunities for Ericsson to expand its offering of network energy efficiency solutions. Read more about Ericsson's strategy and targets within this area on page 12.

Solutions enabling emissions reductions in other sectors

As other more emission-intensive sectors – such as power, transport, and manufacturing rapidly increase efforts to decarbonize under the Net Zero 2050 scenario, significant investments will be made to achieve these decarbonization ambitions. These investments, such as deployment of smart grids and private networks, all depend on ICT solutions, which provides significant opportunity for Ericsson to expand its connectivity offering to these other sectors.

Physical

Increased costs due to carbon emissions pricing

The price of carbon emissions is expected to increase substantially in the Net Zero 2050 scenario leading to increased costs for Ericsson. The impact would be most material upstream in the Company's value chain, assuming emissions stay the same and all costs are passed through to Ericsson from affected suppliers. Read about how Ericsson is working to decarbonize both own operations and its supply chain on pages 10–11 and 13–14.

Input shortages due to water stress

Water is a key input upstream in Ericsson's value chain, as it is used when extracting minerals used in hardware and in semiconductor manufacturing. Under the Current Policies scenario, several regions that are home to Ericsson suppliers, including manufacturers of semiconductors in Southeast Asia, are at risk of high water stress, which could cause shortages of manufacturing inputs for Ericsson.

Disruptions caused by severe weather events

Under the Current Policies scenario, the frequency and intensity of severe weather events, as well as coastal and riverine flooding, will increase. This will lead to heightened risks for long-term business interruptions as well as damage to stock and fixed assets in Ericsson's supply chain, at outsourced manufacturing sites and at Ericsson's own sites, such as manufacturing facilities and IT centers. Ericsson buys insurance policies for its own operations, covering both damage to inventory and fixed assets, as well as potential business interruptions.

S8 Reporting according to article 8 of the EU Taxonomy Regulation

Key performance indicators

Key performance indicators	Total 2021 (SEK million)	Share taxonomy eligible (%) ¹⁾	Share taxonomy non-eligible (%) ¹⁾
Turnover	232,314	0	100
Capital expenditures	5,621	0	100
Operational expenditures	33,967	0	100

¹⁾ Rounded to the nearest whole percentage

Contextual information

Ericsson's research¹⁾ shows that the adoption of ICT solutions has the potential to enable significant emissions reductions in other sectors of the economy, such as power, transport, manufacturing, and buildings.

It is also important that the ICT sector itself continues to work towards higher energy efficiency to contribute to the progress against internationally agreed GHG emissions reduction targets. Ericsson has targets in place to increase energy efficiency of its portfolio, more information on this can be found on pages 10 and 12.

Both these aspects are recognized in the Delegated Regulation (EU) 2021/2139 on Climate Change Mitigation and Adaptation Activities ("the Delegated Regulation") but technical screening criteria for all relevant activities have not yet been developed. The European Commission states that it may consider developing relevant technical screening criteria in the future. However, at present, the vast majority of Ericsson's commercial offering to its customers is associated with economic activities not currently covered by the EU Taxonomy Regulation ("the Taxonomy").

Accounting policies

For the purpose of reporting according to article 8 of the Taxonomy, turnover, capital expenditures ("Capex") and operational expenditures ("Opex") are defined as follows. Note that these definitions deviate from how Capex and Opex are defined in Ericsson's financial reporting.

Turnover

Total turnover corresponds to Net sales in the consolidated income statement in the Financial Report.

Capex

Total Capex corresponds to additions, including capitalized research and development costs, to balance sheet items property, plant and equipment, intangible assets, before any remeasurement, depreciation, amortization or impairment and excluding any changes in fair value, as specified in note C1 and C2 to the consolidated balance sheet, complemented by additions/changes in IFRS16 classified right of use assets as specified in note C3 to the consolidated balance sheet.

Opex

Total Opex corresponds to non-capitalized research and development costs, building renovation costs, short-term leases, maintenance, and repair costs and other indirect costs for the day-to-day servicing of assets of property, plant, and equipment.

Share of eligible Turnover, Capex and Opex

Turnover in accordance with the above definition and that is associated with eligible activities (see below) constitute the basis for calculating the share of eligible turnover.

Capex and Opex in accordance with the above definitions and that is associated with eligible activities (see below) constitute the basis for calculating the share of eligible Capex and Opex. Moreover, individual eligible Capex and Opex (see further below) can also be added to the share of eligible Capex and Opex.

Eligible economic activities

Identifying economic activities relevant for the Company has required interpretations of the Taxonomy as well as the Delegated Regulation. Ericsson's interpretation is that for an economic activity, as defined in the Taxonomy, to be considered eligible, the activity must:

- be, or be aimed at, generating external turnover,
- meet the description of an activity in Annex I or II of the Delegated Regulation, and
- have practically applicable technical screening criteria associated with it.

Based on this interpretation, the activities stated below are ones that have been identified as relevant for Ericsson. However, there still remains some uncertainty around how the Taxonomy should be applied, and Ericsson expects interpretations, as well as reporting practices, to evolve over time.

Data-driven solutions for GHG emissions reductions

(Annex I, 8.2)

Launched in 2020 and part of Business Area Managed Services, the Energy Infrastructure Operations is an AI-powered and data driven operations solution, focused on managing energy assets efficiently through intelligent site measurements and control, enabling telecom operators to reduce energy consumption, and consequently energy related GHG emissions. Turnover, Opex and Capex associated with this activity has been included as taxonomy eligible in the KPIs presented above. Turnover derived from this activity is based on an analysis of customer contracts where the delivery stated matches the activity in Annex I to the Delegated Regulation.

Computer programming and related activities

(Annex II, 8.2)

Within all of Ericsson's four business areas, software development take place as part of the Company's commercial offerings to its customers. In the case Ericsson incurs expenses associated with making this activity more resilient against climate change, such expenditures are accounted for as either eligible Capex or Opex. However, related turnover is not included in the share of eligible turnover as this activity is not classified as an enabling activity, as defined in the Taxonomy.

Procurement of products and services from Taxonomy-aligned suppliers (individually eligible Capex/Opex)

It is permitted to include as eligible Capex and Opex other expenditures related to procurement of products and services related to other economic activities than the ones stated above, if these contribute to emissions reductions for the reporting entity, and if the economic activity of the supplier in question is Taxonomy eligible. However, to account for such expenditures as either eligible Capex or Opex, the reporting entity must first assess to which extent its suppliers' activities are Taxonomy eligible. As 2021 is the first year the Taxonomy is in effect, such an assessment has not been possible to perform.

S9 Compliance and business ethics

Compliance training and awareness ¹⁾

(% acknowledgement rate / attendance)	2021
Code of Business Ethics acknowledgement	99
Mandatory ABC training – total workforce	99
Enhanced ABC training – people in highly exposed roles	82
Ethics training for leaders	70

Reported compliance concerns

(No.)	2021	2020	2019
Reported cases	1,059	933	538
Substantiated cases	237	281	140

Reported cases by category

(%)	2021	2020	2019
Fraud, corruption and regulatory breach	20	17	35
Security ²⁾	8	5	6
Operations	13	15	12
Human resources	35	46	24
Conflicts of interest	8	6	9
Sustainability	0	0	0
Other ³⁾	17	11	15
Total⁴⁾	100	100	100

¹⁾ All employees and external workforce were required to digitally confirm having read and understood the revised and up-dated Code of Business Ethics (CoBE) launched in 2021. Ericsson's total workforce was also required to attend mandatory anti-bribery and -corruption (ABC) training. In addition, enhanced ABC training targeting approximately 11,000 line managers and employees in roles with high ethics and compliance exposure, as well as ethics training for leaders targeting approximately 2,000 senior executives, including the executive team and middle management, were also held. See more information on page 19. Ericsson's compliance training and awareness program has undergone a significant transformation from recent years wherefore relevant comparative figures are not available. The scope of reporting is limited to the active workforce, meaning people on long-term leave or in exit programs are excluded from the statistics.

²⁾ The category "Security" includes security-related cases that have been reported to the Allegation Management Office.

³⁾ The category "Other" includes allegations reported to the Allegation Management Office, which are assessed as not constituting compliance concerns, such as product quality issues, employees testing the Compliance Line, or comments of a general nature. To the extent reported items relate to non-CoBE topics, they are referred, where possible, to the relevant Group Function or local unit for attention.

⁴⁾ Figures rounded to nearest whole percentage wherefore individual values for certain years do not sum up to 100 percent

Corruption risk assessments

Following a company-wide corruption risk assessment, a process for more in-depth assessments in different market areas and units within Ericsson, was established in 2019 and further developed in 2020 and 2021. During this period, a number of focused anti-bribery and -corruption risk assessments have been carried out, covering operations in a significant number of countries.

- 5 finalized and 1 ongoing assessment in Market Area Middle East and Africa
- 4 finalized and 1 ongoing assessment in Market Area Europe and Latin America.
- 3 finalized and 1 ongoing assessment in Market Area South East Asia, Oceania and India.
- 2 finalized assessments in Market Area North East Asia.
- 1 finalized assessment in Market Area North America.
- 2 finalized assessment outside of the market area dimension.

S10 Human rights due diligence of sales opportunities

Cases reviewed in the sensitive business process, by outcome

(No.)	2021	2020	2019
Approved	286	321	262
Approved with conditions	432	480	358
Dismissed	4	27	31
Total	722	828	651

¹⁾ Malmödin, Jens & Bergmark, Pernilla. (2015). Exploring the effect of ICT solutions on GHG emissions in 2030. 10.2991/ict4s-env-15.2015.5.

S11 Security and privacy

Security and privacy incidents reported ^{1) 2)}

(No.)	2021	2020	2019
Critical	0	1	3
Major	11	25	30
Medium	408	473	1,233
Minor	2,044	2,034	2,574
Total	2,463	2,533	3,840

¹⁾ Cancelled and unsubstantiated incidents reported are not included.

²⁾ Severity level is determined based on the following criteria:

Critical: Very high impact to the Company, its assets or its customers. Several individuals affected.

Major: High impact to the Company, its assets or its customers. Several individuals affected.

Medium: Moderate impact to the Company, its assets or its customers.

Minor: No or very low impact to Ericsson, its assets or its customers.

S12 Occupational health and safety

Fatalities

(No.)	2021	2020	2019
Ericsson employees	1	0	0
Supply chain and public	13	7	11
Total	14	7	11

Major incidents ¹⁾

(No.)	2021	2020	2019
Ericsson employees	56	66	122
Supply chain and public	50	36	57
Total	106	102	179

Lost workday incidents ²⁾

(No.)	2021	2020	2019
Ericsson employees	77	90	180
Supply chain and public	68	53	87
Total	145	143	267

Employee fatality and lost workday incident rates

(per 100 FTEs) ³⁾	2021	2020	2019
Fatality rate	0,001	–	–
Lost workday incident rate	0,074	–	–

¹⁾ Incidents resulting in three or more lost workdays.

²⁾ Incidents resulting in one or more lost workdays. Includes the major incidents reported above.

³⁾ Fatality rate and lost workday incident rate indicates the rate of fatalities/ lost workday incidents occurring in a year per 100 full time employees (FTEs), using 200,000 hours as the standardized average number of hours worked by 100 FTEs in one year. Total hours worked is estimated based on standard annual working hours for active employees and sums to 207,4 million hours for 2021. Due to limitations in data availability, comparative figures for 2020 and 2019 cannot be disclosed.

S13 Responsible sourcing

Supplier risk assessments ¹⁾

(%)	2021	2020	2019
Suppliers risk assessed	99	99	98

Supplier audits

(No.)	2021	2020	2019
Code of Conduct for Business Partners audits	124	83	160
Contract Compliance audits	24	23	35

Suppliers with 1.5°C-aligned climate targets

(No.)	2021	2020	2019
Suppliers with aligned targets ²⁾	121	35	–

Responsible Minerals Assurance Process (RMAP) ³⁾

Minerals in scope	Identified smelters in supply chain	RMAP participating smelters	RMAP conformant smelters ⁴⁾	RMAP conformant smelters (%) ⁴⁾
Cobalt	83	45	23	51
Gold	185	130	107	82
Tantalum	52	39	39	100
Tin	120	72	56	78
Tungsten	68	48	43	90
Total	508	334	268	80

¹⁾ Risk assessment process described on page 26.

²⁾ Out of approximately 350 strategic and high-emitting suppliers in scope, representing an estimated 90% of Ericsson's supply chain related emissions. See more information on page 26–27. Target was launched in 2020 wherefore comparative figures for 2019 are not available.

³⁾ Based on supplier responses as of January 18, 2022.

⁴⁾ Out of RMAP participating smelters.

S14 Direct economic impacts

Economic value generated and distributed

(SEK million)	2021	2020	2019
Value generated			
Revenues	234,521	234,347	230,961
Value distributed			
Operating costs	–127,253	–121,462	–127,097
Wages and benefits	–77,462	–74,645	–72,663
Payment to providers of capital	–8,496	–8,103	–7,221
Payments to governments	–6,226	–5,678	–15,506
Community investments ¹⁾	–113	–	–
Economic value retained	14,971	24,459	8,474

¹⁾ Includes donations and mandatory profit distributions made by Ericsson Group companies during the period January 1–December 31, 2021. Sponsorships included are those with activity start date January 1 to December 31, 2021, or multi-year contracts that were active during 2021. Sponsorships related to recreation and sports have been excluded. Due to limitations in data availability, comparative figures for 2020 and 2019 cannot be disclosed.

Auditor's Assurance Report

Auditor's Assurance Report on Ericsson's Sustainability and Corporate Responsibility Report and statement regarding the Statutory Sustainability Report

To Telefonaktiebolaget LM Ericsson, corporate identity number 556016-0680

Introduction

We have been engaged by the Board of Directors and Executive Management of Telefonaktiebolaget LM Ericsson ("Ericsson") to undertake an assurance engagement of the Ericsson Sustainability and Corporate Responsibility Report ("the Sustainability Report") for the year 2021. The Company has defined the scope of the Sustainability Report on page 28 in the Sustainability Report, which also constitutes the Statutory Sustainability Report.

Responsibilities of the Board of Directors and the Executive Management

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report including the Statutory Sustainability Report in accordance with the applicable criteria and the Annual Accounts Act respectively. The criteria are defined on page 28 in the Sustainability Report, and are part of the Sustainability Reporting Guidelines published by GRI (Global Reporting Initiative), which are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Responsibilities of the auditor

Our responsibility is to express a conclusion on the Sustainability Report based on the assurance procedures we have performed and to express an opinion regarding the Statutory Sustainability Report. Our engagement is limited to historical information presented and does therefore not cover future-oriented information.

We conducted our engagement in accordance with ISAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. The engagement includes limited assurance on the complete Sustainability Report, and an audit of selected information consisting of GHG emissions in Scope 1, 2, and Scope 3 categories Business travel and Downstream transportation, disclosed on page 32 in the Sustainability Report.

The objective of an audit is to obtain reasonable assurance that the information is free of material misstatements. A reasonable assurance engagement includes examining, on a test basis, evidence supporting the selected information in the Sustainability Report. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report,

and applying analytical and other limited assurance procedures. Our examination regarding the Statutory Sustainability Report has been conducted in accordance with FAR's accounting standard RevR 12 *The auditor's opinion regarding the Statutory Sustainability Report*. A limited assurance engagement and an examination according to RevR 12 is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Ericsson in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The limited assurance procedures performed and the examination according to RevR 12 do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The conclusion based on a limited assurance engagement and an examination according to RevR 12 does not provide the same level of assurance as a conclusion based on an audit. Since this engagement is combined, our conclusions regarding the limited assurance, the reasonable assurance and the examination according to RevR 12 will be presented separately below.

Our procedures are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report, is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

In our opinion, the selected information in the Sustainability Report which has been subject to our reasonable assurance procedures has, in all material respects, been prepared in accordance with the criteria defined by the Board of Directors and Executive Management

A Statutory Sustainability Report has been prepared.

Stockholm 3 March 2022

Deloitte AB

Thomas Strömberg
Authorized Public Accountant

Lennart Nordqvist
Expert Member of FAR

Glossary

Segments have been defined for financial reporting purposes based on the business areas. See further information in Note B1, “Segment Information” in the Financial report.

2G

Second generation of mobile systems (the first digital generation). Includes GSM, TDMA, PDC and cdmaOne.

3G

Third generation mobile systems. Includes WCDMA/HSPA, CDMA2000 and TD-SCDMA.

3GPP

Third Generation Partnership Project. Unites telecommunications standard development organizations and produce specifications that defines a mobile technology (2G, 3G etc.).

4G

Forth generation mobile systems, also known as LTE.

5G

The fifth generation of mobile systems. An evolution of 4G/LTE.

AI

Artificial intelligence. The ability of a machine to perform a task commonly associated with intelligent beings.

CO₂e

The amount of a particular greenhouse gas, expressed as the amount of carbon dioxide that gives the same greenhouse effect.

COVID-19

The disease caused by the coronavirus (SARS-CoV-2).

COVID-19 pandemic

The global spread of the disease caused by the coronavirus (SARS-CoV-2).

ESG

Environmental, Social, and Governance. Refers to the three central factors in measuring the sustainability and societal impact of an investment in a company or business.

GHG

Greenhouse Gas (GHG) emissions are calculated as carbon dioxide equivalents (CO₂e). CO₂e is defined as the amount of a particular GHG, expressed as the amount of carbon dioxide that gives the same greenhouse effect.

Global Reporting Initiative (GRI) Standards

The GRI Sustainability Reporting Standards are the first and most widely adopted global standards for sustainability reporting. GRI is an independent international organization that has pioneered sustainability reporting since 1997.

GSM

Global System for Mobile Communications. Second generation mobile system.

IBC

International Business Council

ICT

Information and Communication Technology.

IoT

Internet of things, interconnection of computing things enabling them to send and receive data.

LTE

Long-Term Evolution. 4G; the evolutionary step of mobile technology beyond 3G HSPA, allowing data rate above 100 Mbps.

Mobile broadband

Wireless high-speed internet access using the HSPA, LTE, CDMA2000EV-DO and 5G technologies.

SASB

Sustainability Accounting Standards Board

SBT

Science-based targets provide companies with a clearly defined pathway to future-proof growth by specifying how much and how quickly they need to reduce their greenhouse gas emissions.

SDGs

Sustainable Development Goals. The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries – developed and developing – in a global partnership.

TCFD

Task force on Climate-related Financial Disclosures

UNGC

United Nations Global Compact. Is a voluntary initiative adopted in 2005 by the UN Secretary-General, based on CEO commitments to implement universal sustainability principles and to take steps to support the UN Sustainable Development Goals.

UNGP

The UN Guiding Principles Reporting Framework was launched in February 2015 and is the first comprehensive guidance for companies to report on human rights issues in line with their responsibility to respect human rights. This responsibility is set out in the UN Guiding Principles on Business and Human Rights, which constitute the authoritative global standard in this field.

WEF

World Economic Forum

More information

Information about Ericsson and its development is available on the website: www.ericsson.com. Annual and interim reports and other relevant shareholder information can be found at: www.ericsson.com/investors

Every care has been taken in the translation of this annual report to English. However, in the event of discrepancies, the Swedish original will supersede the English translation.

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About Ericsson

Ericsson provides high-performing solutions to enable its customers to capture the full value of connectivity. The Company supplies communication infrastructure, services and software to the telecom industry and other sectors. Ericsson has approximately 100,000 employees and serves customers in more than 180 countries. Ericsson is listed on Nasdaq Stockholm and the Ericsson ADS trade on NASDAQ New York. The Company's headquarters are located in Stockholm, Sweden.

It all started in a mechanical workshop in Stockholm in 1876 where Lars Magnus Ericsson designed telephones and his wife Hilda manufactured them by winding copper wire coils. With 5G now a commercial reality, we continue to invest to strengthen our 5G leadership. Our portfolio is designed to help our customers digitalize and to increase efficiency in an intelligent and sustainable way, while finding new revenue streams.