

Ericsson's response to 2019 Corporate Human Rights Benchmark

A.2.3 Incentives and performance management – Board

Our Board members are only paid “board fees” and “committee fees” as approved by the shareholders at the AGM. The non-employee Board members may choose to receive their board fees exclusive of the committee fees in the form of a mix of cash and synthetic shares with predetermined percentage allocations approved by the AGM as well. The detailed information regarding the remuneration of the Board members is publicly available in the 2018 Annual Report under section G2 on page 88.

B.1.1 Responsibility and resources for day-to-day human rights functions

At Ericsson the Functional Area Sustainability and Corporate Responsibility is accountable for defining strategy, target setting, risks management, policies and directives, governance and improvement programs for human rights, as well as other areas within sustainability and corporate responsibility. A Corporate Responsibility Expert – Business and Human Rights has the day-to-day responsibility for human rights and is part of the Sustainability and Corporate Responsibility leadership team. The role reports to the Head of Sustainability and Corporate Responsibility. The Functional Area is part of Group Function Marketing and Corporate Relations. The Head of Sustainability and Corporate Responsibility reports to the Executive Management Team of Ericsson Group.

Moreover, there are several boards at Ericsson with the responsibility for specific human rights related topics such as the Sensitive Business Board, the Environmental Health and Safety Board and the Responsible Sourcing Board. All these boards have high level representatives from different group functions and are chaired by members of the Executive Management Team.

B.1.2 Incentives and performance management

For other employees in the company who are eligible for incentives, these are based on high-level financial results, not individual objectives. Payment of incentives however requires employees, including senior managers, to work in a way which is aligned with the company's Code of Business Ethics.

When employees are informed of their short term variable pay targets, they are asked to acknowledge the agreement and explicitly the fact that acting in breach of Ericsson's Code of Business Ethics may invalidate their eligibility for payout, as follows: “I have read and understood the terms and conditions contained in the Work Instruction [...], particularly the possibility to review and adjust targets. Furthermore I am aware that acting in breach of Ericsson's Code of Business Ethics may invalidate my eligibility for payout, as detailed in the Work Instruction.”



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B.1.8 Approach to engagement with potentially affected stakeholders

When it comes to our own workforce we engage on a regular basis through dialogue, surveys and evaluations. Potentially affected stakeholders in the value chain are included in the stakeholder group we call "society". Since we are operating in over 180 countries our approach to engaging with potentially affected stakeholders is primarily through NGOs and expert organizations with a good understanding of the prioritize of these stakeholders. Moreover, we engage directly with potentially affected stakeholders such as workers at supplier level through our on-going responsible sourcing program which includes audits and worker surveys. In case an incident comes to our attention, either through our own or external channels, we initiate specific engagements where needed.

B.2.1 Identifying: Processes and triggers for identifying human rights risks and impacts

Part of the Responsible Sourcing Program is a yearly risk assessment of suppliers within the 90% spend category. This risk assessment forms the basis of each year's audit cycle, prioritizing high-risk classified suppliers. The Responsible Sourcing function can also initiate additional audits based on new circumstances such as incidents, internal and external reports, grievances etc. Ericsson subscribes to Verisk Maplecroft's risk indices which are updated on an on-going basis as well as a Dow Jones sustainability risk tool which is reviewed on a weekly basis and keep us informed of global risks.

B.2.2 Assessing: Assessment of risks and impacts identified (salient risks and key industry risks)

In 2015 Ericsson published the report ICT and Human Rights – An ecosystem approach, clarifying risks and responsibilities of the different actors in our industry. This report, together with thorough analysis informed by internal and external expertise formed the basis of the identification of our salient human rights risks: the freedom of expression, the rights to privacy, and labor rights. In accordance with the UN Guiding Principles on Business and Human Rights (UNGPs) the risks are prioritized based on a severity analysis. We realize that the methodology of the Corporate Human Rights Benchmark (CHRB) excludes downstream risks but in the case of the telecommunication industry, these risks are most salient and should be factored in. The UNGPs are also clear on the fact that corporations have responsibilities throughout the value chain, not only in relation to suppliers. Limiting the benchmark to only supply chain related risks shows only a limited part of the bigger picture.

Having said that, Ericsson acknowledges that risks in the supply chain are also relevant for our industry. The board category "labor rights" is elaborated in our Sustainability and Corporate Responsibility Report 2018. Pages 175-182 provide more detailed information on specific topics, including main risks for each area. On page 180 last year's audit results are presented indicating that the main non-adherences found through audits relate to working hours and health and safety. Moreover, Ericsson has specific programs on modern slavery and conflict-minerals where all the salient risks identified by the CHRB (women's rights, migrant workers' rights and child rights) are at the core of the programs. These areas are also covered in our regular Code of Conduct audits with specific questions related to these rights and rights holders.



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B.2.3 and B.2.4

These two indicators all relate to our Responsible Sourcing Program. As mentioned above, an on-going risk assessment is part of Ericsson's Responsible Sourcing Program. The results of the risk assessment are integrated in the continuous work with suppliers on Code of Conduct adherence. Furthermore, all suppliers are required to complete a self-assessment questionnaire which further informs Ericsson of each supplier's level of compliance and specific risk areas. Based on the results of the assessments, questionnaires and audits actions are taken to mitigate risks and remedy actual impacts. Each audit results in a corrective action plan and a follow-up audit to ensure that the corrective actions are implemented. Through this on-going approach risks are continuously assessed, monitored and acted upon. The actions taken are also tracked on an on-going basis to make sure they have the desired effect.

C.5 Commitment to non-retaliation over complaints or concerns made

As the scores show, Ericsson has a clear commitment to non-retaliation over complaints or concerns made and requires the same of our suppliers. We therefore question why the CHRB methodology requires a specific statement that we have in fact not retaliated against workers or stakeholders. This would clearly be in violation of our Code of Business Ethics and our Code of Conduct for Business Partners and not something we would tolerate. There is no evidence of any retaliation in our case which should mean we fulfill the requirement.

C.6. Company involvement with State-based judicial and non-judicial grievance mechanisms

There are no requirements related to waiving rights or impeding state-based mechanisms in the instruction on how to access our own grievance mechanisms. Since we have not had any cases of human rights related issues in state based judicial or non-judicial mechanisms, we cannot provide examples of how such issues have been resolved. If such a case would arise we would work with any applicable state-based mechanism and not impede such mechanisms.

D.4.1.a Living wage (in own production or manufacturing operations)

The Code of Conduct states "Pay and terms shall be fair and reasonable, and comply at a minimum with applicable laws or industry standards, whichever is higher."

The company invests heavily annually in market practice and policy data to ensure that our salaries are competitive, legal and fair in all countries. The company uses an approved global structure with one-to-one mapping of all our internal job roles and job stage (size) combinations to Willis Towers Watson, Mercer and Korn Ferry (Hay Group) position codes. This mapping enables us to effectively review internal compensation against market data and legal requirements.

The company negotiates with unions and works councils in countries and locations where there is a practice for labor market parties. The company respects and adheres to policies made from agreements and enforcements with unions and works councils. In some countries there are regulations of minimum wages in collective agreement, for instance Sweden or Germany.



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In countries with high or hyperinflation, review and pay adjustments happen as regularly as the situation requires.

D.4.4.a Child labor: Age verification and corrective actions (in own production or manufacturing operations)

In some countries, for example the U.S., Ericsson is not allowed to require age verification of job applicants as this could constitute age related discrimination. Age verification is, however, handled by every line manager through our Manager Self Service tool, where managers have a complete view of each employee profile.

Ericsson also participates in and contributes to programs for transition from employment to education, enabling children to attend and remain in education in case we identify child labor practices.

D.4.4.b Child labor: Age verification and corrective actions (in the supply chain)

Ensuring effective age verification is part of our standard Code of Conduct questionnaire and is always investigated by the auditors through document reviews and interviews with management and employees. In case child labor practices are found in the supply chain the corrective action always focuses on providing remediation to the child and the family, including transitioning the child from employment to education.

D.4.5.a Forced labor: Debt bondage and other unacceptable financial costs (in own production or manufacturing operations)

Ericsson has fixed paydays in every country of operations. Depending on legal requirements in each country this could mean monthly, bi-weekly or weekly. The payroll process is managed globally by Group Function People. The process includes:

- Change in pay and other entitlements
- Payroll preparation & processing
- Payroll data quality administration
- Sox control execution
- Payment & pay slip processing
- Payroll tax administration
- 3rd party remittances
- Transfer payroll results to general ledger
- Payroll & benefits inbound & outbound interface administration

The payment accuracy and timeliness are tracked through Service Level Agreements and KPIs.



Each employee receives salary specifications either in the form of a physical document or electronically, on a regular basis with detailed explanations. If the employee has further questions regarding his/hers salary, they can contact a helpdesk – either vendor’s helpdesk or Ericsson’s internal HR helpdesk “HR Direct” and ask for an explanation of any payment or deduction.

D.4.6.a Freedom of association and collective bargaining (in own production or manufacturing operations)

In addition to a clear statement in the Ericsson Code of Business Ethics, prohibiting interference with workers seeking to exercise their right to join a trade union and right to collective bargaining, there is detailed information available to all employees on the Ericsson intranet relating to these rights. For example information on which unions Ericsson has collective bargaining agreements with and specific Works Councils. We also explain that in order to have a well-functioning Works Councils which encourages an open exchange of views and opinions between the delegates and management it is important that the delegates are secure in their roles and can act in this capacity. While they are performing their duties within the Works Council they shall have the same protection and guarantees as provided for employee representatives by national legislation in their country of employment.

D.4.7.a Health and safety: Fatalities, lost days, injury rates (in own production of manufacturing operations)

We report fatalities and major incidents within the Sustainability and Corporate Responsibility yearly report. We report all injury and disease data internally including lost time frequency, occurrences by time, location, and near miss reporting within our Market Areas and Group OHS Boards and Major incident review Boards. The external reported OHS Target is set within the Sustainability and Corporate Responsibility 2018 report, page 171. Ericsson internally has in place OHS targets and focus areas which are reported within the Group/ Market Area/ Customer Unit OHS Governance framework monthly and quarterly. Ericsson has EHS Global certification to OHSAS 18001 and ISO 14001, so we meet international standards for EHS system compliance and internal reporting frameworks. Ericsson has a supplier training program accessible by password and log in.

D.4.7.b Health and safety: Fatalities, lost days, injury rates (in the supply chain)

Ericsson has a set of operational procedures that provide clear guidance to our suppliers supported by the Ericsson Zero Tolerance Rules and access to our company incident reporting tool, accessible on mobile phone link that is downloadable. In this way we have an on-going process for monitoring incidents and implementing mitigating measures to reduce risks and incidents in our supply chain.

D.4.9.a Working hours (in own production or manufacturing operations)



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In Ericsson, employees register working time in the electronic Employee Self Service tool. Employees register working time, absences, vacation etc. in the tool, using your laptop or via an app. Instructions on how to register are described in detail on Ericsson's intranet, if there is any further explanation needed, the employee may contact the relevant HR function. Managers approve time reports of their employees in the Manager Self Service tool. Thus, monitoring the number of hours worked. Reminders are sent automatically via email on weekly basis to managers who have not reviewed and approved time reports on time.

D.4.9.b Working hours (in the supply chain)

As stated on page 180 of the Sustainability and Corporate Responsibility Report 2018, non-conformities related to working hours are among the most common issues in our supply chain. We continuously work with our suppliers to improve this issue, which unfortunately is systemic in many countries. Because of the systemic nature of this issue we believe that the most effective way of mitigating such risks is in collaboration with other industry peers. Ericsson is now a member of the Responsible Business Alliance since 2018 and we engage actively in the work done to promote corporate responsibility in the IT industry. One main focus of the RBA is the issue of working hours in the IT supply chain. See

<http://www.responsiblebusiness.org/issues-management/working-hours/>