Ericsson
Annual Report
2021



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**Ericsson Annual Report 2021**

Our legal annual report consists of four parts published as one pdf. The four parts can also be downloaded separately:

- The Financial report, including CEO comment, business strategy, the consolidated financial statements and notes of the Company
- The Corporate Governance report
- The Remuneration report
- The Sustainability and Corporate Responsibility report

The Company's annual accounts and consolidated accounts are included on pages 12–112 in the Financial report and are reported on by Deloitte in the auditor's report. The Corporate Governance report, the Remuneration report and the Sustainability and Corporate Responsibility report have also been subject to assurance procedures by Deloitte. We also file an Annual Report on Form 20-F with the U.S. Securities and Exchange Commission (SEC). All parts of the legal annual report are available on Ericsson's website. The report Ericsson 2021 in review, published on Ericsson's website, describes the Company, its strategy and organization.

# Financial 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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## Financial report 2021


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# This is Ericsson

Ericsson is a leading provider of mobile connectivity solutions to telecom operators and to enterprise customers in various sectors. Our portfolio spans Networks, Digital Services, Managed Services, and Emerging Business and Other and is designed to help customers digitalize, increase efficiency, find new revenue streams and create new user experiences.

The core of Ericsson's strategy is technology leadership. This also provides the foundation to expand into enterprise. Conditional to closing, the intended acquisition of Vonage aims to enable Ericsson's creation of a global cloud-based platform for open network innovation, in the longer term.

Ericsson's business is divided into five geographical market areas: North America, Europe and Latin America, Middle East and Africa, South East Asia, Oceania and India, and North East Asia. The Company has approximately 100,000 employees, and customers in more than 180 countries. Ericsson is headquartered in Stockholm, Sweden. The Ericsson share is listed on Nasdaq Stockholm and the Ericsson ADS is traded on NASDAQ New York.

# Strengthening a foundation for future growth

Fulfilling our purpose of creating connections that make the unimaginable possible is based on our leading technology position. During 2021, we capitalized on the strength of our core infrastructure business and continued to build a foundation for growth that takes advantage of new opportunities in enterprise digitalization.



I'm excited about what lies ahead for Ericsson. Our core business is strong and growing. During 2021 we delivered on our strategy of technology leadership in mobile infrastructure by expanding our market share and improving gross margins.

A decade ago, 4G digitalized the consumers' world. With 5G, we now have a platform that is revolutionizing enterprises, anything from how first responders work to new types of applications available to consumers. We believe that addressing these additional segments offers the wireless infrastructure market solid long-term growth prospects.

In addition to growing in our core business, we are also pursuing opportunities in the enterprise space – leveraging the strength of our mobile technology.

As enterprises increasingly choose wireless as their primary source of connectivity, we continue to provide pre-packaged solutions for wireless enterprise networking. These include dedicated networks, wireless WAN and IoT connectivity. We see strong future growth potential in this area and are increasing our investments to capture this opportunity.

Going forward, the capabilities of 4G and 5G networks will increasingly be accessed through open cloud interfaces. To address this, we will build a global network platform for open innovation. A market for 4G application development already exists but with 5G, the capabilities and opportunities are markedly greater.

In 2021, we took a significant step by announcing our ambition to acquire Vonage, a global provider of cloud-based communications with over 120,000 enterprise customers and more than one million registered developers. Through Vonage, we intend to also offer unified communication and contact center platforms to our existing customer base. Longer term we will expose 5G capabilities through a global network platform to stimulate innovation on top of the network.

We plan to run Vonage as a new business area and will invest in growing its business. This follows the same integration approach taken with Cradlepoint, which is performing well, in line with our acquisition plans, despite a delayed uptake of 5G devices.

**Business performance**

In 2021, we continued our strategy execution and cemented a position as a global 5G leader. Our strong product portfolio and deep R&D capabilities supported market share gains despite considerably lower sales volumes in Mainland China. By year-end, Ericsson supplied 108 out of 200 live 5G networks. More importantly, our solutions performed well in the field, earning top honors in multiple third-party benchmarks of network performance.

In line with sales growth, we strengthened our profitability, underscored by a strong reported gross margin of 43.4% and a reported EBIT margin of 13.7%. Our cash generation reached new records for the business, with free cash flow before M&A of SEK 32.1 billion.

In 2021, we increased the number of employees in R&D by 1,210 and invested a total of SEK 42.1 billion in this area – an increase from SEK 39.7 billion in 2020. We will continue to increase investments in our 5G portfolio, including in our orchestration offerings, to further position us in a future world of open standards and technologies.

**5G market**

5G isn't just a new generation of mobile technology, it's transforming our world. For consumers, higher bandwidth, lower latency and more security and reliability are supporting new use cases such as e-health, connected vehicles and immersive cloud gaming. 5G fixed wireless access is also gaining momentum as many countries look to rapidly build out high-capacity broadband and close the digital divide. For enterprises, 5G is enabling organizations to optimize value chains and minimize costs and emissions related to operations and logistics.

Worldwide, there were estimated to be 660 million 5G subscriptions at the end of 2021, making 5G the fastest deployed mobile generation ever. It is clear that the pandemic accelerated digitalization, confirmed the criticality of digital infrastructure and further redefined our relationship to work, education and one another. During 2021, governments around the world continued to make wireless infrastructure the cornerstone of their pandemic recovery and economic growth plans.

**Innovation and openness**

Ericsson continues to stand up for free and open markets. We are part of a thriving ecosystem of innovators that provides others with access to our technology. Our patent portfolio is world

leading with more than 60,000 granted patents. Through this portfolio, we continue to push the boundaries of what our industry can deliver to customers, consumers and enterprises.

Open innovation and collaboration has always benefited our industry. However, current geopolitical tensions threaten to splinter an ecosystem that took decades to establish. A fractured ecosystem would impact everyone, but higher prices and fewer choices would disproportionately impact developing nations. I hope the current protectionist discourse gives way to a more open and productive policy climate, that recognizes the benefits and gains of global cooperation, free trade and open markets.

**Purpose and Vision**

We are entering a new era of digitalization, unleashing a level of innovation never seen before. During 2021, we renewed our company's purpose to articulate our role in this development. "Creating connections that make the unimaginable possible" recognizes the core of what we do: building network infrastructure that connects billions of people and that will soon connect nearly everything.

These networks are a platform for innovation that is powering digitalization in every corner of the globe. Technologies such as 5G, AI, IoT and the cloud, are offering enterprises and society greater visibility and control and the opportunity to create new value by addressing growing demands and delivering superior customer experiences.

Connectivity is a powerful catalyst for transformation and sustainable development, one that will touch all parts of modern life. Achieving our ambitious vision is going to require a concerted effort between partners from across and beyond the ICT ecosystem.

**People and culture**

Companies are only as good as their people, and I am confident that we have the best people in the industry. The Ericsson team strives to be truly world class by championing our values of respect, professionalism, perseverance and integrity. The turnaround of our fortunes would not have been possible without the great talent in the Company.

However, I am deeply saddened to report a sharp decline in our safety performance during 2021. Tragically, there were still individuals losing their lives during the year in preventable incidents and accidents while working for Ericsson. This is unacceptable and I have committed to taking urgent steps to alter this trend in 2022. Our goal is that no harm should come to any of our colleagues or contractors and that everyone should return home to their families, safely, every day.

Over the last few years, we have invested significant resources to strengthen our ethics and compliance efforts. This work takes time and includes putting strong systems and controls in place to prevent and detect wrongdoings. These investments have also allowed us to identify many wrongdoings that date back a decade. Confronting these past wrongdoings is critical to strengthening our compliance culture.

An important part of these efforts is creating a culture that promotes the right behavior while encouraging speaking up. During 2021, we made good progress embedding integrity, our new core value, and speaking up in our culture. This is evidenced by the continuous and increasing engagement of our employees over the recent years in raising compliance questions as well as potential concerns to ensure we conduct business with integrity. We saw an increase in reported potential compliance concerns by 10 percent. We feel this reflects confidence by employees and third parties in the integrity of our allegation management and investigation processes and that we take serious measures when we learn of any potential misconduct. We continue to invest heavily in improving our Ethics and Compliance (E&C) Program in accordance with our strategy and objectives, to remediate historical issues, including gaps in our compliance processes and internal controls, and to strengthen our internal investigations team.

Our cultural transformation and E&C Program deliver enormous value to the Company's employees and stakeholders through responsible and sustainable business practices.

**Sustainability and corporate responsibility**

Sustainability is an integral part of Ericsson's strategy. In 2021, we set a long-term ambition for Ericsson to be Net Zero in carbon emissions across our value chain by 2040. During the year we also incorporated sustainability KPIs into our renewed credit facility. These activities underscore how sustainability is embedded throughout our operations. We continue to make progress on our portfolio and supply chain targets to halve our emissions by 2030 and to be Net Zero in our own activities at the same time.

We are committed to working with our customers to reduce energy consumption, emissions and costs from the operation of their networks. During 2021, we launched a series of ultra-light Massive MIMO radios that are up to 20% more energy efficient than the previous generation. Additionally, by applying connectivity solutions across other industry sectors, like transport and manufacturing, there is a potential to achieve a 15% reduction of global carbon emissions by 2030.

Our smart 5G factory in the U.S. highlights the sustainability gains possible through investments in connectivity. Using our own 5G solutions, our factory in Texas, USA, is designed to consume 24% less energy, 75% less water and is powered entirely by renewable electricity.

With around 2.9 billion people without internet connections, the digital divide continues to be a key challenge to global economic development. To address this issue, we have partnered 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.

It is also crucial that young people have the right skills to contribute to a digital economy. Therefore, as part of the World Economic Forum Edison Alliance, Ericsson has committed to provide 1 million children and youths with access to digital learning and skill development programs by 2025.

These initiatives are underpinned by a strong focus on responsible business across the value chain, and Ericsson continues its long-standing commitment to the UN Global Compact's ten guiding principles.

**Concluding remarks**

The pandemic continues to shape our daily lives and has accelerated digitalization by years. At the start of the pandemic, 80% of our people moved to working from home with very limited disruption to our business. Digitalization represents a tremendous opportunity, including helping to solve what I believe is the most urgent issue we face: the climate crisis.

Over the next decade we also expect mobile networks to be a revolutionizing force for industry. We envision that limitless connectivity will redefine business and empower enterprises to become entirely agile with fully connected and constantly optimized value chains.

Our ambition is to continue to grow and develop our core mobile infrastructure business based on market growth and market share gains. With the investments we make in enterprise, through our pre-packaged wireless solutions and global network platform, we are putting our company on a higher growth trajectory. Even though investments outside our core business may hurt profitability short term, we see that we can accelerate the pace towards reaching our long-term target of an EBITA margin (excluding restructuring charges) of 15–18%. After delivering an EBITA margin (excluding restructuring charges) of 14.6% in 2021, our ambition is to reach the long-term target no later than in 2 to 3 years.

I am excited about the future and the opportunity to imagine possible together with the incredible team at Ericsson. Our people are going to be pivotal in the realization of our vision: a world where limitless connectivity improves lives, redefines business and pioneers a sustainable future.

**Börje Ekholm**
President and CEO

Business strategy

# Creating long-term value

Ericsson's strategy is to create long-term value through technology leadership. The Company aims to address long-term opportunities that present clear advantages of scale and new profitable revenue streams. Ericsson's ambition is to grow faster than the market through organic growth and acquisitions, with a focused approach based on the following criteria:

**Selective**

Product-led growth aligned with our streamlined portfolio and focusing on existing and targeted customers

**Disciplined**

Commercial and financial discipline and excellence in contract execution

**Profitable**

Growth is managed for value creation to support Group financial targets

## A customer-centric strategy

There are four key areas in which we can support our customers' success:

- Capture new revenue streams and new opportunities made possible by 5G and Internet of Things (IoT).
- Improve end-customer experience and network performance – the main differentiators among telecom operators.
- Provide our enterprise customers with pre-packaged solutions, bringing best security, reliability and ease of operation.
- Relentless efficiency improvements to lower the cost of delivering increased traffic in the networks.



By the end of 2021, there were 108 live 5G Networks supplied by Ericsson.

# Ericsson business strategy

| | | |
|---|---|---|
| **Extending leadership in mobile networks** | | • Investments in technology leadership for cost and performance<br>• Strong product portfolio enabling growth through market share gains |
| **Focused expansion into enterprise** | **Enterprise wireless networks** | • Best security, reliability, operations and pre-packaged solutions<br>• Wireless WAN edge solutions, through Cradlepoint Solutions, IoT and dedicated/Mission Critical mobile networks<br>• Enterprise wireless networks expected to grow 20–30% annually |
| | **Global network platform** | • Grow the communication platform business, through the intended acquisition of Vonage<br>• Platform for open innovation, ensuring monetization and creating new experiences made possible by 5G, benefitting the full ecosystem |

## Extending leadership in mobile networks

### Technology leadership

Investments in technology leadership for cost and performance allow us to bring innovative solutions to the market ahead of competitors, giving our customers an advantage. Ericsson has a strong commitment to R&D, with substantial contributions to cutting-edge standards and technologies. The Company capitalizes on its R&D investments by creating, securing, protecting and licensing a portfolio of patents in support of the overall business goals. Ericsson's patent portfolio comprised more than 60,000 granted patents by the end of 2021.

### Cost leadership

A cost-efficient base is essential for Ericsson's business. Investments in R&D enable not only technology leadership but also cost leadership. At year-end 2021, there were 108 live 5G Networks supplied by Ericsson. 5G is significantly more power efficient than previous generations, thereby reducing costs, while also supporting climate targets.

### Efficient operations

Network complexity is rapidly increasing with 5G, Cloud, IoT and new technologies. Efficiently operating a 5G network, is only possible when AI, automation and data analytics are applied to manage "data-driven operations".

### Growth, in a disciplined way

The combination of our global presence, our expertise, and close interaction with our customers, enables us to be competitive, grow and achieve economies of scale. We regard the skills and expertise of our people as a key asset.

## Focused expansion into enterprise

With 5G our industry is moving beyond connecting people to also connecting machines and things. 5G is a powerful platform for innovation, which opens up new revenue and monetization opportunities for telecom operators in both the consumer segment and the enterprise segment. 5G supports telecom operators to deliver new, differentiating consumer services with potential for increased revenues.

### Enterprise wireless networks

There is significant revenue potential for telecom operators in delivering new 5G enterprise services. Our studies show that, globally, telecom operators could see an additional revenue opportunity of some USD 700 billion by 2030, driven by industry sectors such as healthcare, manufacturing and automotive.

We address these opportunities through focused expansion into Enterprise by leveraging our wireless strengths. Our ambition is to support our customers by developing competitive industrial solutions that are secure, reliable and easy to scale, such as Cradlepoint solutions, Dedicated Networks and our global IoT platform. We see acquisitions as enablers for future growth.

### Global network platform

As 5G is creating a large, global innovation platform, we aim to create an open 5G ecosystem, enabling developers and enterprises to access network capabilities for the development of completely new and improved services. We believe that this will support monetization for players in the ecosystem, including our telecom operator customers. The intended acquisition of Vonage will give Ericsson a platform to help our customers monetize their network investments, optimize the user experiences and to stimulate additional growth opportunities. In the longer term, Ericsson intends to add value to the full ecosystem – telecom operators, developers, and businesses – by creating a global network platform for open innovation.

## Corporate Responsibility & Business Integrity

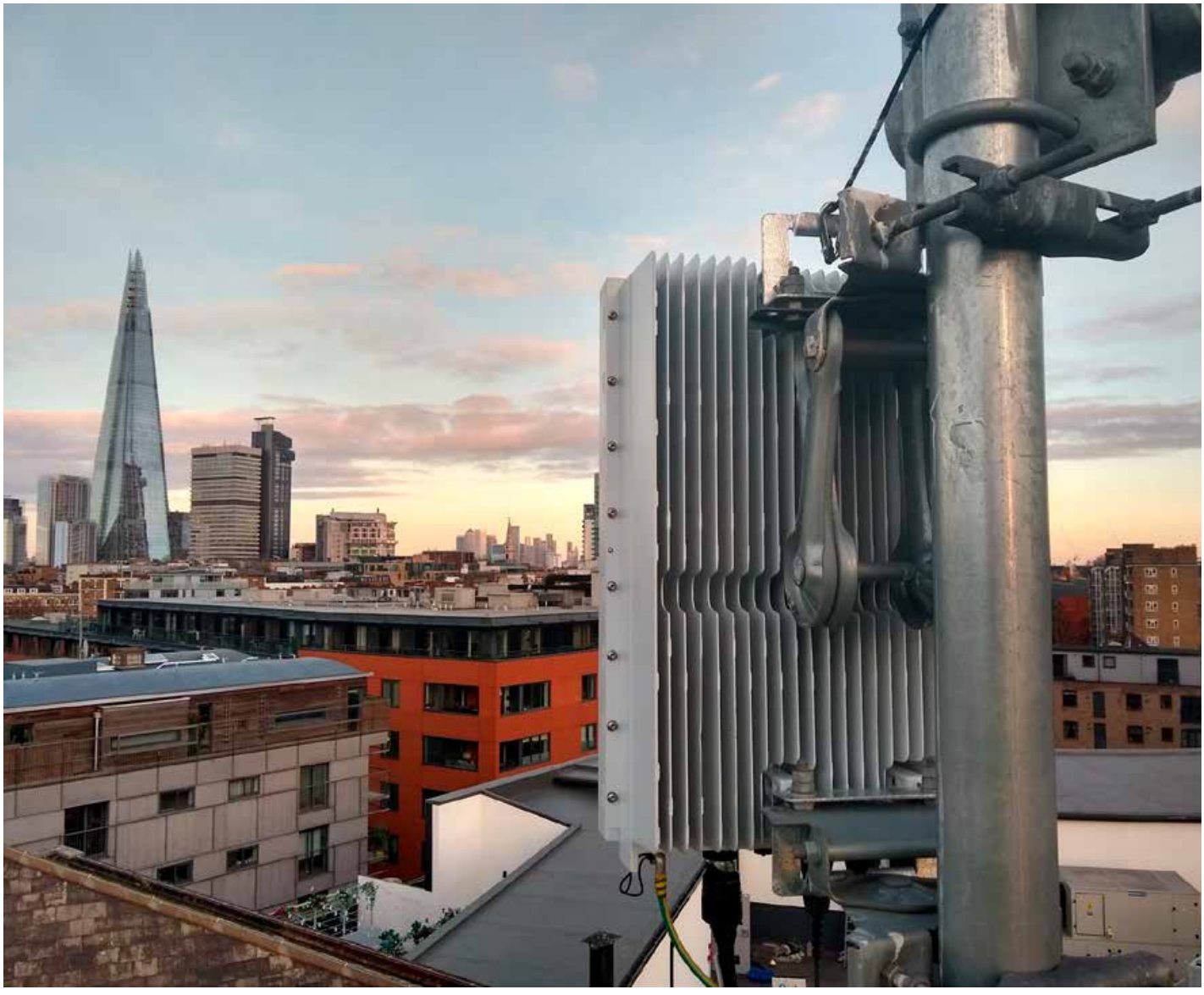
Sustainability and responsible business practices are fundamental to Ericsson's culture and its commitment to drive business transformation, engage employees and create long-term value for stakeholders. A substantial part of this value is derived from the Company's focus on sustainability in its operations and portfolio as well as how its technology is applied across sectors of society.

Ericsson strives to minimize the negative impact of its own operations and has made significant investments to improve the energy performance of its portfolio in order to reduce the environmental impact of the ICT industry and across other sectors.

Ericsson is committed to conducting business responsibly and remains steadfast in its efforts to foster a culture of integrity and a speak-up environment.

The Company drives a responsible business agenda that extends beyond legal compliance by proactively mitigating and addressing risks. Ericsson's Code of Business Ethics, revised and updated in 2021, defines both the Company's ethical principles and its expectations of responsibility across the value chain. The Company works continuously to strengthen and enhance both its Ethics and Compliance Program and practices with a focus on building and maintaining trust and transparency. Transparent and standardized sustainability reporting is the foundation for comparability, decision-making, accountability and risk identification.

"Sustainability and responsible business practices are fundamental to Ericsson's culture."



Ericsson's AIR 3227 radio, enabling 5G midband spectrum on Vodafone's central London Office building.

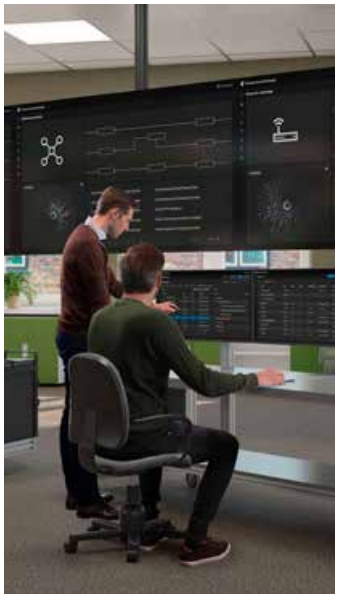
## Driving the business through four segments and five market areas

Our business is divided into four segments. The segments are:



### Networks

In Networks we provide hardware, software and services for our customers to build and evolve their mobile networks.



### Digital Services

Digital Services is a software-led business supporting our customers as they move to a cloud native environment, providing solutions for our customers to operate, control and monetize their mobile networks.



### Managed Services

With our Managed Services offering we operate our customers' networks. Our AI and data-driven Managed Services offering, proactively manages telecom operator networks.



### Emerging Business and Other

In Emerging Business and Other we explore how our customers can leverage connectivity in order to create new revenue streams and new types of businesses within the enterprise segment.



### Five market areas

Our market is divided into five geographical market areas. The market areas are responsible for selling and delivering products and solutions that are developed in our segments. Close cooperation with our customers is key. In line with the strategy, the market areas have responsibility to ensure that we stay close to our customers while maintaining central guidelines and governance structures.

Business model

# Customer focus and technology leadership

Our business model aims to manage changing market requirements and to capture new business opportunities. Customer focus and motivated employees are key to driving our business, creating stakeholder value and building a stronger company long term.

## Customer focus

We develop innovative and cost efficient solutions for our customers.

## Motivated employees

Engaged and talented employees drive our business.

### Fundamentals

**Purpose**

To create connections that make the unimaginable possible

**Vision**

A world where limitless connectivity improves lives, redefines business and pioneers a sustainable future

**Strategy**

Built on our customers' needs:
- New revenue streams
- End-customer experience
- Relentless efficiency improvements
- Extend leadership in mobile networks and expand into enterprise

### Our business and operations

**Segment responsibility**

Develop competitive global business solutions

**Market area responsibility**

Sell and deliver customer solutions

### Foundation and key assets

- Technology leadership
- Cost efficiency
- Data-driven operations
- Global scale and skill

Sustainability and responsible business practices embedded across the value chain

- Customers in more than 180 countries
- Established relationship with world-leading telecom operators

### Core values

- Professionalism
- Respect
- Perseverance
- Integrity

## Stakeholder value

We create value for our stakeholders by building a stronger company long term.

### Key stakeholders, our focus and value creation

**Customers**

Enable our customers to capture the full value of connectivity in an intelligent and sustainable way

**Society**

Be a responsible and relevant driver of positive change

**Employees**

Attract, develop, engage and retain talented employees

**Shareholders**

Creating shareholder value by growing profitability, cash flow and dividend

### Group financial targets 2022

- EBIT margin 12–14% excluding restructuring charges
- Strong free cash flow (before M&A)

### Group financial targets long term

- Sales: exceeding market growth
- EBITA margin 15–18% excluding restructuring charges
- Free cash flow (before M&A) 9–12% of sales

### Group sustainability targets [1)]

**Climate action**

- Reduce $CO_2e$ emissions from Ericsson's own activities by 35% by 2022 (baseline 2016) [2)]
- Achieve Net Zero emissions in Ericsson's own activities by 2030 [3)]

**Ethics and compliance**

Strengthen and enhance Ericsson's Ethics and Compliance Program to ensure an effective and sustainable anti-bribery and -corruption program by 2022

**Network energy performance**

Achieve 35% energy saving in Ericsson Radio System compared with the legacy portfolio by 2022 (baseline 2016) [2)]

**Health, safety and well-being**

Zero fatalities and lost workday incidents by 2025

1) The full list of Group sustainability targets can be found on pages 2–5 in the Sustainability and Corporate Responsibility report 2021.
2) A science-based target (SBT).
3) Ericsson has set an ambition to reach Net Zero carbon emissions across its value chain by 2040.

# The four segments

## Networks

### Offering

Networks offers a multi-technology capable Radio Access Network (RAN) solution for all network spectrum bands, including integrated high-performing hardware and software. The offering also includes a cloud-native RAN portfolio, a transport portfolio, passive and active antenna solutions and a complete service portfolio covering network deployment and support.

### Business model

Networks business is primarily based on a transactional model, where Ericsson develops, sells, licenses and delivers hardware, software and services. Networks business also includes recurring revenue streams such as customer support and certain software revenues.

## Digital Services

### Offering

Digital Services provides software-based solutions for business support (BSS), operational support (OSS), communication services, core networks, and cloud infrastructure. The focus is on cloud-native and automation solutions supporting our customers' 4G and growing 5G consumer and enterprise business.

### Business model

Digital Services develops, sells, and delivers solutions, based on software and services. The contracts are typically software license and systems integration based. Digital Services business includes recurring revenue from software licenses and support.

## Managed Services

### Offering

Managed Services provides Networks and IT Managed Services, Network Design and Optimization, and Application Development and Maintenance to telecom operators. These are delivered through the AI-driven Ericsson Operations Engine, a set of capabilities that transform operations to enhance customer experience, drive agile service creation and optimize costs in multi-vendor environments.

### Business model

Ericsson Operations Engine Base Pack contracts are typically multi-year outsourcing agreements. Value Pack contracts are part of an outsourcing agreement or sold stand-alone to telecom operators. Software is sold either as a license or aaS (as-a-Service).

## Emerging Business and Other

### Offering

Emerging Business and Other supports enterprises by providing reliable and secure cellular solutions that are easy to use, adopt and scale for global and local needs.

### Business model

Emerging Business and Other is mainly a platform business with aaS (as-a-Service) as the business model.

# Letter from the Chair of the Board

Dear shareholders,

2021 was marked by global challenges, including geopolitical ones, which required a lot from the Ericsson organization. We also saw a continuation of the pandemic and the difficulties it caused, such as global supply chain issues and economic disruptions. Once again, Ericsson demonstrated its ability to adapt to demanding realities by strengthening supply chain resilience and by working remotely.

This was the year when Ericsson clearly demonstrated its technology leadership as well as its strength and leading position in 5G. By leveraging its competitive 5G portfolio, Ericsson continued to build on the strong foundation of its core business and increased its overall footprint across the market, despite a major drawback in Mainland China. The Company showed an organic sales growth of 4% and with an EBIT margin, excluding restructuring charges, of 13.9% we were able to reach our 2022 financial target one year ahead of plan. The Company generated a free cash flow (before M&A) of SEK 32.1 (22.3) billion for full-year 2021, further strengthening the net cash position to SEK 65.8 (41.9) billion. I think that this reflects the value of Ericsson's technology leadership, and the focused execution of its strategy. For this achievement and for all your efforts, I would like to direct a sincere thank you to all employees. Your motivation, skills and engagement are critical for Ericsson's success. Focusing on talent management and leadership is critical to delivering long-term growth and it is therefore a key priority for the Board that Ericsson can continue to retain, motivate and attract talented employees.

To realize the potential of the innovation-based value creation that the Ericsson organization possesses, the Board of Directors works with management to optimize resource allocation, review the business model and strategy, and explore both risks and opportunities.

For the Board, governance and compliance are a top priority. The Board oversees Ericsson's continued strengthening of its Ethics and Compliance Program to ensure that it lives up to its ambitious standards. The Company is committed to continuously developing and improving its internal processes and internal anti-corruption controls in the years to come.

The Code of Business Ethics outlines the fundamental ethical principles and expectations for making business decisions with integrity. The Board together with management, added the value of "integrity" to the Company's core values of respect, professionalism, and perseverance, as it clearly strengthens the Company's ongoing cultural transformation and reflects Ericsson's strong ambition to build an integrity-based speak-up culture.

Ericsson is in its second year of a three-year independent compliance monitorship that started as part of the Deferred Prosecution Agreement (DPA) with the U.S. Department of Justice (DOJ). The Board has an ongoing and transparent communication with the monitor and continues to be impressed by his level of expertise and constructive approach. In October 2021, the DOJ advised that it has determined that Ericsson breached its obligations under the DPA by failing to provide certain documents and factual information. The Company is committed to cooperating openly and fully with the DOJ and its monitor, consistent with all terms set out in the DPA.

During 2021, Ericsson increased its investments in R&D for technology and cost leadership. The Board views these efforts in combination with a strong customer focus as key for long-term value creation. The only way for the Company to deliver long-term value is to develop products and solutions that add customer value. Ericsson's technology leadership is based on innovation efforts that respond to customer needs and in turn, make our customers more successful. In 2021, this technology leadership was demonstrated by Ericsson's ability to continue to gain 5G footprint through its customer-centric competitive offering. The strategic focus on customer needs in the areas of efficiency, data-driven operations and new revenue streams also continued to contribute to the strengthening of the Company's leading position. With a strategy based on the needs of its customers and by creating value for its customers, the Board's view is that Ericsson is well positioned to deliver long-term value.

Sustainability and corporate responsibility are an integral part of Ericsson's strategy and are embedded across all operations to drive business transformation and to create value for our customers and other stakeholders. Ericsson is fully committed to creating a positive societal impact through its technology leadership and expertise. While Ericsson's sustainability-driven solutions are intricately linked to creating customer value, they also create value for society by reducing emissions and energy dependence. Hence, a fast deployment of 5G globally and a rapid implementation of new technologies and continuous innovation could reduce emissions not only for the ICT industry – but for other industries and society at large as well.

The telecom networks are transforming into powerful platforms for open innovation,



opening up for new revenue opportunities for our customers in both the consumer and the enterprise segment. Enterprise applications leveraging on speed, latency and security and other characteristics of 5G are expected to provide many new opportunities for Ericsson's customers to capture growth. In line with our strategy to extend our leadership position in mobile networks and execute a focused expansion into enterprise, we entered into an agreement to acquire Vonage. Through the intended acquisition of Vonage, Ericsson is executing on its strategy to grow the communication platform business and to expand the Company's presence in wireless enterprise. The closing of this USD 6.2 billion cash offer is expected in the first half of 2022. The intended acquisition of Vonage builds on the swift integration of Cradlepoint, which clearly demonstrates the capabilities of Ericsson's management and leadership in successfully managing acquisitions. Cradlepoint has continued to develop strongly under Ericsson's ownership.

The Board monitors Ericsson's capital structure with the aim to retain a strong balance sheet and a positive free cash flow. Despite the USD 6.2 billion cash offer on Vonage, which would affect free cash flow (after M&A) in 2022, the Board's view is that the Company's cash flow generation will strengthen the balance sheet in the long term. Ericsson continues to execute on its focused strategy aiming at building a stronger Ericsson beyond 2022, with continued sales growth and improved returns. The Board will propose a dividend for 2021 of SEK 2.50 (2.00) per share to the Annual General Meeting.

Finally, and once again, on behalf of all members of the Board, I want to thank Börje Ekholm, and all employees at Ericsson, for your efforts in 2021. With confidence, we look forward to seeing what we will achieve in 2022.

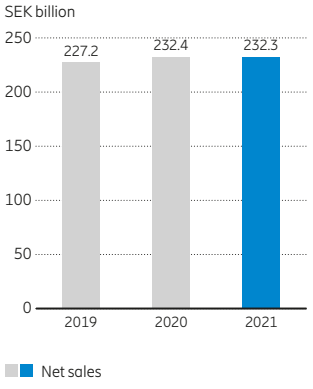
**Ronnie Leten**
Chair of the Board

# Board of Directors' report

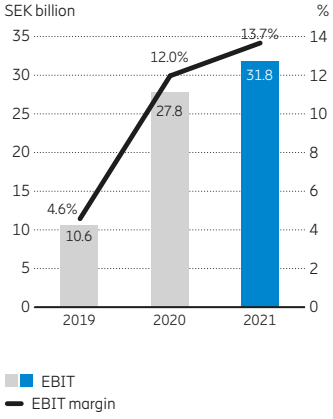
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**Net sales**




**EBIT and EBIT margin**




## 2021 highlights

- Group organic sales grew by 4%, with an increase in Networks organic sales of 7%. Reported sales were stable at SEK 232.3 billion. The loss of market share in Mainland China impacted sales by SEK −7.7 billion. and the growth rate by −3 percentage points, meaning that excluding Mainland China organic sales growth was 8%.
- Reported gross margin was 43.4% (40.3%), driven primarily by strengthened operational leverage in Networks.
- Reported EBIT margin improved to 13.7% (12.0%).
- EBIT margin excluding restructuring charges improved to 13.9% (12.5%), reaching the 2022 group target already in 2021.
- Reported net income was SEK 23.0 (17.6) billion. Earnings per share (EPS) diluted was SEK 6.81 (5.26).
- Free cash flow before M&A amounted to SEK 32.1 (22.3) billion. Net cash was SEK 65.8 (41.9) billion on December 31, 2021.
- The Board of Directors proposes a dividend for 2021 of SEK 2.50 (2.00) per share to the AGM.

### Business in 2021

In 2021, reported sales were stable at SEK 232.3 billion. A stronger Swedish krona (SEK) had a negative impact on reported sales in all segments. Sales growth adjusted for comparable units and currency was 4%, mainly driven by growth in Networks, where reported sales grew by 1% while organic sales increased by 7%, primarily supported by increased product sales as a result of continued market share gains. From a geographical point of view, sales growth was primarily underpinned by North America, Europe and Latin America as well as in some North East Asia markets. The sales in Mainland China declined by SEK −7.7 billion, due to reduced market share, impacting Group organic growth rate by −3 percentage points.

Reported sales decreased in Digital Services by −3%, while organic sales grew by 1%. Managed Services sales declined by −10% reported and −6% organically, mainly due to reduced variable sales in a large contract in North America, post the merger between two operators. Contract rescoping and planned exits also contributed to the sales decline.

IPR licensing revenues decreased to SEK 8.1 (10.0) billion mainly due to lower volumes with one licensee.

Reported gross margin improved to 43.4% (40.3%) driven primarily by strengthened operational leverage in Networks. A higher share of product revenues in the sales mix had a positive impact on the gross margin. Digital Services gross margin declined somewhat due to impact from restructuring charges, while gross margin remained stable at 42.0% excluding restructuring charges. Managed Services gross margin improved mainly as an effect of efficiency gains. Gross margin in Emerging Business and Other increased driven by the acquired Cradlepoint business.

Operating expenses increased to SEK −69.1 (−66.3) billion. Research and development (R&D) expenses increased in Networks, Digital Services and Emerging Business and Other. Selling and administrative (SG&A) expenses increased to SEK −27.0 (−26.7) billion through investments in the acquired Cradlepoint business.

Restructuring charges decreased to SEK −0.5 (−1.3) billion. The restructuring charges in 2021 were mainly related to Mainland China.

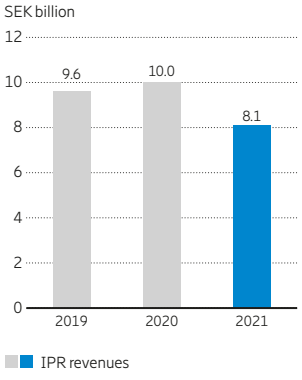
EBIT was SEK 31.8 (27.8) billion. The improvement was driven by improved gross income in segment Networks.

The number of employees increased to 101,322 (100,824). The increase is mainly to be found in Research and Development, which increased by 1,210 employees.

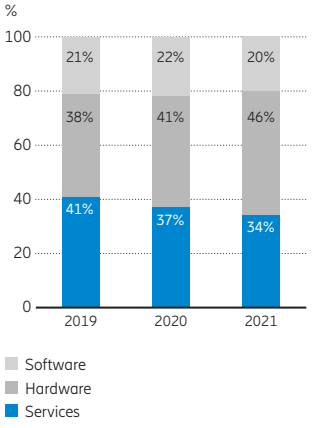
Free cash flow before M&A amounted to SEK 32.1 (22.3) billion.

The improvement in cash flow was driven by improved profitability. Net cash at December 31 was SEK 65.8 (41.9) billion.

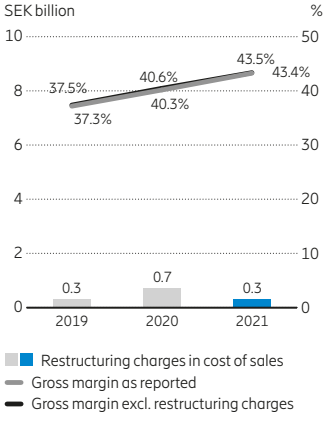
**IPR licensing revenues**




**Software, hardware and services: share of total sales**




**Gross margin and restructuring charges**




## Financial highlights

**Net sales**
Reported sales were stable at SEK 232.3 (232.4) billion. Sales in Mainland China declined by SEK −7.7 billion, impacting Group growth rate adjusted for comparable units and currency by −3 percentage points.

Networks sales increased by SEK 1.9 billion or 1% to SEK 167.8 billion, with a negative impact of SEK −6.4 billion from reduced market share in Mainland China. Digital Services sales decreased by SEK −1.2 billion or −3% to SEK 36.2 billion, with an impact of SEK −1.3 billion due to the reduced market share in Mainland China. Managed Services sales decreased by SEK −2.2 billion or −10% to SEK 20.4 billion. Emerging Business and Oher sales increased by SEK 1.5 billion or 22% to SEK 7.9 billion, driven mainly by Cradlepoint. Group sales adjusted for comparable units and currency increased by 4% while excluding Mainland China, organic sales growth was 8%.

IPR licensing revenues declined to SEK 8.1 (10.0) billion mainly due to lower volumes with one licensee.

Networks sales adjusted for comparable units and currency increased by 7%. Sales growth was driven primarily by North America, Europe and Latin America. Networks accounted for 72% (71%) of Group sales.

Digital Services sales adjusted for comparable units and currency increased by 1%. Sales increased in Europe and Latin America and in Middle East and Africa. Digital Services accounted for 16% (16%) of Group sales.

Managed Services sales adjusted for comparable units and currency declined by −6%, mainly due to reduced variable sales in a large contract in North America, post the merger between two operators. Contract rescoping and planned exits also contributed to the sales decline. Managed Services accounted for 9% (10%) of Group sales.

Emerging Business and Other sales adjusted for comparable units and currency grew by 11% with improvements in Emerging Businesses. Emerging Business and Other accounted for 3% (3%) of Group sales.

In the market area dimension, sales growth was driven by North America and Europe and Latin America.

The sales mix by commodity was: hardware 46% (41%), software 20% (22%) and services 34% (37%).

**Gross margin**
Reported gross margin increased to 43.4% (40.3%). Gross margin excluding restructuring charges improved to 43.5% (40.6%) driven primarily by strengthened operational leverage in Networks.

**Research and development (R&D) expenses**
Reported R&D expenses increased to SEK −42.1 (−39.7) billion. R&D expenses increased in Networks and Digital Services due to increased investments in the segments' 5G portfolios and in Emerging Business and Other as a result of the acquired Cradlepoint business.

**Selling and administrative (SG&A) expenses**
SG&A expenses increased to SEK −27.0 (−26.7) billion. Selling expenses increased through investments in expanding the sales force in the acquired Cradlepoint business.

Revaluation of customer financing was SEK 0.4 (−0.3) billion.

**Impairment losses on trade receivables**
Reversal of impairment losses on trade receivables was SEK 0.0 (0.1) billion.

**Other operating income and expenses**
Other operating income and expenses was SEK 0.4 (0.7) billion.

Share in earnings of JVs and associated companies was SEK −0.3 (−0.3) billion.

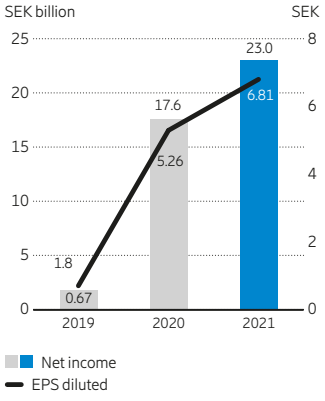
**Restructuring charges**
Restructuring charges decreased to SEK −0.5 (−1.3) billion. Restructuring charges in 2021 were mainly related to Mainland China.

**Earning before financial items and income taxes (EBIT)**
Reported EBIT improved to SEK 31.8 (27.8) billion. EBIT excluding restructuring charges improved to SEK 32.3 (29.1) billion with an EBIT margin excluding restructuring charges of 13.9% (12.5%). The improvement was driven by improved gross income in segment Networks.

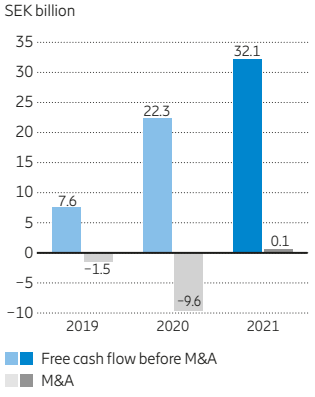
**EBITA**
EBITA improved to SEK 33.3 (29.0) billion. EBITA excluding restructuring charges increased to SEK 33.8 (30.3) billion corresponding to an EBITA margin excluding restructuring charges of 14.6% (13.1%).

**Financial income and expenses, net**
Financial net declined to SEK −2.5 (−0.6) billion, mainly due to impact from the currency hedge. The currency hedge effect impacted financial net by SEK −0.8 (1.0) billion. The USD strengthened against the SEK between December 31, 2020 (SEK/USD rate 8.19) and December 31, 2021 (SEK/USD rate 9.05).

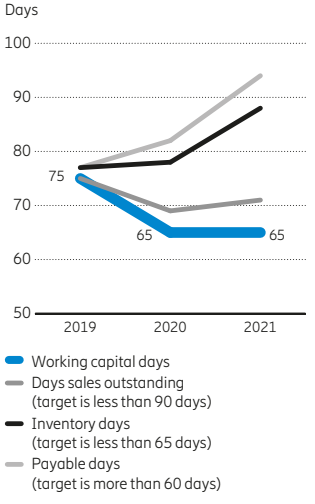
### Net income and EPS diluted




### Free cash flow




### Working capital days




### Taxes

Taxes were SEK −6.3 (−9.6) billion, positively impacted by utilization of impaired withholding tax assets in Sweden. The effective tax rate in 2021 was 21%, while the effective 2020 tax rate was approximately 35%. Effective tax rate excluding utilization of impaired withholding tax assets in Sweden would have been 25%.

### Net income

Net income improved to SEK 23.0 (17.6) billion, driven by improved EBIT and lower reported taxes. Earnings per share (EPS) diluted was SEK 6.81 (5.26) and Adjusted EPS was SEK 7.26 (5.83).

### Employees

The number of employees on December 31, 2021, was 101,322, a total increase of 498 employees compared with December 31, 2020. In Research and Development, the number of employees increased by 1,210.

### Cash flow

#### Cash flow from operating activities

Reported cash flow from operating activities was SEK 39.1 (28.9) billion. The improvement was attributed to both improved EBIT and decreased operating net assets. Cash flow from operating activities in 2020 was impacted by payments of SEK −3.0 billion into the Swedish Pension Trust. Operating net assets decreased for the full year with a positive impact on cash flow of SEK 4.0 billion. Key movements include a negative impact of SEK −5.6 billion related to an increase in inventory, mainly driven by the decision to strengthen the supply chain resilience within Networks. The negative impact was partly offset by a positive impact of SEK 1.4 billion from increase in trade payables. Cash flow was also positively impacted by SEK 4.0 billion from an increase in contract liabilities. Provisions of SEK 4.2 (4.0) billion were utilized, of which SEK 0.8 (0.8) billion related to restructuring charges. Taxes paid were SEK −4.1 billion.

Accounts receivable days of sales outstanding increased to 71 (69) days and working capital days was stable at 65 (65) days.

### Free cash flow

Free cash flow before M&A was SEK 32.1 (22.3) billion or 13.8% (9.6%) in relation to sales, compared with the long-term target of 9–12%. Capex net and other investing activities was SEK −4.6 (−4.3) billion. Repayment of lease liabilities was SEK −2.4 (−2.4) billion. There were few M&A transactions settled in 2021 and free cash flow after M&A was SEK 32.1 (12.7) billion.

### Cash flow from investing activities

Reported cash flow from investing activities was SEK −19.9 (−15.2) billion as a result of purchases of interest-bearing securities.

### Cash flow from financing activities

Reported cash flow from financing activities was SEK −9.3 (−12.5) billion including repayment of lease liabilities. During the year, dividends of SEK −6.9 (−6.0) billion were paid to shareholders and the net impact on cash flow from issuance and repayment of long-term debt was SEK 2.1 billion.

### Financial position

Gross cash was SEK 97.6 (72.0) billion as a result of the positive free cash flow and a SEK 2.6 billion loan with the European Investment Bank (EIB), partly offset by SEK −6.9 billion of dividends paid to shareholders. Net cash was SEK 65.8 (41.9) billion.

Liabilities for post-employment benefits decreased to SEK 36.1 (37.4) billion, primarily due to positive asset returns. The Swedish defined benefit obligation (DBO) was calculated using a discount rate based on the yields of Swedish government bonds. If the discount rate had been based on Swedish covered mortgage bonds, the liability for post-employment benefits would have been approximately SEK 17.3 billion (SEK 18.8 billion lower than current DBO).

The average maturity of long-term borrowings was 3.5 years as of December 31, 2021, an increase from 2.7 years 12 months earlier.

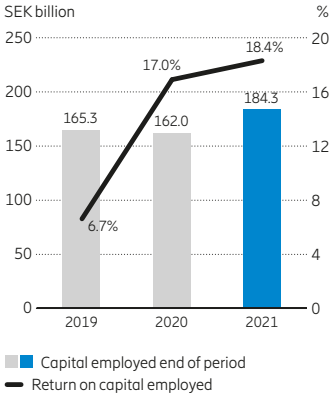
In March 2021, Ericsson repaid its EUR −0.5 billion (SEK −5.1 billion) bond and in May 2021, Ericsson issued a EUR 0.5 billion (SEK 5.0 billion) senior unsecured 8-year bond.

In September 2021, Ericsson renewed its existing USD 2.0 billion revolving credit facility, linked to two of Ericsson's long-term sustainability goals. The facility has a five-year tenure with two one-year extension options and is undrawn.

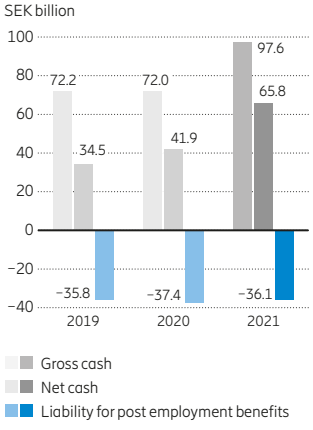
Standard & Poor's and Fitch have a long-term BBB- rating on Ericsson with stable outlook. Moody's has a Ba1 rating with stable outlook.

The capital turnover decreased to 1.3 (1.4) times, while Return on capital employed (ROCE) improved to 18.4% (17.0%) driven by improved EBIT.

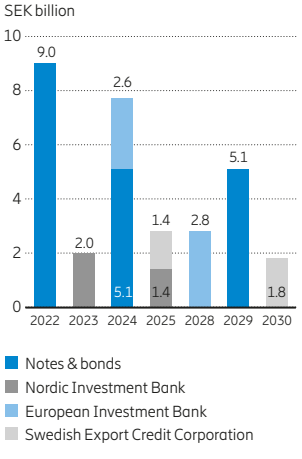
### Return on capital employed




### Cash position




### Debt maturity, Parent Company




### Research and development, patents and licensing

In 2021, R&D expenses amounted to SEK −42.1 (−39.7) billion. R&D expenses were impacted by SEK -0.1 (-0.4) billion of restructuring charges. The number of R&D resources increased to 27,379 (26,169) and the number of patents continued to increase and amounted to more than 60,000 (57,000) granted patents by end of 2021.

### Seasonality

The Company's sales, income and cash flow from operations vary between quarters, and are generally lowest in the first quarter of the year and highest in the fourth quarter. This is mainly a result of the seasonal purchase patterns of telecom operators.

Most recent three-year average seasonality

| | First quarter | Second quarter | Third quarter | Fourth quarter |
|---|---|---|---|---|
| Sequential change, sales | −26% | 11% | 3% | 21% |
| Share of annual sales | 21% | 24% | 25% | 30% |

### Off-balance sheet arrangements

There are currently no material off-balance sheet arrangements that have, or would be reasonably likely to have, a current or anticipated material effect on the Company's financial condition, revenues, expenses, result of operations, liquidity, capital expenditures or capital resources.

### Capital expenditures

For 2021, capital expenditure was SEK 3.7 (4.5) billion, representing 1.6% of sales. Expenditures are largely related to test sites and equipment for R&D, network operation centers and manufacturing and repair operations.

Annual capital expenditures are normally around 2% of sales. This corresponds to the needs for keeping and maintaining the current capacity level. The Board of Directors reviews the Company's investment plans and proposals. As of December 31, 2021, no material land, buildings, machinery or equipment were pledged as collateral for outstanding indebtedness.

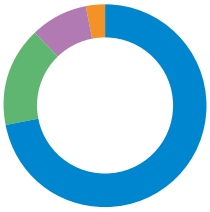
Capital expenditures 2019–2021

| SEK billion | 2021 | 2020 | 2019 |
|---|---|---|---|
| Capital expenditures | 3.7 | 4.5 | 5.1 |
| *Of which in Sweden* | *1.5* | *1.9* | *2.0* |
| Share of annual sales | 1.6% | 1.9% | 2.3% |

### Capitalized development expenses

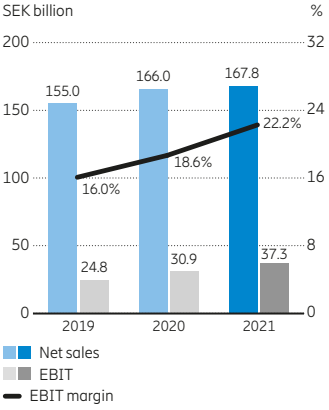
Capitalized development expenses increased to SEK −1.0 (−0.8) billion due to 5G development projects. The net effect on operating income of capitalized and amortized development expenses was SEK −0.1 (0.2) billion.

**Sales split per segment**

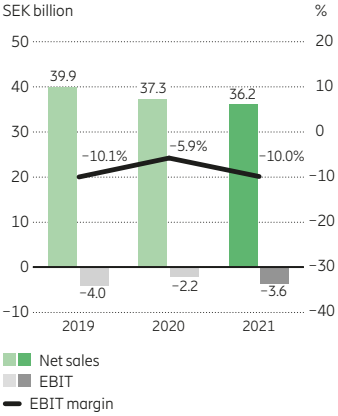


| | |
|---|---|
| Networks | 72% |
| Digital Services | 16% |
| Managed Services | 9% |
| Emerging Business and Other | 3% |

**Networks**




**Digital Services**




## Business results – Segments

### Networks

Networks represented 72% (71%) of Group net sales in 2021. Networks offers a multi-technology capable Radio Access Network (RAN) solution for all network spectrum bands, including integrated high-performing hardware and software. The offering also includes a cloud-native RAN portfolio, a transport portfolio, passive and active antenna solutions and a complete service portfolio covering network deployment and support.

### Net sales

Reported sales increased by 1% in 2021 to SEK 167.8 (166.0) billion. Growth was driven primarily by increased product sales as a result of continued market share gains. Sales adjusted for comparable units and currency increased by 7%. Sales growth was underpinned by increased sales in North America and in Europe and Latin America as well as in some North East Asian markets. Sales declined by SEK −6.4 billion YoY in Mainland China, impacting the growth rate adjusted for comparable units and currency by −4 percentage points.

### Gross margin

Reported gross margin increased to 47.0% (43.6%), as a result of continued strengthening of operational leverage and a higher share of product revenues in the sales mix.

### EBIT

Reported EBIT increased to SEK 37.3 (30.9) billion with an increase in EBIT margin to 22.2% (18.6%). EBIT excluding restructuring charges improved to SEK 37.5 (31.6) billion with an EBIT margin excluding restructuring charges of 22.4% (19.0%) driven by sales growth and improved gross margin.

Operating expenses remained stable at SEK −41.9 billion. R&D investments in the 5G portfolio increased during the year, while selling and administrative expenses decreased.

### Digital Services

Digital Services represented 16% (16%) of Group net sales in 2021. The segment provides software-based solutions for business support (BSS), operational support (OSS), communication services, core networks, and cloud infrastructure. The focus is on cloud native and automation solutions supporting our customers' 4G and growing 5G consumer and enterprise business.

### Net sales

Reported sales decreased by −3% to SEK 36.2 billion in 2021. Sales adjusted for comparable units and currency increased by 1%, supported by sales growth in North America and in Europe and Latin America. Sales in Mainland China decreased by SEK −1.3 billion YoY, impacting the growth rate adjusted for comparable units and currency by −3 percentage points.

Important 5G Core contracts have been signed with several tier-1 operators in 2021 and are expected to generate increased revenues in 2022 and beyond.

Sales in the 5G Core portfolio gradually increased during 2021 and this portfolio is expected to generate growing sales during 2022 as 5G networks are commissioned and traffic grows.

### Gross margin

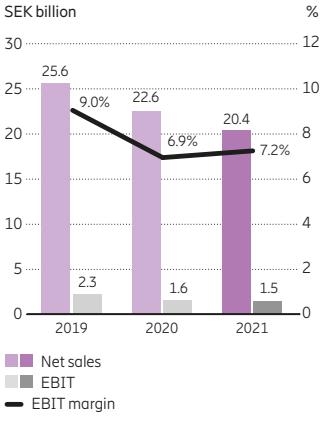
Reported gross margin was stable at 41.7% (41.9%), while gross margin excluding restructuring charges was stable at 42.0%. The margin was negatively impacted by initial 5G Core deployment costs.

### EBIT (loss)

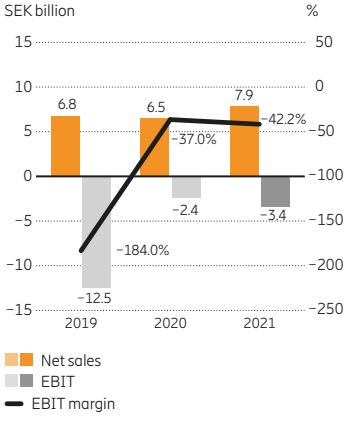
Reported EBIT (loss) was SEK −3.6 (−2.2) billion. EBIT excluding restructuring charges was SEK −3.5 (−2.2) billion.

Operating expenses increased by SEK −0.9 billion to SEK −18.8 billion mainly due to acceleration of R&D investments in the cloud native 5G portfolio. The lower sales volume and consequently lower gross income impacted EBIT by SEK −0.5 billion.

### Managed Services




### Emerging Business and Other




Breakdown of EBIT in segment Emerging Business and Other

| SEK billion | Full year 2021 | Full year 2020 |
|---|---|---|
| **Segment EBIT** | **−3.4** | **−2.4** |
| of which Emerging Business, iconective, media businesses, Cradlepoint and common costs | −3.4 | −2.6 |
| of which SEC and DOJ resolution costs | 0.0 | 0.3 |
| of which costs for ST-Ericsson wind-down | 0.0 | −0.1 |
| of which a refund of social security costs in Sweden | 0.0 | 0.0 |
| of which a Nokia settlement related to the 2019 resolution with SEC and DOJ | −0.8 | 0.0 |
| of which revaluation of Ericsson Ventures investments, a data center divestment and an impairment write-off | 0.8 | 0.0 |



### Managed Services

Managed Services represented 9% (10%) of Group net sales in 2021. Managed Services provides Networks and IT Managed Services, Network Design and Optimization, and Application Development and Maintenance to telecom operators. These are delivered through the AI-driven Ericsson Operations Engine, a set of capabilities that transform operations to enhance customer experience, drive agile service creation and optimize costs in multi-vendor environments.

### Net sales

Sales adjusted for comparable units and currency decreased by −6% in 2021, mainly due to reduced variable sales in a large contract in North America, post the merger between two operators. Contract rescoping and planned exits also contributed to the sales decline. Sales in Network Optimization showed growth. Reported sales declined by −10%.

### Gross margin

Reported gross margin increased to 18.8% (17.8%). Gross margin excluding restructuring charges increased to 19.4% (18.9%), mainly as a result of efficiency gains, partly offset by lower sales.

### EBIT

Reported EBIT was SEK 1.5 (1.6) billion. EBIT excluding restructuring charges was SEK 1.6 (1.8) billion with a stable EBIT margin of 7.8% (8.1%), despite the sales decline.

### Emerging Business and Other

Segment Emerging Business and Other represented 3% (3%) of Group net sales in 2021. Emerging Business and Other supports enterprises by providing reliable and secure cellular solutions that are easy to use, adopt and scale for global and local needs.

The segment includes:

- Emerging Business, including IoT, iconectiv, Cradlepoint and New businesses
- Media businesses, including Red Bee Media and a 49% ownership of MediaKind.

### Net sales

Sales adjusted for comparable units and currency increased by 11% in 2021, with improvements in Emerging Businesses. Reported sales increased by 22%, driven by the acquired Cradlepoint business.

Cradlepoint saw increasing demand for the 5G portfolio during the year. Reported sales and margins for Cradlepoint were in line with the acquisition plan.

### Gross margin

Reported gross margin increased to 37.2% (25.6%), driven by Cradlepoint.

### EBIT (loss)

Reported EBIT (loss) was SEK −3.4 (−2.4) billion driven by Cradlepoint, the Nokia settlement related to the 2019 resolution with the U.S authorities and impairment write-off.

In 2021 EBIT was positively impacted by SEK 1.0 billion through a positive revaluation of Ericsson Ventures investments and a data center divestment.

In 2020 EBIT was positively impacted by SEK 0.3 billion from a provision release related to compliance monitor costs.

Sales in Emerging Businesses grew, with improved gross margin.

**Sales split per market area**



| | |
|---|---|
| North America | 33% |
| Europe and Latin America | 26% |
| Middle East and Africa | 9% |
| South East Asia, Oceania and India | 12% |
| North East Asia | 13% |
| Other | 7% |

## Business results – Market areas

### North America
Currency adjusted sales increased by 12% driven primarily by Networks 5G deployments, and by growth in 5G Core and cloud native solutions. Managed Services sales decreased after the merger between two operators. Reported sales increased by 5%.

### Europe and Latin America
Currency adjusted sales increased by 12%, with 11% growth in Europe and 19% in Latin America. Sales in both Networks and Digital Services continued to grow as a result of market share gains, while sales decreased in Managed Services YoY due to earlier decisions on contract exits and rescoping of contracts. Reported sales increased by 8%.

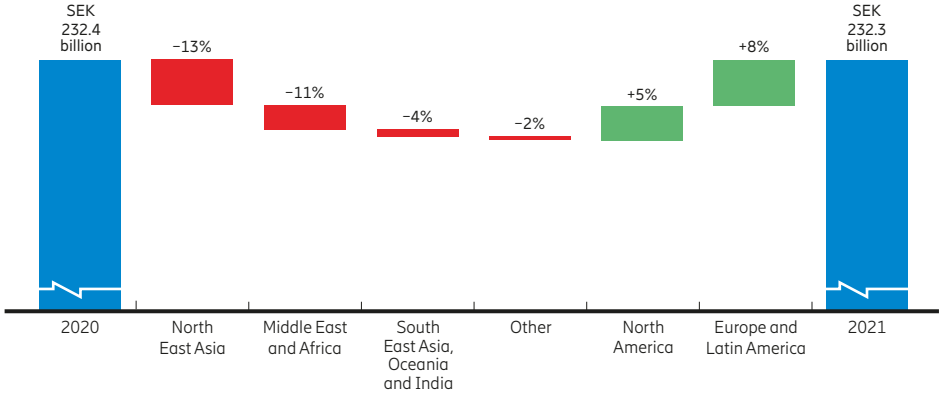
### Middle East and Africa
Currency adjusted sales declined by –7%. Sales decreased in Networks primarily due to timing of 5G investments. Continued growth in Africa and strong software upgrades contributed to growth in Digital Services. Managed Services sales decreased due to contractual renegotiations in certain markets. Reported sales declined by –11%.

### South East Asia, Oceania and India
Currency adjusted sales declined by –1%. Networks sales declined marginally due to timing of orders and project milestones, while Digital Services sales were stable. Sales in Managed Services grew as a result of a new contract signed in 2020 and timing of variable sales. Reported sales decreased by –4%.

### North East Asia
Currency adjusted sales declined by –8%. Sales declined in Networks and Digital Services due to market share loss in Mainland China. Markets outside of Mainland China grew by 19% mainly through acceleration of 5G deployments. Reported sales declined by –13%.

### Other
IPR licensing revenues declined to SEK 8.1 (10.0) billion mainly due to lower volumes with one licensee.

**Reported sales per market area – 2021 compared with 2020**



## Corporate Governance

In accordance with the Swedish Annual Accounts Act and the Swedish Corporate Governance Code (the Code), a separate Corporate Governance Report, including an internal control section, has been prepared and appended to this Financial Report.

## Continued compliance with the Swedish Corporate Governance Code

Ericsson is committed to complying with best-practice corporate governance standards on a global level wherever possible. For 2021, Ericsson does not report any deviations from the Code.

## Business integrity

Ericsson's Code of Business Ethics (COBE) outlines the fundamental ethical principles and expectations that guide Ericsson's decisions and is designed to ensure that Ericsson pursues business with a strong sense of integrity. It reflects the Company's commitment to conducting business responsibly, consistent with all internationally recognized human rights principles and the applicable laws and regulations where Ericsson operates.

Ericsson reviews and updates COBE's content periodically, and runs an acknowledgment process regularly to ensure that everyone working for Ericsson has read and understood it. New employees and individuals starting work for Ericsson are also required to acknowledge their understanding of COBE upon their recruitment or on the first day of their assignment.

## Board of Directors

At the Annual General Meeting, held on March 30, 2021, Ronnie Leten was re-elected Chair of the Board, and Jon Fredrik Baksaas, Jan Carlson, Nora Denzel, Börje Ekholm, Eric A. Elzvik, Kurt Jofs, Kristin S. Rinne, Helena Stjernholm and Jacob Wallenberg were re-elected members of the Board. As of March 30, 2021, Torbjörn Nyman, Anders Ripa and Kjell-Åke Soting were appointed employee representatives by the unions, with Ulf Rosberg, Loredana Roslund and Per Holmberg as deputies. Per Holmberg resigned as deputy employee representative as of November 3, 2021.

## Management

Since 2017 Börje Ekholm is the President and CEO of the Group. The President and CEO is supported by the Group management, consisting of the Executive Team.

Ericsson has a global management system, the Ericsson group Management System (EGMS). EGMS aims to ensure that Ericsson's business is well managed and has the ability to fulfil the objectives of major stakeholders within established risk limits and with reliable internal control. EGMS also aims to ensure compliance with applicable laws, listing requirements, governance codes and corporate responsibilities.

## Remuneration

Remuneration to the members of the Board of Directors and to Group management are reported in note G2, "Information regarding members of the Board of Directors and the Group management." Further information about remuneration to the President and CEO and the Executive Vice Presidents is included in the "Remuneration report" appended to this Financial Report.

## Guidelines for remuneration to Group management

The Board of Directors does not propose any changes to the Guidelines for remuneration to Group management resolved by the Annual General Meeting 2020, which are intended to remain in place for four years until the Annual General Meeting of shareholders 2024. The current Guidelines are included on pages 22–26.

## Long-Term Variable Compensation Program 2021 (LTV 2021) for the Executive Team

Ericsson has share-based Long-Term Variable Compensation Programs in place for the Executive Team. LTV 2021 for the Executive Team was approved by the Annual General Meeting 2021. Details of LTV 2021 are explained in note G3, "Share-based compensation."

## Material contracts

Material contractual obligations are outlined in note D4, "Contractual obligations." These are primarily related to leases of office and production facilities, purchase contracts for outsourced manufacturing, R&D and IT operations as well as the purchase of components for the Company's own manufacturing.

The Company is party to certain agreements, which include provisions that may take effect or be altered or invalidated by a change in control of the Company as a result of a public takeover offer. Such provisions are not unusual for certain types of agreements, such as for example financing agreements and certain license agreements. However, considering among other things the Company's strong financial position, the Company believes that none of the agreements currently in effect would in and of itself entail any material consequence for Ericsson due to a change in control of the Company.

## Risk management

Ericsson's Enterprise Risk Management (ERM) framework is an integrated part of the EGMS. The aim of the ERM framework is to strengthen the Group's governance by integrating risk management with strategy-setting and execution. The ERM framework is designed to establish an adequate and effective management of risk, i.e. the uncertainty in achieving the strategic objectives of the Company. The framework provides methods to identify, assess and treat the risks, and to agree on and stay within the Company's risk appetite.

Each manager is responsible for handling the risks that emerges from their respective area of responsibility. The responsibility for identified prime risks of the Company is always allocated to an Executive Team member. The Group Risk Management function is responsible for driving the ERM strategy execution and the ERM operations on Group level. The head of each group function, market area and business area, is accountable for appointing one or several risk manager(s) to drive risk management within the unit's area of responsibility, and for overseeing the ERM in the respective unit. The Chief Financial Officer is accountable for performing oversight of ERM, and the Board of Directors and the Audit and Compliance Committee are responsible for reviewing the effectiveness and appropriateness of ERM.

For information on risks that could impact the fulfilment of objectives, and form the basis for mitigating activities, see the other sections of the Board of Directors' report, notes A2 "Critical accounting estimates and judgments," F4 "Interest-bearing liabilities," F1 "Financial risk management" and the chapter Risk factors.

## Sourcing and supply

Ericsson's hardware largely consists of electronics. For manufacturing, the Company purchases customized and standardized components and services from global, regional and local suppliers.

The Company negotiates global supply agreements with its primary suppliers. In general, Ericsson endeavours to have alternative supply sources and seeks to avoid single source supply situations.

The production of electronic modules and sub-assemblies is mostly outsourced to manufacturing services companies. Ericsson is focusing internal manufacturing on new product introductions and new technologies. The majority of the matured portfolio is outsourced through production partners. Ericsson has internal production sites in USA, Estonia, China and Brazil.

The Company requires its suppliers to comply with principles set forth in the Code of Conduct for Business Partners. The Code of Conduct sets forth standards on environmental management, human and labor rights, occupational health and safety and business ethics and anti-corruption as fundamental parts of Ericsson's responsible business.

Business Partners are required to have an environmental management system and to be aware of and comply with applicable environmental legislation, permits and reporting requirements. Where the requirements in the Ericsson Code of Conduct for Business Partners are higher than local standards and laws, the requirements of the Code should be applied.

Ericsson works to reduce environmental impacts and emissions in the product portfolio and supply chain. Ericsson has set an ambition that a certain number of high emitting and strategic suppliers should have their own 1.5°C aligned climate targets.

Ericsson's approach to environmental sustainability is through a circular approach, where the Company continuously strives to minimize the negative impacts of its operations, and to improve the environmental and energy performance of its products. Minimizing waste is key to a circular economy and high reuse and recycling rates form part of the standard requirements for the Company´s smart product design.

## Sustainability and Corporate Responsibility

Ericsson's approach to sustainability and corporate responsibility is an integral part of the Company's strategy and culture and is embedded across its operations to drive business transformation and create value for its stakeholders.

Ericsson is committed to creating positive sustainability impacts and reducing risks to the Company and its stakeholders through its technology, solutions, operations, and the expertise of its employees.

Ericsson has prepared a separate sustainability report, in accordance with the Swedish Annual Accounts Act, named the Sustainability and Corporate Responsibility Report 2021, appended to this Financial Report.

## Security and Privacy

Security and Privacy are highly prioritized areas for Ericsson. As the value of information and the capabilities of threat actors increase so must the Company's and its products' resilience. 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 Audit and Compliance Committee and the Technology and Science Committee of the Board of Directors receives regular updates on security and privacy.

Policies, directives and frameworks establish the security requirements across Ericsson. The security and privacy frameworks cover product security, information security, privacy, IT-security, risk management, sourcing and third parties, incident management, insider threat prevention, business continuity, physical security, security in high-risk areas, and travel and event security to secure all areas of Ericsson's business processes and ensure the delivery of resilient products. Frameworks are developed in accordance with applicable regulations, international standards and best-practices. For example, Ericsson's Information Security Management System is globally certified to ISO/IEC 27001 and the Ericsson Security Reliability Model detailing the security requirements for Ericsson's products is aligned with GSMA NESAS and NIST Cyber Security Framework.

Ericsson is committed to continuously assess and adjust its capabilities, controls and processes and develop its portfolio in order to secure the Company's and its customers assets in relation to evolving threats, risks and legal requirements.

For further information on Security and Privacy and risks relating thereto see the chapter Risk factors in the Financial Report and the section Security and Privacy in the Sustainability and Corporate responsibility report.

## US FCPA settlement

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. Ericsson entered into the DPA and the consent judgment, and agreed to engage an independent compliance monitor, for a period of three years as part of the resolution of the investigations conducted by the DOJ and the SEC since 2015 and 2013 respectively. In June 2020, Ericsson announced the appointment of its monitor, marking the start of the three-year term of the monitorship. The monitor's main responsibilities include reviewing and evaluating the Company's progress in updating and operating its Ethics & Compliance Program and accompanying controls, consistent with the terms of the DPA, and providing recommendations for improvements.

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 the Company 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.

## Legal proceedings

On May 7, 2021, Ericsson and Samsung reached a multi-year agreement on global patent licenses between the two companies, including patents relating to all cellular technologies. The cross license agreement covers sales of network infrastructure and handsets from January 1, 2021. Furthermore, Ericsson and Samsung agreed on technology cooperation projects to advance the mobile industry in open standardization and create valuable solutions for consumers and enterprises. The settlement ended complaints filed by both companies before the U.S. International Trade Commission (ITC) as well as lawsuits in several countries.

On October 4, 2021, Ericsson asked the U.S. District Court for the Eastern District of Texas for a declaration that Ericsson has, in its negotiations with Apple, complied with its FRAND commitment and all other applicable laws and policies that would affect the terms of Ericsson's and Apple's prospective license. On December 17, 2021, Apple filed a responsive case against Ericsson in the U.S. District Court for the Eastern District of Texas alleging, among other things, that Ericsson breached obligations associated with the licensing of its standard essential patents under FRAND terms. The filing of lawsuits, complaints and other proceedings, when parties take legal action over a patent license agreement renewal, is standard and consequently additional lawsuits, complaints and other proceedings, may follow.

As part of its defense to a now settled patent infringement lawsuit filed by Ericsson in 2013 in the Delhi High Court against Indian handset company Micromax, Micromax filed a complaint against Ericsson with the Competition Commission of India (CCI). The CCI decided to refer the case to the Director General's Office for an in-depth investigation. The CCI opened similar investigations against Ericsson in January 2014 based on claims made by Intex Technologies (India) Limited and, in 2015, based on a now settled claim

from iBall. Ericsson has challenged CCI's jurisdiction in these cases before the Delhi High Court and is awaiting final appellate decision by the Supreme Court of India.

In April 2019, Ericsson was informed by China's State Administration for Market Regulation (SAMR) Anti-monopoly bureau that SAMR has initiated an investigation into Ericsson's patent licensing practices in China. Ericsson is cooperating with the investigation, which is still in a fact-finding phase. The next steps include continued fact finding and meetings with SAMR in order to facilitate the authority's assessments and conclusions.

In addition to the proceedings discussed above, the Company is, and in the future may be, involved in various other lawsuits, claims and proceedings incidental to the ordinary course of business. For information on risks e.g. relating to lawsuits, claims and proceedings, see the chapter Risk Factor.

## Parent Company

Telefonaktiebolaget LM Ericsson (the Parent Company) business consists mainly of corporate management, holding company functions, internal banking activities and customer credit management. As of 31 December 2021 (2020) the Parent Company had 3 (3) branch offices. In total, the Group has 74 (77) branch and representative offices.

### Financial information

Income after financial items was SEK 9.3 (8.3) billion. The Parent Company had no sales in 2021 or 2020 to subsidiaries, while 34% (36%) of total purchases of goods and services were from subsidiaries.

Major changes in the Parent Company's financial position for the year included:

- Increased current and non-current liabilities to subsidiaries of SEK 22.1 billion.
- Decreased current and non-current receivables from subsidiaries of SEK 0.7 billion.
- Shareholder contributions to subsidiaries of SEK 6.4 billion.
- Impairment of investments in subsidiaries of SEK 1.3 billion.
- Increased gross cash of SEK 23.5 billion.

At the end of the year, gross cash: cash, cash equivalents, short-term investments ("Interest-bearing securities, current" in Group's definition), and interest-bearing securities non-current amounted to SEK 80.5 (57.0) billion.

At the end of the year, non-restricted equity amounted to SEK 35.0 (33.9) billion and total equity amounted to SEK 83.1 (82.1) billion.

### Share information

As of December 31, 2021, the total number of shares in issue was 3,334,151,735 of which 261,755,983 were Class A shares, each carrying one vote, and 3,072,395,752 were Class B shares, each carrying one tenth of one vote. Both classes of shares have the same rights of participation in the net assets and earnings. The largest shareholders of the Parent Company at year-end were Investor AB with approximately 23.79% of the votes (8.00% of the shares), AB Industrivärden with approximately 15.14% of the votes (2.61% of the shares) and AMF Tjänstepension & AMF Fonder with approximately 4.36% of the votes (1.87% of the shares).

In accordance with the conditions of the Long-Term Variable Compensation Program (LTV) for Ericsson employees, 2,034,654 treasury shares were distributed to employees or sold in 2021. The quotient value of these shares was SEK 5.00 per share, totaling SEK 10 million, representing less than 1% of capital stock, and compensation received for shares sold and distributed shares amounted to SEK 41.7 million.

The holding of treasury stock at December 31, 2021 was 4,009,306 Class B shares. The quotient value of these shares is SEK 5.00, totaling SEK 20 million, representing 0.1% of capital stock, and the purchase price amounts to SEK 29.1 million.

### Proposed disposition of earnings

The Board of Directors proposes a dividend SEK 2.50 (2.00) per share, and that the Parent Company shall retain the remaining part of non-restricted equity. The dividend is proposed to be paid in two equal installments, SEK 1.25 per share with the record date March 31, 2022, and SEK 1.25 per share with the record date September 30, 2022.

The Class B treasury shares held by the Parent Company are not entitled to receive dividend. Assuming that no treasury shares remain on the record date, the Board of Directors proposes that earnings be distributed as follows:

| | |
|---|---|
| Amount to be paid to the shareholders | SEK 8,335,379,338 |
| Amount to be retained by the Parent Company | SEK 26,649,074,267 |
| Total non-restricted equity of the Parent Company | SEK 34,984,453, 605 |

As a basis for its dividend proposal, the Board of Directors has made an assessment in accordance with Chapter 18, Section 4 of the Swedish Companies Act of the Parent Company's and the Group's need for financial resources as well as the Parent Company's and the Group's liquidity, financial position in other respects and long-term ability to meet their commitments. The Group reports an equity ratio of 35.0% (31.4%) and a net cash amount of SEK 65.8 (41.9) billion.

The Parent Company's equity would have been SEK 1.3 billion lower if assets and liabilities had not been valued at fair value pursuant to Chapter 4, Section 14a of the Swedish Annual Accounts Act.

The Board of Directors has also considered the Parent Company's result and financial position and the Group's position in general. In this respect, the Board of Directors has taken into account known commitments that may have an impact on the financial positions of the Parent Company and its subsidiaries.

The proposed dividend does not limit the Group's ability to make investments or raise funds, and it is the Board of Directors' assessment that the proposed dividend is well balanced considering the nature, scope and risks of the business activities as well as the capital requirements for the Parent Company and the Group in addition to coming years' business plans and economic development.

## Guidelines for Remuneration to Group Management approved by the Annual General Meeting of shareholders 2020

### Guidelines for Remuneration to Group Management

#### Introduction

These Guidelines for Remuneration to Group Management (the "**Guidelines**") apply to the Executive Team of Telefonaktiebolaget LM Ericsson (the "**Company**" or "**Ericsson**"), including the President and Chief Executive Officer (the "**President and CEO**") ("**Group Management**"). These Guidelines apply to remuneration agreed and changes to previously agreed remuneration after the date of approval of the Guidelines and are intended to remain in place for four years until the Annual General Meeting of shareholders 2024. For employments outside of Sweden, due adaptations may be made to comply with mandatory local rules or established local practices. In such cases, the overall purpose of these Guidelines shall be accommodated to the largest extent possible. These Guidelines do not cover remuneration resolved by the general meeting of shareholders, such as long-term variable compensation programs ("**LTV**").

#### Objective

These Guidelines aim to ensure alignment with the current remuneration philosophy and practices applicable for the Company's employees based on the principles of competitiveness, fairness, transparency and performance. In particular to:

- attract and retain highly competent, performing and motivated people that have the ability, experience and skill to deliver on the Ericsson strategy,
- encourage behavior consistent with Ericsson's culture and core values,
- ensure fairness in reward by delivering total remuneration that is appropriate but not excessive, and clearly explained,
- have a total compensation mix of fixed pay, variable pay and benefits that is competitive where Ericsson competes for talent, and
- encourage variable remuneration which aligns employees with clear and relevant targets, reinforces their performance and enables flexible remuneration costs.

#### The Guidelines and the Company's strategy and sustainable long-term interest

A successful implementation of the Company's strategy and sustainable long-term interests requires that the Company can attract, retain and motivate the right talent and can offer them competitive remuneration. These Guidelines aim to allow the Company to offer the members of the Group Management attractive and competitive total remuneration. Variable compensation covered by these guidelines shall be awarded against specific pre-defined and measurable business targets derived from the long-term business plan approved by the Board of Directors. Targets may include financial targets at either Group, Business Area or Market Area level, strategic targets, operational targets, employee engagement targets, customer satisfaction targets, sustainability and corporate responsibility targets or other lead indicator targets.

The Company operates long-term variable compensation programs for the Group Management. These have been approved by the Annual General Meeting ("**AGM**") and as a result are not covered by these Guidelines. Details of Ericsson's current remuneration policy and how we deliver on our policy and guidelines and information on previously decided long-term variable compensation programs that have not yet become due for payment, including applicable performance criteria, can be found in the Remuneration Report and in note G2, "Information regarding members of the Board of Directors, the Group management" and note G3, "Share-based compensation" in the annual report 2019.[1)]

#### Governance of remuneration to Group Management

The Board has established a Remuneration Committee (the "**Committee**") to handle compensation policies and principles and matters concerning remuneration to Group Management. The Board has authorized the Committee to determine and handle certain issues in specific areas. The Board may also on occasion provide extended authorization for the Committee to determine specific matters.

The Committee is authorized to review and prepare for resolution by the Board salary and other remuneration for the President and CEO. Further, the Committee shall prepare for resolution by the Board proposals to the AGM on Guidelines for Remuneration to Group Management at least every fourth year and on LTV and similar equity arrangements.

The Committee has the mandate to resolve salary and other remuneration for the other members of Group Management except for the President and CEO, including targets for short-term variable compensation ("STV"), and payout of STV based on achievements and performance.

In order to conduct its responsibilities, the Committee considers trends in remuneration, legislative changes, disclosure rules and the general global executive remuneration environment. It reviews salary survey data, Company results and individual performance before preparing salary adjustment recommendations for the President and CEO for resolution by the Board and before approving any salary adjustments for the other members of Group Management. In order to avoid conflict of interests, no employee is present at the Committee's meetings when issues relating to their own remuneration are being discussed. The President and CEO is not present at Board meetings when issues relating to the President and CEO's own remuneration are being discussed. The Committee may appoint independent expert advisors to assist and advise in its work.

The Chair of the Remuneration Committee along with the Chair of the Board work together with Ericsson's Investor Relations team, striving to ensure that healthy contact is maintained as necessary and appropriate with shareholders regarding remuneration to Group Management.

#### Overview of remuneration package covered by these Guidelines

For Group Management the remuneration package may consist of fixed salary, short-term and long-term variable compensation (STV and LTV), pension and other benefits.

The table below sets out the key components of remuneration of Group Management covered by these Guidelines, including why they are used, their operation, opportunity levels and the related performance measures. In addition, the AGM has resolved and may in the future decide to implement LTV for Group Management. The ongoing share-based LTV programs resolved by the AGM have been designed to provide long-term incentives for the members of Group Management and to incentivize the Company's performance creating long-term value. The aim is to attract, retain and motivate executives in a competitive market through performance-based share related incentives and to encourage the build-up of significant equity holdings to align the interests of the members of Group Management with those of shareholders. The vesting period under the ongoing share-based LTV programs resolved by the shareholders is three years and vesting is subject to the satisfaction of identified performance criteria. Although LTV is an important component of the remuneration of Group Management, it is not covered by these Guidelines, because these programs are separately resolved by the AGM.

1) Information for 2021 can be found in the Remuneration report and in note G2, "Information regarding members of the Board of Directors and Group management" and note G3, "Share-based compensation" in the Financial report.

| Element and purpose | Operation | Opportunity | Performance measures |
|---|---|---|---|
| **Fixed salary**<br>Fixed compensation paid at set times.<br>Purpose:<br>– attract and retain the executive talent required to implement Ericsson's strategy,<br>– deliver part of the annual compensation in a predictable format. | Salaries shall normally be reviewed annually in January.<br>Salaries shall be set taking into account:<br>– Ericsson's overall business performance,<br>– business performance of the Unit that the individual leads,<br>– year-on-year performance of the individual,<br>– external economic environment,<br>– size and complexity of the position,<br>– external market data,<br>– pay and conditions for other employees based in locations considered to be relevant to the role.<br>When setting fixed salaries, the impact on total remuneration, including pensions and associated costs, shall be taken into consideration. | There is no maximum salary level; however, salary increases (as a % of existing salary) for most Group Management members would normally be in line with the external market practices, employees in relevant locations and performance of the individual.<br>There are circumstances where higher salary increases could be awarded. For example, where:<br>– a new Group Management member has been appointed at a below-market salary, in which case larger increases may be awarded in following years, subject to strong individual performance,<br>– the Group Management member has been promoted or has had an increase in responsibilities,<br>– an individual's salary has fallen significantly behind market practice. | This element of the package does not require achievement of any specific performance targets.<br>However, individual performance and capability shall be taken into account along with business performance when determining fixed salary levels and any salary increases. |
| **Short-term variable compensation (STV)**<br>STV is a variable compensation plan that shall be measured and paid over a single year.<br>Purpose:<br>– align members of Group Management with clear and relevant targets to Ericsson's strategy and sustainable long-term interests,<br>– provide individuals an earning opportunity for performance at flexible cost to the Company. | The STV shall be paid in cash every year after the Committee and, as applicable, the Board have reviewed and approved performance against targets which are normally determined at the start of each year for each member of Group Management.<br>The Board and the Committee reserve the right to:<br>– revise any or all of the STV targets at any time,<br>– adjust the STV targets retroactively under extraordinary circumstances,<br>– reduce or cancel STV if Ericsson faces severe economic difficulties, for instance in circumstances as serious as no dividend being paid,<br>– adjust STV in the event that the results of the STV targets are not a true reflection of business performance,<br>– reduce or cancel STV for individuals either whose performance evaluation or whose documented performance feedback is below an acceptable level or who are on performance counselling.<br>**Malus and clawback**<br>The Board and the Committee shall have the right in their discretion to:<br>– deny, in whole or in part, the entitlement of an individual to the STV payout in case an individual has acted in breach of Ericsson's Code of Business Ethics.<br>– claim repayment in whole or in part the STV paid in case an individual has acted in breach of Ericsson's Code of Business Ethics.<br>– reclaim STV paid to an individual on incorrect grounds such as restatement of financial results due to incorrect financial reporting, non-compliance with a financial reporting requirement etc. | Target pay-out opportunity for any financial year may be up to 150% of annual fixed salary of the individual. This shall normally be determined in line with the external market practices of the country of employment.<br>Maximum pay-out shall be up to two times the target pay-out opportunity (i.e. 300% of annual fixed salary).[1) 2)] | The STV shall be based on measures linked to the annual business plan which in itself is linked to Ericsson's long-term strategy and sustainability.<br>Measures shall include financial targets at Group, Business Area or Market Area level (for relevant members of Group Management). Other potential measures may include strategic targets, operational targets, employee engagement targets, customer satisfaction targets, sustainability and corporate responsibility targets or other lead indicator targets.<br>A maximum of four STV targets shall be assigned to an individual in total for a financial year. Financial targets shall comprise at least 75% of the target bonus opportunity with a minimum of 40% being defined at Group level. The minimum weighting for an STV target shall be 20%.<br>Performance of all STV targets shall be tested over a one-year performance period (financial year).<br>The STV measures and targets shall be determined by the Committee for the members of Group Management other than the President and CEO.<br>The Board has the mandate to define STV measures and targets for the President and CEO, should STV be introduced for the President and CEO. |

| Element and purpose | Operation | Opportunity | Performance measures |
|---|---|---|---|
| **Pension**<br>Contributions paid towards retirement fund.<br>Purpose:<br>– attract and retain the executive talent required to implement Ericsson's strategy,<br>– facilitate planning for retirement by way of providing competitive retirement arrangements in line with local market practices. | The operation of the pension plan shall follow competitive practice in the individual's home country and may contain various supplementary plans in addition to any national system for social security.<br>Pension plans should be defined contribution plans unless the individual concerned is subject to defined benefit pension plan under mandatory collective agreement provisions or mandatory local regulations.<br>In some special circumstances where individuals cannot participate in the local pension plans of their home countries of employment:<br>– cash equivalent to pension may be provided as a taxable benefit, or<br>– contributions may be made to an international pension fund on behalf of the individual on a cost-neutral basis. | Since 2011, members of Group Management in Sweden participate in the defined contribution plan (ITP1) which applies for the wider workforce in Sweden. The pension contribution for ITP1 is capped at 30% of pensionable salary which includes fixed salary and STV paid in cash.<br>According to the local collective bargaining agreement in Sweden, the members of Group Management are also entitled to an additional pension contribution for part-time retirement for which the cap is determined during the union negotiations for all the local employees.<br>Members of Group Management employed outside of Sweden may participate in the local market competitive pension arrangements that apply in their home countries in line with what is offered to other employees in the same country.<br>In all cases the annual pension contributions shall be capped at 70% of annual fixed salary.[3)] | None |
| **Other benefits**<br>Additional tangible or intangible compensation paid annually which do not fall under fixed salary, short-term and long-term variable compensation or pension.<br>Purpose:<br>– attract and retain the executive talent required to implement Ericsson's strategy,<br>– deliver part of the annual compensation in a predictable format. | Benefits offered shall take into account the competitive practices in the individual's country of employment and should be in line with what is offered to other senior employees in the same country and may evolve year on year.<br>Benefits may for example include company phones, company cars, medical and other insurance benefits, tax support, travel, Company gifts and any international relocation and/or commuting benefits if the individual is required to relocate and/or commute internationally to execute the requirements of the role. | Benefit opportunities shall be set in line with competitive market practices and shall reflect what is offered to other senior employees in the individual's country of employment.<br>The levels of benefits provided may vary year on year depending on the cost of the provision of benefits to the Company.<br>Other benefits shall be capped at 10% of annual fixed salary for members of Group Management located in Sweden.<br>Additional benefits and allowances for members of Group Management who are commuters into Sweden or who are on long-term assignment ("LTA") in countries other than their home countries of employment, shall be determined in line with the Company's international mobility policy which may include (but is not limited to) commuting or relocation costs; cost of living adjustment, housing, home travel or education allowance; tax and social security equalization assistance. | None |

1) For most of the current members of Group Management, the current STV target opportunity is below 50% of the annual fixed salary.

2) At present the President & CEO does not participate in STV. The Board has the mandate to decide to include the President and CEO in STV in the future. In doing so the Board shall:
– determine the STV opportunity for the President and CEO within the ranges mentioned above and in line with the external market practices of the country of employment, keeping the STV opportunity of the other members of Group Management under consideration,
– reduce the LTV opportunity in relation to the STV opportunity, keeping the total target cash compensation consisting of fixed salary, STV and LTV unchanged.
Should the Board decide to introduce STV for the President and CEO, the details will be disclosed in the Remuneration Report for the relevant year.

3) Since most of the current members of Group Management are currently under ITP1 coverage, their pension contributions are currently capped at 30% of pensionable salary and the additional pension contribution for part-time retirement mandated by the local collective bargaining agreement in Sweden.

**Alignment of short-term variable compensation with the Company's strategy and criteria for payment**

These Guidelines for Remuneration to Group Management have been developed to support alignment of Ericsson's business strategy and long-term interests of members of Group Management with that of shareholders, in particular:

- The targets for the STV shall be set each year either by the Board or the Committee as appropriate for the members of the Group Management. In determining the targets, the Board and the Committee shall take into account Ericsson's focused business strategy, which is built on technology leadership, product-led solutions and global scale, along with internal annual and long-term business plans. Therefore, all members of Group Management shall have one or more Group financial targets derived from the long-term financial targets which amount to at least 40% of the target STV opportunity. At least 75% of the target STV opportunity shall be linked to financial measures. The Board and the Committee, as applicable, may also choose to include other operational, strategic, employee engagement, customer satisfaction or sustainability and corporate responsibility or other lead indicator measures to support the delivery of the business plan. For certain roles such targets may be supplemented by targets for the relevant Business Area, Market Area or Group Function.
- Maximum pay-out shall be achievable for truly outstanding performance and exceptional value creation.
- At the end of the performance period for each STV cycle, the Board and the Committee shall assess performance versus the measures and determine the formula-based outcome using the financial information made public by the Company for the financial targets. The Board has the discretion to adjust targets and the subsequent outcome in the event that they cease to be relevant or stretching or to enhance shareholder value. Adjustments shall normally only occur in the event of a major change (e.g. an acquisition or divestment) and shall be on the basis that the new target shall be no more or less difficult to achieve.

**Consideration of remuneration offered to the Company's employees**

When developing these Guidelines, the Board and the Committee have considered the total remuneration and employment conditions of the Company's employees by reviewing the application of Ericsson's remuneration policy for the wider employee population to ensure consistency.

There is clear alignment in the remuneration components for the members of Group Management and the Company's employees in the way that remuneration policy is applied as well as the methods followed in determining fixed salaries, short-term and long-term variable compensation, pension and benefits, which are to be applied broadly and consistently throughout the Company. The targets under short-term variable compensation are similar and the performance measures under long-term variable compensation program are the same for the members of Group Management and other eligible employees of the Company. However, the proportion of pay that is linked to performance is typically higher for Group Management in line with market practice.

**Employment contracts and termination of employment**

The members of Group Management are employed on permanent rolling contracts. The maximum mutual notice period is no more than 12 months. In case of termination by the employee, the employee has no right to severance pay.

In any case, the fixed salary paid during the notice period plus any severance pay payable will not together exceed an amount equivalent to the individual's 24 months fixed salary.

The employee may be entitled to severance pay up until the agreed retirement age or, if a retirement age has not been agreed, until the month when the employee turns 65. In a case where the employee is entitled to severance pay from a date later than 12 months prior to retirement, the severance pay shall be reduced in proportion to the time remaining and calculated only for the time as of the date when the employee's employment ceases (i.e. the end of the period of notice) and until the time of retirement.

Severance pay shall be reduced by 50% of the remuneration or equivalent compensation the employee receives, or has become entitled to, from any other employer or from his/her own or other activities during the period that severance is paid to the employee by the Company.

The Company shall have the right to terminate the employment contract and dismiss the employee with immediate effect, without giving any advance notice and entitlement to severance pay, if the employee commits a serious breach of his/her obligations towards the Company.

Normally disputes regarding employment agreements or any other agreements concerning the employment of the members of Group Management, the way such agreements have been arrived at, interpreted or applied, as well as any other litigation proceedings from legal relations based on such agreements, shall be settled by arbitration by three arbitrators in accordance with the Rules of the Arbitration Institute of the Stockholm Chamber of Commerce. Irrespective of the outcome of any arbitral award, the Company may, in the relation between the parties, carry all fees and expenses charged by the arbitrators and all of its own litigation costs (including attorney's fees), except in the event the arbitration proceedings were initiated by the employee without reasonable cause.

**Recruitment policy for new members of Group Management**

In determining the remuneration of a new member of Group Management, the Board and the Committee shall take into consideration all relevant factors to ensure that arrangements are in the best interests of the Company and its shareholders. These factors include:

- The role being taken on.
- The level and type of remuneration opportunity received at a previous employer.
- The geography in which the candidate is being recruited from and whether any relocation allowance is required.
- The skills, experience and caliber of the candidate.
- The circumstances of the candidate.
- The current external market and salary practice.
- Internal relativities.

**Additional arrangements**

By way of exception, additional arrangements can be made when deemed appropriate and necessary to recruit or retain an individual. Such arrangement could be in the form of short-term or long-term variable compensation or fixed component and can be renewed, but each such arrangement shall be limited in time and shall not exceed a period of 36 months and twice the annual fixed salary that the individual would have received if no additional arrangements were made. In addition, if appropriate, different measures and targets may be applied to the new appointment's incentives in the first year.

In addition, it may on a case by case basis be decided by the Board and the Committee respectively to compensate an individual for remuneration forfeited from a previous employer during recruitment. The Board and the Committee will consider on a case by case basis if all or some of the remuneration including incentives forfeited need to be 'bought-out'. If there is a buy-out of forfeited incentives, this will take into account relevant factors including the form they were granted (cash vs. shares), performance conditions attached to these awards and the time they would have vested/paid. Generally, buy-out awards will be made on a comparable basis to those forfeited.

In the event of an internal candidate being promoted to Group Management, legacy terms and conditions may be honored, including pension and benefit entitlements and any outstanding incentive awards. If a Group Management member is appointed following a merger or acquisition with/of another company, legacy terms and conditions may also be honored for a maximum period of 36 months.

**Board of Directors' discretions**
The Board upon recommendation from the Committee may in a specific case decide to temporarily deviate from these Guidelines in whole or in part based on its full discretion in unusual circumstances such as:

- upon change of the President and CEO in accordance with recruitment policy for new members of Group Management,
- upon material changes in the Company structure, organization, ownership and business (for example takeover, acquisition, merger, demerger etc.) which may require adjustments in STV and LTV or other elements to ensure continuity of Group Management, and
- in any other circumstances, provided that the deviation is required to serve the long-term interests and sustainability of the Company or to assure its financial viability.

The Committee is responsible for preparing matters for resolution by the Board, and this includes matters relating to deviations from these Guidelines. Any such deviation will be disclosed in the Remuneration Report for the relevant year.

## Events after the reporting period

**Legal proceedings**
Ericsson and Apple were not able to renew the now expired patent license agreement between the parties in a timely manner. On January 18, 2022 Ericsson filed three complaints with the U.S. International Trade Commission (ITC) alleging infringement of 12 patents by certain Apple products. In addition, Ericsson filed companion lawsuits in the Western District of Texas alleging infringement of the same 12 patents. Also, in January 2022 Ericsson filed complaints in several jurisdictions in Europe (Germany, Netherlands, Belgium) and South America (Brazil, Colombia) alleging that certain Apple products infringe Ericsson patents. On January 19, 2022 Apple filed a complaint against Ericsson in the ITC alleging infringement of three Apple patents by certain Ericsson products. Apple also filed a complaint in Germany at the District court of Düsseldorf alleging infringement of a German utility model and another complaint at the District court of Mannheim alleging infringement of an Apple patent by certain Ericsson products. The filing of lawsuits, complaints and other proceedings, when parties take legal action over a patent license agreement renewal, is standard and consequently additional lawsuits, complaints and other proceedings, may follow.

**Euro Medium Term Note program**
On February 8, 2022, the Company issued new EUR 750 million notes under the Euro Medium Term Note (EMTN) program, with maturity in February 2027.

**Vonage**
In November, 2021, Ericsson announced the entering into of an agreement to acquire Vonage Holdings Corp. for a total acquisition price of approximately USD 6.2 billion. It was stated in the announcement that completion of the transaction was expected in the first half of 2022, subject to Vonage shareholder approval, regulatory approvals, and other customary conditions. Since then, Vonage shareholder approval has been obtained and all requisite foreign and U.S. regulatory requirements for closing have been satisfied, except certain clearance from the Committee on Foreign Investment in the United States. If the agreement were to terminate under specified circumstances where we have failed to obtain such clearance, we may have to pay a USD 200 million termination fee to Vonage. Ericsson still expects the closing of the transaction to occur in the first half of 2022.

**Update on Deferred Prosecution Agreement**
On December 6, 2019, Ericsson entered into a Deferred Prosecution Agreement (DPA) with the United States Department of Justice (DOJ). On March 1, 2022, the DOJ informed Ericsson that the disclosure made by the Company prior to the DPA about its internal investigation into conduct in Iraq in the period 2011 until 2019 was insufficient. Furthermore, it determined that the Company breached the DPA by failing to make subsequent disclosure related to the investigation post-DPA. The Company is in communication with the DOJ regarding the facts and circumstances of the breach determination and is committed to co-operating with the DOJ to resolve the matter.

At this stage it is premature to predict the outcome of this matter. DOJ has sole discretion under the DPA to determine whether a breach has occurred.

## Board assurance

The Board of Directors and the President declare that the consolidated financial statements have been prepared in accordance with IFRS, as issued by the IASB, and as adopted by the EU, and give a fair view of the Group's financial position and results of operations.

The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a fair view of the Parent Company's financial position and results of operations. The Board of Directors' Report for the Ericsson Group and the Parent Company provides a fair view of the development of the Group's and the Parent Company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, March 3, 2022

**Telefonaktiebolaget LM Ericsson (publ)**
Org. no. 556016-0680

**Ronnie Leten**
Chair of the Board

**Helena Stjernholm**
Deputy Chair of the Board

**Jacob Wallenberg**
Deputy Chair of the Board

**Jon Fredrik Baksaas**
Member of the Board

**Jan Carlson**
Member of the Board

**Nora Denzel**
Member of the Board

**Börje Ekholm**
President, CEO and
Member of the Board

**Eric A. Elzvik**
Member of the Board

**Kurt Jofs**
Member of the Board

**Kristin S. Rinne**
Member of the Board

**Torbjörn Nyman**
Member of the Board

**Anders Ripa**
Member of the Board

**Kjell-Åke Soting**
Member of the Board

Our audit report has been submitted on March 3, 2022

**Deloitte AB**

**Thomas Strömberg**
Authorized Public Accountant

# Consolidated financial statements with notes

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# Consolidated financial statements

## Consolidated income statement

| January–December, SEK million | Notes | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Net sales | B1, B2 | 232,314 | 232,390 | 227,216 |
| Cost of sales | | −131,565 | −138,666 | −142,392 |
| **Gross income** | | **100,749** | **93,724** | **84,824** |
| Research and development expenses | | −42,074 | −39,714 | −38,815 |
| Selling and administrative expenses | | −26,957 | −26,684 | −26,137 |
| Impairment losses on trade receivables | F1 | −40 | 118 | 737 |
| *Operating expenses* | | *−69,071* | *−66,280* | *−64,215* |
| Other operating income | B4 | 1,526 | 1,161 | 2,350 |
| Other operating expenses | B4 | −1,164 | −499 | −12,060 |
| Share in earnings of joint ventures and associated companies | B1, E3 | −260 | −298 | −335 |
| **Earnings before financial items and income tax (EBIT)** | B1 | **31,780** | **27,808** | **10,564** |
| Financial income and expenses, net | F2 | −2,530 | −596 | −1,802 |
| **Income after financial items** | | **29,250** | **27,212** | **8,762** |
| Income tax | H1 | −6,270 | −9,589 | −6,922 |
| **Net income** | | **22,980** | **17,623** | **1,840** |
| Net income (loss) attributable to: | | | | |
| Owners of the Parent Company | | 22,694 | 17,483 | 2,223 |
| Non-controlling interests | | 286 | 140 | −383 |
| Other information | | | | |
| Average number of shares, basic (million) | H2 | 3,329 | 3,323 | 3,306 |
| Earnings per share attributable to owners of the Parent Company, basic (SEK) [1] | H2 | 6.82 | 5.26 | 0.67 |
| Earnings per share attributable to owners of the Parent Company, diluted (SEK) [1] | H2 | 6.81 | 5.26 | 0.67 |

[1] Based on net income attributable to owners of the Parent Company.

## Consolidated statement of comprehensive income (loss)

| January–December, SEK million | 2021 | 2020 | 2019 |
|---|---|---|---|
| **Net income** | **22,980** | **17,623** | **1,840** |
| **Other comprehensive income (loss)** | | | |
| *Items that will not be reclassified to profit or loss* | | | |
| Remeasurements of defined benefit pension plans including asset ceiling | 3,537 | −4,618 | −6,182 |
| Revaluation of borrowings due to change in credit risk | 31 | 99 | −651 |
| Tax on items that will not be reclassified to profit or loss | −682 | 880 | 1,363 |
| *Items that have been or may be reclassified to profit or loss* | | | |
| Cash flow hedge reserve | | | |
| Gains/losses arising during the period | −542 | 136 | −290 |
| Reclassification adjustments on gains/losses included in profit or loss | −96 | 281 | — |
| Translation reserves | | | |
| Changes in translation reserves | 3,342 | −5,376 | 1,925 |
| Reclassification to profit and loss | 46 | 124 | 54 |
| Share of other comprehensive income of JV and associated companies | 28 | −81 | 131 |
| Tax on items that have been or may be reclassified to profit or loss | 126 | −86 | 60 |
| **Other comprehensive income (loss), net of tax** | **5,790** | **−8,641** | **−3,590** |
| **Total comprehensive income (loss)** | **28,770** | **8,982** | **−1,750** |
| Total comprehensive income (loss) attributable to: | | | |
| Owners of the Parent Company | 28,694 | 8,787 | −1,403 |
| Non-controlling interests | 76 | 195 | −347 |

## Consolidated balance sheet

| SEK million | Notes | Dec 31 2021 | Dec 31 2020 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Intangible assets | C1 | | |
| Capitalized development expenses | | 3,528 | 3,857 |
| Goodwill | | 38,204 | 34,945 |
| Intellectual property rights, brands and other intangible assets | | 3,830 | 4,805 |
| Property, plant and equipment | C2 | 13,580 | 13,383 |
| Right-of-use assets | C3 | 7,948 | 7,980 |
| Financial assets | | | |
| Equity in joint ventures and associated companies | E3 | 941 | 1,274 |
| Other investments in shares and participations | F3 | 2,258 | 1,519 |
| Customer finance, non-current | B6, F1 | 568 | 1,221 |
| Interest-bearing securities, non-current | F1, F3 | 30,626 | 21,613 |
| Other financial assets, non-current | F3 | 6,217 | 4,842 |
| Deferred tax assets | H1 | 23,109 | 26,296 |
| | | **130,809** | **121,735** |
| **Current assets** | | | |
| Inventories | B5 | 35,164 | 28,097 |
| Contract assets | B6, F1 | 10,506 | 11,273 |
| Trade receivables | B6, F1 | 45,399 | 42,063 |
| Customer finance, current | B6, F1 | 2,719 | 1,916 |
| Current tax assets | | 6,379 | 7,304 |
| Other current receivables | B7 | 7,656 | 8,710 |
| Interest-bearing securities, current | F1 | 12,932 | 6,820 |
| Cash and cash equivalents | H3 | 54,050 | 43,612 |
| | | **174,805** | **149,795** |
| **Total assets** | | **305,614** | **271,530** |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Capital stock | E1 | 16,672 | 16,672 |
| Additional paid in capital | E1 | 24,731 | 24,731 |
| Other reserves | E1 | 454 | −2,689 |
| Retained earnings | E1 | 66,918 | 47,960 |
| Equity attributable to owners of the Parent Company | E1 | 108,775 | 86,674 |
| Non-controlling interests | E1 | −1,676 | −1,497 |
| | | **107,099** | **85,177** |
| **Non-current liabilities** | | | |
| Post-employment benefits | G1 | 36,050 | 37,353 |
| Provisions, non-current | D1 | 3,722 | 2,886 |
| Deferred tax liabilities | H1 | 884 | 1,089 |
| Borrowings, non-current | F4 | 22,241 | 22,218 |
| Lease liabilities, non-current | C3 | 7,079 | 7,104 |
| Other non-current liabilities | | 1,587 | 1,383 |
| | | **71,563** | **72,033** |
| **Current liabilities** | | | |
| Provisions, current | D1 | 5,782 | 7,580 |
| Borrowings, current | F4 | 9,590 | 7,942 |
| Lease liabilities, current | C3 | 2,224 | 2,196 |
| Contract liabilities | B6 | 32,834 | 26,440 |
| Trade payables | B8 | 35,684 | 31,988 |
| Current tax liabilities | | 2,917 | 4,486 |
| Other current liabilities | B9 | 37,921 | 33,688 |
| | | **126,952** | **114,320** |
| **Total equity and liabilities** | | **305,614** | **271,530** |

## Consolidated statement of cash flows

| January–December, SEK million | Notes | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Net income | | 22,980 | 17,623 | 1,840 |
| Adjustments to reconcile net income to cash | H3 | 17,143 | 19,931 | 17,832 |
| | | **40,123** | **37,554** | **19,672** |
| **Changes in operating net assets** | | | | |
| Inventories | | −5,565 | 384 | 261 |
| Customer finance, current and non-current | | 34 | 370 | −858 |
| Trade receivables and contract assets | | 1,551 | −3,185 | 10,995 |
| Trade payables | | 1,385 | 4,303 | −372 |
| Provisions and post-employment benefits | | −118 | −2,669 | −3,729 |
| Contract liabilities | | 4,014 | −560 | −1,579 |
| Other operating assets and liabilities, net | | 2,701 | −2,280 | −1,517 |
| | | **4,002** | **−3,637** | **3,201** |
| Interest received | | 8 | 763 | 1,037 |
| Interest paid | | −974 | −1,434 | −1,819 |
| Taxes paid | | −4,094 | −4,313 | −5,218 |
| **Cash flow from operating activities** | | **39,065** | **28,933** | **16,873** |
| **Investing activities** | | | | |
| Investments in property, plant and equipment | C2 | −3,663 | −4,493 | −5,118 |
| Sales of property, plant and equipment | | 115 | 254 | 744 |
| Acquisitions of subsidiaries and other operations | H3, E2 | −389 | −9,657 | −1,753 |
| Divestments of subsidiaries and other operations | H3, E2 | 448 | 59 | 248 |
| Product development | C1 | −962 | −817 | −1,545 |
| Purchase of interest-bearing securities | | −35,415 | −13,637 | −12,507 |
| Sale of interest-bearing securities | | 20,114 | 12,289 | 16,721 |
| Other investing activities | | −131 | 801 | −331 |
| **Cash flow from investing activities** | | **−19,883** | **−15,201** | **−3,541** |
| **Financing activities** | | | | |
| Proceeds from issuance of borrowings | F4 | 7,882 | 3,219 | 5,050 |
| Repayment of borrowings | F4 | −5,791 | −9,031 | −4,134 |
| Sale of own shares | | 42 | 163 | 197 |
| Dividends paid | | −6,889 | −5,996 | −4,450 |
| Repayment of lease liabilities | F4 | −2,368 | −2,417 | −2,990 |
| Other financing activities | | −2,183 | 1,570 | −573 |
| **Cash flow from financing activities** | | **−9,307** | **−12,492** | **−6,900** |
| Effect of exchange rate changes on cash | | 563 | −2,707 | 258 |
| **Net change in cash and cash equivalents** | | **10,438** | **−1,467** | **6,690** |
| **Cash and cash equivalents, beginning of period** | | **43,612** | **45,079** | **38,389** |
| **Cash and cash equivalents, end of period** | H3 | **54,050** | **43,612** | **45,079** |

## Consolidated statement of changes in equity

Equity and Other comprehensive income (loss) 2021

| SEK million | Capital stock | Additional paid in capital | Other reserves | Retained earnings | Stockholders' equity | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| **January 1, 2021** | **16,672** | **24,731** | **–2,689** | **47,960** | **86,674** | **–1,497** | **85,177** |
| **Net income** | **—** | **—** | **—** | **22,694** | **22,694** | **286** | **22,980** |
| **Other comprehensive income (loss)** | | | | | | | |
| **Items that will not be reclassified to profit or loss** | | | | | | | |
| Remeasurements of defined benefit pension plans including asset ceiling | — | — | — | 3,532 | 3,532 | 5 | 3,537 |
| Revaluation of borrowings due to change in credit risk | — | — | 31 | — | 31 | — | 31 |
| Tax on items that will not be reclassified to profit or loss | — | — | –6 | –675 | –681 | –1 | –682 |
| **Items that have been or may be reclassified to profit or loss** | | | | | | | |
| Cash flow hedge reserve | | | | | | | |
| Gains/losses arising during the period | — | — | –542 | — | –542 | — | –542 |
| Reclassification to profit and loss | — | — | –96 | — | –96 | — | –96 |
| Translation reserves [1] | | | | | | | |
| Changes in translation reserves | — | — | 3,556 | — | 3,556 | –214 | 3,342 |
| Reclassification to profit and loss | — | — | 46 | — | 46 | — | 46 |
| Share of other comprehensive income of JV and associated companies | — | — | 28 | — | 28 | — | 28 |
| Tax on items that have been or may be reclassified to profit or loss | — | — | 126 | — | 126 | — | 126 |
| **Other comprehensive income (loss), net of tax** | **—** | **—** | **3,143** | **2,857** | **6,000** | **–210** | **5,790** |
| **Total comprehensive income (loss)** | **—** | **—** | **3,143** | **25,551** | **28,694** | **76** | **28,770** |
| **Transactions with owners** | | | | | | | |
| Sale of own shares | — | — | — | 42 | 42 | — | 42 |
| Long-term variable compensation plans | — | — | — | 93 | 93 | — | 93 |
| Dividends paid [2] | — | — | — | –6,658 | –6,658 | –231 | –6,889 |
| Transactions with non-controlling interest | — | — | — | –70 | –70 | –24 | –94 |
| **December 31, 2021** | **16,672** | **24,731** | **454** | **66,918** | **108,775** | **–1,676** | **107,099** |

[1] Changes in cumulative translation adjustments include changes regarding revaluation of goodwill in local currency of SEK 2,646 million (SEK –3,359 million in 2020 and SEK 966 million in 2019), and realized gain/losses net from divested/liquidated companies, SEK 46 million (SEK 124 million in 2020 and SEK 54 million in 2019).

[2] Dividends paid per share amounted to SEK 2.00 (SEK 1.50 in 2020 and SEK 1.00 in 2019).

Equity and Other comprehensive income (loss) 2020

| SEK million | Capital stock | Additional paid in capital | Other reserves | Retained earnings | Stockholders' equity | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| **January 1, 2020** | **16,672** | **24,731** | **2,292** | **38,864** | **82,559** | **–681** | **81,878** |
| **Net income** | **—** | **—** | **—** | **17,483** | **17,483** | **140** | **17,623** |
| **Other comprehensive income (loss)** | | | | | | | |
| **Items that will not be reclassified to profit or loss** | | | | | | | |
| Remeasurements of defined benefit pension plans including asset ceiling | — | — | — | –4,614 | –4,614 | –4 | –4,618 |
| Revaluation of borrowings due to change in credit risk | — | — | 99 | — | 99 | — | 99 |
| Tax on items that will not be reclassified to profit or loss | — | — | –20 | 899 | 879 | 1 | 880 |
| **Items that have been or may be reclassified to profit or loss** | | | | | | | |
| Cash flow hedge reserve | | | | | | | |
| Gains/losses arising during the period | — | — | 136 | — | 136 | — | 136 |
| Reclassification to profit and loss | — | — | 281 | — | 281 | — | 281 |
| Translation reserves | | | | | | | |
| Changes in translation reserves | — | — | –5,434 | — | –5,434 | 58 | –5,376 |
| Reclassification to profit and loss | — | — | 124 | — | 124 | — | 124 |
| Share of other comprehensive income of JV and associated companies | — | — | –81 | — | –81 | — | –81 |
| Tax on items that have been or may be reclassified to profit or loss | — | — | –86 | — | –86 | — | –86 |
| **Other comprehensive income (loss), net of tax** | **—** | **—** | **–4,981** | **–3,715** | **–8,696** | **55** | **–8,641** |
| **Total comprehensive income (loss)** | **—** | **—** | **–4,981** | **13,768** | **8,787** | **195** | **8,982** |
| **Transactions with owners** | | | | | | | |
| Sale of own shares | — | — | — | 163 | 163 | — | 163 |
| Long-term variable compensation plans | — | — | — | 150 | 150 | — | 150 |
| Dividends paid | — | — | — | –4,985 | –4,985 | –1,011 | –5,996 |
| **December 31, 2020** | **16,672** | **24,731** | **–2,689** | **47,960** | **86,674** | **–1,497** | **85,177** |

Equity and Other comprehensive income (loss) 2019

| SEK million | Capital stock | Additional paid in capital | Other reserves | Retained earnings | Stockholders' equity | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| **January 1, 2019** | **16,672** | **24,731** | **965** | **44,610** | **86,978** | **792** | **87,770** |
| Opening balance adjustment due to IFRS 16 | — | — | — | –249 | –249 | — | –249 |
| **January 1, 2019, adjusted** | **16,672** | **24,731** | **965** | **44,361** | **86,729** | **792** | **87,521** |
| **Net income (loss)** | **—** | **—** | **—** | **2,223** | **2,223** | **–383** | **1,840** |
| **Other comprehensive income (loss)** | | | | | | | |
| **Items that will not be reclassified to profit or loss** | | | | | | | |
| Remasurements of defined benefit pension plans including asset ceiling | — | — | — | –6,182 | –6,182 | — | –6,182 |
| Revaluation of borrowings due to change in credit risk | — | — | –651 | — | –651 | — | –651 |
| Tax on items that will not be reclassified to profit or loss | — | — | 134 | 1,229 | 1,363 | — | 1,363 |
| **Items that have been or may be reclassified to profit or loss** | | | | | | | |
| Cash flow hedge reserve | | | | | | | |
| Gains/losses arising during the period | — | — | –290 | — | –290 | — | –290 |
| Translation reserves | | | | | | | |
| Changes in translation reserves | — | — | 1,889 | — | 1,889 | 36 | 1,925 |
| Reclassification to profit and loss | — | — | 54 | — | 54 | — | 54 |
| Share of other comprehensive income of JV and associated companies | — | — | 131 | — | 131 | — | 131 |
| Tax on items that have been or may be reclassified to profit or loss | — | — | 60 | — | 60 | — | 60 |
| **Other comprehensive income (loss), net of tax** | **—** | **—** | **1,327** | **–4,953** | **–3,626** | **36** | **–3,590** |
| **Total comprehensive income (loss)** | **—** | **—** | **1,327** | **–2,730** | **–1,403** | **–347** | **–1,750** |
| **Transactions with owners** | | | | | | | |
| Sale of own shares | — | — | — | 197 | 197 | — | 197 |
| Long-term variable compensation plans | — | — | — | 377 | 377 | — | 377 |
| Dividends paid | — | — | — | –3,301 | –3,301 | –1,149 | –4,450 |
| Transactions with non-controlling interests | — | — | — | –40 | –40 | 23 | –17 |
| **December 31, 2019** | **16,672** | **24,731** | **2,292** | **38,864** | **82,559** | **–681** | **81,878** |

# Notes to the consolidated financial statements

## Section A – Basis of presentation

### A1 Significant accounting policies

#### Basis of presentation

**Introduction**

The consolidated financial statements comprise Telefonaktiebolaget LM Ericsson, the Parent Company, and its subsidiaries ("the Company") and the Company's interests in joint ventures and associated companies. The Parent Company is domiciled in Sweden at Torshamnsgatan 21, SE-164 83 Stockholm. Ericsson supplies communication infrastructure, services and software to the telecom industry and other sectors.

The consolidated financial statements for the year ended December 31, 2021 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB, and as endorsed by the EU and RFR 1 "Additional rules for Group Accounting," related interpretations issued by the Swedish Financial Reporting Board (Rådet för finansiell rapportering), and the Swedish Annual Accounts Act. For the financial reporting of 2021, the Company has applied IFRS as issued by the IASB (IFRS effective as per December 31, 2021). There is no difference between IFRS effective as per December 31, 2021, and IFRS as endorsed by the EU, nor is RFR 1 related interpretations issued by the Swedish Financial Reporting Board (Rådet för finansiell rapportering) or the Swedish Annual Accounts Act in conflict with IFRS, for all periods presented.

The financial statements were approved by the Board of Directors on March 3, 2022. The financial statements are subject to approval by the Annual General Meeting of shareholders.

Disclosure about new standards and amendments applied as from January 1, 2021, can be found in the end of this note.

The preparations for the adoption of new standards and interpretations not adopted in 2021 are disclosed at the end of this note, see heading Other.

**Basis of presentation**

The financial statements are presented in millions of Swedish Krona (SEK). They are prepared on a going concern and historical cost basis, except for certain financial assets and liabilities that are stated at fair value: financial instruments classified as fair value through profit and loss (FVTPL), financial instruments classified as fair value through other comprehensive income (FVOCI) and plan assets related to defined benefit pension plans. Assets acquired under business combinations are fair valued at initial recognition. Financial information in the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity with related notes are presented with two comparison years. For the consolidated balance sheet, financial information with related notes is presented with one comparison year.

**Changes to the presentation in the financial statements**

Operating income has been renamed as EBIT (Earnings before financial items and income tax) and Operating margin as EBIT margin. The definitions of EBIT and EBIT margin remains unchanged.

From 2021 current tax assets and current tax liabilities are presented as separate line items in the consolidated balance sheet. Previously current tax assets were included in other current receivables and current tax liabilities were included in other current liabilities. Prior year have been represented.

The following changes were made to the presentation of the Consolidated statement of cash flows in 2021:

- Interests and tax cash flows are presented as separate line items within the "Cash flow from operating activities." Previously, interests and tax cash flows were subsumed within various lines in the sections "Adjustments to reconcile net income to cash" and "Changes in operating net assets," and only disclosed in note H3 "Statement of cash flow." Prior years have been represented and there is no impact on cash flows from operating activities.
- Net movements in cash collaterals received and bank borrowings less than 3 months (used for short term liquidity purposes) are presented within "Other financing activities" since these balances fluctuate over a short duration, therefore it is neither practical nor useful to present their gross movements on the cash flow statement. Cash flow from financing activities in prior years have been restated accordingly, resulting in a reclassification between the lines "Proceeds from issuance of borrowings," "Repayment of borrowings" and "Other financing activities," with no net effect on total cash flow from financing activities.
- Purchases and sales of interest-bearing securities are presented on a gross basis to improve the visibility of cash flows. Cash flow from investing activities in prior years have been restated accordingly, resulting in new lines for "Purchase of interest-bearing securities" and "Sale of interest-bearing securities".

**Basis of consolidation and composition of the Group**

The consolidated financial statements are prepared in accordance with the purchase method. Accordingly, consolidated stockholders' equity includes equity in subsidiaries, joint ventures and associated companies earned only after their acquisition.

Subsidiaries are all companies for which Telefonaktiebolaget LM Ericsson, directly or indirectly, is the parent. To be classified as a parent, Telefonaktiebolaget LM Ericsson, directly or indirectly, must control another company which requires that the Parent Company has power over that other company, is exposed to variable returns from its involvement and has the ability to use its power over that other company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that such control ceases.

Intra-group balances and any unrealized income and expense arising from intra-group transactions are fully eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

The Company is composed of the parent company, Telefonaktiebolaget LM Ericsson, with generally fully-owned subsidiaries in many countries of the world. The largest operating subsidiaries are the fully-owned telecom vendor companies Ericsson AB, incorporated in Sweden and Ericsson Inc., incorporated in the US.

**Foreign currency remeasurement and translation**

Items included in the financial statements of each entity of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Swedish Krona (SEK), which is the Parent Company's functional and presentation currency.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of each respective transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. An exception applies to intercompany loans regarded as part of net investment in foreign operations, whereby the foreign exchange gains and losses on translation shall be recognised in Other Comprehensive Income (OCI) on consolidation until the intercompany loan repaid or written off, at which time the cumulative OCI amount is reclassified to the income statement.

Note A1, cont'd.

Changes in the fair value of monetary securities denominated in foreign currency classified as fair value through other comprehensive income (FVOCI) are allocated between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortized cost are recognized in profit or loss, and other changes in the carrying amount are recognized in Other Comprehensive Income (OCI).

Foreign exchange effect is presented as a net item within Financial income and expenses, reported separately from other financial income and expenses items as this reflects the way the Company manages its foreign exchange risks on a net basis.

**Group companies**

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.

Period income and expenses for each income statement are translated at period average exchange rates.

All resulting net exchange differences are recognized as a separate component of Other comprehensive income (OCI).

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are accounted for in OCI. When a foreign operation is disposed of or sold, exchange differences that were recorded in OCI are recognized in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

The Company is continuously monitoring the economies with high inflation, the risk of hyperinflation and potential impact on the Company. There is no significant impact due to any currency translation of a hyper-inflationary economy.

## Business and operations

*For further disclosure, see the notes under section B.*

**Revenue recognition**

IFRS 15, "Revenue from Contracts with Customers" is a principle-based model of recognizing revenue from customer contracts. It has a five-step model that requires revenue to be recognized when control over goods and services are transferred to the customer.

The following paragraphs describes the types of contracts, when performance obligations are satisfied, and the timing of revenue recognition. They also describe the normal payment terms associated with such contracts and the resulting impact on the balance sheet over the duration of the contracts. The vast majority of Ericsson's business is for the sale of standard products and services.

**Standard products and services**

Products and services are classified as standard solutions if they do not require significant installation and integration services to be delivered. Installation and integration services are generally completed within a short period of time, from the delivery of the related products. These products and services are viewed as separate distinct performance obligations. This type of customer contract is usually signed as a frame agreement and the customer issues individual purchase orders to commit to purchases of products and services over the duration of the agreement.

Revenue for standard products is recognized when control over the equipment is transferred to the customer at a point in time. This assessment shall be viewed from a customer's perspective considering indicators such as transfer of titles and risks, customer acceptance, physical possession, and billing rights. For hardware sales, transfer of control is usually deemed to occur when the equipment arrives at the customer site and for software sales, when the licenses are made available to the customer. Software licenses may be provided to the customer at a point in time, activated or ready to be activated by the customer at a later stage, therefore revenue is recognized when customer obtains control of the software. Contractual terms vary, therefore judgment will be applied when assessing the indicators of transfer of control for both hardware and software sales. Software licenses are also sold on a when-and-if available basis or delivered to the customer network over a period of time. In such cases, the customer is billed on a subscription basis, and revenue is recognized over time. For software revenue based on usage the revenue is recognized upon usage measurement and right to invoice. Revenue for installation and integration services is recognized upon completion of the service. Costs incurred in delivering standard products and services are recognized as costs of sales when the related revenue is recognized in the Income statement. Costs incurred relating to performance obligations not yet fully delivered are recognized as Inventories.

Transaction prices under these contracts are usually fixed, and mostly billed upon delivery of the hardware or software, or completion of installation services. A proportion of the transaction price may be billed upon formal acceptance of the related installation services, which will result in a contract asset for the proportion of the transaction price that is not yet billed. Amounts billed are normally subject to payments terms within 60 days from invoice date. Customer finance agreements may be agreed separately with some customers where payment terms exceed 179 days.

Revenue for recurring services such as customer support and managed services is recognized as the services are delivered, generally pro-rata over time. Costs incurred in delivering recurring services are recognized as cost of sales as they are incurred. Transaction prices under these contracts are billed over time, often on a quarterly basis. Transaction price for managed services contract may include variable consideration that is estimated based on performance and prior experience with the customer. Amounts billed are normally subject to payments terms within 60 days from invoice date. Contract liabilities or receivables may arise depending on whether the quarterly billing is in advance or in arrears. Contracts for standard products and services apply to business in all segments.

**Customized solution**

Some products and services are sold together as part of a customized solution to the customer. This type of contract requires significant installation and integration services to be delivered within the solution, normally over a period of more than one year. These products and services are viewed together as a combined performance obligation. This type of contract is usually sold as a firm contract in which the scope of the solution and obligations of both parties are clearly defined for the duration of the contract. Customized solution does not have any alternative use to the Company as it cannot be sold to or used by other customers.

Revenue for the combined performance obligation shall be recognized over time if progress of completion can be reliably measured and enforceable right to payment exists over the duration of the contract. The progress of completion is estimated by reference to the output delivered such as achievement of contract milestones and customer acceptance. This method determines revenue milestones over the duration of the contract, and it is considered appropriate as it reflects the nature of the customized solution and how integration service is delivered in these projects. If the criteria above are not met, then all revenue shall be recognized upon the completion of the customized solution, when final acceptance is provided by the customer. Costs incurred in delivering customized solutions are recognized as costs of sales when the related revenue milestone is recognized in the Income statement. Costs incurred relating to future revenue milestones are recognized as Inventories and assessed for recoverability on a regular basis.

Transaction price under these contracts is usually a fixed fee, split into a number of progress payments or billing milestones as defined in the contract. In most cases, revenue recognized is limited to the progress payments or unconditional billing milestones over the duration of the contract, therefore no contract asset or contract liability arises on these contracts. In some contracts, revenue may be recognized in advance of billing milestones if enforceable payment rights exist at all times over the contract duration. This will result in an unbilled receivable balance until billing milestones are reached. Amounts billed are normally subject to payments terms within 60 days from invoice date. Customer finance agreements may be agreed separately with some customers where payment terms exceed 179 days.

Note A1, cont'd.

Contract for customized solution applies to the Business Support Systems (BSS) business within the segment Digital Services.

**Intellectual Property Rights (IPR)**
This type of contract relates to the patent and licensing business. The Company has assessed that the nature of its IPR contracts is such that they provide customers a license with the right to access the Company intellectual properties over time, therefore revenue shall be recognized over the duration of the contract. Royalty revenue based on sales or usage is recognized when the sales and usage occur.

The transaction price on these contracts is usually structured as a royalty fee based on sales or usage over the period, measured on a quarterly basis. This results in a receivable balance if the billing is performed the following quarter after measurement. Some contracts include lump sum amounts, payable either up front at commencement or on an annual basis. This results in a contract liability balance if payment is in advance of revenue, as revenue is recognized over time. Amounts billed are normally subject to payments terms within 60 days from invoice date.

As described in note B1 "Segment Information", revenue from IPR licensing contracts are allocated to the segments Networks and Digital Services.

**Customer contract related balances**
Trade receivables include amounts that are billed in accordance with customer contract terms and amounts that the Company has an unconditional right to, with only passage of time before the amounts can be billed in accordance with the customer contract terms.

Customer finance credits arise from credit terms exceeding 179 days in the customer contract or a separate financing agreement signed with the customer. Customer finance is a class of financial assets that is managed separately from receivables. See note F1 "Financial risk management," for further information on credit risk management of trade receivables and customer finance credits.

In accordance with IFRS 15, where significant financing is provided to the customer, revenue is adjusted to reflect the impact of the financing transaction. These transactions could arise from the customer finance credits above if the contracted interest rate is below the market rate or through implied financing transactions due to payment terms of more than one year from the date of transfer of control. The Company has elected to use the practical expedient not to adjust revenue for transactions with payment terms, measured from the date of transfer of control, of one year or less.

Contract asset is unbilled sales amount relating to performance obligation that has been satisfied under customer contract but is conditional on terms other than only the passage of time before payment of the consideration is due.

Contract liability relates to amounts that are paid by or due from customers for which performance obligations are unsatisfied or partially satisfied. Advances from customers are also included in the contract liability balance.

**Segment reporting**
An operating segment is a component of a company whose operating results are regularly reviewed by the Company's chief operating decision maker (CODM), to make decisions about resources to be allocated to the segment and assess its performance. The President and the CEO is defined as the CODM function in the Company.

The segment presentation, as per each segment, is based on the Company's accounting policies as disclosed in this note.

The Company generally has one subsidiary for each jurisdiction and within each of the subsidiaries, each financial statement item is defined and allocated to each of the different segments.

The Company's segment disclosure about geographical areas is based on the country in which transfer of risks and rewards occur.

For further information, see note B1 "Segment information."

**Inventories**
Inventories are measured at the lower of cost or net realizable value on a first-in, first-out (FIFO) basis.

Risks of obsolescence have been measured by estimating market value based on future customer demand and changes in technology and customer acceptance of new products.

A significant part of Inventories is Contract work in progress (CWIP). Recognition and derecognition of CWIP relates to the Company's revenue recognition principles meaning that costs incurred under a customer contract are initially recognized as CWIP (see Revenue recognition policy). When the related revenue is recognized, CWIP is derecognized and is instead recognized as Cost of sales.

In note A2, "Critical accounting estimates and judgments," further disclosure is presented in relation to (i) key sources of estimation uncertainty and (ii) the decision made in relation to accounting policies applied.

**Trade payables**
See accounting policies under the subheading for Financial instruments and risk management.

## Long-term assets
*For further disclosure, see the notes under section C.*

**Goodwill**
As from the acquisition date, goodwill acquired in a business combination is allocated to each cash-generating unit (CGU) of the Company expected to benefit from the synergies of the combination.

An annual impairment test for the CGUs to which goodwill has been allocated is performed in the fourth quarter, or when there is an indication of impairment. An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The recoverable amount is the higher of the value in use and the fair value less costs of disposal. In assessing value in use, the estimated future cash flows after tax are discounted to their present value using an after-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Application of after-tax amounts in calculation, both in relation to cash flows and discount rate is applied due to that available models for calculating discount rate include a tax component. The effect of after-tax discount rate applied by the Company is not materially different from a discounting based on before-tax future cash flows and before-tax discount rates, as required by IFRS. An impairment loss in respect of goodwill is not reversed. Write-downs of goodwill are reported under other operating expenses.

Additional disclosure is required in relation to goodwill impairment testing: see note A2 "Critical accounting estimates and judgments" and note C1 "Intangible assets."

**Intangible assets other than goodwill**
Intangible assets other than goodwill comprise intangible assets acquired through business combinations, such as patents, customer relations, trademarks and software, as well as capitalized development expenses and separately acquired intangible assets, mainly consisting of software. At initial recognition, acquired intangible assets relating to business combinations are stated at fair value and capitalized development expenses and software are stated at cost. Subsequent to initial recognition, these intangible assets are stated at the initially recognized amounts less accumulated amortization and any impairment. Amortization and any impairment losses are included in Research and development expenses, which mainly consists of capitalized development expenses and technology; in Selling and administrative expenses, which mainly consists of expenses relating to customer relations and brands; and in Cost of sales.

Costs incurred for the development of products to be sold, leased, or otherwise marketed or intended for internal use are capitalized as from when technological and economic feasibility has been established until the product is available for sale or use. Research and development expenses directly related to orders from customers are accounted for as a part of Cost of sales. Other research and development expenses are charged to the income statement as incurred. Amortization of acquired intangible assets, such as patents, customer relations, trademarks, and software, is made according to the straight-line method over their estimated useful lives, not exceeding ten years. Amortization of capitalized development expenses is made according to the straight-line method over their useful lives normally three years.

The Company has not recognized any intangible assets with indefinite useful life other than goodwill.

Note A1, cont'd.

Impairment tests are performed whenever there is an indication of impairment. Tests are performed in the same way as for goodwill, see above. However, intangible assets not yet available for use are tested annually.

Corporate assets have been allocated to cash-generating units in relation to each unit's proportion of total net sales. The amount related to corporate assets is not significant. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

In note A2, "Critical accounting estimates and judgments," further disclosure is presented in relation to (i) key sources of estimation uncertainty and (ii) the decision made in relation to accounting policies applied.

**Property, plant, and equipment**

Property, plant, and equipment consist of real estate, machinery and other technical assets, other equipment, tools and installations, and construction in progress. They are stated at cost less accumulated depreciation and any impairment losses.

Depreciation is charged to the income statement, on a straight-line basis, over the estimated useful life of each component of an item of property, plant, and equipment, including buildings. Estimated useful lives are, in general, 25–50 years for real estate and 3–10 years for machinery and equipment. Depreciation and any impairment charges are included in Cost of sales, Research and development or Selling and administrative expenses.

The Company recognizes in the carrying amount of an item of property, plant, and equipment the cost of replacing a component and derecognizes the residual value of the replaced component.

Impairment testing as well as recognition or reversal of impairment of property, plant and equipment is performed in the same manner as for intangible assets other than goodwill, see description under "Intangible assets other than goodwill" above.

Gains and losses on disposals are determined by comparing the proceeds less cost to sell with the carrying amount and are recognized within Other operating income and expenses in the income statement.

**Leases**

The main types of assets leased by the Company are, in the order of materiality, real estate, IT-equipment and vehicles. Vehicles are mainly used under service contracts.

**Leases when the Company is the lessee**

The Company recognizes right-of-use assets and lease liabilities arising from all leases in the balance sheet, with some exceptions of low value assets. This model reflects that, at the start of a lease, the lessee always obtains the right to control an asset for a period of time and has an obligation to pay for that right. In the assessment of a lease contract the lease components are separated from non-lease components. The lease term is defined based on the contract lease term and when reasonably certain estimated extension or termination options are included. The average remaining lease term for real estate contracts is around five years. For lease extensions not included in the lease liability there can be multiple options for different periods (overlapping) and they can have stipulations for options to be valid (limitations on size/scope) that must be maintained for extension. As a result, the future payments for these lease extensions are not known.

At commencement date the lease liabilities are measured at the present value of the lease payments not paid at the commencement date, discounted using the Company's incremental borrowing rate. The incremental borrowing rate is calculated considering interest swap rates, the creditworthiness of the entity that signs the lease and an adjustment for the asset being collateralized. Lease payments included in the liability are fixed payments, variable payments depending on an index or rate and penalties for termination of contracts.

After the commencement date, the amount of lease liabilities is measured on an amortized cost basis using the effective interest method where the lease liabilities increase related to the accrued interest and decrease due to lease payments made. In addition, the lease liability is remeasured if there is a modification, a change in the lease term or a change in the future lease payments resulting from a change in an index or rate used to determine such lease payments.

At commencement date the right-of-use assets are measured at cost, which equals the amount of the initial measurement of lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received plus any initial direct costs and restoration costs.

After commencement date the right-of-use assets are measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurements of the lease liabilities. The right-of-use asset is depreciated over the lease term straight-line. Impairment of right-of-use assets follows IAS 36 "Impairment of Assets." When there is impairment the asset value shall be written down to its recoverable amount.

The Company applies the recognition exemption for short-term leases and leases for which the underlying asset is of low value and recognizes the lease payments for those leases as an expense on a straight-line basis over the lease term. The interest expense on lease liabilities in the income statement is presented as a component of finance costs separate from the depreciation charges for right-of-use assets. In the statement of cash flows, cash payments related to the amortization of the lease liabilities are reported within financing activities. Interest payments, payments for short-term leases, low-value assets and variable lease expenses not included in the measurement of the lease liability are reported within operating activities. For more information regarding leases, see note C3 "Leases."

**Leases when the Company is the lessor**

Lease contracts with the Company as lessor are classified as finance leases when substantially all of risks and rewards are transferred to the lessee, and otherwise as operating leases. Under a finance lease, a receivable is recognized at an amount equal to the net investment in the lease and revenue is recognized in accordance with the revenue recognition principles. Under operating leases revenue as well as depreciation is recognized on a straight-line basis over the lease term. When the Company acts as a lessor it is mainly in relation to real estate sublease, financing and operating.

## Obligations

*For further disclosure, see the notes under section D.*

**Provisions**

Provisions are made when there are legal or constructive obligations as a result of past events and when it is probable that an outflow of resources will be required to settle the obligations and the amounts can be reliably estimated. When the effect of the time value of money is material, the estimated cash flows are discounted to present value. However, the actual outflows as a result of the obligations may differ from such estimates.

Provisions mainly relate to restructuring, customer and supplier-related provisions, warranty commitments and other obligations, cash-settled share-based payments, claims or obligations as a result of patent infringement, and other litigations.

A restructuring obligation is considered to have arisen when the Company has a detailed formal plan for the restructuring (approved by management), which has been communicated in such a way that a valid expectation has been raised among those affected. Provision for restructuring is recorded when the Company can reliably estimate the liabilities relating to the obligation. The estimate is based on the Company's expected expenditure to settle the obligation and is adjusted when changes to the expenditure is known.

Customer-related provisions mainly consist of estimated losses on onerous contracts. For losses on customer contracts, a provision equal to the total estimated loss is recorded immediately when a loss from a contract is probable and can be estimated reliably. These contract loss estimates may include penalties under a loss contract.

Supplier-related provisions consist of guarantees or claims by suppliers. A provision equal to the best estimate of the expected expenditure to settle the obligation is raised when the Company can reliably estimate the obligation and it is probable that there will be an outflow of resources required to settle the obligation.

Product warranty commitments consider probabilities of all material quality issues based on historical performance for established products and expected performance for new products, estimates of repair cost per unit, and volumes sold still under warranty up to the reporting date.

Share-based payment provision relates to cash-settled share-based programs. Refer to the accounting policy under "Cash-settled plans."

Note A1, cont'd.

Other provisions relate mainly to litigations. The Company provides for estimated future settlements related to patent infringements based on the probable outcome of each infringement. The actual outcome or actual cost of settling an individual infringement may vary from the Company's estimate. The Company estimates the outcome of any potential patent infringement made known to the Company through assertion and the Company's monitoring of patent-related cases in the relevant legal systems. To the extent that the Company makes the judgment that an identified potential infringement will more likely than not result in an outflow of resources, the Company records a provision based on the Company's best estimate of the expenditure required to settle with the counterpart.

In the ordinary course of business, the Company is subject to proceedings, lawsuits, and other unresolved claims, including proceedings under laws and government regulations and other matters. These matters are often resolved over a long period of time. The Company regularly assesses the likelihood of any adverse judgments in or outcomes of these matters, as well as potential ranges of possible losses. Provisions are recognized when it is probable that an obligation has arisen, and the amount can be reasonably estimated based on a detailed analysis of each individual issue.

**Contingent liabilities**

Certain present obligations are not recognized as provisions as it is not probable that an economic outflow will be required to settle the obligations or the amount of the obligation cannot be measured with sufficient reliability, or there is a possible obligation arising from a past event, which will be confirmed by the occurrence or non-occurrence of a future uncertain event, not within the control of the Company. Such obligations are reported as contingent liabilities. For further detailed information, see note D2 "Contingent liabilities." In note A2 "Critical accounting estimates and judgments," further disclosure is presented in relation to (i) key sources of estimation uncertainty and (ii) the decision made in relation to accounting policies applied.

## Group structure

*For further disclosure, see the notes under section E.*

**Business combinations**

At the acquisition of a business, the cost of the acquisition, being the purchase price, is measured as the fair value of the assets given, and liabilities incurred or assumed at the date of exchange, including any cost related to contingent consideration. Transaction costs attributable to the acquisition are expensed as incurred. The acquisition cost is allocated to acquired assets, liabilities, and contingent liabilities based upon appraisals made, including assets and liabilities that were not recognized on the acquired entity's balance sheet, for example, intangible assets such as customer relations, brands, patents, and financial liabilities. Goodwill arises when the purchase price exceeds the fair value of recognizable acquired net assets. In acquisitions with non-controlling interests full or partial goodwill can be recognized. Final amounts are established within one year after the transaction date at the latest.

In case there is a put option for a non-controlling interest in a subsidiary a corresponding financial liability is recognized.

**Non-controlling interests**

The Company treats transactions with non-controlling interests as transactions with equity owners of the Company. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

At acquisition, there is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

**Joint ventures and associated companies**

When the Company ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest in an associate or financial asset. In addition, any amounts previously recognized in Other comprehensive income in respect of that entity are accounted for as if the Company had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in Other comprehensive income are reclassified to profit or loss.

Joint ventures and associated companies are accounted for in accordance with the equity method. Under the equity method, the investment in the joint venture or associate is initially recognized at cost and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. If the Company's interest in an associated company is nil, the Company shall not, as prescribed in IFRS, recognize its part of any future losses. Provisions related to obligations for such an interest shall, however, be recognized in relation to such an interest.

Investments in associated companies is when the Company has significant influence and the power to participate in the financial and operating policy decisions of the associated company but is not in control or joint control over those policies. Normally, this is the case in voting stock interest, including effective potential voting rights, which stand at least at 20% but not more than 50%.

The Company's share of income before taxes is reported in item "Share in earnings of joint ventures and associated companies," included in EBIT. This reflects the fact that these interests are held for operating rather than investing or financial purposes. Ericsson's share of income taxes related to associated companies is reported under the line item "Income tax," in the income statement.

Unrealized gains on transactions between the Company and its joint ventures and associated companies are eliminated to the extent of the Company's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Shares in earnings of joint ventures and associated companies are included in consolidated equity since they are undistributed. They are reported in retained earnings in the balance sheet.

Impairment testing, as well as recognition or reversal of impairment of investments in each joint venture and associated company, is performed in the same manner as for intangible assets other than goodwill. The entire carrying value of each investment, including goodwill, is tested as a single asset. See also description under "Intangible assets other than goodwill" below.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in Other comprehensive income are reclassified to profit or loss where appropriate.

In note A2, "Critical Accounting Estimates and Judgments," further disclosure is presented in relation to (i) key sources of estimation uncertainty and (ii) the decision made in relation to accounting policies applied.

## Financial instruments and risk management

*For further disclosure, see the notes under section F. Plan assets under IAS 19 are excluded from the financial risk management policy and financial instruments disclosures in section F.*

**Financial assets**

Financial assets are recognized when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial securities are recognized on the settlement date. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Separate assets or liabilities are recognized if any rights and obligations are created or retained in the transfer.

The Company classifies its financial assets in the following categories: at amortized cost, at fair value through other comprehensive income (FVOCI), and at fair value through profit or loss (FVTPL). The classification depends on the cash flow characteristics of the asset and the business model in which it is held.

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement.

The fair values of quoted financial investments and derivatives are based on quoted market prices or rates. If official rates or market prices are not available, fair values are calculated by discounting the expected future cash flows at

Note A1, cont'd.

prevailing interest rates. Valuations of foreign exchange options and Interest Rate Guarantees (IRG) are made by using the Black-Scholes formula. Inputs to the valuations are market prices for implied volatility, foreign exchange and interest rates.

**Financial assets at amortized cost**
Financial assets are classified as amortized cost if the contractual terms give rise to payments that are solely payments of principal and interest on the principal amount outstanding and the financial asset is held in a business model whose objective is to hold financial assets in order to collect contractual cash flows. These assets are subsequently measured at amortized cost using the effective interest method, minus impairment allowances. Interest income and gains and losses from financial assets at amortized cost are recognized in financial income.

**Financial assets at fair value through other comprehensive income (FVOCI)**
Assets are classified as FVOCI if the contractual terms give rise to payments that are solely payments of principal and interest on the principal amount outstanding and the financial asset is held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. These assets are subsequently measured at fair value with changes in fair value recognized in other comprehensive income (OCI), except for effective interest, impairment gains and losses and foreign exchange gains and losses which are recognized in the income statement. Upon derecognition, the cumulative gain or loss in OCI is reclassified to the income statement.

**Financial assets at fair value through profit or loss (FVTPL)**
All financial assets that are not classified as either amortized cost or FVOCI are classified as FVTPL. Derivatives are classified as FVTPL, unless they are designated as hedging instruments for the purpose of hedge accounting. Derivatives assets and liabilities are offset where there is legally enforceable right to set-off, and the Company settles on a net basis with the counterparties. Derivatives assets and liabilities (after offset) are presented as current assets and current liabilities, respectively. Interest-bearing securities classified as FVTPL, but not expected to be realized within 12 months, are classified on the balance sheet based on their maturity date (i.e., those with a maturity longer than one year are classified as non-current). Investments in shares and participations are classified as FVTPL and classified as non-current financial assets.

Gains or losses arising from changes in the fair values of investment in shares and participations are presented in the income statement within other operating income. Gains and losses on derivatives are presented in the income statement as follows. Gains and losses on derivatives used to hedge foreign exchange risks are presented within net foreign exchange gains and losses. Gains and losses on interest rate derivatives used to hedge financial assets and liabilities are presented in financial income and financial expense, respectively. Gains and losses on revaluation of customer financing receivables are presented in the income statement as selling expenses. Gains and losses arising from changes in the fair values of all other assets in the FVTPL category are presented in the income statement within financial income.

Dividends on equity instruments are recognized in the income statement as part of financial income when the Company's right to receive payments is established.

**Impairment in relation to financial assets**
At each balance sheet date, financial assets classified as either amortized cost or FVOCI and contract assets are assessed for impairment based on Expected Credit Losses (ECL). ECLs are the differences between all contractual cash flows that are due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. The Company adopts a simplified approach for trade receivables and contract assets whereby allowances are always equal to lifetime ECL. The Company has established a provision matrix based on historical credit loss experience, which has been adjusted for current conditions and expectations of future economic conditions. The losses are recognized in the income statement. When there is no reasonable expectation of collection, the asset is written off.

Other amortized costs assets are mainly investment grade assets deemed to be low risk hence credit risk is assumed not to have increased significantly since initial recognition. Default is deemed if the asset is more than 90 days past due, after which lifetime ECL is used to calculate allowance on the asset.

**Financial liabilities**
Financial liabilities are recognized when the Company becomes bound to the contractual obligations of the instrument.

Financial liabilities are derecognized when they are extinguished, i.e., when the obligation specified in the contract is discharged, cancelled or expired.

**Borrowings**
Borrowings issued by the Parent Company are designated FVTPL because they are managed on a fair value basis. Changes in fair value are recognized in financial expense, except for changes in fair value due to changes in credit risk which are recognized in other comprehensive income.

Borrowings not issued by the Parent Company are classified as amortized cost liabilities. They are initially recognized at fair value, net of transaction costs incurred. These borrowings are subsequently measured at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

**Trade payables**
Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

**Cash flow hedge accounting**
The Company identified certain customer contracts where a fluctuation in the USD/SEK foreign exchange (FX) rate would significantly impact net sales and EBIT recorded from the contracts. These contracts are multi-year contracts denominated in USD with highly probable payments at fixed points in time. The Company enters into FX forward contracts that match the terms of the foreign exchange exposure as closely as possible and designates these as hedging instruments.

At inception, the Company documents the economic relationship between the hedged item and hedging instrument. For FX hedges, the hedge ratio is usually 1:1. The Company designates changes in forward rates as the hedged risk. When applying hedge accounting, the effective portion of changes in the fair value of derivatives that is designated and qualifies as cash flow hedges is recognized in OCI. The gain or loss relating to an ineffective portion is recognized immediately in Financial income and expenses, net. Upon recognition of the hedged net sales, the cumulative amount in cash flow hedge reserve is released in the OCI as a reclassification adjustment and recognized in net sales.

Cash flow hedge is also designated for certain highly probable acquisition expected to be transacted in foreign currencies. FX derivatives are used as hedging instruments, at a hedge ratio of 1:1. The Company designates changes in forward rates as the hedged risks. The accounting is similar to that described for the cash flow hedge above, except that upon recognition of the hedged acquisition, the cumulative amount in the cash flow hedge reserve is released and recognized as a basis adjustment to the goodwill.

## Employee related
*For further disclosure, see the notes under section G.*

**Post-employment benefits**
Pensions and other post-employment benefits are classified as either defined contribution plans or defined benefit plans. Under a defined contribution plan, the Company's only obligation is to pay a fixed amount to a separate entity (a pension trust fund) with no obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits. The related actuarial and investment risks fall on the employee. The expenditures for defined contribution plans are recognized as expenses during the period when the employee provides service.

Under a defined benefit plan, it is the Company's obligation to provide agreed benefits to current and former employees. The related actuarial and investment risks fall on the Company.

Note A1, cont'd.

The present value of the defined benefit obligations for current and former employees is calculated using the Projected Unit Credit Method. The discount rate for each country is determined by reference to market yields on high-quality corporate bonds that have maturity dates approximating the terms of the Company's obligations. In countries where there is no deep market in such bonds, the market yields on government bonds are used. The calculations are based upon actuarial assumptions that are updated annually. Actuarial assumptions are the Company's best estimate of the variables that determine the cost of providing the benefits. When using actuarial assumptions, it is possible that the actual results will differ from the estimated results or that the actuarial assumptions will change from one period to another. These differences are reported as actuarial gains and losses. They are, for example, caused by unexpectedly high or low rates of employee turnover, changed life expectancy, salary changes and changes in the discount rate. Actuarial gains and losses and gains and losses from remeasurement of plan assets are recognized in OCI in the period in which they occur. The Company's net liability for each defined benefit plan consists of the present value of pension commitments less the fair value of plan assets and is recognized net on the balance sheet. When the result is a net benefit to the Company, the recognized asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan, referred to as 'asset ceiling'.

Interest cost on the defined benefit obligation and interest income on plan assets is calculated as a net interest amount by applying the discount rate to the net defined benefit liability. Current service cost relating to employee service is recognised in the profit and loss in the period. Past service cost relating to plan amendments or curtailment is recognized immediately in the period it occurs. Swedish special payroll tax is accounted for as a part of the pension cost and the pension liability respectively.

Payroll taxes related to actuarial gains and losses are included in determining actuarial gains and losses, reported under OCI.

In note A2, "Critical accounting estimates and judgments" further disclosure is presented in relation to key sources of estimation uncertainty.

**Share-based compensation to employees and the Board of Directors**

Share-based compensation is related to remuneration to employees, including key management personnel and the Board of Directors and could be settled either in shares or cash.

Under IFRS, a company shall recognize compensation costs for share-based compensation programs based on a measure of the value to the company of services received under the plans. For share-settled plans, a corresponding increase in equity shall be recognized.

As from 2017 the granted share-based programs are cash-settled, except for programs for the Executive Team. Those programs are share-settled.

**Share-settled plans**

Compensation costs are recognized during the vesting period, based on the fair value of the Ericsson share at the grant date, as well as considering performance – and market conditions. Examples of performance conditions could be revenue and profit targets while market conditions relate to the development of the Parent Company's share price in relation to a group of reference shares. All plans have service conditions and some of them have performance or market conditions.

For share-settled plans, a corresponding increase in equity shall be recognized. The reason for this IFRS accounting principle is that compensation cost for a share-settled program is a cost with no direct cash flow impact.

For further detailed information, see note G3 "Share-based compensation."

**Cash-settled plans**

The total compensation expense for a cash-settled plan is equal to the payments made to the employees at the date of the end of the service period. The fair value of the synthetic shares, being the cash equivalents of shares, is therefore reassessed and amended during the service period, and accounted for as a provision. Otherwise the accounting is similar to a share-settled plan.

For further detailed information, see note G3 "Share-based compensation."

**Compensation to the Board of Directors**

Since 2008, the annual general shareholders meeting of the Parent Company has each year resolved that the Board members shall be able to choose to receive part of the Board remuneration in the form of synthetic shares. The program gives non-employee Directors elected by the General Meeting of shareholders a right to receive part of their remuneration as a future payment of an amount which corresponds to the market value of a share of class B in the Parent Company at the time of payment, as further disclosed in note G3, "Share-based compensation." The cost for cash-settlements is measured and recognized based on the estimated costs for the program on a pro-rata basis during the service period, being one year. The estimated costs are remeasured during and at the end of the service period.

## Other

*For further disclosure, see the notes under section H.*

**Income taxes**

Income taxes in the consolidated financial statements include both current and deferred taxes. Income taxes are reported in the income statement unless the underlying item is reported directly in equity or OCI. For those items, the related income tax is also reported directly in equity or OCI. A current tax liability or asset is recognized for the estimated taxes payable or refundable for the current year or prior years.

Current income tax is measured at the tax rate that is expected to be applied based on the tax laws that have been substantially enacted for the reporting period in the corresponding jurisdiction.

Deferred tax is recognized for temporary differences between the book values of assets and liabilities and their tax values and for tax loss carry-forwards. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and tax loss carry-forwards can be utilized. In the recognition of income taxes, the Company offsets current tax receivables against current tax liabilities and deferred tax assets against deferred tax liabilities in the balance sheet, when the Company has a legal right to offset these items and the intention to do so. Deferred tax is not recognized for the following temporary differences: goodwill not deductible for tax purposes, for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and for differences related to investments in subsidiaries when it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is measured at the tax rate that is expected to be applied to the temporary differences when they reverse, based on the tax laws that have been enacted or substantively enacted by the reporting date. An adjustment of deferred tax asset/liability balances due to a change in the tax rate is recognized in the income statement, unless it relates to a temporary difference earlier recognized directly in equity or OCI, in which case the adjustment is also recognized in equity or OCI. As prescribed in IFRIC 23, uncertainty over income tax treatment is considered if and when recognizing and measuring income tax items in the financial statements.

As a result of applying IFRS 16 "Leases," the Company has not reported deferred tax on initial recognition. The exemption in IAS 12 is applied i.e. no deferred tax is reported for the initial recognition of a right-of-use asset and a lease liability. Subsequently, analysis will be made of temporary differences to determine if changes are related to initial recognition or if new temporary differences have arisen and if deferred tax should be reported.

The measurement of deferred tax assets involves judgment regarding the deductibility of costs not yet subject to taxation and estimates regarding sufficient future taxable income to enable utilization of unused tax losses in different tax jurisdictions. All deferred tax assets are subject to annual review of probable utilization.

In note A2, "Critical accounting estimates and judgments," further disclosure is presented in relation to (i) key sources of estimation uncertainty and (ii) the decision made in relation to accounting policies applied.

**Earnings per share**

Basic earnings per share are calculated by dividing net income attributable to owners of the Parent Company by the weighted average number of shares outstanding (total number of shares less treasury shares) during the year.

Diluted earnings per share are calculated by dividing net income attributable to owners of the Parent Company, when appropriately adjusted by the sum of the weighted average number of ordinary shares outstanding and dilutive potential ordinary shares. Potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share.

Note A1, cont'd.

Rights to matching shares are considered dilutive when the actual fulfilment of any performance conditions as of the reporting date would give a right to ordinary shares.

**Statement of cash flows**
The statement of cash flows is prepared in accordance with the indirect method. Cash flows in foreign subsidiaries are translated at the average exchange rate during the period. Payments for subsidiaries acquired or divested are reported as cash flow from investing activities, net of cash and cash equivalents acquired or disposed of respectively.

Cash and cash equivalents consist of cash, bank, and interest-bearing securities that are highly liquid monetary financial instruments with a remaining maturity of three months or less at the date of acquisition.

**New accounting standards and interpretations**
On January 1, 2021, the following amendments issued by the IASB were adopted with no material impact on the result and financial position of the Company.
- Interest Rate Benchmark Reform Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (the Phase 2 Amendments)
- Amendments to IFRS 16 Leases: COVID-19-related rent concessions beyond 30 June 2021
- Amendments to IFRS 4 Insurance Contracts: Extension of the Temporary Exemption from Applying IFRS 9

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2021, and have not been applied in preparing these consolidated financial statements.

The IASB has issued the following Amendments with effective date January 1, 2022:
- Amendments to "IFRS 3 Business Combinations" – Reference to the Conceptual Framework.
- "IAS 16 Property, Plant and Equipment – Proceeds before Intended Use", which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.
- Amendments to "IAS 37 Provisions, Contingent Liabilities and Contingent Assets" to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach." The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.
- Annual improvements to IFRS 2018–2020.

The Company has finalized the evaluation of any impact on financial result or position from these amendments and concluded that they will not have a significant impact.

The IASB has issued the following new standard with effective date January 1, 2023:
- The "IFRS 17 Insurance contracts" which establishes principles for the recognition, measurements, presentation and disclosure of insurance contracts. The Company has finalized its evaluation and concluded that the impact on financial result or position from adopting IFRS 17 is immaterial.

The IASB has also issued the following Amendments with effective date January 1, 2023:
- Presentation of Financial Statements: Classification of Liabilities as Current or Non-current
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies.
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

The Company has not yet finalized the evaluation of any impact on financial result or position from these amendments.

## A2 Critical accounting estimates and judgments

The preparation of financial statements and application of accounting standards often involve management's judgment and the use of estimates and assumptions deemed to be reasonable at the time they are made. However, other results may be derived with different judgments or using different assumptions or estimates, and events may occur that could require a material adjustment to the carrying amount of the asset or liability affected. Examples of this could occur at change of strategy or restructuring. Judgments for accounting policies to be applied as well as estimates may also be impacted due to this. Following are the most important accounting policies subject to such judgments and the key sources of estimation uncertainty that the Company believes could have the most significant impact on the reported results and financial position.

The information in this note is grouped as per:
- Key sources of estimation uncertainty
- Judgments management has made in the process of applying the Company's accounting policies.

**Revenue recognition**
**Key sources of estimation uncertainty**
The Company uses estimates and judgments in determining the amount and timing of revenue under IFRS 15, "Revenue from Contracts with Customers," particularly when determining the transaction price and its allocation to performance obligations identified under the contract.

Transaction price may consist of variable elements such as discounts, performance related price and contract penalties. Transaction price, including variable considerations, is estimated at the commencement of the contract (and periodically thereafter). Judgment is used in the estimation process based on historical experience with the type of business and customer. This includes assessment of price concession based on latest available information on contract negotiations that could have retrospective impact on prices for products and services already ordered or delivered.

IFRS 15 also requires revenue to be allocated to each performance obligations by reference to their standalone selling prices. The Company considers that an adjusted market assessment approach should be used to estimate stand-alone selling prices for its products and services for the purposes of allocating transaction price. These estimates comprised of prices set for similar customer and circumstances, adjusted to reflect appropriate profit margins for the market. Estimates are used to determine discounts that relate specifically to each performance obligation, thus impacting the stand-alone selling price.

**Judgments made in relation to accounting policies applied**
Management applies judgment when assessing the customer's ability and intention to pay in a contract. The assessment is based on the latest customer credit standing and the customer's past payment history. This assessment may change during the contract execution, and if there is evidence of deterioration in the customer's ability or intention to pay, then under IFRS 15 no further revenue shall be recognized until the collectability criteria is met. Conversely, this assessment may also change favorably over time, upon which revenue shall now be recognized on a contract that did not initially meet the collectability criteria.

Management also applies judgment in assessing criteria for contract combination. Master purchase agreement can cover a number of different businesses with the same customer and judgment is applied to assess if prices relating to the different businesses are highly dependent, in which case, contracts relating to such businesses shall be combined and the total transaction price allocated

Note A2, cont'd.

to each performance obligation based on estimated stand-alone selling prices. Judgment can also be applied on contract amendments related to prior performance obligations, in which case, the judgment is related to assess if part of the transaction price shall be applied retrospectively.

Revenue for standard products shall be recognized when control over the equipment is transferred to the customer at a point in time. This assessment shall be viewed from a customer's perspective considering indicators such as transfer of titles and risks, customer acceptance, physical possession, and billing rights. Judgment may be applied in determining whether risk and rewards have been transferred to the customer and whether the customer has accepted the products. Often all indicators of transfer of control are assessed together and an overall judgment formed as to when transfer of control has occurred in a customer contract.

Revenue for customized solutions shall be recognized over time if progress of completion can be reliably measured and enforceable right to payment exists over the duration of the contract. The progress of completion is estimated by reference to the output delivered such as achievement of contract milestones and customer acceptance. Judgments are applied when determining the appropriate revenue milestones that best reflect the progress of completion and are aligned with key acceptance stages within the contract.

**Impairment allowance on receivables and contract assets**
**Key sources of estimation uncertainty**
The Company monitors the financial stability of its customers, the environments in which they operate and historical credit losses. This is combined with expectations of future economic conditions to calculate expected credit losses (ECLs). ECLs on trade receivables and contract assets are assessed using a provision matrix based on days past due for groupings of customers that have historically had similar loss patterns. The amount of ECLs is sensitive to changes in the circumstances of our customers and the environments in which they operate as well as management's expectations of future economic conditions. Actual credit losses may be higher or lower than expected, therefore are regularly monitored to ensure the provision matrix is updated if required. Management review of current and future conditions is based on latest observable economic updates and our internal assessment of the potential impact on our customers. Total allowances for expected credit losses as of December 31, 2021 were SEK 2.4 (2.5) billion or 4% (5%) of gross trade receivables and contract assets. For further detailed information see note F1 "Financial risk management".

Customer financing receivables are valued at fair value on an individual basis. When market pricing is not available, an internal valuation model is applied considering external credit rating, political and commercial risks and bank pricing. Regular monitoring of customer behavior is also a part of the internal assessment.

**Inventory valuation**
**Key sources of estimation uncertainty**
Inventories are valued at the lower of cost and net realizable value. Estimates are required in relation to forecasted sales volumes and inventory balances. In situations where excess inventory balances are identified, estimates of net realizable values for the excess volumes are made. Inventory allowances for estimated losses as of December 31, 2021, amounted to SEK 3.6 (3.6) billion or 9% (11%) of gross inventory. For further detailed information, see note B5 "Inventories."

**Classification in relation to companies owned by less than 100%**
**Judgments made in relation to accounting policies applied**
Judgment in relation to the classification of ownership that is less than 100% requires the Company to judge if the ownership shall be classified as a subsidiary, joint venture, associated company, or financial asset. See "Basis of consolidation and composition of the Group" as well as "Joint ventures and associated companies" under note A1 "Significant accounting policies" for a background. Financial assets refer to the ownerships that neither are subsidiaries nor JV/associated companies.

**Acquired intellectual property rights and other intangible assets, including goodwill**
**Key sources of estimation uncertainty**
At initial recognition, future cash flows are estimated, to ensure that the initial carrying values do not exceed the expected discounted cash flows for the items of this type of assets. After initial recognition, impairment testing is performed whenever there is an indication of impairment, in addition, goodwill impairment testing is performed once per year. Negative deviations in actual cash flows compared to estimated cash flows as well as new estimates that indicate lower future cash flows might result in recognition of impairment charges. Impairment losses for intangible assets and goodwill amounted to SEK −0.3 (−0.1) billion for 2021.

At December 31, 2021, the carrying amount of acquired intellectual property rights and other intangible assets amounted to SEK 42.0 (39.8) billion, including goodwill of SEK 38.2 (34.9) billion.

For further discussion on goodwill, see note A1 "Significant accounting policies." Estimates related to acquired intangible assets are based on similar assumptions and risks as for goodwill. For more information, see note C1 "Intangible assets."

**Judgments made in relation to accounting policies applied**
At initial recognition and subsequent remeasurement, management judgments are made, both for key assumptions and regarding impairment indicators. In the purchase price allocation made for each acquisition, the purchase price is assigned to the identifiable assets, liabilities, and contingent liabilities based on fair values for these assets. Any remaining excess value is reported as goodwill.

This allocation requires management judgment as well as the definition of cash-generating units for impairment testing purposes. Other judgments might result in significantly different results and financial position in the future.

**Leases**
**Key sources of estimation uncertainty**
At initial recognition and subsequent remeasurement, management estimates are made for the term applied in a lease contract. The outcome of these estimates may turn out not to match the actual outcome of the lease and may have an adverse effect on the right-of-use assets. For more information, see note C3 "Leases."

**Judgments made in relation to accounting policies applied**
Lease contracts may give the lessee the right to shorten or extend a contract. Under such contracts management judgement of the lease term is required. The Group estimates its incremental borrowing rate to measure lease liabilities at the present value of lease payments as the interest rate implicit in the lease is not readily determinable. An incremental borrowing rate is used in discounting of the lease liabilities and requires judgement to reflect the rate of interest that would have to be paid to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. This estimated rate determines the discounting of lease liabilities and right-of use assets recognized in the statement of financial position. As well as the split between interest expense and depreciation recognized in the income statement over the lease term.

**Provisions**
**Key sources of estimation uncertainty**
Provisions mainly related to estimates for onerous contracts with customers and suppliers. Onerous customer contract provision includes estimates of costs to be incurred based on the latest conditions and progress on the contract. Assumptions on the probable outcomes of revenue and costs, which may include costs of potential compensation or penalties on exit, are revised regularly based on the latest available information, and the provision is remeasured accordingly. Other sources for estimation uncertainty are restructuring program execution (cost and timing), and outcomes relating to patent and other litigation. Litigations and disputes may continue over several years and therefore there is uncertainty in the final outcome and expected settlement. Provisions are regularly reassessed based on the latest information available and are adjusted to reflect the Company's best estimate of the eventual outcome. This means there may be changes to the provision values over time.

At December 31, 2021, provisions amounted to SEK 9.5 (10.5) billion. For further detailed information, see note D1 "Provisions."

**Judgments made in relation to accounting policies applied**
Whether a present obligation is probable or not requires judgment. The nature and type of risks for these provisions differ and management's judgment is

Note A2, cont'd.

applied regarding the nature and extent of obligations in deciding if an outflow of resources is probable or not. Further judgment is required in determining the value of the obligation as this is based on the Company's best estimate as to the expected future expenditure required to settle the obligation.

**Supplier payments program**

**Judgments made in relation to accounting policies applied**

With the aim of increasing working capital efficiency, Ericsson continuously renegotiates payment days with suppliers. The negotiations with suppliers for payment days is an integral part of the procurement activities. Some suppliers sell their Ericsson receivables to banks and Ericsson can if requested introduce a bank interested in purchasing such receivables. Ericsson does not pay or receive a fee, nor provide additional security under the program. This arrangement does not lead to any significant change in the nature or function of Ericsson's liabilities because the supplier invoices are considered part of working capital used in Ericsson's normal operating cycle. The maximum credit period agreed with any supplier does not exceed six months. Therefore, these liabilities remain classified as trade payables with separate disclosure in the notes, see note B8 "Trade payables."

**Contingent liabilities**

**Key sources of estimation uncertainty**

As disclosed under 'Provisions' the same type of uncertainty exists for contingent liabilities, specifically relating to the valuation of the possible obligations. Contingent liabilities mainly relate to estimates for litigation, tax litigation, and pension guarantees. As the contingent liabilities will only be confirmed in the future based on the resolution of the litigation or dispute, management is required to estimate the possibility of an adverse outcome occurring and potential settlement value. Given that there are a number of potential obligations, a contingent liability may arise and/or expense (provision) may have to be recognized at a later stage.

**Judgments made in relation to accounting policies applied**

As disclosed under note A1, "Significant accounting policies" a present obligation that is not likely to result in an economic outflow or a possible obligation which will be confirmed by the occurrence or non-occurrence of an uncertain future event are classified as contingent liabilities, with no impact on the Company's financial statements. However, should an obligation in a later period be deemed to be probable, then a provision shall be recognized, impacting the financial statements.

**Pensions and other post-employment benefits**

**Key sources of estimation uncertainty**

Accounting for the costs of defined benefit pension plans and other applicable post-employment benefits is based on actuarial valuations, relying on key estimates for discount rates, future salary increases, employee turnover rates and mortality tables. The discount rate assumptions are based on rates for high-quality fixed-income investments with durations as close as possible to the Company's pension plans. In countries where there is not a deep market in high-quality corporate bonds, the market yields on government bonds shall be applied. Judgment is applied in determining the deepness of the high-quality corporate bond market in each country. The impact of applying an alternative discount rate based on Swedish covered bonds is disclosed in note G1, "Post-employment benefits." At December 31, 2021, defined benefit obligations for pensions and other post-employment benefits amounted to SEK 113.5 (108.2) billion and fair value of plan assets to SEK 81.4 (73.6) billion. For more information on estimates and assumptions, see note G1 "Post-employment benefits."

**Deferred taxes**

**Key sources of estimation uncertainty**

Deferred tax assets and liabilities are recognized for temporary differences and for tax loss carry-forwards. The valuation of temporary differences and tax loss carry-forwards is based on management's estimates of future taxable profits in different tax jurisdictions against which the temporary differences and loss carry-forwards may be utilized. These estimates are primarily based on business plans for the Company´s estimated outcome of deductibility in relation to larger provisions. As prescribed in IFRIC 23 estimates are made in relation to uncertain tax positions in a limited number of countries. Estimates are made for any expected changes in tax legislation with a potential material impact.

The largest amounts of tax loss carry-forwards are reported in Sweden, with an indefinite period of utilization (i.e. with no expiry date), except for withholding taxes that expire after five years. For further information, see note H1 "Taxes."

At December 31, 2021, the value of deferred tax assets amounted to SEK 23.1 (26.3) billion. The deferred tax assets related to loss carry-forwards are reported as non-current assets.

**Accounting for income tax, value added tax, and other taxes**

**Key sources of estimation uncertainty**

Accounting for these items is based upon evaluation of taxable income, value added and other tax rules in all jurisdictions where the profits arise. The total complexity of rules related to taxes and the accounting for these require management's involvement in judgments regarding classification of transactions and in estimates of probable outcomes of claimed deductions and/or disputes.

**COVID-19 impacts on the financial statements**

The COVID-19 pandemic has impacted certain lines within our financial statements in 2020, especially market assumptions used in the valuation of pension liabilities. In 2021, government bond yields and corporate bond yields have largely returned to levels observed before the pandemic. As the global economy continues to recover from the effects of the pandemic, market conditions and asset prices (equity and bonds) remain volatile. Increases in inflation rates are also observed in many countries, especially Sweden and the UK. All these factors have been incorporated into the assumptions used in the valuation of pension liabilities at year end, although the Company believes it is difficult to attribute any specific change in market condition to the COVID-19 effect alone.

The Company continually assesses the business performance and profitability for changes in expected future cash flows which could impact recoverability of assets such as deferred tax assets and intangible assets. As with prior year, the Company concluded there is no evidence of material changes to recoverability risk of business assets as a direct effect of COVID-19. The uncertainty on the economic recovery from the pandemic resulted in the Company having additional contractual obligation with suppliers, although this is also attributable to the general supply constraint in the global electronic components market.

Comments on areas of financial statements affected are in the following notes: C1 "Intangible assets," "D4 Contractual obligations," F1 "Financial Risk Management," and H1 "Taxes."

## Section B – Business and operations

# B1 Segment information

**Operating segments**
When determining Ericsson's operating segments, consideration has been given to the financial reporting reviewed by the Chief Operating Decision Maker (CODM). Markets and what type of customers the products and services aim to attract has been considered, as well as the distribution channels they are sold through. Commonality regarding technology, research and development has also been taken into account. To best reflect the business focus and to facilitate comparability with peers, four operating segments are reported;
– Networks
– Digital Services
– Managed Services
– Emerging Business and Other.

**Segment Networks** offers a multi-technology capable Radio Access Network (RAN) solution for all network spectrum bands, including integrated high-performing hardware and software. The offering also includes a transport portfolio through own solutions and partnering, an integrated antenna solution and a complete service portfolio covering network deployment and support. 82% (82% in 2020 and 2019 respectively) of the IPR licensing revenues are reported as part of segment Networks.

**Segment Digital Services** provides software-based solutions for business support (BSS), operational support (OSS) communication services, core networks, and cloud infrastructure. The focus is on cloud native and automation solutions supporting our customers' 4G and growing 5G consumer and enterprise business. 18% (18% in 2020 and 2019 respectively) of the IPR licensing revenues are reported as part of segment Digital Services.

**Segment Managed Services** provides Networks and IT Managed Services, Network Design and Optimization, and Application Development and Maintenance to telecom operators.

**Segment Emerging Business and Other** supports enterprises by providing reliable and secure cellular solutions that are easy to use, adopt and scale for global and local needs. The segment includes:
– Emerging Business, including IoT, iconectiv, Cradlepoint and New businesses
– Media businesses, including Red Bee Media and a 49% ownership of MediaKind.

**Market areas**
The market areas are the Company's primary sales channel with the responsibility to sell and deliver customer solutions.

The Company operates worldwide and reports its operations divided into five geographical market areas:
– Europe and Latin America
– Middle East and Africa
– North America
– North East Asia
– South East Asia, Oceania and India.

In addition, IPR licensing revenues and the majority of segment Emerging Business and Other are externally reported as market area Other.

**Major customers**
The Company derives most of its sales from large, multi-year agreements with a limited number of significant customers. Out of a customer base of more than 500 customers, mainly consisting of network operators, the ten largest customers accounted for 49% (50% in 2020 and 49% in 2019) of net sales. The largest customer accounted for approximately 13% (13% in 2020 and 10% in 2019) and the second largest customer accounted for 9% (10% in 2020 and 8% in 2019) of net sales in 2021. These customers were reported under segment Networks, Digital Services and Managed Services.

Operating segments 2021

| | Networks | Digital Services | Managed Services | Emerging Business and Other | Total Segments | Group |
|---|---|---|---|---|---|---|
| Segment sales | 167,838 | 36,151 | 20,379 | 7,946 | 232,314 | 232,314 |
| **Net sales** | **167,838** | **36,151** | **20,379** | **7,946** | **232,314** | **232,314** |
| **Gross income** | **78,869** | **15,092** | **3,835** | **2,953** | **100,749** | **100,749** |
| Gross margin (%) | 47.0% | 41.7% | 18.8% | 37.2% | 43.4% | 43.4% |
| **Earnings (loss) before financial items and income tax (EBIT)** | **37,266** | **–3,604** | **1,468** | **–3,350** | **31,780** | **31,780** |
| EBIT margin (%) | 22.2% | –10.0% | 7.2% | –42.2% | 13.7% | 13.7% |
| Financial income and expenses, net | | | | | | –2,530 |
| **Income after financial items** | | | | | | **29,250** |
| Income tax | | | | | | –6,270 |
| **Net income** | | | | | | **22,980** |
| **Other segment items** | | | | | | |
| Share in earnings of JV and associated companies | 40 | 29 | 43 | –372 | –260 | –260 |
| Amortizations | –1,169 | –490 | –18 | –830 | –2,507 | –2,507 |
| Depreciations | –3,764 | –1,194 | –377 | –616 | –5,951 | –5,951 |
| Impairment losses | –127 | –177 | –8 | –199 | –511 | –511 |
| Restructuring charges | –262 | –130 | –124 | –33 | –549 | –549 |
| Gains/losses on investments and sale of operations | 14 | — | –50 | 997 | 961 | 961 |

Note B1, cont'd.

Operating segments 2020

| | Networks | Digital Services | Managed Services | Emerging Business and Other | Total Segments | Group |
|---|---|---|---|---|---|---|
| Segment sales | 165,978 | 37,324 | 22,600 | 6,488 | 232,390 | 232,390 |
| **Net sales** | **165,978** | **37,324** | **22,600** | **6,488** | **232,390** | **232,390** |
| **Gross income** | **72,413** | **15,637** | **4,012** | **1,662** | **93,724** | **93,724** |
| Gross margin (%) | 43.6% | 41.9% | 17.8% | 25.6% | 40.3% | 40.3% |
| **Earnings (loss) before financial items and income tax (EBIT)** | **30,851** | **–2,206** | **1,563** | **–2,400** | **27,808** | **27,808** |
| EBIT margin (%) | 18.6% | –5.9% | 6.9% | –37.0% | 12.0% | 12.0% |
| Financial income and expenses, net | | | | | | –596 |
| **Income after financial items** | | | | | | **27,212** |
| Income tax | | | | | | –9,589 |
| **Net income** | | | | | | **17,623** |
| **Other segment items** | | | | | | |
| Share in earnings of JV and associated companies | 37 | 28 | 5 | –368 | –298 | –298 |
| Amortizations | –775 | –607 | –5 | –602 | –1,989 | –1,989 |
| Depreciations | –3,764 | –1,252 | –386 | –587 | –5,989 | –5,989 |
| Impairment losses | –494 | –119 | –25 | –58 | –696 | –696 |
| Restructuring charges | –746 | –19 | –258 | –283 | –1,306 | –1,306 |
| Gains/losses on investments and sale of operations | –129 | 12 | 5 | –29 | –141 | –141 |

Operating segments 2019

| | Networks | Digital Services | Managed Services | Emerging Business and Other | Total Segments | Group |
|---|---|---|---|---|---|---|
| Segment sales | 155,009 | 39,857 | 25,565 | 6,785 | 227,216 | 227,216 |
| **Net sales** | **155,009** | **39,857** | **25,565** | **6,785** | **227,216** | **227,216** |
| **Gross income** | **64,717** | **14,836** | **3,990** | **1,281** | **84,824** | **84,824** |
| Gross margin (%) | 41.8% | 37.2% | 15.6% | 18.9% | 37.3% | 37.3% |
| **Earnings (loss) before financial items and income tax (EBIT)** [1)] | **24,767** | **–4,027** | **2,309** | **–12,485** | **10,564** | **10,564** |
| EBIT margin (%) | 16.0% | –10.1% | 9.0% | –184.0% | 4.6% | 4.6% |
| Financial income and expenses, net | | | | | | –1,802 |
| **Income after financial items** | | | | | | **8,762** |
| Income tax | | | | | | –6,922 |
| **Net income** | | | | | | **1,840** |
| **Other segment items** | | | | | | |
| Share in earnings of JV and associated companies | 26 | 41 | 3 | –405 | –335 | –335 |
| Amortizations | –517 | –1,413 | –5 | –603 | –2,538 | –2,538 |
| Depreciations | –3,604 | –1,478 | –413 | –566 | –6,061 | –6,061 |
| Impairment losses | –295 | –128 | –24 | –43 | –490 | –490 |
| Restructuring charges | –68 | –614 | –45 | –71 | –798 | –798 |
| Gains/losses on investments and sale of operations | –225 | –2 | –12 | 936 | 697 | 697 |

[1)] Includes costs of SEK –10.7 billion in 2019 related to the resolution of the US SEC and DOJ resolution.

Products and Services by Segments

| | Networks | Digital Services | Managed Services | Emerging Business and Other | Total Segments |
|---|---|---|---|---|---|
| **2021** | | | | | |
| Products | 128,951 | 19,328 | 132 | 3,786 | 152,197 |
| Services | 38,887 | 16,823 | 20,247 | 4,160 | 80,117 |
| **Total** | **167,838** | **36,151** | **20,379** | **7,946** | **232,314** |
| **2020** | | | | | |
| Products | 122,229 | 20,447 | 81 | 3,429 | 146,186 |
| Services | 43,749 | 16,877 | 22,519 | 3,059 | 86,204 |
| **Total** | **165,978** | **37,324** | **22,600** | **6,488** | **232,390** |
| **2019** | | | | | |
| Products | 109,122 | 21,480 | 11 | 3,553 | 134,166 |
| Services | 45,887 | 18,377 | 25,554 | 3,232 | 93,050 |
| **Total** | **155,009** | **39,857** | **25,565** | **6,785** | **227,216** |

Note B1, cont'd.

Market area 2021

| | Net sales | | | | | Non-current assets [4] |
|---|---|---|---|---|---|---|
| | Networks | Digital Services | Managed Services | Emerging Business and Other | Total | Total |
| South East Asia, Oceania and India | 20,299 | 4,235 | 4,258 | 37 | 28,829 | 1,010 |
| North East Asia [3] | 24,464 | 3,605 | 800 | 252 | 29,121 | 2,700 |
| North America [2] | 66,464 | 7,988 | 2,925 | 79 | 77,456 | 11,971 |
| Europe and Latin America [1] | 38,671 | 12,381 | 8,804 | 416 | 60,272 | 52,141 |
| Middle East and Africa | 10,743 | 6,436 | 3,592 | 14 | 20,785 | 209 |
| Other [1] [2] [3] [5] | 7,197 | 1,506 | — | 7,148 | 15,851 | — |
| **Total** | **167,838** | **36,151** | **20,379** | **7,946** | **232,314** | **68,031** |
| *[1] Of which in EU [5]* | | | | | *31,307* | *50,428* |
| *Of which in Sweden [5]* | | | | | *2,349* | *45,997* |
| *[2] Of which in the United States [5]* | | | | | *79,896* | *10,749* |
| *[3] Of which in Japan [5]* | | | | | *13,678* | *261* |
| *[3] Of which in China [5]* | | | | | *10,078* | *2,202* |

[4] Total non-current assets excluding financial instruments, deferred tax assets, and post-employment benefit assets.
[5] Including IPR licencing revenue reported under Other Market area which is allocated based on the country location of the customer. Other sales are attributed to countries based on the destination of products or services delivered.

Market area 2020

| | Net sales | | | | | Non-current assets [4] |
|---|---|---|---|---|---|---|
| | Networks | Digital Services | Managed Services | Emerging Business and Other | Total | Total |
| South East Asia, Oceania and India | 21,464 | 4,329 | 4,219 | 36 | 30,048 | 812 |
| North East Asia [3] | 27,120 | 5,124 | 831 | 259 | 33,334 | 2,648 |
| North America [2] | 62,199 | 7,979 | 3,529 | 68 | 73,775 | 12,749 |
| Europe and Latin America [1] | 33,257 | 11,954 | 10,167 | 367 | 55,745 | 49,895 |
| Middle East and Africa | 13,281 | 6,144 | 3,854 | 19 | 23,298 | 140 |
| Other [1] [2] [3] [5] | 8,657 | 1,794 | — | 5,739 | 16,190 | — |
| **Total** | **165,978** | **37,324** | **22,600** | **6,488** | **232,390** | **66,244** |
| *[1] Of which in EU [5]* | | | | | *29,501* | *48,133* |
| *Of which in Sweden [5]* | | | | | *1,123* | *43,627* |
| *[2] Of which in the United States [5]* | | | | | *77,835* | *11,533* |
| *[3] Of which in Japan [5]* | | | | | *12,150* | *272* |
| *[3] Of which in China [5]* | | | | | *18,745* | *2,136* |

[4] Total non-current assets excluding financial instruments, deferred tax assets, and post-employment benefit assets.
[5] Including IPR licencing revenue reported under Other Market area which is allocated based on the country location of the customer. Other sales are attributed to countries based on the destination of products or services delivered.

Market area 2019

| | Net sales | | | | | Non-current assets [4] |
|---|---|---|---|---|---|---|
| | Networks | Digital Services | Managed Services | Emerging Business and Other | Total | Total |
| South East Asia, Oceania and India | 21,850 | 4,033 | 3,836 | 57 | 29,776 | 1,199 |
| North East Asia [3] | 20,339 | 4,857 | 1,026 | 178 | 26,400 | 2,881 |
| North America [2] | 55,808 | 9,646 | 4,673 | 96 | 70,223 | 11,570 |
| Europe and Latin America [1] | 33,884 | 12,571 | 12,149 | 402 | 59,006 | 45,832 |
| Middle East and Africa | 14,604 | 7,015 | 3,881 | 25 | 25,525 | 151 |
| Other [1] [2] [3] [5] | 8,524 | 1,735 | — | 6,027 | 16,286 | — |
| **Total** | **155,009** | **39,857** | **25,565** | **6,785** | **227,216** | **61,633** |
| *[1] Of which in EU [5]* | | | | | *35,729* | *44,306* |
| *Of which in Sweden [5]* | | | | | *589* | *38,313* |
| *[2] Of which in the United States [5]* | | | | | *73,279* | *10,176* |
| *[3] Of which in Japan [5]* | | | | | *8,890* | *184* |
| *[3] Of which in China [5]* | | | | | *15,860* | *2,402* |

[4] Total non-current assets excluding financial instruments, deferred tax assets, and post-employment benefit assets.
[5] Including IPR licencing revenue reported under Other Market area which is allocated based on the country location of the customer. Other sales are attributed to countries based on the destination of products or services delivered.

## B2 Net sales

Net sales

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Hardware | 106,399 | 96,294 | 86,130 |
| Software | 45,798 | 49,892 | 48,036 |
| Services | 80,117 | 86,204 | 93,050 |
| **Net sales** | **232,314** | **232,390** | **227,216** |
| Of which IPR licensing revenues | 8,134 | 9,975 | 9,631 |
| Of which export sales from Sweden | 140,898 | 132,269 | 120,822 |

## B3 Expenses by nature

Expenses by nature

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Goods and services | 119,787 | 120,102 | 123,488 |
| Employee remuneration | 77,462 | 74,645 | 72,663 |
| Amortizations and depreciations | 8,458 | 7,978 | 8,599 |
| Impairments, obsolescence allowances and revaluation | 1,456 | 3,082 | 4,106 |
| Inventory increase, net | −5,565 | −44 | −704 |
| Additions to capitalized development | −962 | −817 | −1,545 |
| **Expenses charged to cost of sales and operating expenses** | **200,636** | **204,946** | **206,607** |

Total restructuring charges in 2021 were SEK 0.5 (1.3) billion. Restructuring charges are included in the expenses presented above.

Restructuring charges by function

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Cost of sales | 273 | 725 | 337 |
| R&D expenses | 137 | 411 | 344 |
| Selling and administrative expenses | 139 | 170 | 117 |
| **Total restructuring charges** | **549** | **1,306** | **798** |

## B4 Other operating income and expenses

Other operating income and expenses

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| **Other operating income** | | | |
| Gains on sales of intangible assets and PP&E | 13 | 64 | 115 |
| Gains on investments and sale of operations [1] | 1,199 | 347 | 1,119 |
| Other operating income | 314 | 750 | 1,116 |
| **Total other operating income** | **1,526** | **1,161** | **2,350** |
| **Other operating expenses** | | | |
| Losses on sales of intangible assets and PP&E | −3 | — | — |
| Losses on investments and sale of operations [1] | −238 | −488 | −422 |
| Impairment of goodwill [2] | −112 | — | — |
| Other operating expenses [3] | −811 | −11 | −11,638 |
| **Total other operating expenses** | **−1,164** | **−499** | **−12,060** |

[1] Includes revaluation gains of Ericsson Ventures investments of SEK 1.0 billion in 2021. Information about divestments is presented in note E2 "Business combinations."
[2] For more information about the impairment of goodwill, see note C1 "Intangible assets."
[3] Includes cost of SEK −0.8 billion in 2021 as a result of the Nokia settlement related to the 2019 resolutions with SEC and DOJ, and cost of SEK−10.7 billion in 2019 related to the resolution of the US SEC and DOJ resolution.

## B5 Inventories

Inventories

| | 2021 | 2020 |
|---|---|---|
| Raw materials, components, consumables and manufacturing work in progress | 11,584 | 9,510 |
| Finished products | 11,207 | 8,709 |
| Contract work in progress | 12,373 | 9,878 |
| **Inventories, net** | **35,164** | **28,097** |

The amount of inventories recognized as expense and included in Cost of sales was SEK 60,362 (61,647) million.

Contract work in progress consists of costs incurred to date on standard and customised solutions where the performance obligations are yet to be fully delivered. These costs will be recognized as cost of sales when the related revenue is recognized in the income statement.

Reported amounts are net of obsolescence allowances of SEK 3,676 (3,627) million.

Movements in obsolescence allowances

| | 2021 | 2020 |
|---|---|---|
| Opening balance | 3,627 | 3,386 |
| Additions, net | 1,378 | 2,266 |
| Utilization | −1,457 | −1,781 |
| Translation differences | 128 | −244 |
| **Closing balance** | **3,676** | **3,627** |

## B6 Customer contract related balances

Trade receivables, customer finance, contract assets and contract liabilities

| | 2021 | 2020 |
|---|---|---|
| Customer finance credits | 3,287 | 3,137 |
| Trade receivables | 45,399 | 42,063 |
| Contract assets | 10,506 | 11,273 |
| Contract liabilities | 32,834 | 26,440 |

Of the total Customer finance credits balance SEK 2,719 (1,916) million is current.

Revenue recognized in the period

| | 2021 | 2020 |
|---|---|---|
| Revenue recognized in the year relating to the opening contract liability balance | 19,745 | 20,563 |
| Revenue recognized relating to performance obligations satisfied, or partially satisfied, in prior reporting periods | − 186 | 458 |

Revenue recognized relating to performance obligations satisfied, or partially satisfied, in prior reporting periods is a net adjustment that relates to contract modifications, retrospective price adjustments, settlement and adjustments to variable consideration based on actual measurements concluded in the year.

Transaction price allocated to the remaining performance obligations

| | 2021 | 2020 |
|---|---|---|
| Aggregate amount of transaction price allocated to unsatisfied, or partially unsatisfied, performance obligations | 138,234 | 93,934 |

The company expects that the transaction price allocated to the remaining performance obligations will be converted into revenue in accordance with the following approximation: 70% in 2022, 20% in 2023 and remaining 10% in 2024 and beyond.

For information about credit risk and impairment of customer contract related balances, see note F1 "Financial risk management."

## B7 Other current receivables

Other current receivables

| | 2021 | 2020 |
|---|---|---|
| Prepaid expenses | 2,290 | 1,857 |
| Advance payments to suppliers | 426 | 468 |
| Derivative assets [1] | 317 | 1,510 |
| Other taxes [2] | 3,022 | 3,535 |
| Other | 1,601 | 1,340 |
| **Total** | **7,656** | **8,710** |

[1] See also note F1 "Financial risk management."
[2] As of 2021, current tax assets are presented as a separate line item in the balance sheet and are no longer included in "Other taxes" in the table above. The comparison year has been updated accordingly. Other taxes mainly includes VAT receivables.

## B8 Trade payables

Trade payables

| | 2021 | 2020 |
|---|---|---|
| Trade payables to associated companies and joint ventures | 115 | 81 |
| Trade payables, excluding associated companies and joint ventures [1] | 35,569 | 31,907 |
| **Total** | **35,684** | **31,988** |

[1] Of the trade payable amount SEK 8.3 (8.6) billion relates to supplier invoices under Ericsson's supplier payments program.

## B9 Other current liabilities

Other current liabilities

| | 2021 | 2020 |
|---|---|---|
| Accrued interest | 177 | 181 |
| Accrued expenses | 30,837 | 28,895 |
| *Of which employee-related* | *15,380* | *15,182* |
| *Of which supplier-related* | *9,100* | *7,823* |
| *Of which other* [1] | *6,357* | *5,890* |
| Derivative liabilities [2] | 762 | 234 |
| Other [3] [4] | 6,145 | 4,378 |
| **Total** | **37,921** | **33,688** |

[1] Major balance relates to accrued expenses for customer projects.
[2] See also note F1 "Financial risk management."
[3] Includes items such as VAT and other payroll deductions.
[4] As of 2021, current tax liabilities are presented as a separate line item on the balance sheet and are no longer included in "Other" in the table above. The comparison year has been updated accordingly.

# Section C – Long-term assets

## C1 Intangible assets

Intangible assets

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Capitalized development expenses | Goodwill | IPR[1], brands and other intangible assets | Capitalized development expenses | Goodwill | IPR[1], brands and other intangible assets |
| **Cost** | | | | | | |
| Opening balance | 18,049 | 41,592 | 53,913 | 18,681 | 37,847 | 52,912 |
| Acquisitions/capitalization | 962 | — | 131 | 817 | — | 396 |
| Balances regarding acquired/divested business [2] | — | 725 | −95 | — | 7,104 | 3,500 |
| Sales/disposals | — | — | −18 | −1,256 | — | −48 |
| Translation differences | 147 | 2,646 | 2,005 | −193 | −3,359 | −2,847 |
| **Closing balance** | **19,158** | **44,963** | **55,936** | **18,049** | **41,592** | **53,913** |
| **Accumulated amortizations** | | | | | | |
| Opening balance | −10,447 | — | −41,721 | −10,896 | — | −43,018 |
| Amortizations | −1,343 | — | −1,164 | −906 | — | −1,083 |
| Balances regarding divested business [2] | — | — | — | — | — | 35 |
| Sales/disposals | — | — | 18 | 1,256 | — | 48 |
| Translation differences | −95 | — | −1,589 | 99 | — | 2,297 |
| **Closing balance** | **−11,885** | **—** | **−44,456** | **−10,447** | **—** | **−41,721** |
| **Accumulated impairment losses** | | | | | | |
| Opening balance | −3,745 | −6,647 | −7,387 | −3,745 | −6,647 | −7,403 |
| Impairment losses | — | −112 | −201 | — | — | −137 |
| Translation differences | — | — | −62 | — | — | 153 |
| **Closing balance** | **−3,745** | **−6,759** | **−7,650** | **−3,745** | **−6,647** | **−7,387** |
| **Net carrying value** | **3,528** | **38,204** | **3,830** | **3,857** | **34,945** | **4,805** |

[1] Intellectual property rights.
[2] For more information on acquired/divested businesses, see note E2 "Business combinations."

Note C1, cont'd.

The total goodwill for the Company is SEK 38.2 (34.9) billion and is allocated to the operating segments Networks, with SEK 25.8 (24.1) billion, Digital Services, with SEK 3.2 (3.0) billion and segment Emerging Business and Other, with SEK 9.2 (7.8) billion, of which Cradlepoint SEK 7.9 (6.5) billion. Segment Managed Services does not carry goodwill. More information is disclosed in note B1 "Segment information."

**Impairment losses**

In Segment Emerging Business and Other within the CGU iconectiv there was an impairment loss of SEK 176 million during 2021 due to a strategic decision to discontinue a business operation. Intangibles of SEK 64 million is mainly reported on line item Selling and administrative expenses and goodwill of SEK 112 million reported on line item Other operating expenses in the income statement.

In Digital Services there was an impairment loss of intangibles of SEK 137 million during 2021 due to product strategy changes, reported on line item Research and development expenses.

The impairment losses for 2019 and 2020 is considered immaterial.

**Goodwill allocation**

The goodwill allocation has not changed since last year. Goodwill from acquisitions during the year has been allocated to segments Emerging Business and Other in CGUs Cradlepoint and Emodo.

**Impairment tests**

Each operating segment is a CGU, except for segment Emerging Business and Other which consists of several CGUs. The value in use method has been used for goodwill impairment testing, which means that the recoverable amounts for CGUs are established as the present value of expected future cash flows based on business plans approved by management.

Estimation of future cash flows includes assumptions mainly for the following key financial parameters:

- Sales growth
- Development of EBIT (based on EBIT margin or cost of goods sold and operating expenses relative to sales)
- Related development of working capital and capital expenditure requirements.

The assumptions regarding industry-specific market drivers and market growth are based on industry sources as input to the projections made within the Company for the development 2022–2026 for key industry parameters:

- By 2026, about 35 years after the introduction of digital mobile technology, it is predicted that there will be 8.8 billion mobile subscriptions (excl. Cellular IoT).
- The number of mobile subscriptions is estimated to grow from around 8.3 billion by the end of 2022 to around 8.8 billion by the end of 2026. Out of all mobile subscriptions, 7.7 billion will be associated with a smartphone.
- The number of 5G subscriptions is forecasted to reach 3.7 billion (excl. Cellular IoT) by the end of 2026.
- By 2026, about 39 billion connected devices are forecasted, of which over 27 billion will be related to Internet of Things, IoT. Connected IoT devices including connected cars, machines, meters, sensors, point-of-sale terminals, consumer electronics and wearables.
- Cellular IoT is predicted to grow from 2.4 billion devices in 2022 to 4.8 billion devices in 2026.
- Mobile data traffic volume is estimated to increase by around three times in the period 2022–2026. The mobile traffic is driven by smartphone users and video traffic. Smartphone traffic will grow by around three times, and mobile video traffic is forecasted to grow by around 30% annually through 2026 to account for approximately 75% of all mobile data traffic.

The assumptions are also based upon information gathered in the Company's long-term strategy process, including assessments of new technology, the Company's competitive position and new types of business and customers, driven by the continued integration of telecom and data.

The business plans for all CGUs, except Cradlepoint and Emodo are based on specific estimates for the five-year forecast period, 2022–2026.

The CGUs Cradlepoint and Emodo use a ten-year forecast period 2022–2031. Cradlepoint is operating in a rapidly expanding market with forecasted growth above 25% per year for the next five years. Market maturity and market growth at long-term sustainable levels is not expected to be reached until well beyond 2025, with Cradlepoint forecasting top-line growth above 10% beyond 2030. Emodo applies a 10-year time horizon, taking into consideration the fast-growing AdTech sector and the rapid growth of Emodo within that sector.

All CGUs use a nominal annual growth rate of 1.5% (1.0%) per year after the forecast period.

An after-tax discount rate has been applied for the discounting of projected after-tax cash flows. Rate per CGU:

| Post-tax discount rates (%) | | |
|---|---|---|
| CGU | 2021 | 2020 |
| Networks | 7.5 | 8.0 |
| Digital Services | 8.0 | 8.0 |
| Managed Services | 8.0 | 8.0 |
| Cradlepoint | 10.0 | N/A |
| iconectiv | 9.0 | 8.0 |
| Emodo | 12.0 | 12.0 |
| Red Bee Media | 9.5 | 8.0 |

There are no reasonably possible change in key assumptions from our sensitivity analysis that would lead to an impairment.

The Company's discounting is based on after-tax future cash flows and after-tax discount rates. This discounting is not materially different from a discounting based on before-tax future cash flows and before-tax discount rates, as required by IFRS. In note A1 "Significant accounting policies," and note A2 "Critical accounting estimates and judgments," further disclosures are given regarding goodwill impairment testing. The assumptions for 2020 are disclosed in note C1 "Intangible assets" in the Annual Report of 2020.

The Company has considered the effect of the COVID-19 pandemic in the impairment tests and currently expect no material changes to expected future cash flows which could impact recoverability of intangible assets. Risk assessment on the business plans is carried out on a regular basis and an impairment review will be performed if conditions suggest that such assets may be impaired.

# C2 Property, plant and equipment

Property, plant and equipment 2021

| | Real estate | Machinery and other technical assets | Other equipment, tools and installations | Construction in progress and advance payments | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Opening balance | 6,503 | 3,030 | 32,890 | 995 | 43,418 |
| Additions | 54 | 207 | 2,215 | 1,187 | 3,663 |
| Balances regarding acquired/divested business | — | — | –75 | — | –75 |
| Sales/disposals | –348 | –135 | –2,145 | –94 | –2,722 |
| Reclassifications | 356 | 270 | 813 | –1,439 | — |
| Translation differences | 381 | 177 | 1,311 | 56 | 1,925 |
| **Closing balance** | **6,946** | **3,549** | **35,009** | **705** | **46,209** |
| **Accumulated depreciations** | | | | | |
| Opening balance | –3,405 | –2,393 | –22,863 | — | –28,661 |
| Depreciations | –441 | –286 | –2,947 | — | –3,674 |
| Balances regarding divested business | — | — | 50 | — | 50 |
| Sales/disposals | 315 | 136 | 1,956 | — | 2,407 |
| Reclassifications | 1 | 2 | –3 | — | — |
| Translation differences | –211 | –137 | –962 | — | –1,310 |
| **Closing balance** | **–3,741** | **–2,678** | **–24,769** | **—** | **–31,188** |
| **Accumulated impairment losses** | | | | | |
| Opening balance | –275 | –75 | –1,024 | — | –1,374 |
| Impairment losses | –22 | –30 | –146 | — | –198 |
| Sales/disposals | 29 | 5 | 176 | — | 210 |
| Translation differences | –15 | –4 | –60 | — | –79 |
| **Closing balance** | **–283** | **–104** | **–1,054** | **—** | **–1,441** |
| **Net carrying value** | **2,922** | **767** | **9,186** | **705** | **13,580** |

Contractual commitments for the acquisition of property, plant and equipment as per December 31, 2021, amounted to SEK 477 (499) million.

Property, plant and equipment 2020

| | Real estate | Machinery and other technical assets | Other equipment, tools and installations | Construction in progress and advance payments | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Opening balance | 6,755 | 3,512 | 33,790 | 1,015 | 45,072 |
| Additions | 78 | 163 | 2,184 | 2,068 | 4,493 |
| Balances regarding acquired/divested business | 2 | 4 | 59 | –10 | 55 |
| Sales/disposals | –567 | –475 | –2,534 | –173 | –3,749 |
| Reclassifications | 720 | 92 | 1,009 | –1,821 | — |
| Translation differences | –485 | –266 | –1,618 | –84 | –2,453 |
| **Closing balance** | **6,503** | **3,030** | **32,890** | **995** | **43,418** |
| **Accumulated depreciation** | | | | | |
| Opening balance | –3,745 | –2,843 | –23,291 | — | –29,879 |
| Depreciations | –425 | –241 | –2,936 | — | –3,602 |
| Balances regarding divested business | — | — | 1 | — | 1 |
| Sales/disposals | 537 | 470 | 2,165 | — | 3,172 |
| Reclassification | 1 | 11 | –12 | — | — |
| Translation differences | 227 | 210 | 1,210 | — | 1,647 |
| **Closing balance** | **–3,405** | **–2,393** | **–22,863** | **—** | **–28,661** |
| **Accumulated impairment losses** | | | | | |
| Opening balance | –295 | –43 | –1,005 | — | –1,343 |
| Impairment losses | –11 | –65 | –434 | –2 | –512 |
| Sales/disposals | 9 | 28 | 348 | 2 | 387 |
| Translation differences | 22 | 5 | 67 | — | 94 |
| **Closing balance** | **–275** | **–75** | **–1,024** | **—** | **–1,374** |
| **Net carrying value** | **2,823** | **562** | **9,003** | **995** | **13,383** |

# C3 Leases

## Leases with the Company as lessee

Right-of-use assets

| | 2021 | | | | 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | Real estate | Vehicles | Other | Total | Real estate | Vehicles | Other | Total |
| **Cost** | | | | | | | | |
| Opening balance | 11,784 | 823 | 171 | 12,778 | 11,263 | 698 | 126 | 12,087 |
| Additions | 1,759 | 258 | — | 2,017 | 2,220 | 339 | 45 | 2,604 |
| Balances regarding acquired/divested business | −10 | −11 | — | −21 | 126 | — | — | 126 |
| Terminations | −395 | −180 | — | −575 | −926 | −130 | — | −1,056 |
| Translation differences | 618 | 40 | — | 658 | −899 | −84 | — | −983 |
| **Closing balance** | **13,756** | **930** | **171** | **14,857** | **11,784** | **823** | **171** | **12,778** |
| **Accumulated depreciations** | | | | | | | | |
| Opening balance | −3,700 | −390 | −55 | −4,145 | −2,126 | −260 | −28 | −2,414 |
| Depreciations | −2,002 | −251 | −24 | −2,277 | −2,082 | −277 | −28 | −2,387 |
| Balances regarding divested business | 8 | 6 | — | 14 | 1 | — | — | 1 |
| Terminations | 233 | 158 | — | 391 | 238 | 109 | — | 347 |
| Translation differences | −226 | −18 | — | −244 | 269 | 38 | 1 | 308 |
| **Closing balance** | **−5,687** | **−495** | **−79** | **−6,261** | **−3,700** | **−390** | **−55** | **−4,145** |
| **Accumulated impairment losses** | | | | | | | | |
| Opening balance | −340 | — | — | −340 | −872 | — | — | −872 |
| Impairment losses | — | — | — | — | −47 | — | — | −47 |
| Terminations | 63 | — | — | 63 | 553 | — | — | 553 |
| Translation differences | −26 | — | — | −26 | 26 | — | — | 26 |
| **Closing balance** | **−303** | **—** | **—** | **−303** | **−340** | **—** | **—** | **−340** |
| **Financial sublease** | | | | | | | | |
| Opening balance | −313 | — | — | −313 | −314 | — | — | −314 |
| Derecognition | — | — | — | — | −42 | — | — | −42 |
| Translation differences | −32 | — | — | −32 | 43 | — | — | 43 |
| **Closing balance** | **−345** | **—** | **—** | **−345** | **−313** | **—** | **—** | **−313** |
| **Net carrying value** | **7,421** | **435** | **92** | **7,948** | **7,431** | **433** | **116** | **7,980** |

### Lease liabilities

The lease liabilities amounted to SEK 9,303 (9,300) million, of which SEK 2,224 (2,196) million is classified as current. The remaining contractual maturities as of December 31, 2021, is shown in note D4 "Contractual obligations."

### Lease cost

The total lease cost amounted to SEK 3,375 (3,704) million, of which depreciation SEK 2,277 (2,387) million, impairment losses SEK 0 (47) million, lease expense relating to low-value assets SEK 434 (516) million, interest expense SEK 426 (490) million and variable lease expense SEK 238 (264) million. Variable lease expense consists mainly of property tax.

### Cash payments

Cash payments

| | 2021 | 2020 |
|---|---|---|
| Repayments of the lease liabilities [1)] | −2,368 | −2,417 |
| Interest expense of the lease liabilities | −426 | −490 |
| Low-value asset not included in the measurement of the liabilities | −434 | −516 |
| Variable lease payments not included in the measurement of the lease liabilities | −238 | −264 |
| **Total cash outflow** | **−3,466** | **−3,687** |

[1)] Including advance payments.

### Future cash outflow

Future cash outflows from leases not yet commenced in 2021 to which Ericsson as the lessee is committed is SEK 157 (104) million.

### Leases with the Company as lessor

Lessor leases relate to subleases of real estate. These lease contracts vary in length from 1 to 11 years.

Receivables related to subleases in 2021 amounted for operating leases to SEK 70 (75) million and for financial leases to SEK 64 (56) million. Interest income from financial subleases was SEK 9 (11) million.

At December 31, 2021, future minimum payment receivables were distributed as follows:

Future minimum payment receivables

| | Financial leases | Operating leases |
|---|---|---|
| 2022 | 66 | 47 |
| 2023 | 67 | 22 |
| 2024 | 69 | 9 |
| 2025 | 12 | 3 |
| 2026 | — | 1 |
| 2027 and later | — | 2 |
| **Total** | **214** | **84** |

## Section D – Obligations

# D1 Provisions

Provisions

| | Restructuring | Customer related | Supplier related | Warranty | Share-based payments | Other | Total |
|---|---|---|---|---|---|---|---|
| **2021** | | | | | | | |
| Opening balance | 1,200 | 3,850 | 791 | 987 | 2,107 | 1,531 | 10,466 |
| Additions | 303 | 795 | 1,020 | 455 | 1,367 | 483 | 4,423 |
| Reversal of excess amounts | −98 | −491 | −228 | −153 | −122 | −86 | −1,178 |
| *Charged to income statement* | | | | | | | *3,245* |
| Utilization | −785 | −841 | −175 | −109 | −1,837 | −462 | −4,209 |
| Reclassifications | −1 | 104 | −179 | −107 | — | 39 | −144 |
| Translation differences | 20 | 23 | 2 | 1 | 76 | 24 | 146 |
| **Closing balance** | **639** | **3,440** | **1,231** | **1,074** | **1,591** | **1,529** | **9,504** |
| | | | | | | | |
| *Of which current provisions* | *411* | *1,488* | *1,231* | *320* | *915* | *1,417* | *5,782* |
| *Of which non-current provisions* | *228* | *1,952* | *—* | *754* | *676* | *112* | *3,722* |
| | | | | | | | |
| **2020** | | | | | | | |
| Opening balance | 1,095 | 3,738 | 1,309 | 941 | 1,941 | 1,899 | 10,923 |
| Additions | 1,144 | 1,108 | 535 | 248 | 1,563 | 649 | 5,247 |
| Reversal of excess amounts | −149 | −83 | −438 | −99 | −69 | −323 | −1,161 |
| *Charged to income statement* | | | | | | | *4,086* |
| Utilization | −815 | −766 | −595 | −105 | −1,195 | −499 | −3,975 |
| Reclassifications | 9 | −4 | −14 | 3 | −1 | −20 | −27 |
| Translation differences | −84 | −143 | −6 | −1 | −132 | −175 | −541 |
| **Closing balance** | **1,200** | **3,850** | **791** | **987** | **2,107** | **1,531** | **10,466** |
| | | | | | | | |
| *Of which current provisions* | *1,157* | *1,716* | *791* | *987* | *1,420* | *1,509* | *7,580* |
| *Of which non-current provisions* | *43* | *2,134* | *—* | *—* | *687* | *22* | *2,886* |

Provisions will fluctuate over time depending on the business mix, market mix and, technology shifts. Risk assessment in the ongoing business is performed monthly to identify the need for new additions and reversals. Management uses its best judgment to estimate provisions based on this assessment. Under certain circumstances, provisions are no longer required due to outcomes being more favourable than anticipated, which affect the provision balance as a reversal. In other cases, the outcome can be negative, and if so, a charge is recorded in the income statement.

For 2021, the total provision value is SEK 9.5 (10.5) billion, of which SEK 3.7 (2.9) billion is classified as non-current.

For more information, see note A1 "Significant accounting policies" and note A2 "Critical accounting estimates and judgments" for key estimation uncertainty regarding timing and amount.

**Restructuring provisions**

Restructuring provisions relate to structural efficiency programs that are planned and controlled by management and have a material impact on either the scope of the business undertaken or the manner in which the business is conducted. The scope of the structural efficiency measures involves service delivery, supply and manufacturing, R&D, and selling and administration expenses. Restructuring provisions are recognized based on the expected costs of the respective restructuring programs and primarily consist of personnel costs. Estimation uncertainty exists regarding the execution of the restructuring programs, which may impact the expected timing and realization of costs. Restructuring provisions are reviewed and adjusted regularly based on management's best estimate. The expected timing and amount of outflows are dependent on whether the plan execution is in line with management's assessment. The majority of the restructuring provision will be utilized within 1 year. For more information about the restructuring charges booked in the income statement, see note B3 "Expenses by nature."

**Customer-related provisions**

Customer-related provisions mainly consist of provisions for loss-making customer contracts. To measure the customer-related provisions, management estimates the unavoidable costs to fulfil the obligations under the customer contract. If the exit penalty is lower than the estimated costs to fulfil the contract, then the provision value is limited to the exit penalty value. The unavoidable costs to fulfil the contract sometimes differ from management's estimates. Provisions raised for loss-making customer contracts are therefore regularly reviewed and adjusted based on the latest information available considering the realization of the costs estimated. The expected timing and amount of outflows are dependent on whether the customer contract execution is in line with management's assessment. The majority of the customer-related provisions will be utilized over 5 years.

**Supplier-related provisions**

Supplier-related provisions are for supplier claims/guarantees based on the contractual obligations mostly relating to inventory. The provision is calculated by comparing the committed inventory purchases with the expected usage based on forecast and any excess is provided for based on an assessment of the risk of obsolescence. Therefore, estimation uncertainty exists regarding the forecast and expected usage as well as the assessment of future obsolescence, as this is based on management's expectations. The expected timing and amount of outflows are dependent on the actual outcome of the supplier claims and guarantees. The majority of the supplier-related provisions will be utilized within 1 year.

**Warranty provisions**

Warranty provisions are based on historic quality rates for established products as well as estimates regarding quality rates for new products and costs to remedy the various types of faults predicted. Uncertainty exists regarding the timing and amount as management utilizes the historical trends to estimate the warranty provisions as well as the cost to repair or replace, which may differ from the actual outcomes. New product warranty provisions require further estimation since historical information is not available. These provisions do not include costs for service in additions within customer contracts that are accounted for as separate performance obligations. The expected timing and amount of outflows are dependent on the actual product faults which may occur. The majority of the warranty provisions are expected to be utilized over 2 years.

Note D1, cont'd.

**Share-based payments provisions**
Share-based payments provisions relate to cash-settled share-based programs and are based on the present period's best estimate of the eventual pay-outs, see note G3 "Share-based compensation" for more information. The uncertainty regarding outflows is relating to the fair value of the underlying instrument during the service period and expected fulfilment of the service conditions. The majority of the share-based payment provisions are expected to be utilized within 1 year.

**Other provisions**
Other provisions relate mostly to litigation and patent infringement disputes. Management regularly assesses the likelihood of any adverse outcomes and if deemed probable then a provision is raised based on the best estimate of the expenditure required to settle with the counterpart. There is uncertainty in the final outcome and settlement, therefore management reviews the estimation regularly. Outflows relating to litigation are inherently uncertain in timing and amount and therefore the majority of the provisions are expected to be utilized within 1 year.

## D2 Contingent liabilities

Contingent liabilities

| | 2021 | 2020 |
|---|---|---|
| Contingent liabilities | 1,614 | 1,198 |
| **Total** | **1,614** | **1,198** |

Contingent liabilities mainly relate to pensions, litigations and tax litigations in subsidiaries. Contingent liabilities assumed by the Company include guarantees of loans to other companies of SEK 16 (15) million.

All ongoing legal and tax proceedings have been evaluated, their potential economic outflows and probability estimated, and necessary provisions made, or contingent liabilities disclosed. In note A2 "Critical accounting estimates and judgments," further disclosure is presented in relation to (i) key sources of estimation uncertainty and (ii) the decision made in relation to accounting policies applied.

On October 4, 2021, Ericsson asked the U.S. District Court for the Eastern District of Texas for a declaration that Ericsson has, in its negotiations with Apple, complied with its FRAND commitment and all other applicable laws and policies that would affect the terms of Ericsson's and Apple's prospective license. On December 17, 2021, Apple filed a responsive case against Ericsson in the U.S. District Court for the Eastern District of Texas alleging, among other things, that Ericsson breached obligations associated with the licensing of its standard essential patents under FRAND terms. The filing of lawsuits, complaints and other proceedings, when parties take legal action over a patent license agreement renewal, is standard and consequently additional lawsuits, complaints and other proceedings, may follow. See also note H6 "Events after reporting period."

As part of its defense to a now settled patent infringement lawsuit filed by Ericsson in 2013 in the Delhi High Court against Indian handset company Micromax, Micromax filed a complaint against Ericsson with the Competition Commission of India (CCI). The CCI decided to refer the case to the Director General's Office for an in-depth investigation. The CCI opened similar investigations against Ericsson in January 2014 based on claims made by Intex Technologies (India) Limited and, in 2015, based on a now settled claim from iBall. Ericsson has challenged CCI's jurisdiction in these cases before the Delhi High Court and is awaiting final appellate decision by the Supreme Court of India.

In April 2019, Ericsson was informed by China's State Administration for Market Regulation (SAMR) Anti-monopoly bureau that SAMR has initiated an investigation into Ericsson's patent licensing practices in China. Ericsson is cooperating with the investigation, which is still in a fact-finding phase. The next steps include continued fact finding and meetings with SAMR in order to facilitate the authority's assessments and conclusions.

In October 2021, Ericsson received correspondence from the US Department of Justice (DOJ) stating its determination that the Company had breached its obligations under its Deferred Prosecution Agreement (DPA) by failing to provide certain documents and factual information. The Company cannot provide further detail about the determination by the DOJ or predict the outcome of the resolution of this matter at this time. Hence it is not possible to reliably estimate potential future cash outflows in resolving the matter. See also note H6 "Events after reporting period."

The above matters relating to Apple, Micromax, SAMR and the DOJ have not been included in the contingent liability amount disclosed in the table.

## D3 Assets pledged as collateral

Assets pledged as collateral

| | 2021 | 2020 |
|---|---|---|
| Chattel mortgages [1] | 6,341 | 6,332 |
| Bank deposits [2] | 532 | 476 |
| **Total** | **6,873** | **6,808** |

[1] See also note G1 "Post-employment benefits."
[2] See also note F1 "Financial risk management."

## D4 Contractual obligations

Contractual obligations 2021

| | Payment due by period | | | | |
|---|---|---|---|---|---|
| (SEK billion) | <1 year | 1–3 years | 3–5 years | >5 years | Total |
| Current and non-current debt [1] | 9.8 | 10.4 | 3.1 | 10.1 | 33.4 |
| Lease obligations [2] | 2.6 | 4.3 | 2.3 | 1.4 | 10.6 |
| Other non-current liabilities | — | 1.0 | — | 0.6 | 1.6 |
| Purchase obligations [3] | 23.2 | 4.1 | 0.3 | — | 27.6 |
| Trade payables | 35.7 | — | — | — | 35.7 |
| Commitments for customer finance [4] | 34.4 | 9.7 | 3.2 | — | 47.3 |
| Derivatives liabilities [4] | 0.4 | 0.4 | — | — | 0.8 |
| **Total** | **106.1** | **29.9** | **8.9** | **12.1** | **157.0** |

Contractual obligations 2020

| | Payment due by period | | | | |
|---|---|---|---|---|---|
| (SEK billion) | <1 year | 1–3 years | 3–5 years | >5 years | Total |
| Current and non-current debt [1] | 8.4 | 10.8 | 10.2 | 1.9 | 31.3 |
| Lease obligations [2] | 2.6 | 3.9 | 2.5 | 1.9 | 10.9 |
| Other non-current liabilities | 0.1 | 0.7 | — | 0.6 | 1.4 |
| Purchase obligations [3] | 12.0 | 2.6 | 0.6 | — | 15.2 |
| Trade payables | 32.0 | — | — | — | 32.0 |
| Commitments for customer finance [4] | 26.9 | — | — | — | 26.9 |
| Derivatives liabilities [4] | 0.1 | 0.1 | — | — | 0.2 |
| **Total** | **82.1** | **18.1** | **13.3** | **4.4** | **117.9** |

[1] Current and non-current debt, including interest commitments.
[2] Future lease obligations, nominal lease liability, see also note C3 "Leases."
[3] The amounts of purchase obligations are gross, before deduction of any related provisions.
[4] See also note F1 "Financial risk management."

As a measure to secure resilience in our supply chain, both due to continued uncertainties from COVID-19 and due to the constrained situation in the electronic components global market, we have increased our contractual obligations with several suppliers. This is coming from purchase obligations related to extended lead-times but also in some cases from volume commitments beyond lead-times. Any risks related to such contractual and purchase obligations are assessed according to the principles for recognition of provisions as prescribed under note A1 "Significant accounting policies" under heading Provisions.

## Section E – Group structure

# E1 Equity

### Capital stock

Capital stock at December 31, 2021 and 2020, consisted of the following:

Capital stock

| Parent Company | Number of shares | Capital stock (SEK million) |
|---|---|---|
| Class A shares | 261,755,983 | 1,309 |
| Class B shares | 3,072,395,752 | 15,363 |
| **Total** | **3,334,151,735** | **16,672** |

The capital stock of the Parent Company is divided into two classes: Class A shares (quota value SEK 5.00) and Class B shares (quota value SEK 5.00). Both classes have the same rights of participation in the net assets and earnings. Class A shares, however, are entitled to one vote per share while Class B shares are entitled to one tenth of one vote per share.

At December 31, 2021, the total number of treasury shares was 4,009,306 (6,043,960 in 2020 and 19,853,247 in 2019) Class B shares

Number of shares

| | Number of shares | Capital stock (SEK million) |
|---|---|---|
| Number of shares Jan 1, 2021 | 3,334,151,735 | 16,672 |
| Number of shares Dec 31, 2021 | 3,334,151,735 | 16,672 |

### Dividend proposal

The Board of Directors propose a dividend for 2021 of SEK 2.50 per share (SEK 2.00 in 2020 and SEK 1.50 in 2019) to the Annual General Meeting. The dividend is proposed to be paid in two equal installments, SEK 1.25 per share with the record date March 31, 2022, and SEK 1.25 per share with the record date September 30, 2022.

### Additional paid in capital

Additional paid in capital relates to payments made by owners and includes share premiums paid.

### Other reserves

Other reserves include translation reserves, cash flow hedges and revaluation of borrowings.

*Translation reserves (cumulative translation adjustments)*
The cumulative translation adjustments comprise all foreign currency translation reserves arising from the translation of the financial statements of foreign operations to the Group presentation currency and changes regarding revaluation of excess value in local currency.

*Cash flow hedge reserve*
For further information, see note F1 "Financial risk management."

*Revaluation of borrowings*
For further information, see note F4 "Interest-bearing liabilities."

### Retained earnings

Retained earnings, including net income for the year, comprise the earned profits of the Parent Company and its share of net income in subsidiaries, joint ventures and associated companies. Retained earnings also include remeasurements related to post-employment benefits.

*Remeasurements related to post-employment benefits*
Actuarial gains and losses resulting from experience-based events and changes in actuarial assumptions, fluctuations in the effect of the asset ceiling, and adjustments related to the Swedish special payroll taxes. For more information, see note G1 "Post-employment benefits."

### Non-controlling interests

Equity in a subsidiary not attributable, directly or indirectly, to a parent.

Other reserves

| | 2021 | | | | 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| SEK million | Translation reserves | Cash flow hedge reserve | Revaluation of borrowings | Total other reserves | Translation reserves | Cash flow hedge reserve | Revaluation of borrowings | Total other reserves |
| Opening balance | −2,424 | 101 | −366 | −2,689 | 2,967 | −230 | −445 | 2,292 |
| **Other comprehensive income** | | | | | | | | |
| **Items that will not be reclassified to profit or loss** | | | | | | | | |
| Revaluation of borrowings due to change in credit risk | — | — | 31 | 31 | — | — | 99 | 99 |
| Tax on items that will not be reclassified to profit or loss | — | — | −6 | −6 | — | — | −20 | −20 |
| **Items that have been or may be reclassified to profit or loss** | | | | | | | | |
| Cash flow hedges | | | | | | | | |
| Gains/losses arising during the period | — | −542 | — | −542 | — | 136 | — | 136 |
| Reclassification to profit and loss | — | −96 | — | −96 | — | 281 | — | 281 |
| Translation reserves | | | | | | | | |
| Changes in translation reserves | 3,556 | — | — | 3,556 | −5,434 | — | — | −5,434 |
| Reclassification to profit and loss | 46 | — | — | 46 | 124 | — | — | 124 |
| Share of other comprehensive income of JV and associated companies | 28 | — | — | 28 | −81 | — | — | −81 |
| Tax on items that have been or may be reclassified to profit or loss | — | 126 | — | 126 | — | −86 | — | −86 |
| **Other comprehensive income, net of tax** | **3,630** | **−512** | **25** | **3,143** | **−5,391** | **331** | **79** | **−4,981** |
| **Total comprehensive income** | **3,630** | **−512** | **25** | **3,143** | **−5,391** | **331** | **79** | **−4,981** |
| **Closing balance** | **1,206** | **−411** | **−341** | **454** | **−2,424** | **101** | **−366** | **−2,689** |

# E2 Business combinations

## Acquisitions and divestments

### Acquisitions

Acquisitions 2019–2021

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| **Consideration** | | | |
| Cash and cash equivalents | 256 | 9,534 | 1,815 |
| Others | — | 314 | 142 |
| **Total consideration** | **256** | **9,848** | **1,957** |
| **Net assets (liabilities) acquired** | | | |
| Cash and cash equivalents | — | 314 | 142 |
| Property, plant and equipment | 1 | 55 | 353 |
| Right-of-use of assets | — | 126 | — |
| Intangible assets | –95 | 3,583 | 497 |
| Investments in associates | — | 167 | 101 |
| Other assets | 21 | 1,292 | 1,357 |
| Provisions, incl. post-employment benefits | — | –16 | –102 |
| Other liabilities | –348 | –2,781 | –743 |
| **Total identifiable net assets (liabilities)** | **–421** | **2,740** | **1,605** |
| **Costs recognized in net income** | **—** | **—** | **153** |
| **Goodwill** | **677** | **7,108** | **199** |
| **Total** | **256** | **9,848** | **1,957** |
| Acquisition-related costs [1)] | 11 | 92 | 85 |

1) Acquisition-related costs are included in Selling and administrative expenses in the consolidated income statement.

In 2021, Ericsson made acquisitions with a negative cash flow effect amounting to SEK 256 (9,534) million. The acquisitions presented below are not material, but the Company gives the information to provide the reader a summarized view of the content of the acquisitions made. The acquisitions consist primarily of:

**Cradlepoint:** On November 1, 2020, the Company acquired all of the shares in Cradlepoint Inc. (purchase price of SEK 9.5 billion), a US-based market leader in Wireless Edge WAN 4G and 5G Enterprise solutions. The investment is key to Ericsson's ongoing strategy of capturing market share in the rapidly expanding 5G Enterprise space. Cradlepoint complements Ericsson's existing 5G Enterprise portfolio which includes Dedicated Networks and a global IoT platform. Goodwill in this transaction represents future customers, future technology and synergies to the sales channels and commercial model applied by Cradlepoint and is not expected to be deductible for tax purposes.

The preliminary purchase price allocation of Cradlepoint made in 2020 was finalized during 2021. The main change between the provisional and final fair values in the balance sheet is an increase in goodwill of SEK 0.48 billion to SEK 7.5 billion with a corresponding increase of deferred revenues with SEK 0.35 billion and a decrease of intangibles with SEK 0.13 billion. This resulted in a positive impact in the income statement of SEK 0.1 billion in 2021.

**Axonix:** On March 31, 2021, the Company acquired assets from Axonix, a UK based mobile-first programmatic advertising exchange. The acquisition will strengthen the Company's supply chain in the market. Balances to facilitate the Purchase price allocation are final.

**Quortus:** On November 17, 2021, the Company acquired selected assets, including 29 employees, from Quortus, a UK-based company with expertise in enterprise 4G/5G technology. The acquisition augments the Company's offering with richer 4G/5G networking features across its portfolio of enterprise products. Balances to facilitate the Purchase price allocation are final.

In order to finalize a Purchase price allocation all relevant information needs to be in place. Examples of such information are final consideration and final opening balances, they may remain preliminary for a period of time due to for example adjustments of working capital, tax items or decisions from local authorities.

### Divestments

Divestments 2019–2021

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| **Proceeds** | | | |
| Cash and cash equivalents | 273 | 4 | 360 |
| Shares in associated companies | — | — | 1,209 |
| **Total Proceeds** | **273** | **4** | **1,569** |
| **Net assets disposed of** | | | |
| Property, plant and equipment | 26 | 1 | 171 |
| Right-of-use assets | 7 | 1 | 20 |
| Investments in associates | — | — | 5 |
| Intangible assets | — | 48 | 820 |
| Goodwill | –48 | 4 | — |
| Other assets | 51 | 83 | 96 |
| Provisions, incl. post-employment benefits | –30 | –1 | 244 |
| Other liabilities | 36 | 6 | –774 |
| **Total net assets** | **42** | **142** | **582** |
| Net gains/losses from divestments | 231 | –138 | 987 |
| Shares in associated companies | — | — | –1,209 |
| **Cash flow effect** | **273** | **4** | **360** |

In 2021, the Company made divestments with a cash flow effect amounting to SEK 273 (4) million. Net gains/losses from the divestments are presented on Other operating income in the Income statement, see note B4 "Other operating income and expenses" for more information.

The divestments consist primarily of a data centre business located in the Netherlands in November 2021.

For more information, see also note H3 "Statement of cash flow."

Note E2, cont'd.

Acquisitions 2019–2021

| Company | Description | Transaction date |
|---|---|---|
| Quortus | A UK based mobile core software company with expertise in enterprise 4G/5G technology. | Nov 2021 |
| Axonix | A UK based mobile-first programmatic advertising exchange. | Mar 2021 |
| Cradlepoint | A US company providing Wireless WAN Edge 4G and 5G solutions for the enterprise market. | Nov 2020 |
| Genaker | A Spain provider of Mission Critical Push-to-talk (MC-PTT) solutions. | Mar 2020 |
| ST-Ericsson | The remaining shares were acquired in ST-Ericsson (previously a joint venture). | Dec 2019 |
| Kathrein | A German provider of antenna and filter technologies. | Oct 2019 |
| CSF | A US based company related to the iconectiv business. | Aug 2019 |

Divestments 2019–2021

| Company | Description | Transaction date |
|---|---|---|
| Data center | A data center business located in the Netherlands. | Nov 2021 |
| MediaKind | A divestment of 51% of its MediaKind business. | Feb 2019 |

## E3 Associated companies

Equity in associated companies

| | 2021 | 2020 |
|---|---|---|
| Opening balance | 1,274 | 1,565 |
| Investments | — | 167 |
| Share in earnings | –260 | –298 |
| Distribution of capital stock | — | –3 |
| Taxes | –11 | –33 |
| Dividends | –90 | –43 |
| Translation differences | 28 | –81 |
| **Closing balance** | **941** | **1,274** |

The Company owns 49% of MediaKind, located in US, with an investment of SEK 0.8 (0.8) billion. The Company's share in earnings of MediaKind was SEK –0.4 (–0.4) billion and the remaining investment is SEK 0.0 (0.4) billion. The Company has provided a loan to MediaKind of SEK 0.5 (0.5) billion.

The Company owns 49.07% of the shares in Ericsson Nikola Tesla d.d., located in Croatia. See also note H4 "Related party transactions."

## Section F – Financial instruments

# F1 Financial risk management

The Company's financial risk management is governed by a policy approved by the Board of Directors. The Board of Directors is responsible for overseeing the capital structure and financial management of the Company, approving certain matters (such as investments, customer finance commitments and borrowing) and setting limits on the exposure to financial risks.

For the Company, a robust financial position with an investment grade rating, low leverage and ample liquidity is deemed important. This provides financial flexibility and independence to operate and manage variations in working capital needs as well as to capitalize on business opportunities.

The Company's overall capital structure should support the financial targets. The capital structure is managed by balancing equity, debt financing and liquidity in such a way that the Company can secure funding of operations at a reasonable cost of capital. Regular borrowings are complemented with committed credit facilities to give additional flexibility to manage unforeseen funding needs. The Company strives to deliver strong free cash flow.

The Company's capital objectives are:
- Strong free cash flow before M&A
- Positive net cash position
- Investment grade rating by Moody's (Baa3), Standard & Poor's (BBB-) and Fitch (BBB-).

Capital objectives-related information, SEK billion

| | 2021 | 2020 |
|---|---|---|
| Free cash flow before M&A [1] | 32.1 | 22.3 |
| Positive net cash [1] | 65.8 | 41.9 |
| **Credit rating** | | |
| Fitch | BBB-, stable | BBB-, stable |
| Standard & Poor's | BBB-, stable | BBB-, stable |
| Moody´s | Ba1, stable | Ba1, stable |

[1] For more information about the measures, see Alternative performance measures and Financial terminology.

The Company has a treasury and customer finance function with the principal role to ensure that appropriate financing is in place through loans and committed credit facilities, actively managing the Company's liquidity as well as financial assets and liabilities, and managing and controlling financial risk exposures in a manner consistent with underlying business risks and financial policies. The customer finance function may arrange suitable third-party financing solutions for customers to support their purchases from Ericsson. In some cases, and to the extent that customer loans are not provided directly by banks, the Parent Company may provide vendor finance credits to customers directly. The central function also monitors the exposure from outstanding vendor credits and credit commitments.

The Company classifies financial risks as:
- Foreign exchange risk
- Interest rate risk
- Credit risk
- Liquidity
- Refinancing risk
- Market price risk in own and other equity instruments.

The Board of Directors has established risk limits for defined exposures to foreign exchange and interest rate risks as well as to political risks in certain countries.

For further information about accounting policies, see note A1 "Significant accounting policies."

### Foreign exchange risk

The Company is a global company with sales mainly outside Sweden. Sales and incurred costs are to a large extent denominated in currencies other than SEK and therefore the financial results of the Company are impacted by currency fluctuations. The Company reports the financial statements in SEK. Movements in exchange rates between currencies that affect these statements are impacting the comparability between periods.

Line items, primarily sales, are impacted by translation exposure incurred when converting foreign entities' financial statements into SEK. Line items and profitability, such as EBIT are impacted by transaction exposure incurred when financial assets and liabilities, primarily trade receivables and trade payables, are initially recognized and subsequently remeasured due to change in foreign exchange rates.

The table below presents the external net sales and cost exposures for the largest currencies which impact profitability. The internal exposures will not impact group profitability if all related transactions occur and are recognized in the profit and loss in the same month. Any effect on profit and loss from internal transactions is a function of timing and FX volatility, therefore impossible to predict.

Currency exposure, SEK billion

| Exposure currency | Sales translation exposure | Sales transaction exposure | Sales net exposure | Cost translation exposure | Cost transaction exposure [1] | Cost net exposure |
|---|---|---|---|---|---|---|
| USD [2] | 78.9 | 36.1 | 115.0 | −45.2 | −53.0 | −98.2 |
| EUR | 28.3 | 9.5 | 37.8 | −22.4 | 3.8 | −18.6 |
| JPY | 13.4 | — | 13.4 | −5.2 | — | −5.2 |
| CAD | 4.5 | — | 4.5 | — | 0.3 | 0.3 |
| CNY | 7.1 | — | 7.1 | −6.5 | 1.4 | −5.1 |
| TWD | 5.5 | — | 5.5 | −2.4 | — | −2.4 |
| INR | 7.4 | −0.4 | 7.0 | −4.4 | 0.2 | −4.2 |
| GBP | 7.6 | −0.9 | 6.7 | −6.2 | −0.2 | −6.4 |
| AUD | 7.6 | −0.6 | 7.0 | −5.0 | 0.4 | −4.6 |

[1] External purchases in foreign currency translated to functional currency.

[2] Sales transaction exposure in 2021 includes volume in the cash flow hedge of USD 200 million. Based on the outstanding cash flow hedge volume at year end, the hedged sales volume that will occur in 2022 is USD 263 million.

### Translation exposure

Translation exposure relates to sales and cost incurred in foreign entities when converted into SEK upon consolidation. These exposures cannot be addressed by hedging.

### Transaction exposure

The Company considers the following transaction exposures.

#### a) Transaction risk impacting net sales and EBIT

Transaction exposure relates to sales and cost incurred in non-reporting currencies in individual group companies. Foreign exchange risk is as far as possible concentrated in Swedish group companies, primarily Ericsson AB, by selling to foreign subsidiaries in either the functional currency of the customers, EUR or USD. This transaction risk can be hedged, although it is only done for material cash inflows or outflows that are highly certain.

The Company has identified certain customer contracts where a fluctuation in the USD/SEK foreign exchange rate would significantly impact net sales and EBIT. These contracts are multi-year contracts with highly probable payments at fixed points in time denominated in USD.

The Board of Directors has provided a mandate to the Company to hedge between 0%–100% of the next three years receipts on a rolling basis, up to the end of the contract period. This mandate instructs the treasury function to hedge a percentage of this exposure according to a defined scale, locking in a higher percentage of exposure as the USD strengthens against SEK, up to 100%.

Hedge accounting is applied, whereby the Company enters into foreign exchange forward contracts that match the terms of the foreign exchange exposure as closely as possible and designates them as hedging instruments. Hedge ineffectiveness is expected to be minimal but may arise due to differences in timing of the cash flows between the hedged items and the hedging instruments.

Note F1, cont'd.

**b) Transaction exposure in individual balance sheet**
According to Company policy, transaction exposure in subsidiaries' balance sheets (e.g., trade receivables and trade payables that are remeasured due to change in foreign exchange rates) should be fully hedged. Foreign exchange exposures in balance sheet items are hedged through offsetting balances or derivatives. Foreign exchange exposures are managed net, and its effects are presented net within Financial income and expenses. This is not designated as hedge accounting.

**c) FX execution risk in Ericsson AB (EAB)**
As balance sheet hedging is done net on a monthly basis, significant volatility in USD hedge volumes exposes EAB to FX execution risk. In order to spread the FX execution risk over the year, 14% of each of the next six months forecasted sales and purchases in EAB are hedged monthly. The hedged volumes are funded by internal loans from its parent company which are not hedged, therefore the FX impact on revaluation of the loan is recognized in net FX as incurred.

The sensitivity of the FX impact is dependent on changes in foreign exchange rates, forecasts and seasonality. USD is the only currency being hedged. Outstanding loan at year-end was USD 728 million (USD 610 million), with an average balance of USD 926 million over the year. Due to the strengthening of USD against SEK throughout 2021, this resulted in a net loss on the hedge loan balances of SEK 845 million, comprised of realization and revaluation results on these loans contracts of SEK 298 million and SEK 547 million respectively.

**d) Transaction risk impacting business combination**
The Group is exposed to FX execution risk on consideration payable for acquisition in foreign currency from the period of communication of the proposed transaction to final completion date. Such transaction, if deemed material and highly probable, will be hedged to protect the cash consideration for acquisition accounting.

Cash flow hedge accounting is applied, whereby the Company enters into foreign exchange forward contracts that match the terms of the foreign exchange exposure as closely as possible and designates them as hedging instruments. Hedge ineffectiveness is expected to be minimal but may arise due to differences in timing of the cash flows between the hedged item and the hedging instruments.

**Interest rate risk**
The Company is exposed to interest rate risk through market value fluctuations in certain balance sheet items and through changes in interest revenues and expenses.

**Sensitivity analysis**
The Company uses the Value at Risk (VaR) methodology to measure foreign exchange and interest rate risks managed by the treasury function. This statistical method expresses the maximum potential loss that can arise with a certain degree of probability during a certain period of time. For the VaR measurement, the Company has chosen a probability level of 99% and a one-day time horizon. The daily VaR measurement uses market volatilities and correlations based on historical daily data (one year).

The treasury function operates under two mandates. In the liquidity management activity, it has a mandate to deviate from floating interest on net liquidity and take foreign exchange positions up to an aggregated risk of VaR SEK 45 million given a confidence level of 99% and a one-day horizon. The average VaR calculated for 2021 was SEK 15.3 (21.0) million. No VaR limits were exceeded during 2021.

In the asset-liability management activity, the interest rate risk is managed by matching fixed and floating interest rates in interest-bearing balance sheet items. The policy is that the net sensitivity on a one basis point move on interest-bearing assets matching interest-bearing liabilities, taking derivatives into consideration, is less than SEK 10 million. The average exposure during 2021 was SEK 1.1 (0.5) million per basis point shift.

Sensitivity to interest rate increase of 1 basis point, SEK million

| | < 3M | 3–12M | 1–3Y | 3–5Y | >5Y | Total |
|---|---|---|---|---|---|---|
| Interest-bearing assets | — | — | –4 | –3 | — | –7 |
| Interest-bearing liabilities [1] | — | — | 1 | 1 | 5 | 7 |
| Derivatives | — | 1 | 1 | — | — | 2 |
| **Total** | **—** | **1** | **–2** | **–2** | **5** | **2** |

[1] Borrowings are included as they are designated FVTPL.

**Outstanding derivatives**

Outstanding derivatives

| 2021 | Gross amount recognized | Offset | Net amount presented | Related amounts not offset – collaterals | Net |
|---|---|---|---|---|---|
| **Currency derivatives** [1] | | | | | |
| Assets | 294 | –36 | 258 | — | 258 |
| Liabilities | –707 | 36 | –671 | 467 | –204 |
| **Interest rate derivatives** | | | | | |
| Assets | 79 | –20 | 59 | — | 59 |
| Liabilities | –111 | 20 | –91 | — | –91 |
| 2020 | | | | | |
| **Currency derivatives** [1] | | | | | |
| Assets | 1,491 | –7 | 1,484 | –1,181 | 303 |
| Liabilities | –141 | 7 | –134 | — | –134 |
| **Interest rate derivatives** | | | | | |
| Assets | 57 | –31 | 26 | — | 26 |
| Liabilities | –131 | 31 | –100 | — | –100 |

[1] Currency derivatives designated as cash flow hedge of SEK 9 (127) million are included in Other current assets and SEK 510 (0) million in Other current liabilities.

Cash collaterals paid or received under Credit Support Annex (CSA) to ISDA for cross-currency derivatives are recognized as Interest-bearing securities, current or Borrowings, current, respectively.

The Company holds the following currency derivatives designated as hedging instruments:

Foreign exchange forward contracts

| 2021 | < 3 months | 3 – 12 months | > 1 year | Total |
|---|---|---|---|---|
| Notional Amount (USD millions) | 734 | 1,372 | 525 | 2,631 |
| Average forward rate (SEK/USD) | 8.79 | 9.05 | 8.35 | |

Hedge ratio is 1:1 and changes in forward rate have been designated as the hedged risk. The change in the fair value of the hedging instrument is compared with the change in fair value of the hedged item, and the lower amount is taken to OCI. If the change in fair value of the hedging instrument is higher, then the excess change in fair value is considered ineffective hedging and recorded in net foreign exchange gains and losses. For hedge on customer contracts, upon recognition of the hedged net sales, the cumulative amount in hedging reserve is released in the OCI as a reclassification adjustment and recognized in net sales. For hedge on business combination, the cumulative amount in hedge reserve is transferred as a basis adjustment to goodwill upon recognition of the business combination.

See note E1 "Equity" for movement in the cash flow hedge reserve. No hedge ineffectiveness was recognized in the income statement in 2021.

**Credit risk**
Credit risk is divided into three categories: credit risk in trade receivables and contract assets, customer finance risk and financial credit risk, see note A1 "Significant accounting policies."

Note F1, cont'd.

**Credit risk in trade receivables and contract assets**

Credit risk in trade receivables and contract assets is governed by a policy applicable to all legal entities in the Company. The purpose of the policy is to:

- Avoid credit losses through establishing internal standard credit approval routines in all the Company's legal entities
- Ensure monitoring and risk mitigation of defaulting accounts, i.e. events of non-payment
- Ensure efficient credit management within the Company and thereby improve days sales outstanding and cash flow
- Define escalation path and approval process for customer credit limits.

The credit risk of all customers is regularly assessed. Through credit management system functionality, credit checks are performed every time a sales order is generated in the source system. These are based on the credit risk set on the customer. Credit blocks appear if past due receivables are higher than permitted levels. Release of a credit block requires authorization.

Letters of credits are used as a method for securing payments from customers operating in emerging markets, in particular in markets with unstable political and/or economic environments. By having banks confirming the letters of credit, the political and commercial credit risk exposures to the Company are mitigated.

**Impairment of trade receivables and contract assets**

Trade receivables and contract assets are assessed for impairment under a unified model. The Company has determined that credit risk largely depends on both the risk in the country where the customer resides (e.g. ability to make cross border payments) as well as the payment pattern of the customer. Therefore, expected credit losses (ECLs) are calculated using a provision matrix that specifies a fixed rate depending both on the number of days past due and the country risk rating. The country risk ratings depend on the ratings used by all Export Credit Agencies within the OECD. The rates defined in the provision matrix are based on historical loss patterns for that grouping of customers. These rates are adjusted for current conditions as well as management expectations of changes to political risks and payment patterns in the future. The provision rates are higher on high risk countries compared to low risk countries and also higher on amounts that remain unpaid for longer periods of time.

Since the onset of the COVID-19 pandemic in 2020, the Company has been assessing the wider economic impact on the expected credit losses model for trade receivables and updating the provision matrix as appropriate. There has been no material change to the provision matrix in the year as a direct result of COVID-19.

Trade receivables and contract assets together amounted to SEK 55,905 (53,336) million as of December 31, 2021. Provisions for expected credit losses on trade receivables and contract assets amounted to SEK 2,398 (2,518) million as of December 31, 2021. Total past due > 360 days has increased but the expectation of collection from some customers has also improved, resulting in a lower allowance at year end. The Company's write-offs have historically been low. During the year SEK 163 (136) million were written off due to the Company having no reasonable expectation of collection. Of these write-offs, SEK 0 (0) million are still subject to enforcement.

Movements in allowances for impairment of trade receivables and contract assets

| | 2021 | 2020 |
|---|---|---|
| Opening balance | 2,518 | 2,983 |
| Increase / (decrease) in allowance | 40 | −118 |
| Write-offs | −163 | −136 |
| Translation difference | 3 | −211 |
| **Closing balance** [1] | **2,398** | **2,518** |

[1] Of which SEK 1 (1) million relates to contract assets.

The distribution of trade receivables and contract assets closely follows the distribution of the Company's sales, see note B1 "Segment information." The ten largest customers represented 47% (50%) of the total trade receivables and contract assets in 2021.

Aging analysis of gross values of trade receivables and contracts assets by risk category

| | | Days past dues | | | | |
|---|---|---|---|---|---|---|
| 2021 | Not due | 1–90 | 91–180 | 181–360 | >360 | Total |
| Country risk :Low | 36,439 | 976 | 171 | 51 | 292 | 37,929 |
| Country risk: Medium | 12,119 | 689 | 208 | 220 | 735 | 13,971 |
| Country risk: High | 4,044 | 429 | 293 | 270 | 1,367 | 6,403 |
| **Total** | **52,602** | **2,094** | **672** | **541** | **2,394** | **58,303** |

| | | Days past dues | | | | |
|---|---|---|---|---|---|---|
| 2020 | Not due | 1–90 | 91–180 | 181–360 | >360 | Total |
| Country risk :Low | 33,620 | 517 | 63 | 105 | 308 | 34,613 |
| Country risk: Medium | 13,487 | 1,243 | 338 | 346 | 753 | 16,167 |
| Country risk: High | 3,023 | 394 | 223 | 275 | 1,159 | 5,074 |
| **Total** | **50,130** | **2,154** | **624** | **726** | **2,220** | **55,854** |

**Customer finance credit risk**

All major commitments to finance customers are made only after approval in accordance with the work procedure for the Board of Directors and according to the established credit approval process.

Prior to the approval of new facilities reported as customer finance, an internal credit risk assessment is conducted in order to assess the credit rating of each transaction for political and commercial risk. The credit risk analysis is made by using an assessment tool, where the political risk rating is identical to the rating used by all Export Credit Agencies within the OECD. The commercial risk is assessed by analysing a large number of parameters, which may affect the level of the future commercial credit risk exposure. The output from the assessment tool for the credit rating also includes an internal pricing of the risk. This is expressed as a risk margin per annum over the relevant base rate. The reference pricing for political and commercial risk, on which the tool is based, is reviewed using information from Export Credit Agencies and prevailing pricing in the bank loan and bond markets for structured financed deals. The objective is that the internally set risk margin shall reflect the assessed risk and that the pricing is as close as possible to the current market pricing. A reassessment of the credit rating for each customer finance facility is made on a regular basis.

As of December 31, 2021, the total amount payable to the Company under customer finance credits was SEK 5,239 (5,262) million. The carrying value of these assets was SEK 3,287 (3,137) million as of December 31, 2021. Customer finance is arranged for infrastructure projects in different geographic markets. As of December 31, 2021, there were a total of 81 (72) customer finance arrangements originated by or guaranteed by the Company. The five largest facilities represented 70% (75%) of the customer finance exposure in 2021. As of December 31, 2021, Middle East and Africa made up 44% (44%) of the outstanding exposure while North America made up 32% (20%). As of December 31, 2021, the Company also had unutilized customer finance commitments of SEK 47,344 (26,939) million.

Security arrangements for customer finance facilities may include pledges of equipment, pledges of certain assets belonging to the borrower and pledges of shares in the operating company. If available, third-party risk coverage is, as a rule, arranged. "Third-party risk coverage" means that a financial payment guarantee covering the credit risk has been issued by a bank, an export credit agency or an insurance company. All such institutions have been rated at least investment grade. A credit risk transfer under a sub-participation arrangement with a bank can also be arranged. In this case the entire credit risk and the funding is taken care of by the bank for the part that they cover.

The table below summarizes the Company's outstanding customer finance as of December 31, 2021 and 2020.

Outstanding customer finance credit risk exposure [1]

| | 2021 | 2020 |
|---|---|---|
| Fair value of customer finance credits | 3,287 | 3,137 |
| Financial guarantees for third-parties | 6 | 5 |
| Accrued interest | 9 | 8 |
| **Maximum exposure to credit risk** | **3,302** | **3,150** |
| Less third-party risk coverage | −94 | −95 |
| **The Company's risk exposure, less third-party risk coverage** | **3,208** | **3,055** |

[1] This table has been adjusted to show the maximum exposure to credit risk.

Note F1, cont'd.

**Fair value assessment of customer finance credits**

Customer finance risk exposures are held at fair value and are classified as Level 3 on the fair value hierarchy. The Credit Asset Management Team within Ericsson Credit AB, reporting to Head of Group Treasury and Customer Finance, has established a process with respect to measurement of fair values. The quarterly credit review uses an internal model to determine a commercial rating for each credit and for calculation of the fair value. The model is based on external credit rating, political/country rating and bank pricing. Regular monitoring of customer behavior is also a part of the internal assessment. Revaluation of customer finance (excluding effect of foreign exchange translation) amounted to a net gain in the income statement of SEK 350 (loss of 262) million in 2021, of which gain of SEK 347 (loss of 262) million relates to credits held as of December 31, 2021. This effect is presented within selling and administrative expenses and was mainly related to South East Asia Oceania and India.

Customer finance fair value reconciliation

| | 2021 | 2020 |
|---|---|---|
| Opening balance | 3,137 | 3,756 |
| Additions | 30,121 | 24,765 |
| Disposals/repayments | −30,468 | −25,069 |
| Revaluation/amortization of interest | 322 | −66 |
| Translation difference | 175 | −249 |
| **Closing balance** | **3,287** | **3,137** |
| *Of which non-current* | *568* | *1,221* |

Due to 5G buildout, the demand for customer financing solutions has continued to increase significantly. Most of such financing has been successfully transferred to banks, hence the balance of customer finance receivables is in line with prior year.

**Financial credit risk**

Financial instruments carry an element of risk in that counterparts may be unable to fulfill their payment obligations. This exposure arises in the investments in cash, cash equivalents, interest-bearing securities and from derivative positions with positive unrealized results against banks and other counterparties.

The Company mitigates these risks by investing cash primarily in high rated securities such as treasury bills, government bonds, commercial papers, and mortgage-covered bonds (see Liquidity risk section below). Separate credit limits are assigned to each counterpart in order to minimize risk concentration. All derivative transactions are covered by ISDA netting agreements to reduce the credit risk. For cross-currency swaps a Credit Support Annex (CSA) to ISDA is signed to further reduce the credit risk by exchanging collateral weekly against market value. The Company has also moved some derivative exposures to clearing counterparties with daily settlement of margins.

At December 31, 2021, the credit risk in financial cash instruments was equal to the instruments' carrying value. The expected credit losses on cash equivalents and interest-bearings securities classified as amortized cost were immaterial. Credit exposure in derivative instruments was SEK 0.3 (0.3) billion.

**Liquidity risk**

The Company minimizes the liquidity risk by maintaining a sufficient cash position, centralized cash management, investments in highly liquid interest-bearing securities, and by having sufficient committed credit lines in place to meet potential funding needs. For information about contractual obligations, analyzed by contractual maturity, see note D4 "Contractual obligations." The current cash position is deemed to satisfy all short-term liquidity requirements.

Cash, cash equivalents, interest bearing securities and derivative assetss

| 2021 | Rating or equivalent | < 3 M | 3–12 M | 1–5 Y | >5 Y | Total |
|---|---|---|---|---|---|---|
| Bank deposits | | 44,758 | 104 | 11 | — | 44,873 |
| Other financial institutions | | 247 | — | — | — | 247 |
| **Type of issuer:** | | | | | | |
| Governments | AA/AAA | 5,743 | 2,906 | 11,860 | — | 20,509 |
| Corporates | A2/P2 | 4,226 | — | — | — | 4,226 |
| Mortgage institutes | AAA | — | 5,749 | 21,700 | 304 | 27,753 |
| Derivative assets | | 118 | 199 | — | — | 317 |
| | | **55,092** | **8,958** | **33,571** | **304** | **97,925** |

| 2020 | Rating or equivalent | < 3 M | 3–12 M | 1–5 Y | >5 Y | Total |
|---|---|---|---|---|---|---|
| Bank deposits | | 26,829 | 130 | 16 | — | 26,975 |
| Other financial institutions | | 202 | — | — | — | 202 |
| **Type of issuer:** | | | | | | |
| Governments | AAA | 15,000 | 605 | 12,483 | 395 | 28,483 |
| Corporates | A2/P2 | 1,960 | — | — | — | 1,960 |
| Mortgage institutes | AAA | 216 | 3,969 | 10,240 | — | 14,425 |
| Derivative assets | | 189 | 346 | 975 | — | 1,510 |
| | | **44,396** | **5,050** | **23,714** | **395** | **73,555** |

The instruments are classified as FVTPL or amortized cost. Cash, cash equivalents and interest-bearing securities are mainly held in SEK.

**Refinancing risk**

Refinancing risk is the risk that the Company is unable to refinance outstanding debt under reasonable terms and conditions, or at all, at a given point in time.

Debt financing is mainly carried out through borrowing in the Swedish and international debt capital markets.

Bank financing is used for certain subsidiary funding and to obtain committed credit facilities.

Funding programs [1)]

| | Amount | Utilized | Unutilized |
|---|---|---|---|
| Euro Medium Term Note program (USD million) | 5,000 | −1,495 | 3,505 |
| SEC Registered program (USD million) [2)] | | 1,000 | |

1) There are no financial covenants related to these programs.
2) Program amount indeterminate.

In March 2021, the Company redeemed EUR 500 million notes issued under the Euro Medium Term Note program. In May 2021, the Company issued new EUR 500 million notes under the same program with maturity in 2029. In June 2021, the Company drew on its credit commitment with the European Investment Bank (EIB) of USD 305 million with maturity in 2028.

Committed credit facilities

| | Amount | Utilized | Unutilized |
|---|---|---|---|
| Multi-currency revolving credit facility (USD million) | 2,000 | — | 2,000 |

In September 2021, Ericsson entered into a USD 2 billion sustainability-linked revolving credit facility. The USD 2 billion facility replaces the previous USD 2 billion facility. The facility does not have interest rates linked to credit rating or financial covenants but is linked to two of Ericsson's sustainability KPIs.

Note F1, cont'd.

**Fair valuation of the Company's financial instruments**
The Company's financial instruments accounted for at fair value generally meet the requirements of level 1 valuation as they are based on quoted prices in active markets for identical assets. For some of the Company's financial assets and liabilities, especially derivatives, quoted prices are not readily available and fair values are calculated using market inputs such as interest rate quotes and currency rates.

For financial liabilities designated at fair value to profit and loss, the carrying amount reflects the effect in own credit spreads either in quoted prices or quoted Credit Default Swap (CDS) for Investment Grade companies.

**Valuation hierarchy**

**– Quoted market prices – level 1**
Assets and liabilities are classified as level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions.

**– Valuation technique using observable inputs – level 2**
Assets and liabilities classified as level 2 have been valued using models whose inputs are observable either directly or indirectly. Valuations based on observable inputs include cash equivalents (e.g. discounted papers, term deposits) and interest rate derivatives which are valued using interest rate yield curves. Other market observable inputs include credit spreads and FX forward rates. Inputs for base interest rates are quoted fixing rates, interest rates swaps and IBOR rates.

FX derivatives are valued by using observable forward rates, discounted using base interest rate curve. Valuation of foreign exchange options are made using the Black-Scholes formula.

The value of credit risks in derivative contracts are monitored regularly. Derivative credit and debit valuations adjustments are calculated based on outstanding market values and default probabilities from the CDS market, and if effect on valuation is material, are included in the fair value of the derivatives.

**– Valuation technique using significant unobservable inputs – level 3**
Assets and liabilities are classified as level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Apart from trade receivables and customer finance receivables, this valuation technique mainly applies to investment in shares and other participations whereby valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price. Unobservable input levels are generally determined via reference to observable inputs, historical observations or using other analytical techniques.

Reconciliation of Level 3 fair value items

| | Investment in shares and participations |
|---|---|
| Opening balance | 1,519 |
| Additions | 184 |
| Disposals | –229 |
| Gain or losses [1] | 255 |
| Transfers to level 1 [2] | –55 |
| **Closing balance** | **1,674** |

[1] Table shows net gains or losses recognized in Other operating income or expenses, of which SEK 163 million unrealized gains relate to Level 3 assets held at the end of the year.
[2] Transfer between hierarchies is recognized from the date of change in circumstances that resulted in the transfer. Transfer in the year relates to an investment that was converted into listed equity shares. Unrealized gain of SEK 529 million was recognized in Other operating income as a gain on Level 1 asset, excluded from the gain or loss presented in the table above.

**Financial instruments carried at amortized cost**
Financial instruments, such as some cash equivalents, interest-bearing securities, borrowings and payables, are carried at amortized cost which is deemed to be equal to fair value. When a market price is not readily available and there is insignificant interest rate exposure and credit spreads affecting the value, the carrying value is considered to represent a reasonable estimate of fair value.

Financial instruments

| | 2021 | | | | | 2020 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Fair value hierarchy level | | | | | Fair value hierarchy level | | |
| SEK billion | Amortized cost | Fair value | Level 1 | Level 2 | Level 3 | Amortized cost | Fair value | Level 1 | Level 2 | Level 3 |
| Assets at fair value through profit or loss | | | | | | | | | | |
| Customer finance | — | 3.3 | — | — | 3.3 | — | 3.1 | — | — | 3.1 |
| Interest bearing securities | — | 43.3 | 43.3 | — | — | — | 28.1 | 28.1 | — | — |
| Cash equivalents [1] | — | 26.0 | — | 26.0 | — | — | 23.6 | — | 23.6 | — |
| Other financial assets | — | 2.3 | 0.6 | — | 1.7 | — | 1.5 | — | — | 1.5 |
| Other current assets | — | 0.3 | — | 0.3 | — | — | 1.5 | — | 1.5 | — |
| Assets at fair value through OCI | | | | | | | | | | |
| Trade receivable | — | 45.4 | — | — | 45.4 | — | 42.1 | — | — | 42.1 |
| Assets at amortized cost | | | | | | | | | | |
| Interest bearing securities | 0.3 | — | — | — | — | 0.4 | — | — | — | — |
| Cash equivalents [1] | 4.0 | — | — | — | — | 3.6 | — | — | — | — |
| Other financial assets | 0.5 | — | — | — | — | 0.5 | — | — | — | — |
| **Financial assets** | **4.8** | **120.6** | | | | **4.5** | **99.9** | | | |
| Financial liabilities at designated FVTPL | | | | | | | | | | |
| Parent Company borrowings | — | –31.4 | –19.5 | –11.9 | — | — | –27.2 | –18.9 | –8.3 | — |
| Financial liabilities at FVTPL | | | | | | | | | | |
| Other current liabilities | — | –0.8 | — | –0.8 | — | — | –0.2 | — | –0.2 | — |
| Liabilities at amortized cost | | | | | | | | | | |
| Trade payables | –35.7 | — | — | — | — | –32.0 | — | — | — | — |
| Borrowings | –0.4 | — | — | — | — | –2.9 | — | — | — | — |
| **Financial liabilities** | **–36.1** | **–32.2** | | | | **–34.9** | **–27.4** | | | |

[1] Total Cash and cash equivalent is SEK 54.1 (43.6) billion, of which SEK 30.0 (27.2) billion relating to Cash equivalents are presented in the table above.

Note F1, cont'd.

**Market price risk in own shares and other listed equity investments**
The Company is exposed to fluctuations in its own share price through share-based compensation for employees and the Board of Directors. Some of the plans are share-settled and some are cash-settled as further disclosed in note A1 "Significant accounting policies", note G2 "Information regarding members of the Board of Directors and Group management" and note G3 "Share-based compensation."

**Share-based plans for employees**
The obligation to deliver shares under the 2019 and 2020 Long-Term Variable compensation programs (LTV) for the Executive Team is covered by holding Ericsson Class B shares as treasury stock. The cash flow exposure is managed through the holding of Ericsson Class B shares as treasury stock to be sold to generate funds, which also cover social security payments. A change in the share price will result in a change in social security charges, which represents a risk to the income statement. The cash flow exposure relating to the 2021 LTV program is not managed in the same manner.

**Cash-settled plans to employees and the Board of Directors**
In the case of synthetic share programs (a cash-settled program as defined in IFRS 2) to Board members and cash-settled plans to employees, the Company is exposed to risks in relation to own share price, both with regard to compensation expenses and social security charges. The obligations to pay compensation amounts under the synthetic share-based compensations to the Board of Directors and employees are covered by a provision in the balance sheet. For further information about LTV, the cash- settled plans to employees and the synthetic share-based compensations to the Board of Directors, see note G2 "Information regarding members of the Board of Directors and Group management" and note G3 "Share-based compensation."

## F2 Financial income and expenses

Financial income and expenses

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Contractual interest on financial assets [1] | 360 | 665 | 1,234 |
| *of which on financial assets at amortized cost* [1] | *148* | *148* | *430* |
| Net revaluation gains and losses on financial assets | 10 | –103 | –100 |
| Other financial income [1] | 321 | 131 | 161 |
| **Financial income** | **691** | **693** | **1,295** |
| Contractual interest on financial liabilities [1] | –525 | –873 | –1,222 |
| *of which on financial liabilities at amortized cost* [1] | *–41* | *–152* | *–132* |
| Net revaluation gains and losses on financial liabilities | 67 | 9 | –69 |
| Lease interest expense | –426 | –490 | –551 |
| Other financial expenses [1] | –790 | –762 | –860 |
| **Financial expenses** | **–1,674** | **–2,116** | **–2,702** |
| Net foreign exchange gains/losses | –1,547 | 827 | –395 |
| **Financial income and expenses, net** | **–2,530** | **–596** | **–1,802** |
| Net gains and losses on financial instruments exclude effect of foreign exchange translations: | | | |
| Financial instruments at fair value through profit or loss [2] | –534 | –257 | 47 |
| Financial liabilities designated at fair value through profit or loss | 404 | –121 | –344 |

[1] Prior years' contractual interest income and expenses are re-presented to improve the analysis of returns on assets and funding costs. This resulted in reclassifications between contractual interest on financial assets and other financial income, and between contractual interest on financial liabilities and other financial expenses, with no impact in the total amount of Financial income and Financial expenses, respectively.

[2] Excludes net gain from revaluation of customer finance receivables of SEK 350 million (net loss of SEK 262 million in 2020 and net loss of SEK 650 million in 2019), reported as Selling and administrative expenses, and net gain on revaluation of investments in shares and participations of SEK 784 million (net gain of SEK 12 million in 2020 and net loss of SEK 149 million in 2019) reported as Other operating income or expenses.

## F3 Financial assets, non-current

Financial assets, non-current

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Other investments in shares and participations | Interest-bearing securities, non-current | Other financial assets, non-current | Other investments in shares and participations | Interest-bearing securities, non-current | Other financial assets, non-current |
| Opening balance | 1,519 | 21,613 | 4,842 | 1,432 | 20,354 | 5,614 |
| Additions | 184 | 30,305 | 1,054 | 123 | 11,091 | 893 |
| Disposals/repayments/deductions | –229 | –13,547 | –959 | –43 | –5,021 | –913 |
| Change in value in funded pension plans [1] | — | — | 1,064 | — | — | 51 |
| Revaluation | 784 | –75 | 99 | 12 | –72 | –53 |
| Reclassification | –1 | –7,670 | –1 | — | –4,739 | –271 |
| Translation differences | 1 | — | 118 | –5 | — | –479 |
| **Closing balance** | **2,258** | **30,626** | **6,217** | **1,519** | **21,613** | **4,842** |

[1] This amount includes asset ceiling. For further information, see note G1 "Post-employment benefits."

# F4 Interest-bearing liabilities

As of December 31, 2021, the Company's outstanding interest-bearing liabilities were SEK 31.8 (30.2) billion.

To secure long-term funding, the Company uses notes and bond programs together with bilateral research and development loans. All outstanding notes and bond loans are issued by the Parent Company under its Euro Medium Term Note (EMTN) program or under its US Securities and Exchange Commission (SEC) Registered program. Bonds issued at a fixed interest rate are normally swapped to a floating interest rate using interest rate swaps under the Asset and liability management mandate described in note F1 "Financial risk management." Total weighted average interest rate cost for the long-term funding during the year was 1.75% (2.18%).

Interest-bearing liabilities (excluding lease obligations)

| | 2021 | 2020 |
|---|---|---|
| **Borrowings, current** | | |
| Current part of non-current borrowings | 9,459 | 5,269 |
| Other borrowings, current | 131 | 2,673 |
| **Total borrowings, current** | **9,590** | **7,942** |
| **Borrowings, non-current** | | |
| Notes and bond loans | 22,016 | 22,008 |
| Other borrowings, non-current | 225 | 210 |
| **Total borrowings, non-current** | **22,241** | **22,218** |
| **Total interest-bearing liabilities** | **31,831** | **30,160** |

Reconciliation of liabilities arising from financing activities (including lease obligations)

| | 2021 | 2020 |
|---|---|---|
| Opening balance | 39,460 | 47,578 |
| **Cash flows** | | |
| Proceeds from issuance of borrowings | 7,882 | 3,220 |
| Repayment of borrowings | −5,791 | −9,031 |
| Other financing activities | −2,128 | 1,568 |
| Lease payments | −2,368 | −2,417 |
| **Non-cash changes** | | |
| Effect of foreign exchange movement | 2,621 | −4,030 |
| Revaluation due to changes in credit risk | −31 | −99 |
| Other changes in fair value | −415 | 136 |
| Acquisition of new lease contracts | 2,009 | 2,604 |
| Other non-cash movements | −105 | −69 |
| **Closing balance** | **41,134** | **39,460** |

Notes, bonds and bilateral loans

| Issued-maturing | Nominal amount | Coupon | Currency | Maturity date | Carrying value (SEK million) 2021 | Changes in fair value due to changes in credit risk 2021 | Cumulative changes in fair value due to changes in credit risk 2021 | Carrying value (SEK million) 2020 |
|---|---|---|---|---|---|---|---|---|
| **Notes and bond loans** | | | | | | | | |
| 2012–2022 | 1,000 | 4.125% | USD | May 15, 2022 | 9,163 | −86 | 58 | 8,537 |
| 2017–2021 | 500 | 0.875% | EUR | Mar 1, 2021 | — | −3 | — | 5,034 |
| 2017–2024 | 500 | 1.875% | EUR | Mar 1, 2024 | 5,297 | −27 | 118 | 5,290 |
| 2017–2025 [1] | 150 | 2.741% | USD | Dec 22, 2025 | 1,393 | 31 | 81 | 1,278 |
| 2020–2030 [1] | 200 | 3.020% | USD | Dec 30, 2030 | 1,825 | 47 | 115 | 1,698 |
| 2021–2029 | 500 | 1.000% | EUR | May 26, 2029 | 5,007 | −26 | −26 | — |
| **Total notes and bond loans** | | | | | **22,685** | **−64** | **346** | **21,837** |
| **Bilateral loans** | | | | | | | | |
| 2017–2023 [2] | 220 | | USD | Jun 15, 2023 | 2,033 | 17 | 44 | 1,826 |
| 2019–2024 [3] | 281 | | USD | July 31, 2024 | 2,608 | 47 | 62 | 2,320 |
| 2019–2025 [2] | 150 | | USD | Dec 18, 2025 | 1,400 | 35 | 44 | 1,237 |
| 2021–2028 [3] | 305 | | USD | Jun 21, 2028 | 2,692 | −66 | −66 | — |
| **Total bilateral loans** | | | | | **8,733** | **33** | **84** | **5,383** |

[1] Private Placement, Swedish Export Credit Corporation (SEK).
[2] Nordic Investment Bank (NIB), R&D project financing.
[3] European Investment Bank (EIB), R&D project financing.

## Section G – Employee related

# G1 Post-employment benefits

Ericsson sponsors a number of post-employment benefit plans throughout the Company, which are in line with market practice in each country. The main change in 2021 was driven by higher than expected return on investments of SEK 3.5 billion. Financial assumption changes resulted in net actuarial gains on defined benefit obligations of SEK 0.3 billion although this was largely offset by experience losses in the year.

**Swedish plans**
Sweden has both defined benefit and defined contribution plans based on collective agreement between the parties in the Swedish labor market:
- A defined benefit plan, known as ITP 2 (occupational pension for salaried employees in manufacturing industries and trade), complemented by a defined contribution plan, known as ITPK (supplementary retirement benefits). This is a final salary-based plan.
- A defined contribution plan, known as ITP 1, for employees born in 1979 or later.
- A defined contribution plan ITP 1 or alternative ITP, for employees earning more than 10 income base amount and who have opted out of the defined benefit plan ITP 2, where rules are set by the Company and approved by each employee selected to participate.

The Company has by far most of its Swedish pension liabilities under defined benefit plans which according to IAS 19 is funded to 51% (48%) by the assets of Ericsson Pensionsstiftelse (a Swedish Pension Foundation). These liabilities, if valued using different methodology and assumptions established by the Swedish PRI Pensionsgaranti, are considered funded to more than 100% by the assets of Ericsson Pensionsstiftelse. There are no funding requirements for the Swedish plans.

The disability and survivors' pension part of the ITP-plan is secured through an insurance solution with the company Alecta, see section about Multi-employer plans.

The Company pays benefit directly to the pensioners as the obligations fall due. The responsibility for governance of the plans and the plan assets lies with the Company and the Pensionsstiftelse. The Swedish Pensionsstiftelse is managed on the basis of a capital preservation strategy and the risk profile is set accordingly. Traditional asset-liability matching (ALM) studies are undertaken on a regular basis to allocate within different asset classes.

The plans are exposed to various risks, e.g., a sudden decrease in the bond yields, which would lead to an increase in the plan liability. A sudden instability in the financial market might also lead to a decrease in fair value of plan assets held by the Pensionsstiftelse, as the holdings of plan assets partly are exposed to equity markets; however, this may be partly offset by higher values in fixed income holdings. Swedish plans are linked to inflation and higher inflation will most likely lead to a higher liability.

**Multi-employer plans**
As before, the Company has secured the disability and survivors' pension part of the ITP Plan through an insurance solution with the insurance company Alecta. Although this part of the plan is classified as a multi-employer defined benefit plan, it is not possible to get sufficient information to apply defined benefit accounting, as for most of the accrued pension benefits in Alecta, information is missing on the allocation of earnings process between employers. Full vesting is instead registered on the last employer. Alecta is not able to calculate a breakdown of assets and provisions for each respective employer, and therefore, the disability and survivors' pension portion of the ITP Plan has been accounted for as a defined contribution plan.

Alecta has a collective funding ratio which acts as a buffer for its insurance commitments to protect against fluctuations in investment return and insurance risks. Alecta's collective funding ratio ranges from 125% to 175% and reflects the market value of Alecta's plan assets as a percentage of its commitments to policy holders (both guaranteed and non-guaranteed), measured in accordance with Alecta's actuarial assumptions, which are different from those in IAS 19. Alecta's collective funding ratio was 172% (148%) as of December 31, 2021. The Company's share of Alecta's saving premiums is 0.4%, the total share of active members in Alecta is 2.1%. The expected contribution to the plan is SEK 109 million for 2022.

**Contingent liabilities / Assets pledged as collateral**
Contingent liabilities include the Company's mutual responsibility as a credit insured company of PRI Pensionsgaranti in Sweden. This mutual responsibility can only be imposed in the instance that PRI Pensionsgaranti has consumed all of its assets, and it amounts to a maximum of 2% of the Company's pension liability in Sweden. The Company has a pledged business mortgage of SEK 6.1 billion to PRI Pensionsgaranti.

**US plans**
The Company operates both defined contribution and defined benefit pension plans in the US, which are a combination of final salary pension plans and contribution-based arrangements. The final salary pension plans provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. Retirees generally do not receive inflationary increases once in payment.

The other type of plan is a contribution-based pension plan, which provides a benefit determined using a "cash balance" approach. The balance is credited monthly with interest credits and contribution credits, based on a combination of current year salary and length of service.

The majority of benefit payments are from trustee-administered funds; however, there are also a number of unfunded plans where the Company meets the benefit payment obligation as it falls due. In the US, the Company's policy is at least to meet or exceed the funding requirements of federal regulations. The funded level in the US Pension Plan is above the point at which minimum funding would be required for fiscal year 2021.

Plan assets held in trusts are governed by local regulations and practice, as is the nature of the relationship between the Company and the trustees (or equivalent) and their composition. Responsibility for governance of the plans, including investment decisions and contribution schedules, lies with the Plan Administrative Committee (PAC). The PAC is composed of representatives from the Company.

The Company's plans are exposed to various risks associated with pension plans, i.e., a sudden decrease in bond yields would lead to an increase in the present value of the defined benefit obligation. A sudden instability in the financial markets might also lead to a decrease in the fair value of plan assets held by the trust. Pension benefits in the US are not linked to inflation; however, higher inflation poses the risk of increased final salaries being used to determine benefits for active employees. There is also a risk that the duration of payments to retirees will exceed the life expectancy in mortality tables.

**UK plans**
The Company operates both defined benefit and defined contribution plans in the UK. All defined benefit plans in the UK are closed to future pension accrual.

The defined benefit plans provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided is defined by the Trust Deed & Rules and depends on members' length of service and their salary. Pensions in payment are generally updated in line with the UK retail price index, subject to caps defined by the rules.

The plans' assets are held in trusts and are invested in a diverse range of assets. The plans are governed by local regulations and responsibility for the governance of the plans lies with the Trustee Directors, who are appointed by the Company from its employees and from the plans' members. Independent professional trustees sit on a number of the Boards.

The plans remain exposed to various risks associated with defined benefit plans, e.g. a decrease in bond yields or increase in inflation would lead to an increase in the present value of the defined benefit obligation. Alternatively,

Note G1, cont'd.

the duration of payments to retirees could exceed the life expectancy assumed in the current mortality tables leading to an increase in liabilities. A sudden instability in the financial markets might also lead to a decrease in the fair value of the plans' assets. The Company and Trustees' aim is to reduce the plans' exposure to the key risks over time.

**Other plans**

The Company also sponsors plans in other countries. The main plans are in Brazil, India and Ireland. The main pension plans in Brazil are wholly funded with a net surplus of assets. The plan in Ireland is a final salary pension plan and is partly funded. The plans are managed by corporate trustees with directors appointed partly by the local company and partly by the plan members. The trustees are independent from the local company and subject to the specific country's pension laws.

The Provident Fund Plan in India is self-managed through a registered Exempted Trust and according to local legislation, investment returns shall be guaranteed at minimum rates of return specified by the government. The Company has an obligation to fund any shortfall on the yield of the trust's investments over the administered interest rates on an annual basis. These administered rates are determined annually predominantly considering the social and economic factors in the past.

### Amount recognized in the Consolidated balance sheet

Amount recognized in the Consolidated balance sheet

| | Sweden | US | UK | Other | Total |
|---|---|---|---|---|---|
| **2021** | | | | | |
| Defined benefit obligation (DBO) | 58,754 | 18,463 | 17,071 | 19,255 | 113,543 |
| Fair value of plan assets | 29,876 | 18,254 | 19,427 | 13,798 | 81,355 |
| **Deficit/surplus (+/–)** | **28,878** | **209** | **–2,356** | **5,457** | **32,188** |
| Plans with net surplus, excluding asset ceiling [1] | — | 450 | 2,802 | 610 | 3,862 |
| **Provision for post-employment benefits [2]** | **28,878** | **659** | **446** | **6,067** | **36,050** |
| **2020** | | | | | |
| Defined benefit obligation (DBO) | 56,138 | 17,921 | 15,788 | 18,341 | 108,188 |
| Fair value of plan assets | 26,967 | 17,327 | 17,326 | 11,991 | 73,611 |
| **Deficit/surplus (+/–)** | **29,171** | **594** | **–1,538** | **6,350** | **34,577** |
| Plans with net surplus, excluding asset ceiling [1] | — | 92 | 2,090 | 594 | 2,776 |
| **Provision for post-employment benefits [2]** | **29,171** | **686** | **552** | **6,944** | **37,353** |

[1] Plans with a net surplus, i.e., where plan assets exceed DBO, are reported as Other financial assets, non-current, see note F3 "Financial assets, non-current." The asset ceiling increased during the year to SEK 540 (518) million.

[2] Plans with net liabilities are reported in the balance sheet as Post-employment benefits, non-current.

### Total pension cost recognized in the Consolidated income statement

The costs for post-employment benefits within the Company are distributed between defined contribution plans and defined benefit plans.

Pension costs for defined contribution plans and defined benefit plans

| | Sweden | US | UK | Other | Total |
|---|---|---|---|---|---|
| **2021** | | | | | |
| Pension cost for defined contribution plans | 1,199 | 460 | 138 | 1,084 | 2,881 |
| Pension cost for defined benefit plans [1] | 1,920 | 97 | –6 | 931 | 2,942 |
| **Total** | **3,119** | **557** | **132** | **2,015** | **5,823** |
| Total pension cost expressed as a percentage of wages and salaries | | | | | 9.3% |
| **2020** | | | | | |
| Pension cost for defined contribution plans | 963 | 415 | 136 | 664 | 2,178 |
| Pension cost for defined benefit plans | 1,783 | 13 | –4 | 993 | 2,785 |
| **Total** | **2,746** | **428** | **132** | **1,657** | **4,963** |
| Total pension cost expressed as a percentage of wages and salaries | | | | | 8.1% |
| **2019** | | | | | |
| Pension cost for defined contribution plans | 953 | 456 | 132 | 1,193 | 2,734 |
| Pension cost for defined benefit plans | 1,704 | –110 | –47 | 889 | 2,436 |
| **Total** | **2,657** | **346** | **85** | **2,082** | **5,170** |
| Total pension cost expressed as a percentage of wages and salaries | | | | | 8.8% |

[1] For the UK plans, negative cost was due to interest income of SEK 269 million exceeding interest cost of SEK 245 million during the year.

Note G1, cont'd.

**Change in the net defined benefit obligation**

Change in the net defined benefit obligation

| | Present value of obligation 2021 [1] | Fair value of plan assets 2021 | Total 2021 | Present value of obligation 2020 [1] | Fair value of plan assets 2020 | Total 2020 |
|---|---|---|---|---|---|---|
| Opening balance | 108,188 | –73,611 | 34,577 | 105,088 | –72,435 | 32,653 |
| **Included in the income statement** [2] | | | | | | |
| Current service cost | 2,644 | — | 2,644 | 2,424 | — | 2,424 |
| Past service cost and gains and losses on settlements | 1 | — | 1 | –76 | — | –76 |
| Interest cost/income (+/–) | 1,463 | –1,240 | 223 | 1,759 | –1,454 | 305 |
| Taxes and administrative expenses | — | 41 | 41 | — | 29 | 29 |
| Other | 10 | –17 | –7 | 51 | 2 | 53 |
| | **4,118** | **–1,216** | **2,902** | **4,158** | **–1,423** | **2,735** |
| **Remeasurements** | | | | | | |
| Return on plan assets excluding amounts in interest expense/income | — | –3,526 | –3,526 | — | –4,734 | –4,734 |
| Actuarial gains/losses (–/+) arising from changes in demographic assumptions | –49 | — | –49 | 10 | — | 10 |
| Actuarial gains/losses (–/+) arising from changes in financial assumptions | –287 | — | –287 | 9,247 | — | 9,247 |
| Experience-based gains/losses (–/+) | 350 | — | 350 | 320 | — | 320 |
| | **14** | **–3,526** | **–3,512** | **9,577** | **–4,734** | **4,843** |
| **Other changes** | | | | | | |
| Translation difference | 3,951 | –3,764 | 187 | –5,373 | 5,249 | –124 |
| Contributions and payments from: | | | | | | |
| Employers [3] | –1,260 | –679 | –1,939 | –1,921 | –3,612 | –5,533 |
| Plan participants | 285 | –270 | 15 | 223 | –223 | — |
| Payments from plans: | | | | | | |
| Benefit payments | –1,825 | 1,825 | — | –1,834 | 1,834 | — |
| Settlements | –12 | — | –12 | –1,745 | 1,733 | –12 |
| Business combinations and divestments | 84 | –114 | –30 | 15 | — | 15 |
| **Closing balance** | **113,543** | **–81,355** | **32,188** | **108,188** | **–73,611** | **34,577** |

[1] The weighted average duration of DBO is 20.4 (20.8) years.
[2] Excludes the impact of the asset ceiling of SEK 40 million in 2021 and SEK 50 million in 2020.
[3] The expected contribution to the plans is SEK 1.8 billion during 2022.

Present value of the defined benefit obligation

| | Sweden | US | UK | Other | Total |
|---|---|---|---|---|---|
| **2021** | | | | | |
| DBO, closing balance | 58,754 | 18,463 | 17,071 | 19,255 | 113,543 |
| *Of which partially or fully funded* | *58,754* | *17,805* | *17,071* | *15,574* | *109,204* |
| *Of which unfunded* | — | *658* | — | *3,681* | *4,339* |
| **2020** | | | | | |
| DBO, closing balance | 56,138 | 17,921 | 15,788 | 18,341 | 108,188 |
| *Of which partially or fully funded* | *56,138* | *17,235* | *15,788* | *14,811* | *103,972* |
| *Of which unfunded* | — | *686* | — | *3,530* | *4,216* |

Note G1, cont'd.

Asset allocation by asset type and geography [1)]

| | Sweden | US | UK | Other | Total | *Of which unquoted* [2)] |
|---|---|---|---|---|---|---|
| **2021** | | | | | | |
| Cash and cash equivalents | 1,100 | 500 | 1,468 | 46 | 3,114 | *33%* |
| Equity securities | 7,619 | 659 | 3,823 | 2,651 | 14,752 | *58%* |
| Debt securities | 14,427 | 15,817 | 12,705 | 7,999 | 50,948 | *44%* |
| Real estate | 5,157 | — | 195 | 594 | 5,946 | *100%* |
| Investment funds | 1,782 | 1,247 | — | 484 | 3,513 | *64%* |
| Assets held by insurance company | — | — | — | 1,597 | 1,597 | *100%* |
| Other | −209 | 31 | 1,236 | 427 | 1,485 | *69%* |
| **Total** | **29,876** | **18,254** | **19,427** | **13,798** | **81,355** | |
| *Of which real estate occupied by the Company* | — | — | — | — | — | |
| *Of which securities issued by the Company* | — | — | — | — | — | |
| **2020** | | | | | | |
| Cash and cash equivalents | 1,117 | 575 | 911 | 34 | 2,637 | *45%* |
| Equity securities | 5,635 | 655 | 3,469 | 2,235 | 11,994 | *58%* |
| Debt securities | 13,570 | 14,557 | 11,745 | 6,985 | 48,857 | *45%* |
| Real estate | 4,338 | — | 152 | 531 | 5,021 | *100%* |
| Investment funds | 2,153 | 1,495 | 274 | 419 | 4,341 | *74%* |
| Assets held by insurance company | — | — | — | 1,409 | 1,409 | *100%* |
| Other | 154 | 45 | 775 | 378 | 1,352 | *72%* |
| **Total** | **26,967** | **17,327** | **17,326** | **11,991** | **73,611** | |
| *Of which real estate occupied by the Company* | — | — | — | — | — | |
| *Of which securities issued by the Company* | — | — | — | — | — | |

[1)] Asset class is presented based on the underlying exposure of the investment. This includes direct investment in securities or investment through pooled funds that invests in an asset class.
[2)] Unquoted refers to assets classified as fair value level 2 and 3. Amounts reported in prior year included only level 3 assets, hence re-presented for comparison purposes. Unquoted assets comprise mainly investments in pooled investment vehicles.

## Actuarial assumptions

Financial and demographic actuarial assumptions

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Sweden | US | UK | Sweden | US | UK |
| **Financial assumptions** | | | | | | |
| Discount rate | 0.6% | 2.7% | 1.8% | 0.5% | 2.3% | 1.5% |
| Inflation rate | 2.0% | 2.5% | 3.2% | 1.8% | 2.5% | 2.8% |
| Salary increase rate | 2.8% | 3.5% | — | 2.8% | 3.5% | — |
| **Demographic assumptions** | | | | | | |
| Life expectancy after age 65 in years | 23 | 23 | 23 | 23 | 23 | 23 |

Actuarial assumptions are assessed on a quarterly basis. See also note A1 "Significant accounting policies" and note A2 "Critical accounting estimates and judgments."

### Sweden

The defined benefit obligation (DBO) has been calculated using a discount rate based on the yields of Swedish government bonds. IAS 19 Employee Benefits prescribes that if there is not a deep market in high-quality corporate bonds, the market yields on government bonds shall be applied for the pension liability calculation. As of December 31, 2021, the discount rate applied in Sweden was 0.6% (0.5%). If the discount rate had been based on Swedish covered mortgage bonds, the discount rate as of December 31, 2021 would have been 2.1% (1.5%). If the discount rate based on Swedish covered mortgage bonds had been applied for the pension liability calculation, the DBO at December 31, 2021 would have been approximately SEK 18.8 (11.8) billion lower.

### US and UK

The defined benefit obligation has been calculated using a discount rate based on yields of high-quality corporate bonds, where "high-quality" has been defined as a rating of AA and above.

Higher corporate bond discount rates were used to value pensions liabilities in the US and UK plans at year end hence lowering the liabilities, although this was partially offset by higher inflation rate in the UK. Increase in the value of plan assets was due to relatively high exposure to debt securities in these plans.

Total remeasurements in Other comprehensive income related to post-employment benefits

| | 2021 | 2020 |
|---|---|---|
| Actuarial gains and losses (+/−) | 3,255 | −3,946 |
| The effect of asset ceiling | 25 | 226 |
| Swedish special payroll taxes | 257 | −898 |
| **Total** | **3,537** | **−4,618** |

Sensitivity analysis of significant actuarial assumptions

| | 2021 | | |
|---|---|---|---|
| Impact on the DBO of a change in assumptions | Sweden | US | UK |
| **Financial assumptions** | | | |
| Discount rate −0.5% | 7.5 | 1.0 | 2.0 |
| Discount rate +0.5% | −6.5 | −0.9 | −1.8 |
| Inflation rate −0.5% | −5.2 | — | −1.4 |
| Inflation rate +0.5% | 6.0 | — | 1.5 |
| Salary increase rate −0.5% | −1.4 | — | — |
| Salary increase rate +0.5% | 1.5 | — | — |
| **Demographic assumptions** | | | |
| Longevity – 1 year | −3.1 | −0.5 | −0.7 |
| Longevity + 1 year | 3.1 | 0.5 | 0.7 |

# G2 Information regarding members of the Board of Directors and Group management

## Remuneration to the Board of Directors

Remuneration to members of the Board of Directors

| SEK | Board fees | Number of synthetic shares/portion of Board fee | Value at grant date of synthetic shares allocated in 2021 | Number of previously allocated synthetic shares outstanding | Net change in value of synthetic shares [1] | Committee fees | Total fees paid in cash [2] | Total remuneration 2021 |
|---|---|---|---|---|---|---|---|---|
| | | | A | | B | | C | (A+B+C) |
| **Board member** | | | | | | | | |
| Ronnie Leten | 4,225,000 | 17,804/50% | 2,112,445 | 77,150 | −122,346 | 385,000 | 2,497,500 | 4,487,599 |
| Helena Stjernholm | 1,060,000 | 4,466/50% | 529,891 | 27,742 | 201,814 | 180,000 | 710,000 | 1,441,705 |
| Jacob Wallenberg | 1,060,000 | 6,700/75% | 794,955 | 41,615 | 135,755 | 180,000 | 445,000 | 1,375,710 |
| Jon Fredrik Baksaas | 1,060,000 | 4,466 /50% | 529,891 | 38,533 | −14,377 | 205,000 | 735,000 | 1,250,514 |
| Jan Carlson | 1,060,000 | 6,700/75% | 794,955 | 41,615 | 2,201 | 450,000 | 715,000 | 1,512,156 |
| Nora Denzel | 1,060,000 | 2,233/25% | 264,945 | 13,869 | 729 | 180,000 | 975,000 | 1,240,674 |
| Börje Ekholm | — | — | — | — | 150,241 | — | — | 150,241 |
| Eric A. Elzvik | 1,060,000 | 2,233/25% | 264,945 | 13,869 | 729 | 420,000 | 1,215,000 | 1,480,674 |
| Kurt Jofs | 1,060,000 | — | — | 19,378 | −91,077 | 630,000 | 1,690,000 | 1,598,923 |
| Kristin S. Rinne | 1,060,000 | 4,466/50% | 529,891 | 18,200 | 106,677 | 205,000 | 735,000 | 1,371,568 |
| *Employee Representatives* | | | | | | | | |
| Torbjörn Nyman | 27,000 | — | — | — | — | 16,500 | 43,500 | 43,500 |
| Anders Ripa [4] | 27,000 | — | — | — | — | 9,000 | 27,000 | 27,000 |
| Kjell-Åke Soting | 27,000 | — | — | — | — | 12,000 | 39,000 | 39,000 |
| Roger Svensson [5] | 4,500 | — | — | — | — | 3,000 | 7,500 | 7,500 |
| Per Holmberg (deputy) [6] | 21,000 | — | — | — | — | — | 21,000 | 21,000 |
| Ulf Rosberg (deputy) [7] | 22,500 | — | — | — | — | — | 22,500 | 22,500 |
| Loredana Roslund (deputy) | 27,000 | — | — | — | — | — | 27,000 | 27,000 |
| **Total** | **12,861,000** | **49,068** | **5,821,918** | **291,971** | **370,346** | **2,875,500** | **9,905,000** | **16,097,264** [3] |

[1] The difference in value as of the time for payment, compared to December 31, 2020, for synthetic shares allocated in 2016 (for which payment was made in 2021). The difference in value as of December 31, 2021 compared to December 31, 2020, for synthetic shares allocated in 2017, 2018, 2019 and 2020. Calculated on a share price of SEK 99.79. The difference in value as of December 31, 2021, compared to grant date for synthetic shares allocated in 2021. The value of synthetic shares allocated in 2017, 2018, 2019 and 2020 includes respectively SEK 1.00, SEK 1.00, SEK 1.50 and SEK 2.00 per share in compensation for dividends resolved by the Annual General Meetings 2018, 2019, 2020 and 2021 and the value of the synthetic shares allocated in 2016 includes dividend compensation for dividends resolved in 2017, 2018, 2019 and 2020.

[2] Committee fee and cash portion of the Board fee.

[3] Excluding social security charges in the amount of SEK 3,561,162.

[4] Appointed employee representative Board member as of March 30, 2021, previously deputy employee representative Board member.

[5] Resigned as employee representative Board member as of March 30, 2021.

[6] Resigned as deputy employee representative Board member as of November 3, 2021.

[7] Appointed deputy employee representative Board member as of March 30, 2021.

### Comments to the table

- The Chair of the Board was entitled to a Board fee of SEK 4,225,000 and a fee of SEK 205,000 as Chair of the Finance Committee and a fee of SEK 180,000 as member of the Remuneration Committee.
- The other Directors elected by the Annual General Meeting were entitled to a fee of SEK 1,060,000 each. In addition, the Chair of the Audit and Compliance Committee was entitled to a fee of SEK 420,000 and the other non-employee members of the Audit and Compliance Committee were entitled to a fee of SEK 270,000 each. The Chairs of the Finance, Remuneration and Technology and Science Committees were entitled to a fee of SEK 205,000 each and the other non-employee members of these Committees were entitled to a fee of SEK 180,000 each.
- Members of the Board, who are not employees of the Company, have not received any remuneration other than the fees and synthetic shares as above. None of the Directors have entered into a service contract with the Parent Company or any of its subsidiaries, providing for termination benefits.
- Members and deputy members of the Board who are Ericsson employees received no remuneration or benefits other than their entitlements as employees and a fee to the employee representatives and their deputies of SEK 1,500 per attended Board meeting and Committee meeting.
- The Annual General Meeting 2021 resolved that non-employee Directors may choose to receive the Board fee (i.e., exclusive of Committee fee) as follows: i) 25% of the Board fee in cash and 75% in the form of synthetic shares, with a value corresponding to 75% of the Board fee at the time of allocation, ii) 50% in cash and 50% in the form of synthetic shares, or iii) 75% in cash and 25% in the form of synthetic shares. Directors may also choose not to participate in the synthetic share program and receive 100% of the Board fee in cash. Committee fees are always paid in cash.

The number of synthetic shares allocated is based on a volume-weighted average of the market price of Ericsson's Class B shares on Nasdaq Stockholm during the five trading days immediately following the publication of Ericsson's interim report for the first quarter 2021; SEK 118.65. The number of synthetic shares is rounded down to the nearest whole number of shares.

The synthetic shares are vested during the Directors' term of office and the right to receive payment with regard to the allocated synthetic shares occurs after the publication of the Company's year-end financial statement during the fifth year following the Annual General Meeting which resolved on the synthetic share program, i.e., in 2026. The amount payable shall be determined based on the volume-weighted average price for shares of Ericsson's Class B during the five trading days immediately following the publication of the year-end financial statement.

Synthetic shares were allocated to members of the Board for the first time in 2008 and have been allocated annually since then on equal terms and conditions. Payment based on synthetic shares allocated in 2016 occurred in 2021. The amounts paid in 2021 under the synthetic share programs were determined based on the volume-weighted average price for Ericsson's Class B shares on Nasdaq Stockholm during the five trading days immediately following the publication of the year-end financial statements for 2020:

Note G2, cont'd.

SEK 109.20 and totalled SEK 3,957,171 excluding social security charges. The payments made do not constitute a cost for the Company in 2021. The Company's costs for the synthetic shares have been disclosed each year and the net change in value of the synthetic shares for which payment was made in 2021, is disclosed in the table above "Remuneration to members of the Board of Directors".

The value of all outstanding synthetic shares fluctuates in line with the market value of Ericsson's Class B share and may differ from year to year compared to the original value on their respective grant dates. The change in value of the outstanding synthetic shares is established each year and affects the total recognized costs that year. As of December 31, 2021, the total outstanding number of synthetic shares under the programs is 341,039 and the total accounted debt is SEK 35,181,987.

**Remuneration to the Group management**

The Company's costs for remuneration to the Group management are the costs recognized in the income statement during the financial year. These costs are disclosed under Remuneration costs below.

Costs recognized during a financial year in the income statement are not fully paid by the Company at the end of the fiscal year. The unpaid amounts that the Company has in relation to the Group management are disclosed under Outstanding balances.

**Remuneration costs**

The total remuneration to the President and CEO and to other members of the Group management, consisting of the Executive Team (ET), includes fixed salary, short- and long-term variable compensation, pension and other benefits. These remuneration elements are based on the guidelines for remuneration to Group management (the Guidelines) as approved by the Annual General Meeting (AGM) of shareholders held in 2020.

Remuneration costs for the President and CEO and other members of Executive Team (ET)

| SEK | President and CEO 2021 | President and CEO 2020 | Other members of ET 2021 | Other members of ET 2020 | Total 2021 | Total 2020 |
|---|---|---|---|---|---|---|
| Salary [1] | 18,208,859 | 17,727,726 | 110,043,431 | 98,063,266 | 128,252,290 | 115,790,992 |
| Termination benefits | — | — | — | — | — | — |
| Annual variable remuneration provision earned for the year | — | — | 52,507,185 | 37,992,529 | 52,507,185 | 37,992,529 |
| Long-term variable compensation provision | 43,701,650 | 41,110,656 | 48,260,833 | 41,237,506 | 91,962,483 | 82,348,162 |
| Pension costs [2] | 9,569,049 | 9,113,376 | 40,886,802 | 39,685,920 | 50,455,851 | 48,799,296 |
| Other benefits [3] | 555,688 | 770,276 | 11,199,631 | 14,360,413 | 11,755,319 | 15,130,689 |
| Social charges and taxes [3] | 22,633,474 | 21,592,463 | 57,469,705 | 52,289,551 | 80,103,179 | 73,882,014 |
| **Total** | **94,668,720** | **90,314,497** | **320,367,587** | **283,629,185** | **415,036,307** | **373,943,682** |

[1] Includes compensation for unused vacation days.
[2] Includes cash payments to the President and CEO in lieu of defined contribution payment in a cost neutral way to Ericsson.
[3] Other benefits and Social charges and taxes for other members of ET 2020 adjusted due to clerical error.

**Comments to the table**

- Fredrik Jejdling was appointed Executive Vice President by the Board of Directors effective November 7, 2017. He did not substitute the President and CEO as the deputy to the President and CEO in 2021. Information regarding Fredrik Jejdling is included in the group "Other members of ET." The details of Fredrik Jejdling's remuneration in 2021 can be found in the Remuneration report 2021.
- Arun Bansal was appointed as Executive Vice President by the Board of Directors effective June 10, 2020. He did not substitute the President and CEO as the deputy to the President and CEO in 2021. Information regarding Arun Bansal is included in the group "Other members of ET." The details of Arun Bansal's remuneration in 2021 corresponding to the period after he was appointed as Executive Vice President can be found in the Remuneration report 2021.
- The group "Other members of ET 2021" and "Other members of ET 2020 comprises of the following 14 persons: MajBritt Arfert, Arun Bansal, Xavier Dedullen, Erik Ekudden, Niklas Heuveldop, Chris Houghton, Fredrik Jejdling, Jan Karlsson, Peter Laurin, Stella Medlicott, Carl Mellander, Nunzio Mirtillo, Fadi Pharaon and Åsa Tamsons.
- The salary stated in the table for the President and CEO and other members of the ET includes vacation pay paid during 2021 as well as other contracted compensation expenses in 2021.
- "Long-term variable compensation provision" refers to the compensation costs for full year 2021 for all outstanding share-based plans.

**Outstanding balances**

The Company has recognized the following liabilities relating to unpaid remunerations in the balance sheet:

- Ericsson's commitments for defined benefit based pensions as of December 31, 2021, for other members of ET under IAS 19 amounted to 2021: SEK 47.4 million, 2020: SEK 45.6 million of which 2021: SEK 32.9 million, 2020: SEK 32.0 million refers to the ITP and early retirement, and the remaining 2021 SEK 14.5 million, 2020 SEK13.6 million to disability and survivors' pensions. The President and CEO does not have a Swedish defined benefit based pension plan, hence, Ericsson bears no commitment.
- For previous Presidents and CEOs, the Company has made provisions for defined benefit pension plans in connection with their active service periods within the Company.

## G3 Share-based compensation

**Accounting treatment of Long-Term Variable Compensation Programs**
In note A1" Significant accounting policies", the overall accounting policies for share-based payments within the Company are disclosed. In summary:
- Share-settled programs, the total compensation expense is calculated based on the fair value (FV) at grant date and recognized over the service period of three years.
- Cash-settled plans, the accounting principles are the same as for any other accruals or provisions. Prior to payout an accrual or provision is recognized every period based on the present period's best estimate of the total amount. Any difference between total payout and the sum of accruals of provisions is recognized in the income statement in the period of final payout.

**Long-Term Variable Compensation**
All long-term variable compensation programs have been designed to form a part of a well-balanced total remuneration package and in general to span over a minimum of three years (service period). As these are variable compensation programs, the outcomes cannot be predicted when the programs are introduced and rewards depend on long-term personal commitment, corporate performance and the share price performance.

Following discontinuation of the previous long-term variable compensation programs at the end of 2016, the shareholders approved the new Long-Term Variable Compensation Program (LTV) for the Executive Team (ET). The Company also introduced the new Executive Performance Plan (EPP) for senior managers and the Key Contributor Plan (KC Plan) for key employees as integral parts of its remuneration strategy starting from 2017.

All new programs are share-based payment programs as defined by IFRS 2 "Share-based Payment," either share- or cash-settled.

**Share-Settled Programs**
**Long-Term Variable Compensation Program for the Executive Team**
The Long-Term Variable Compensation Program for the ET as approved by the shareholders, is designed to provide long-term incentives for members of the ET and to incentivize the Company's performance creating long-term value.

Awards under LTV (Performance Share Awards) are granted to the participants, provided that certain performance conditions are met, to receive a number of shares, free of charge, following expiration of a three-year vesting period (vesting period). Allotment of shares pursuant to Performance Share Awards are subject to the achievement of performance criteria which are defined specific to each year's program when the program is introduced.

Which portion, if any, of the Performance Share Awards for LTV will vest is determined at the end of the relevant performance period based on the satisfaction of the predetermined performance criteria for that year's LTV program (performance period). The performance criteria for the currently running LTV and EPP are summarized in the below table along with the satisfaction and achieved vesting levels for the ones which the performance period have lapsed. It is generally required that the participant retains his or her employment over a period of three years from the date of grant of awards to be eligible for receiving the performance awards.

Provided that the performance criteria have been met during the performance period and that the participant has retained his or her employment (unless special circumstances are at hand) during the service period, allotment of vested shares will take place as soon as practicably possible following the expiration of the vesting period.

When determining the final vesting level of Performance Share Awards, the Board of Directors examines whether the vesting level is reasonable considering the Company's financial results and position, conditions on the stock market and other circumstances, and if not, reserves the right to reduce the vesting level to a lower level deemed appropriate.

In the event delivery of shares to the participants cannot take place under applicable law or at a reasonable cost and employing reasonable administrative measures, the Board of Directors is entitled to decide that participants may, instead, be offered cash settlement.

All major decisions relating to outcome of LTV are taken by the Remuneration Committee, with approval by the full Board of Directors as required.

LTV and EPP performance criteria

| Program Year | Target | Criteria | Weight | Performance Period | Vesting Opportunity (linear pro-rata) | Achievement | Achieved Vesting Level |
|---|---|---|---|---|---|---|---|
| 2021 | 2021 Group operating income (EBIT) | Range (SEK billion): 15.0–24.0 | 50% | Jan 1, 2021–Dec 31, 2021 | 0%–200% | SEK 27.4 billion [2] | 200% |
| 2021 | Absolute TSR | Range: 6%–14% | 30% | Jan 1, 2021–Dec 31, 2023 | 0%–200% | | |
| 2021 | Relative TSR | Ranking of Ericsson: 6–2 | 20% | Jan 1, 2021–Dec 31, 2023 | 0%–200% [1] | | |
| **2021 Total** | | | **100%** | | **0%–200%** | | |
| 2020 | 2020 Group operating income (EBIT) | Range (SEK billion): 19.1–27.9 | 50% | Jan 1, 2020–Dec 31, 2020 | 0%–200% | SEK 29.1 billion [3] | 200% |
| 2020 | Absolute TSR | Range: 6%–14% | 30% | Jan 1, 2020–Dec 31, 2022 | 0%–200% | | |
| 2020 | Relative TSR | Ranking of Ericsson: 6–2 | 20% | Jan 1, 2020–Dec 31, 2022 | 0%–200% [1] | | |
| **2020 Total** | | | **100%** | | **0%–200%** | | |
| 2019 | 2019 Group operating income (EBIT) | Range (SEK billion): 10.0–20.0 | 50% | Jan 1, 2019–Dec 31, 2019 | 0%–200% | SEK 20.4 billion [4] | 200% |
| 2019 | Absolute TSR | Range: 6%–14% | 30% | Jan 1, 2019–Dec 31, 2021 | 0%–200% | 9.00% | 74.89% |
| 2019 | Relative TSR | Ranking of Ericsson: 7–2 | 20% | Jan 1, 2019–Dec 31, 2021 | 0%–200% [1] | 6.52 out of 12 | 19.39% |
| **2019 Total** | | | **100%** | | **0%–200%** | | **126.35%** |
| 2018 | 2018 Group operating income (EBIT) | Range (SEK billion): 4.6–9.6 | 50% | Jan 1, 2018–Dec 31, 2018 | 0%–200% | SEK 11.5 billion [5] | 200% |
| 2018 | Absolute TSR | Range: 6%–14% | 30% | Jan 1, 2018–Dec 31, 2020 | 0%–200% | 26.92% | 200% |
| 2018 | Relative TSR | Ranking of Ericsson: 7–2 | 20% | Jan 1, 2018–Dec 31, 2020 | 0%–200% [1] | 1.94 out of 12 | 200% |
| **2018 Total** | | | **100%** | | **0%–200%** | | **200%** |

[1] The portion of the Performance Share Awards granted to a participant based on the relative TSR performance condition is subject to fulfilment of the related performance criteria over the performance period compared to Peer Groups consisting of 11 companies for the program year 2021 and 2020 and 12 companies for the program years 2019 and 2018.The vesting of the Performance Share Awards under this performance condition will vary depending on the Company's TSR performance ranking versus the other companies in the peer group at the end of the performance period.

[2] Excludes restructuring charges and items not included in target performance criterion.

[3] Excludes restructuring charges.

[4] Excludes fines and similar related to the United States Department of Justice (DOJ) / Securities and Exchange Commission (SEC) resolution.

[5] Excludes restructuring charges and the provisions taken in Q4 2018 related to the revised BSS strategy

Note G3, cont'd.

**2021 Long-Term Variable Compensation Program for the Executive Team (LTV 2021)**

LTV 2021 was approved at the Annual General Meeting (AGM) of shareholders held in 2021 and includes all members of the ET, a total of 15 ET members in 2021, including the President and CEO.

The participants were granted Performance Share Awards on May 3, 2021. The value of the underlying shares in respect of the Performance Share Awards made to the President and CEO was 190% of the annual base salary, and for other participants ranged between 30% and 70% of the participants' respective annual base salaries at the time of grant. The share price used to calculate the number of shares to which the Performance Share Awards entitles was calculated as the volume weighted average of the market price of Ericsson B shares on Nasdaq Stockholm during the five trading days immediately following the publication of the Company's interim report for the fourth quarter of 2020.

Following evaluation of the previously introduced Long-term variable compensation programs, the Board of Directors decided to use the same performance criteria for LTV 2021 as the ones used for LTV 2020, LTV 2019 and LTV 2018 in order to secure continuity and consistency in supporting achievement of the Company's 2022 targets. Hence again a one-year Group operating income (EBIT) target measured over the period January 1, 2021 to December 31, 2021 was included as a performance condition for LTV 2021 in addition to the standard three-year total shareholder return (TSR) performance conditions, which were also used for LTV 2020, LTV 2019 and LTV 2018.

The performance criteria relating to TSR are absolute TSR development and relative TSR development for the Ericsson B share over the period January 1, 2021 to December 31, 2023 (the performance period).

The performance criteria for LTV 2021 along with the details on how the performance criteria will be calculated and measured are explained in minutes from the AGM 2021 under Item 16.

The Board of Directors resolved on the achieved vesting level for the 2021 Group operating income (EBIT) performance criteria as 200% for this portion of the Performance Share Awards granted based on the 2021 Group operating income (EBIT) outcome.

**2020 Long-Term Variable Compensation Program for the Executive Team (LTV 2020)**

LTV 2020 was approved at the Annual General Meeting (AGM) of shareholders held in 2020 and includes all members of the ET, a total of 15 ET members in 2020, including the President and CEO.

The participants were granted Performance Share Awards on April 1, 2020. The value of the underlying shares in respect of the Performance Share Awards made to the President and CEO was 180% of the annual base salary, and for other participants ranged between 30% and 70% of the participants' respective annual base salaries at the time of grant. The share price used to calculate the number of shares to which the Performance Share Awards entitles was calculated as the volume weighted average of the market price of Ericsson B shares on Nasdaq Stockholm during the five trading days immediately following the publication of the Company's interim report for the fourth quarter of 2019.

Following evaluation of the previously introduced Long-term variable compensation programs, the Board of Directors decided to use the same performance criteria for LTV 2020 as the ones used for LTV 2019 and LTV 2018 in order to secure continuity and consistency in supporting achievement of the Company's 2020 targets. Hence again a one-year Group operating income (EBIT) target measured over the period January 1, 2020 to December 31, 2020 was included as a performance condition for LTV 2020 in addition to the standard three-year total shareholder return (TSR) performance conditions, which were also used for LTV 2019, LTV 2018 and LTV 2017.

The performance criteria relating to TSR are absolute TSR development and relative TSR development for the Ericsson B share over the period January 1, 2020 to December 31, 2022 (the performance period).

The performance criteria for LTV 2020 along with the details on how the performance criteria will be calculated and measured are explained in minutes from the AGM 2020 under Item 17.

The Board of Directors resolved on the achieved vesting level for the 2020 Group operating income (EBIT) performance criteria as 200% for this portion of the Performance Share Awards granted based on the 2020 Group operating income (EBIT) outcome.

**2019 Long-Term Variable Compensation Program for the Executive Team (LTV 2019)**

LTV 2019 was approved at the AGM 2019 and includes a total of 14 ET members in 2019, including the President and CEO, but excluding Helena Norrman who was not granted LTV 2019 due to her resignation, and Stella Medlicott and Fadi Pharaon who carried over their EPP entitlements for 2019 after their appointments to the ET.

The participants were granted Performance Share Awards on May 18, 2019. The value of the underlying shares in respect of the Performance Share Awards made to the President and CEO was 180% of the annual base salary, and for other participants ranged between 30% and 70% of the participants' respective annual base salaries at the time of grant. The share price used to calculate the number of shares to which the Performance Share Awards entitles was calculated as the volume weighted average of the market price of Ericsson B shares on Nasdaq Stockholm during the five trading days immediately following the publication of the Company's interim report for the first quarter of 2019.

Following evaluation of the previously introduced Long-Term Variable Compensation Programs, the Board of Directors decided to use the same performance criteria for LTV 2019 as the ones used for LTV 2018 in order to secure continuity and consistency in supporting achievement of the Company's 2020 targets. Hence again a one-year Group operating income (EBIT) target measured over the period January 1, 2019 to December 31, 2019 was included as a performance condition for LTV 2019 in addition to the standard three-year total shareholder return (TSR) performance conditions, which were also used for LTV 2018 and LTV 2017.

The performance criteria relating to TSR are absolute TSR development and relative TSR development for the Ericsson B share over the period January 1, 2019 to December 31, 2021 (the performance period).

The performance criteria for LTV 2019 along with the details on how the performance criteria will be calculated and measured are explained in minutes from the AGM 2019 under Item 17.

The Board of Directors resolved on the achieved vesting level for the 2019 Group operating income (EBIT) performance criteria as 200% for this portion of the Performance Share Awards granted based on a 2019 Group operating income (EBIT) outcome excluding fines and similar related to the United States Department of Justice (DOJ) / Securities and Exchange Commission (SEC) resolutions.

The Board of Directors also resolved on the achieved vesting levels for the absolute and relative TSR development performance criteria as 74,89% and 19,39% based on the achievement results of 9.00% absolute TSR and 6.52th ranking for relative TSR respectively. Which resulted in an overall achieved vesting level of 126.35% for LTV 2019 as illustrated in the table LTV and EPP Performance Criteria on the prior page.

**2018 Long-Term Variable Compensation Program for the Executive Team (LTV 2018)**

LTV 2018 was approved by the AGM 2018 and includes all members of the ET, a total of 14 employees in 2018, including the President and CEO, but excluding Ulf Ewaldsson, Elaine Weidman-Grunewald and Nina Macpherson who left the ET prior to the award grant date of May 18, 2018, and Jan Karlsson who carried over his EPP entitlement for 2018 after his appointment to the ET.

The participants were granted Performance Share Awards on May 18, 2018. The value of the underlying shares in respect of the Performance Share Awards made to the President and CEO was 180% of the annual base salary, and for other participants ranged between 30% and 70% of the participants' respective annual base salaries at the time of grant. The maximum value of underlying shares in respect of the Performance Share Awards made to the ET members other than the President and CEO were increased from 22.5% in 2017 to between 30% and 70% of participants' respective base salaries at the time of grant in 2018. The increases were approved at the AGM 2018 with the intention to increase the long-term focus and alignment with the long-term expectations of the shareholders. The share price used to calculate the number of shares to which the Performance Share Awards entitles was calculated as the volume weighted average of the market price of Ericsson B shares on Nasdaq Stockholm during the five trading days immediately following the publication of the Company's interim report for the first quarter of 2018.

Following continuous evaluation of the Long-Term Variable Compensation Programs a one-year Group operating income (EBIT) target was added to LTV 2018 measured over the period January 1, 2018 to December 31, 2018, to

Note G3, cont'd.

support achieving the Company's 2020 targets, in addition to the three-year targets relating to total shareholder return (TSR), which were also used for LTV 2017.

The performance criteria relating to TSR are absolute TSR development and relative TSR development for the Ericsson B share over the period January 1, 2018 to December 31, 2020 (the performance period).

The performance criteria for LTV 2018 along with the details on how the performance criteria will be calculated and measured are explained in minutes from the AGM 2018 under Item 17.

The Board of Directors resolved on the achieved vesting level for the 2018 Group operating income (EBIT) performance criteria as 200% for this portion of the Performance Share Awards granted based on a 2018 Group operating income (EBIT) outcome excluding restructuring charges and the provisions taken in Q4 2018 related to the revised BSS strategy.

The Board of Directors also resolved on the achieved vesting levels for both the absolute and relative TSR development performance criteria as 200% based on the achievement results of 26.92% absolute TSR and 1.94th ranking for relative TSR, which resulted in an overall achieved vesting level of 200% for LTV 2018 as illustrated in the table LTV and EPP Performance Criteria on the prior page.

The Performance Share Awards vested during 2021 and the participants received the equivalent number of shares free of charge with the official closure of LTV 2018.

**Cash-Settled Plans**

**Executive Performance Plans (EPP)**

The Executive Performance Plan (EPP) is a cash-settled plan which uses the same performance criteria as the ones under the respective year's long-term variable compensation program for the ET.

Senior managers, except for the members of the ET, are selected as participants to EPP annually through a nomination process that identifies individuals according to performance, potential, critical skills, and business critical roles.

There are two award levels, high and regular, which represent the potential award levels as a percentage of the participant's annual gross salary, which are determined separately by the Board of Directors for each year's plan before the plan is launched. Participants are assigned a potential award, which is converted into a number of synthetic shares based on the same market price of Ericsson B shares used for the respective year's LTV. The three-year vesting period is the same as for the LTV. The vesting level of the award is subject to the achievement of the same performance criteria over the same performance period defined for the respective year and generally requires that the participant retains his or her employment over the vesting period.

At the end of the vesting period, the allotted synthetic shares are converted into a cash amount, based on the market price of Ericsson B shares at Nasdaq Stockholm at the vesting date, and this final amount is paid to the participant in cash gross before tax.

**Executive Performance Plan 2021 (EPP 2021)**

159 senior managers were selected to participate in EPP 2021. The regular award level is set at 15% and the high award level is set at 25% for all countries except for the USA. The regular and high award levels are set at 25% and 35% respectively in the US.

**Executive Performance Plan 2020 (EPP 2020)**

155 senior managers were selected to participate in EPP 2020. The regular award level is set at 15% and the high award level is set at 25% for all countries except for the USA. The regular and high award levels are set at 25% and 35% respectively in the USA.

**Executive Performance Plan 2019 (EPP 2019)**

161 senior managers were selected to participate in EPP 2019. The regular award level is set at 15% and the high award level is set at 22.5%.

**Executive Performance Plan 2018 (EPP 2018)**

171 senior managers were selected to participate in EPP 2018. The regular award level is set at 15% and the high award level is set at 22.5%.

The awards under EPP 2018 were paid in 2021 at the end of the vesting period and EPP 2018 was officially closed.

**Key Contributor Plans (KC Plans)**

The KC Plan is a cash-settled retention plan. Employees, except for senior managers and the members of the ET, are selected as participants to KC Plan annually through a nomination process that identifies individuals according to performance, potential, critical skills, and business critical roles. Participants are assigned a potential award based on a percentage of their annual gross salary, which is converted into a number of synthetic shares based on the same market price of Ericsson B shares used for the respective year's LTV.

The KC Plan is a retention plan, therefore there are no performance criteria for vesting of awards. In general, there is a three-year service period for receiving the award in full and the award is subject only to continued employment during the service period. As of the KC 2019 plan the total service period is three years, however the payout is distributed over the entire service period with staggered payments according to the below schedule:

- 25% of the award to be paid at the end of the first year,
- 25% of the award to be paid at the end of the second year, and
- the remaining 50% of the award to be paid at the end of the third year.

Accounting wise, the plans with three staggered payments are seen as three separate tranches. The tranches are accounted for as separate awards and accrued in parallel with the same grant date but different vesting dates. The consequence of the staggered payments is a front-end loaded cost for these plans. The accounting model is referred to as staged vesting.

The value of each synthetic share is driven by the absolute share price performance of Ericsson B shares during the service period. At the end of the service period, the allotted synthetic shares are converted into a cash amount, based on the market price of Ericsson B shares Nasdaq Stockholm at the vesting date, and this final amount is paid to the participant in cash gross before tax.

**Key Contributor Plan 2021 (KC Plan 2021)**

7,246 employees were selected to participate in KC Plan 2021. There are three award levels at 10%, 25% and 30% of the participants' annual gross salary. The total service period is three years, however the payout is distributed over the entire service period with staggered payments as explained under Key Contributor Plans (KC Plans).

**Key Contributor Plan 2020 (KC Plan 2020)**

7,007 employees were selected to participate in KC Plan 2020. There are three award levels at 10%, 25% and 30% of the participants' annual gross salary. The total service period is three years, however the payout is distributed over the entire service period with staggered payments as explained under Key Contributor Plans (KC Plans).

**Key Contributor Plan 2019 (KC Plan 2019)**

6,941 employees were selected to participate in KC Plan 2019. There are three award levels at 10%, 25% and 30% of the participants' annual gross salary. The total service period is three years, however the payout is distributed over the entire service period with staggered payments as explained under Key Contributor Plans (KC Plans).

**Key Contributor Plan 2018 (KC Plan 2018)**

5,886 employees were selected to participate in KC Plan 2018. There are two award levels at 10% and 25% of the participants' annual gross salary. The total service period is three years and the awards are paid at the end of the full service period.

The awards under KC Plan 2018 were paid in 2021 at the end of the service period and KC Plan 2018 was officially closed.

**Number of shares and synthetic shares**

The awards granted to the participants of the LTV programs and the development of the granted shares over time, considering the fulfilment of performance conditions, are displayed in the below table, together with the number of synthetic shares for the EPP and KC plans.

Note G3, cont'd.

Number of shares and synthetic shares

| (million) | Executive team programs | | | | | Of which the President and CEO | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Share-settled programs | LTV 2021 | LTV 2020 | LTV 2019 | LTV 2018 | Total | LTV 2021 | LTV 2020 | LTV 2019 | LTV 2018 | Total |
| Maximum shares required | 2.1 | 2.5 | 3.0 | 3.0 | 10.6 | — | — | — | — | — |
| Granted shares | 0.6 | 0.9 | 0.6 | 0.8 | 2.9 | 0.3 | 0.4 | 0.3 | 0.4 | 1.4 |
| Outstanding number of shares beginning of 2021 | — | 1.3 | 0.9 | 1.6 | 3.8 | — | 0.6 | 0.4 | 0.8 | 1.8 |
| Exercised during 2021 | — | — | — | –1.6 | –1.6 | — | — | — | –0.8 | –0.8 |
| Forfeited during 2021 | — | — | — | — | — | — | — | — | — | — |
| Increase due to performance condition 2021 | 0.3 | — | –0.1 | — | 0.2 | 0.2 | — | –0.1 | — | 0.1 |
| Outstanding number of shares end of 2021 | 0.9 | 1.3 | 0.8 | — | 3.0 | 0.5 | 0.6 | 0.3 | — | 1.4 |

| | Executive performance program | | | | | Key contributors plans | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Cash-settled plan | EPP 2021 | EPP 2020 | EPP 2019 | EPP 2018 | Total | KC 2021 | KC 2020 | KC 2019 | KC 2018 | Total |
| Synthetic shares | 1.2 | 1.5 | 0.8 | — | 3.5 | 7.6 | 8.0 | 3.9 | — | 19.5 |

**Compensation expense**

The compensation expense is based on the FV and the number of shares or synthetic shares. The compensation expense for the share-settled long-term variable compensation programs for the President and CEO and the ET during 2021 were SEK 93 million.

The compensation expenses for cash-settled plans, the EPP and the KC Plans during 2021 were SEK 124 million and SEK 1,129 million respectively as shown in the table Compensation expense for LTV 2018-2021 below. The total compensation expense during 2021 amounted to SEK 1,346 million. The total provision for the cash-settled plans amounted to SEK 1,591 (2,107) million, including social charges of SEK 190 (227) million, at the end of 2021.

Compensation expense for LTV 2018-2021

| **Share-settled programs** | 2021 | 2020 | 2019 | 2018 | Total |
|---|---|---|---|---|---|
| LTV 2021 | 24 | — | — | — | 24 |
| LTV 2020 | 31 | 23 | — | — | 54 |
| LTV 2019 | 28 | 28 | 17 | — | 73 |
| LTV 2018 | 10 | 28 | 28 | 18 | 84 |
| **Total executive team programs** | **93** | **79** | **45** | **18** | **235** |
| *Of which the President and CEO* | *44* | *38* | *22* | *9* | *113* |
| **Cash-settled plans** | | | | | |
| EPP 2021 | 17 | — | — | — | 17 |
| EPP 2020 | 56 | 34 | — | — | 90 |
| EPP 2019 | 14 | 50 | 11 | — | 75 |
| EPP 2018 | 37 | 76 | 53 | 20 | 186 |
| **Total executive performance plans** | **124** | **160** | **64** | **20** | **368** |
| KC 2021 | 355 | — | — | — | 355 |
| KC 2020 | 376 | 523 | — | — | 899 |
| KC 2019 | 194 | 335 | 248 | — | 777 |
| KC 2018 | 204 | 368 | 245 | 156 | 973 |
| **Total key contributor plans** | **1,129** | **1,226** | **493** | **156** | **3,004** |
| **Total cash-settled plans** | **1,253** | **1,386** | **557** | **176** | **3,372** |
| **Total compensation expense** | **1,346** | **1,465** | **602** | **194** | **3,607** |

Note G3, cont'd.

**Fair value**

The compensation expense for the share-settled plans is based on FV and the number of shares. The FV for the LTV programs are including adjustments for absolute and relative TSR development performance criteria at the grant date, using a Monte Carlo model, which uses a number of inputs, including expected dividends, expected share price volatility and the expected period to exercise. The performance criteria of the LTV program are also based on the outcome of the Group operating income (EBIT) as per fiscal years 2021, 2020 and 2019. The FV for the Group operating income (EBIT) performance criteria is calculated as the share price at grant date, reduced by the net present value of the dividend expected during the three-year vesting period. For the performance criteria the number of shares is adjusted in relation to the achievement level of the performance criteria at the end of the performance period.

The compensation expense for the cash-settled plans is based on the FV and the number of synthetic shares allocated. The FV for the EPP includes the same criteria as the share-settled plans and calculated in a similar way, however reassessed quarterly with updated criteria. The FV for the KC Plans are the share price reduced by the net present value of the dividend expected during the service period. The KC Plans 2021, 2020 and 2019 have three FV based on the three different service periods. The FV per performance criteria and program is shown in the table Fair values below.

Fair values (SEK)

| **Executive team programs** | **LTV 2021** | **LTV 2020** | **LTV 2019** | **LTV 2018** |
|---|---|---|---|---|
| Share price at grant | 116.66 | 78.88 | 90.70 | 65.79 |
| Fair value Absolute TSR | 113.47 | 54.69 | 87.92 | 80.40 |
| Fair value Relative TSR | 108.61 | 98.06 | 94.63 | 78.66 |
| Fair value Group operating income (EBIT) | 110.70 | 74.22 | 86.94 | 62.93 |
| **Executive performance plans** | **EPP 2021** | **EPP 2020** | **EPP 2019** | **EPP 2018** |
| Fair value Absolute TSR | 60.41 | 67.54 | 67.59 | 111.78 |
| Fair value Relative TSR | 29.20 | 28.97 | 12.97 | 111.78 |
| Fair value Group operating income (EBIT) | 92.23 | 94.20 | 95.70 | 111.78 |
| **Key contributor plans** | **KC 2021** | **KC 2020** | **KC 2019** | **KC 2018** |
| Fair value - Tranche 1 | 96.21 | 109.80 | 84.12 | — |
| Fair value - Tranche 2 | 94.20 | 96.21 | 111.78 | — |
| Fair value - Tranche 3 | 92.23 | 94.20 | 95.70 | — |
| Fair value | — | — | — | 111.78 |

**Payout of Cash-settled Plan**

During 2021 four plans vested; EPP 2018 and KC Plan 2018, KC Plan 2019 tranche 2 (vesting May 18th) and KC Plan 2020 tranche 1 (vesting Feb 18th). The share price for the plan that vested Feb 18th was SEK 109.80 and for the plans that vested May 18th SEK 111.78 and the accumulated payout to the participants amounted to SEK 1,618 million.

**The Ericsson share purchase plan (ESPP)**

Ericsson is committed to helping employees thrive and to recognizing them for the impact they create by providing opportunities to enrich their working experience. In order to encourage employees to play an active role in achieving the Company's purpose, further create sense of belonging and ownership, the new Ericsson share purchase plan was launched in November 2021 (in 58 countries to approximately 58,900 eligible employees), with continued deployment in additional countries where possible in line with local statutory legislation during 2022.

The ESPP is an all-employee share purchase plan that enables employees to purchase Ericsson B-shares up to a maximum value of SEK 50,000 per year via monthly payroll deduction. In recognition of the employees' commitment, Ericsson supports the participants with a net cash payment up to 15% of their elected contribution amounts and will cover the tax on the Company supported amount, which is payable via payroll. Under the ESPP participants will acquire Ericsson B shares at market price on the stock exchange and the ESPP does therefore not have any dilutive effect.

Ericsson share purchase plan

| Eligible employees | Number of countries with ESPP | Number of participants | Take-up rate – percent of eligible employees |
|---|---|---|---|
| 58,900 | 58 | 9,314 | 15.8% |

**Option agreements**

Prior to taking office as President and CEO of Ericsson, Board member Börje Ekholm entered into an option agreement in 2016 with Investor AB and AB Industrivärden, shareholders of Ericsson. Each of these two shareholders has issued 1,000,000 call options to Börje Ekholm on market terms (valuation conducted, using the Black & Scholes model, by an independent third party). Under the agreements, Börje Ekholm has purchased in total 2,000,000 call options, issued by the shareholders, for a purchase price of SEK 0.49 per call option. Each call option entitles the purchase of one Ericsson B share from the shareholders at a strike price of SEK 80 per share (to be recalculated to neutralize the effects of dividend payments during the option period) during one year after a seven-year period. Due to the fact that the call options were purchased on market terms as described above, no compensation expense has been recognized by the Company and will not be recognized during the remaining part of the seven-year period.

In 2019 Investor AB, shareholder of Ericsson, made an offer to the Board Chairs of its listed core investment to purchase call options relating to shares in the respective core investment. Following this offer, Ronnie Leten, Chair of the Board of Directors, entered into such a call option agreement with Investor AB with respect to Class B share of Telefonaktiebolaget LM Ericsson. Under the agreement, Investor AB has issued 128,452 call options to Ronnie Leten on market terms (valuation conducted, using the Black & Scholes model, by an independent third party) and Ronnie Leten has purchased these call options for a purchase price of SEK 15.57 per call option. Each call option entitles the purchase of one Ericsson B share from Investor AB at a strike price of SEK 87.97 per share (to be recalculated to neutralize the effects of dividend payments during the option period) during one year after a four-year period starting February 5, 2019. Due to the fact that the call options were purchased on market terms as described above, no compensation expense has been recognized by the Company and will not be recognized during the remaining part of the period.

# G4 Employee information

## Employee numbers, wages and salaries

Average number of employees by gender and market area

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Women | Men | Total | Women | Men | Total |
| South East Asia, Oceania and India | 5,470 | 20,828 | 26,298 | 5,025 | 20,306 | 25,331 |
| North East Asia | 4,579 | 9,323 | 13,902 | 4,532 | 9,344 | 13,876 |
| North America | 2,269 | 7,999 | 10,268 | 2,075 | 7,635 | 9,710 |
| Europe and Latin America [1] | 11,581 | 34,336 | 45,917 | 11,205 | 34,226 | 45,431 |
| Middle East and Africa | 823 | 3,549 | 4,372 | 807 | 3,434 | 4,241 |
| **Total** | **24,722** | **76,035** | **100,757** | **23,644** | **74,945** | **98,589** |
| *[1] Of which in EU* | *8,728* | *25,971* | *34,699* | *8,462* | *25,811* | *34,273* |
| *Of which in Sweden* | *3,173* | *10,237* | *13,410* | *2,911* | *9,709* | *12,620* |

Number of employees by market area at year-end

| | 2021 | 2020 |
|---|---|---|
| South East Asia, Oceania and India | 26,369 | 25,869 |
| North East Asia | 13,091 | 13,944 |
| North America | 10,344 | 10,175 |
| Europe and Latin America [1] | 47,064 | 46,580 |
| Middle East and Africa | 4,454 | 4,256 |
| **Total** | **101,322** | **100,824** |
| *[1] Of which in EU* | *35,950* | *35,552* |
| *Of which in Sweden* | *14,183* | *13,173* |

Number of employees by gender and age at year-end 2021

| | Women | Men | Percent of total |
|---|---|---|---|
| Under 25 years old | 1,201 | 1,799 | 3% |
| 25–35 years old | 9,693 | 22,173 | 31% |
| 36–45 years old | 7,560 | 26,760 | 34% |
| 46–55 years old | 4,987 | 17,914 | 23% |
| Over 55 years old | 2,041 | 7,194 | 9% |
| **Percent of total** | **25%** | **75%** | **100%** |

Employee movements

| | 2021 | 2020 |
|---|---|---|
| Headcount at year-end | 101,322 | 100,824 |
| Employees who have left the Company | 11,631 | 7,839 |
| Employees who have joined the Company | 12,129 | 9,246 |
| Temporary employees | 868 | 609 |

Wages and salaries and social security expenses

| (SEK million) | 2021 | 2020 |
|---|---|---|
| Wages and salaries | 62,823 | 60,950 |
| Social security expenses | 14,639 | 13,695 |
| *Of which pension costs* | *5,601* | *4,963* |

Amounts related to the President and CEO and the Executive Leadership Team are included in the table above.

Remuneration to Board members and Presidents in subsidiaries

| (SEK million) | 2021 | 2020 |
|---|---|---|
| Salary and other remuneration | 572 | 458 |
| *Of which annual variable remuneration* | *80* | *58* |
| Pension costs [1] | 41 | 32 |

[1] Pension costs are over and above any social security charges and taxes.

Board members, Presidents and Group management by gender at year end

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Women | Men | Women | Men |
| **Parent Company** | | | | |
| Board members and President | 23% | 77% | 23% | 77% |
| Group Management | 20% | 80% | 20% | 80% |
| **Subsidiaries** | | | | |
| Board members and Presidents | 21% | 79% | 19% | 81% |

## Section H – Other

# H1 Taxes

The Company's tax expense for 2021 was SEK −6,270 (−9,589) million or 21.4% (35.2%) of income after financial items. The tax rate may vary between years depending on business and geographical mix. Items reported for income taxes include the impact of the Swedish tax rate reduction which was signed into law on June 14, 2018. The law enacts a corporate income tax of 21.4% from January 1, 2019 and then reduces it to 20.6% from January 1, 2021.

Income taxes recognized in the income statement

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Current income taxes for the year | −6,110 | −5,470 | −2,564 |
| Current income taxes related to prior years | −337 | −175 | −2,237 |
| Deferred tax income/expense (+/−) | 188 | −3,911 | −2,116 |
| Share of taxes in joint ventures and associated companies | −11 | −33 | −5 |
| **Income tax expense** | **−6,270** | **−9,589** | **−6,922** |

A reconciliation between reported tax expense for the year and the theoretical tax expense that would arise when applying statutory tax rate in Sweden, 20.6% (21.4%), on the consolidated income before taxes, is shown in the table below.

The withholding tax expense 2020 includes an impairment of withholding tax.

Taxes were positively impacted by SEK 969 million as a result of utilization of previously impaired withholding tax assets in Sweden.

Reconciliation of Swedish income tax rate with effective tax rate

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Calculated tax expense at Swedish tax rate 20.6% (21.4%) | −6,025 | −5,823 | −1,875 |
| Effect of foreign tax rates | −324 | −616 | −419 |
| Current income taxes related to prior years | −337 | −175 | −2,237 |
| Remeasurement of tax loss carry-forwards | −175 | −258 | 52 |
| Remeasurement of deductible temporary differences | 220 | 369 | 84 |
| Withholding tax expense | — | −1,393 | −230 |
| Reversal of impaired withholding tax | 969 | — | 519 |
| Tax effect of non-deductible expenses | −975 | −2,079 | −3,555 |
| Tax effect of non-taxable income | 392 | 372 | 803 |
| Tax effect of changes in tax rates | −15 | 14 | −64 |
| **Income tax expense** | **−6,270** | **−9,589** | **−6,922** |
| *Effective tax rate* | *21.4%* | *35.2%* | *79.0%* |

### Deferred tax balances

Deferred tax assets and liabilities are derived from the balance sheet items as shown in the table below.

Tax effects of temporary differences and tax loss carry-forwards

| | Deferred tax assets | Deferred tax liabilities | Net balance |
|---|---|---|---|
| **2021** | | | |
| Intangible assets and property, plant and equipment | 160 | 1,331 | |
| Current assets | 3,605 | 862 | |
| Post-employment benefits | 6,782 | 567 | |
| Provisions | 3,555 | — | |
| Deferred tax credits | 5,288 | — | |
| Other | 1,425 | 44 | |
| Loss carry-forwards | 4,214 | — | |
| **Deferred tax assets/liabilities** | **25,029** | **2,804** | **22,225** |
| Netting of assets/liabilities | −1,920 | −1,920 | |
| **Deferred tax balances, net** | **23,109** | **884** | **22,225** |
| **2020** | | | |
| Intangible assets and property, plant and equipment | 771 | 1,579 | |
| Current assets | 2,235 | 862 | |
| Post-employment benefits | 7,062 | 378 | |
| Provisions | 3,739 | — | |
| Deferred tax credits | 8,285 | — | |
| Other | 1,794 | 277 | |
| Loss carry-forwards | 4,417 | — | |
| **Deferred tax assets/liabilities** | **28,303** | **3,096** | **25,207** |
| Netting of assets/liabilities | −2,007 | −2,007 | |
| **Deferred tax balances, net** | **26,296** | **1,089** | **25,207** |

Changes in deferred taxes, net

| | 2021 | 2020 |
|---|---|---|
| Opening balance, net | 25,207 | 29,950 |
| Recognized in net income (loss) | 188 | −3,911 |
| Recognized in other comprehensive income | −556 | 794 |
| Acquisitions/divestments of subsidiaries | 171 | −1,223 |
| Deferred tax credits utilization | −3,027 | 386 |
| Translation difference | 242 | −789 |
| **Closing balance, net** | **22,225** | **25,207** |

Tax effects reported directly in Other comprehensive income (loss) amount to SEK −556 (794) million, of which actuarial gains and losses related to pensions constituted SEK −675 (900) million, revaluation of borrowings SEK −6 (−20) million, cash flow hedges SEK 126 (−86) million and non-controlling interests SEK −1 (1) million.

Deferred tax assets are only recognized in countries where the Company expects to be able to generate corresponding taxable income in the future to benefit from tax reductions.

### Tax loss carry-forwards

Significant tax assets regarding tax loss carry-forwards are reported to the extent that realization of the related tax benefit through future taxable profits is probable also when considering the period during which these can be utilized, as described below.

The majority of tax loss carry-forwards pertains to Sweden, United States, Mexico and Germany. These countries have long or indefinite periods of utilization. Of the total SEK 4,214 (4,417) million recognized deferred tax assets related to tax loss carry-forwards, SEK 3,512 (3,513) million relates to Sweden.

Future income projections considering 5G roll-out, technology leadership based on increased investments in R&D, strengthened competitive position and expansion of the product portfolio, support the conclusion that the deferred tax assets will be utilized in the foreseeable future.

Note H1, cont'd.

As of December 31, 2021, the recognized tax loss carry-forwards amounted to SEK 19,635 (21,442) million. The reduction is primarily attributable to utilization of the loss carry-forward against current year's taxable income. The tax value of the tax loss carry-forward is reported as a tax asset based on the indefinite utilization period and the expectation that the group will realize a significant taxable income to offset these loss carry-forwards.

The final years in which the recognized tax loss carry-forwards can be utilized are shown in the following table.

Tax loss carry-forwards

| Year of expiration | Tax loss carry-forwards | Tax value |
|---|---|---|
| 2022 | 37 | 9 |
| 2023 | 49 | 9 |
| 2024 | 91 | 20 |
| 2025 | 38 | 7 |
| 2026 | 9 | 2 |
| 2027 or later (also includes unlimited carry-forwards) | 19,411 | 4,167 |
| **Total** | **19,635** | **4,214** |

In addition to the table above there are tax loss carry-forwards of SEK 4,038 (3,570) million at a tax value of SEK 671 (735) million that have not been recognized due to judgments that they are unlikely to be utilizable against future taxable profits in the respective jurisdictions. The majority of these tax loss carry-forwards have an expiration date in excess of five years.

The Company has again considered the effect of COVID-19 pandemic on the business and currently expect no material changes to forecast future profits which could impact recoverability of deferred tax assets. Risk assessment on the business plans is carried out on a regular basis, and deferred tax asset recoverability analysis will be performed if conditions suggest that such assets may be impaired.

## H2 Earnings per share

Earnings per share

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| **Basic** | | | |
| Net income attributable to owners of the Parent Company (SEK million) | 22,694 | 17,483 | 2,223 |
| Average number of shares outstanding, basic (millions) | 3,329 | 3,323 | 3,306 |
| **Earnings per share, basic (SEK)** | **6.82** | **5.26** | **0.67** |
| **Diluted** | | | |
| Net income attributable to owners of the Parent Company (SEK million) | 22,694 | 17,483 | 2,223 |
| Average number of shares outstanding, basic (millions) | 3,329 | 3,323 | 3,306 |
| Dilutive effect for stock purchase (millions) | 3 | 3 | 14 |
| Average number of shares outstanding, diluted (millions) | 3,332 | 3,326 | 3,320 |
| **Earnings per share, diluted (SEK)** | **6.81** | **5.26** | **0.67** |

When a company reports a loss, the number of shares used for calculating earnings diluted per share shall be the same as for basic calculation.

## H3 Statement of cash flows

Cash and cash equivalents include cash of SEK 24,015 (16,422) million and cash equivalents of SEK 30,035 (27,190) million. For more information regarding the disposition of cash and cash equivalents and unutilized credit commitments, see note F1 "Financial risk management."

Cash and cash equivalents as of December 31, 2021, include SEK 2,616 (2,351) million in countries where there exist significant cross-border conversion restrictions due to hard currency shortage or strict government controls. This amount is not directly available for distribution to the Parent Company, however it may be used to pay normal business expenditures in the local jurisdictions, thereby reducing group liabilities.

Adjustments to reconcile net income to cash

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| **Property, plant and equipment** | | | |
| Depreciations | 3,674 | 3,602 | 3,587 |
| Impairment losses | 198 | 512 | 360 |
| **Total** | **3,872** | **4,114** | **3,947** |
| **Right-of-use assets** | | | |
| Depreciations | 2,277 | 2,387 | 2,474 |
| Impairment losses | — | 47 | 75 |
| **Total** | **2,277** | **2,434** | **2,549** |
| **Intangible assets** | | | |
| *Amortizations* | | | |
| Capitalized development expenses | 1,343 | 906 | 1,519 |
| Intellectual Property Rights, brands and other intangible assets | 1,164 | 1,083 | 1,019 |
| *Total amortizations* | *2,507* | *1,989* | *2,538* |
| *Impairments* | | | |
| Capitalized development expenses | — | — | 36 |
| Intellectual Property Rights, brands and other intangible assets | 201 | 137 | 19 |
| Goodwill | 112 | — | — |
| *Total impairments* | *313* | *137* | *55* |
| **Total** | **2,820** | **2,126** | **2,593** |
| **Total depreciation, amortization and impairment losses on property, plant and equipment and intangible assets** | **8,969** | **8,674** | **9,089** |
| Taxes | 6,576 | 10,436 | 6,870 |
| Dividends from joint ventures/associated companies [1] | 90 | 43 | 66 |
| Undistributed earnings in joint ventures/associated companies [1] | 270 | 331 | 340 |
| Gains/losses on investments and sale of operations, intangible assets and PP&E, net [2] | −971 | 77 | −812 |
| Other non-cash items [3] | 2,209 | 370 | 2,279 |
| **Total adjustments to reconcile net income to cash** | **17,143** | **19,931** | **17,832** |

[1] See note E3 "Associated companies."
[2] Includes revaluation gains and losses on investments, see note B4 "Other operating income and expenses."
[3] Relates mainly to unrealized foreign exchange, gains/losses on financial instruments.

For information about reconciliation of liabilities arising from financing activities, see note F4 "Interest-bearing liabilities."

Note H3, cont'd.

Acquisitions/divestments of subsidiaries and other operations

| | Acquisitions | Divestments |
|---|---|---|
| **2021** | | |
| Cash flow from business combinations [1] | −256 | 273 |
| Acquisitions/divestments of other investments | −133 | 175 |
| **Total** | **−389** | **448** |
| **2020** | | |
| Cash flow from business combinations [1] | −9,534 | 4 |
| Acquisitions/divestments of other investments | −123 | 55 |
| **Total** | **−9,657** | **59** |
| **2019** | | |
| Cash flow from business combinations [1] | −1,815 | 360 |
| Acquisitions/divestments of other investments | 62 | −112 |
| **Total** | **−1,753** | **248** |

[1] See also note E2 "Business combinations."

## H4 Related party transactions

IAS 24, "Related Party Disclosures" requires disclosure of related party relationships, transactions and outstanding balances.

During 2021, various minor related party transactions were executed pursuant to contracts based on terms customary in the industry and negotiated on an arm's length basis. The main related party transactions relate to Ericsson Nikola Tesla d.d located in Croatia, with sales from the Company to the associate of SEK 0.4 billion (SEK 0.4 billion in 2020 and SEK 0.6 billion in 2019) and purchases from the associate to the Company of SEK 1.2 billion (SEK 1.2 billion in 2020 and SEK 1.5 billion in 2019). Ericsson holds 49.07% of the shares. For information regarding equity and Ericsson's share of assets, liabilities and income in joint ventures and associated companies, see note E3 "Associated companies."

For information regarding transactions with the Board of Directors and Group management, see note G2 "Information regarding members of the Board of Directors and Group management."

For information about the Company's pension trusts, see note G1 "Post-employment benefits."

## H5 Fees to auditors

Fees to auditors

| 2021 | Deloitte | Others | Total |
|---|---|---|---|
| Audit fees | 132 | 8 | 140 |
| Audit-related fees | 9 | 1 | 10 |
| Tax fees | 2 | 6 | 8 |
| Other fees | 1 | 2 | 3 |
| **Total** | **144** | **17** | **161** |

| 2020 | Deloitte | Others | Total |
|---|---|---|---|
| Audit fees | 97 | 9 | 106 |
| Audit-related fees | 8 | — | 8 |
| Tax fees | 4 | 6 | 10 |
| Other fees | 5 | 2 | 7 |
| **Total** | **114** | **17** | **131** |

| 2019 | PwC | Others | Total |
|---|---|---|---|
| Audit fees | 96 | 9 | 105 |
| Audit-related fees | 12 | — | 12 |
| Tax fees | 10 | 11 | 21 |
| Other fees | 6 | 6 | 12 |
| **Total** | **124** | **26** | **150** |

At the 2021 Annual General Meeting Deloitte was appointed auditor for the period until the 2022 Annual General Meeting.

Note H5, cont'd.

The audit-related services include quarterly reviews and assurance on Ericsson's Sustainability and Corporate Responsibility report. The tax services include corporate tax compliance work. Other services include work related to agreed-upon-procedures engagements.

## H6 Events after the reporting period

**Legal proceedings**

Ericsson and Apple were not able to renew the now expired patent license agreement between the parties in a timely manner. On January 18, 2022 Ericsson filed three complaints with the U.S. International Trade Commission (ITC) alleging infringement of 12 patents by certain Apple products. In addition, Ericsson filed companion lawsuits in the Western District of Texas alleging infringement of the same 12 patents. Also, in January 2022 Ericsson filed complaints in several jurisdictions in Europe (Germany, Netherlands, Belgium) and South America (Brazil, Colombia) alleging that certain Apple products infringe Ericsson patents. On January 19, 2022 Apple filed a complaint against Ericsson in the ITC alleging infringement of three Apple patents by certain Ericsson products. Apple also filed a complaint in Germany at the District court of Düsseldorf alleging infringement of a German utility model and another complaint at the District court of Mannheim alleging infringement of an Apple patent by certain Ericsson products. The filing of lawsuits, complaints and other proceedings, when parties take legal action over a patent license agreement renewal, is standard and consequently additional lawsuits, complaints and other proceedings, may follow.

**Euro Medium Term Note program**

On February 8, 2022, the Company issued new EUR 750 million notes under the Euro Medium Term Note (EMTN) program, with maturity in February 2027.

**Vonage**

In November, 2021, Ericsson announced the entering into of an agreement to acquire Vonage Holdings Corp. for a total acquisition price of approximately USD 6.2 billion. It was stated in the announcement that completion of the transaction was expected in the first half of 2022, subject to Vonage shareholder approval, regulatory approvals, and other customary conditions. Since then, Vonage shareholder approval has been obtained and all requisite foreign and U.S. regulatory requirements for closing have been satisfied, except certain clearance from the Committee on Foreign Investment in the United States. If the agreement were to terminate under specified circumstances where we have failed to obtain such clearance, we may have to pay a USD 200 million termination fee to Vonage. Ericsson still expects the closing of the transaction to occur in the first half of 2022.

**Update on Deferred Prosecution Agreement**

On December 6, 2019, Ericsson entered into a Deferred Prosecution Agreement (DPA) with the United States Department of Justice (DOJ). On March 1, 2022, the DOJ informed Ericsson that the disclosure made by the Company prior to the DPA about its internal investigation into conduct in Iraq in the period 2011 until 2019 was insufficient. Furthermore, it determined that the Company breached the DPA by failing to make subsequent disclosure related to the investigation post-DPA. The Company is in communication with the DOJ regarding the facts and circumstances of the breach determination and is committed to co-operating with the DOJ to resolve the matter.

At this stage it is premature to predict the outcome of this matter. DOJ has sole discretion under the DPA to determine whether a breach has occurred.

# Parent Company financial statements with notes

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# Parent Company financial statements

## Parent Company income statement

| January–December, SEK million | Notes | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Selling expenses | | –470 | –506 | –664 |
| Administrative expenses | | –350 | –872 | –867 |
| **Operating expenses** | | **–820** | **–1,378** | **–1,531** |
| Other operating income and expenses | P2 | 1,770 | 2,866 | –8,148 |
| **EBIT (loss)** | | **950** | **1,488** | **–9,679** |
| Financial income and expenses, net | P3 | 8,368 | 6,845 | 6,610 |
| **Income after financial items (loss)** | | **9,318** | **8,333** | **–3,069** |
| Contributions to subsidiaries, net | P13 | –1,526 | –1,540 | –1,961 |
| | | **7,792** | **6,793** | **–5,030** |
| Taxes | P4 | –161 | –408 | 87 |
| **Net income (loss)** | | **7,631** | **6,385** | **–4,943** |

## Parent Company statement of comprehensive income (loss)

| January–December, SEK million | 2021 | 2020 | 2019 |
|---|---|---|---|
| **Net income (loss)** | **7,631** | **6,385** | **–4,943** |
| **Other comprehensive income (loss)** | | | |
| *Items that will not be reclassified to profit or loss* | | | |
| Revaluation of borrowings due to change in credit risk | 31 | 99 | –651 |
| Tax on items that will not be reclassified to profit or loss | –6 | –20 | 134 |
| *Items that have been or may be reclassified to profit/loss* | | | |
| Cash flow hedge reserve | | | |
| Gains/losses arising during the period | –26 | – | – |
| **Total other comprehensive income, net of tax** | **–1** | **79** | **–517** |
| **Total comprehensive income (loss)** | **7,630** | **6,464** | **–5,460** |

## Parent Company balance sheet

| December 31, SEK million | Notes | 2021 | 2020 |
|---|---|---|---|
| **Assets** | | | |
| **Fixed assets** | | | |
| Intangible assets | P5 | 8 | 26 |
| Tangible assets | P6 | 413 | 460 |
| Financial assets | | | |
| Investments | | | |
| Subsidiaries | P7, P8 | 72,009 | 68,798 |
| Joint ventures and associated companies | P7, P8 | 1,184 | 1,184 |
| Other investments | P7 | 2,175 | 1,382 |
| Receivables from subsidiaries | P7, P10 | 13,284 | 10,631 |
| Customer finance, non-current | P9 | 287 | 395 |
| Deferred tax assets | P4 | 507 | 544 |
| Other financial assets, non-current | P7 | 544 | 458 |
| Interest-bearing securities, non-current | P7 | 30,615 | 21,597 |
| | | **121,026** | **105,475** |
| **Current assets** | | | |
| Receivables | | | |
| Trade receivables | P9 | 1 | 7 |
| Customer finance, current | P9 | 499 | 525 |
| Receivables from subsidiaries | P10 | 25,035 | 28,367 |
| Current income taxes | | 16 | 14 |
| Other current receivables | P11 | 1,813 | 1,317 |
| Short-term investments | P17 | 12,722 | 6,621 |
| Cash and cash equivalents | P17 | 37,128 | 28,775 |
| | | **77,214** | **65,626** |
| **Total assets** | | **198,240** | **171,101** |

## Parent Company balance sheet, cont'd.

| December 31, SEK million | Notes | 2021 | 2020 |
|---|---|---|---|
| **Stockholders' equity, provisions and liabilities** | | | |
| **Stockholders' equity** | P12 | | |
| Capital stock | | 16,672 | 16,672 |
| Revaluation reserve | | 20 | 20 |
| Statutory reserve | | 31,472 | 31,472 |
| **Restricted equity** | | **48,164** | **48,164** |
| Retained earnings | | 27,720 | 27,896 |
| Net income (loss) | | 7,631 | 6,385 |
| Other reserves | | −367 | −366 |
| **Non-restricted equity** | | **34,984** | **33,915** |
| | | **83,148** | **82,079** |
| **Provisions** | | | |
| Post-employment benefits | P14 | – | – |
| Other provisions | P15 | 293 | 343 |
| | | **293** | **343** |
| **Non-current liabilities** | | | |
| Notes and bond loans | P16 | 13,430 | 16,716 |
| Other borrowings, non-current | P16 | 8,586 | 5,305 |
| Liabilities to subsidiaries | P10 | 20 | – |
| Other non-current liabilities | | 370 | 90 |
| | | **22,406** | **22,111** |
| **Current liabilities** | | | |
| Borrowings, current | P16 | 9,405 | 6,393 |
| Trade payables | P19 | 419 | 451 |
| Liabilities to subsidiaries | P10 | 80,668 | 58,605 |
| Other current liabilities | P18 | 1,901 | 1,119 |
| | | **92,393** | **66,568** |
| **Total stockholders' equity, provisions and liabilities** | | **198,240** | **171,101** |

## Parent Company statement of cash flows

| January–December, SEK million | Notes | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Net income (loss) | | 7,631 | 6,385 | −4,943 |
| Adjustments to reconcile net income to cash | P22 | 2,196 | 5,465 | 1,763 |
| | | **9,827** | **11,850** | **−3,180** |
| **Changes in operating net assets** | | | | |
| Customer finance, current and non-current | | 135 | 712 | −161 |
| Trade receivables | | 94 | −554 | 329 |
| Trade payables | | −124 | −229 | 204 |
| Provisions and post-employment benefits | | −50 | −325 | 576 |
| Other operating assets and liabilities, net | | 519 | 1,230 | −279 |
| | | **574** | **834** | **669** |
| Interest received | | 759 | 523 | 565 |
| Interest paid | | −634 | −840 | −1,132 |
| Taxes paid/received | | −94 | −246 | −125 |
| **Cash flow from operating activities** | | **10,432** | **12,121** | **−3,203** |
| **Investing activities** | | | | |
| Investments in property, plant and equipment | | −62 | −253 | −127 |
| Investments in intangible assets | | – | – | – |
| Sales/disposals of property, plant and equipment | | – | – | – |
| Investments in shares and other investments | | −6,657 | −1,552 | −2,656 |
| Divestments of shares and other investments | | 2,076 | 511 | 2,382 |
| Other investing activities | | 66 | 1,174 | −412 |
| Purchase of investments | | −35,415 | −13,637 | −12,507 |
| Sale of investments | | 20,114 | 12,289 | 16,721 |
| **Cash flow from investing activities** | | **−19,878** | **−1,468** | **3,401** |
| **Cash flow before financing activities** | | **−9,446** | **10,653** | **198** |
| **Financing activities** | | | | |
| Borrowings from subsidiaries | | 144,574 | 131,538 | 112,056 |
| Repayment of loans from subsidiaries | | −150,656 | −135,585 | −139,708 |
| Proceeds from issuance of borrowings | | 7,574 | 1,686 | 4,103 |
| Repayment of borrowings | | −5,066 | −7,517 | −648 |
| Stock issue | | – | – | – |
| Sale/repurchase of own shares | | 42 | 163 | 197 |
| Dividends paid | | −6,658 | −4,985 | −3,301 |
| Settled contributions from/to (−) subsidiaries | | −1,540 | −1,961 | −1,535 |
| Other financing activities | | 30,406 | 4,907 | 30,129 |
| **Cash flow from financing activities** | | **18,676** | **−11,754** | **1,293** |
| Effect from remeasurement in cash | | −877 | 76 | 459 |
| **Net change in cash** | | **8,353** | **−1,025** | **1,950** |
| **Cash and cash equivalents, beginning of period** | | **28,775** | **29,800** | **27,850** |
| **Cash and cash equivalents, end of period** | P17 | **37,128** | **28,775** | **29,800** |

## Parent Company statement of changes in stockholders' equity

| SEK million | Capital stock | Revaluation reserve | Statutory reserve | Total restricted equity | Disposition reserve | Cash flow hedge reserve | Revaluation of borrowings | Other retained earnings | Non-restricted equity | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **January 1, 2021** | **16,672** | **20** | **31,472** | **48,164** | **100** | **–** | **–366** | **34,181** | **33,915** | **82,079** |
| **Total comprehensive income** | **–** | **–** | **–** | **–** | **–** | **-26** | **25** | **7,631** | **7,630** | **7,630** |
| **Transactions with owners** | | | | | | | | | | |
| Stock issue | – | – | – | – | – | – | – | – | – | – |
| Sale of own shares | – | – | – | – | – | – | – | 42 | 42 | 42 |
| Long-term variable compensation | – | – | – | – | – | – | – | 55 | 55 | 55 |
| Repurchase of own shares | – | – | – | – | – | – | – | – | – | – |
| Dividends paid | – | – | – | – | – | – | – | **–6,658** | **–6,658** | **–6,658** |
| **December 31, 2021** | **16,672** | **20** | **31,472** | **48,164** | **100** | **–26** | **–341** | **35,251** | **34,984** | **83,148** |
| **January 1, 2020** | **16,672** | **20** | **31,472** | **48,164** | **100** | **–** | **–445** | **32,567** | **32,222** | **80,386** |
| **Total comprehensive income** | **–** | **–** | **–** | **–** | **–** | **–** | **79** | **6,385** | **6,464** | **6,464** |
| **Transactions with owners** | | | | | | | | | | |
| Stock issue | – | – | – | – | – | – | – | – | – | – |
| Sale of own shares | – | – | – | – | – | – | – | 163 | 163 | 163 |
| Long-term variable compensation | – | – | – | – | – | – | – | 51 | 51 | 51 |
| Repurchase of own shares | – | – | – | – | – | – | – | – | – | – |
| Dividends paid | – | – | – | – | – | – | – | –4,985 | –4,985 | –4,985 |
| **December 31, 2020** | **16,672** | **20** | **31,472** | **48,164** | **100** | **–** | **–366** | **34,181** | **33,915** | **82,079** |

# Notes to the Parent Company financial statements

## P1 Significant accounting policies

The financial statements of the Parent Company, Telefonaktiebolaget LM Ericsson, have been prepared in accordance with the Annual Accounts Act and RFR 2 "Reporting in separate financial statements." RFR 2 requires the Parent Company to use the same accounting principles as for the Group, i.e., IFRS, to the extent allowed by RFR 2.

The main deviations between accounting policies adopted for the Group and accounting policies for the Parent Company are:

**Subsidiaries, associated companies and joint ventures**
The investments are accounted for according to the acquisition cost method. Investments are carried at cost and only dividends are accounted for in the income statement. An annual impairment test for the investments in each subsidiary company is performed in the fourth quarter, or when there is an indication of impairment. An impairment loss is recognized if the carrying amount of an investment exceeds the sum of the subsidiary's equity and related goodwill, intangible liabilities and deferred tax liabilities or its estimated future cash flows after tax. Cash flows are discounted to present value using an after-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Contributions to/from subsidiaries and shareholders' contributions are accounted for according to RFR 2. Contributions from/to Swedish subsidiaries are reported net in the income statement. Shareholders' contributions increase the Parent Company's investments.

**Classification and measurement of financial instruments**
IFRS 9 "Financial instruments" is adopted, except regarding financial guarantees where the exception allowed in RFR 2 is chosen. Financial guarantees are included in Contingent liabilities.

**Leases**
Leases are reported according to the exception allowed in RFR 2. For leases where the Parent Company is lessee this means that the right-of-use assets and liabilities are not recognized on the balance sheet. Costs under the lease are recognized in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease. For leases where the Parent Company is lessor, the equipment is recorded as property, plant and equipment and revenue as well as depreciation is recognized on a straight-line basis over the lease term. Expenses related to the leasing income are recognized when incurred. Direct expenses incurred when a leasing agreement is entered are added to the carrying amount of the leased asset and expensed over the lease period on the same basis as the lease income.

**Deferred taxes**
The accounting of untaxed reserves in the balance sheet results in different accounting of deferred taxes as compared to the principles applied in the consolidated statements. Swedish GAAP and tax regulations require a company to report certain differences between the tax basis and book value as an untaxed reserve in the balance sheet of the standalone financial statements. Changes to these reserves are reported as an addition to, or withdrawal from, untaxed reserves in the income statement.

**Pensions**
Pensions are accounted for according to the simplification rule in RFR 2. The pension obligation is secured with transferring of funds to a pension trust. A net pension obligation is only accounted for to the extent that the fair value of the trust is lower than the pension obligation. According to RFR 2, disclosures from IAS 19 is adopted as applicable.

**Business combinations**
Transaction costs attributable to the acquisition are included in the cost of acquisition in the Parent Company statements compared to Group Statements where these costs are expensed as incurred.

**Critical accounting estimates and judgments**
See notes to the consolidated financial statements – note A2 "Critical accounting estimates and judgments." Major critical accounting estimates and judgments applicable to the Parent Company include "Trade and customer finance receivables" and "Acquired intellectual property rights and other intangible assets, excluding goodwill."

**Changes to the presentation in the financial statements**
The following changes were made to the presentation of the Parent Company statement of cash flows in 2021:

- Interests and tax cash flows are presented as separate line items within the "Cash flow from operating activities." Previously, interests and tax cash flows were subsumed within various lines in the sections "Adjustments to reconcile net income to cash" and "Changes in operating net assets," and only disclosed in note P22 (P23 in previous years) "Statement of cash flow." Prior years have been re-presented and there is no impact on cash flows from operating activities.
- Historically the net movement of amounts lent to subsidiaries was presented as investing activities, while the net movement of amounts borrowed from subsidiaries was presented as financing activities. To improve visibility, all the internal funding > 3 months is now presented on a gross basis within financing cash flow. Net movements in Internal funding < 3 months, including In House Bank balances, are presented as Other financing activities since these balances fluctuate over a short duration. Cash flow in prior years have been restated accordingly, resulting in new lines for "Borrowing from subsidiaries" and "Repayment of loans from subsidiaries".
- Net movements in cash collaterals received and bank borrowings less than 3 months (used for short term liquidity purposes) are presented within "Other financing activities" since these balances fluctuate over a short duration, therefore it is neither practical nor useful to present their gross movements on the cash flow statement. Cash flow from financing activities in prior years have been restated accordingly, resulting in a reclassification between the lines "Proceeds from issuance of borrowings," "Repayment of borrowings" and "Other financing activities".
- Purchases and sales of interest-bearing securities are presented on a gross basis to improve the visibility of cash flows. Cash flow from investing activities in prior years have been restated accordingly, resulting in new lines for "Purchase of investments" and "Sale of investments".

**Changes in accounting policies**
On January 1, 2021 the following amendments issued by the IASB were adopted with no material impact on the result and financial position of the Parent Company:

- Interest Rate Benchmark Reform Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (the Phase 2 Amendments)
- Amendments to IFRS 16 Leases: COVID-19-related rent concessions beyond 30 June 2021
- Amendments to IFRS 4 Insurance Contracts: Extension of the Temporary Exemption from Applying IFRS 9

A number of issued new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2021 and have not been applied in preparing the Parent Company financial statements. The IASB has issued Amendments with effective date January 1, 2022 relating to "IFRS 3 Business Combinations", "IAS 16 Property, Plant and Equipment", "IAS 37

Note P1, cont'd.

Provisions, Contingent Liabilities and Contingent Assets" and Annual improvements to IFRS 2018-2020. The amendments are not estimated to have a significant impact. Among the Amendments issued by IASB with effective date January 1, 2023 are "IFRS 17 Insurance contracts" and "Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates". The impact from adopting IFRS 17 is expected to be immaterial whereas the amendments to IAS 8 will impact the Parent Company. Additions or exceptions allowed in RFR 2 are however not yet decided by the Swedish Financial Reporting Board. For the current and coming changes in IFRS standards, more details can be found in the Consolidated Financial Statements, note A1 "Significant accounting policies."

## P2 Other operating income and expenses

Other operating income and expenses

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| License revenues and other operating revenues | | | |
| Subsidiary companies | 2,573 | 2,588 | 2,479 |
| Other operating income/expenses[1)] | −803 | 278 | −10,627 |
| **Total** | **1,770** | **2,866** | **−8,148** |

[1)] Includes costs of SEK −0,8 in 2021 as a result of the Nokia settlement related to the 2019 resolutions with SEC and DOJ, and costs of SEK −10.7 billion in 2019 related to the resolution of the US SEC and DOJ resolution.

## P3 Financial income and expenses

Financial income and expenses

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| **Financial income** | | | |
| Result from participations in subsidiary companies | | | |
| Dividends | 8,602 | 9,423 | 5,539 |
| Net gains on participations | 12 | – | 1,996 |
| Result from participations in joint ventures and associated companies | | | |
| Dividends | 72 | 43 | 67 |
| Net gains on sales | – | 38 | |
| Result from participations in other companies | | | |
| Net gains on participations | 718 | 103 | 78 |
| Interest income from subsidiary companies | 886 | 1,038 | 1,484 |
| Interest income from others | 41 | 260 | 485 |
| **Total** | **10,331** | **10,905** | **9,649** |
| **Financial expenses** | | | |
| Losses on sales of participations in subsidiary companies | −8 | −3 | −105 |
| Write-down of investments in subsidiary companies | −1,300 | −3,383 | −922 |
| Net loss from joint ventures and associated companies | – | – | −418 |
| Net loss from participations in other companies | – | −62 | −10 |
| Interest expense to subsidiary companies | −30 | −64 | −289 |
| Interest expenses to others | −304 | −705 | −1,152 |
| Other financial expenses | −210 | −63 | −489 |
| **Total** | **−1,852** | **−4,280** | **−3,385** |
| Net foreign exchange gain/(loss) on financial liabilities/assets | −111 | 220 | 346 |
| **Financial income and expenses, net** | **8,368** | **6,845** | **6,610** |
| Net gains and losses on financial instruments below excluding effect of gains and losses from foreign exchange transactions: | | | |
| Net gains and losses on financial instruments at FVTPL | −543 | −251 | 52 |
| Net gains and losses on financial liabilites designated at FVTPL | 404 | −121 | −344 |
| Financial assets at fair value through OCI | – | – | – |

Interest expenses on pension liabilities are included in the interest expenses shown above.

## P4 Taxes

Income taxes recognized in the income statement

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Current income taxes for the year | −72 | −100 | −60 |
| Current income taxes related to prior years | −58 | −194 | −148 |
| Deferred tax income/expense (+/−) | −31 | −114 | 295 |
| **Tax expense/benefit** | **−161** | **−408** | **87** |

A reconciliation between reported tax expense for the year and the theoretical tax expense that would arise when applying the statutory tax rate in Sweden, 20.6% (21.4% in 2020 and 2019), on the income before taxes, is shown in the table below.

Reconciliation of Swedish income tax rate with effective tax

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Expected tax expense at Swedish tax rate | −1,605 | −1,454 | 1,076 |
| Current income taxes related to prior years | −58 | −194 | −148 |
| Tax effect of non-deductible expenses | −190 | −107 | −2,474 |
| Tax effect of non-taxable income | 1,962 | 2,067 | 1,700 |
| Tax effect related to write-downs of investments in subsidiary companies | −270 | −724 | −56 |
| Tax effect of changes in tax rate | – | 4 | −11 |
| **Tax expense/benefit** | **−161** | **−408** | **87** |

### Deferred tax balances

Deferred tax assets are derived from the balance sheet items as shown in the table below.

Tax effects of temporary differences

| | 2021 | 2020 |
|---|---|---|
| Current assets | 290 | 266 |
| Post-employment benefits | 38 | 38 |
| Provisions | 40 | 57 |
| Other | 139 | 183 |
| **Deferred tax assets** | **507** | **544** |

Changes in deferred taxes

| | 2021 | 2020 |
|---|---|---|
| Opening balance | 544 | 678 |
| Recognized in net income (loss) | −31 | −114 |
| Recognized in other comprehensive income | −6 | −20 |
| **Closing balance** | **507** | **544** |

## P5 Intangible assets

Patents, licenses, trademarks and similar rights

| | 2021 | 2020 |
|---|---|---|
| **Accumulated acquisition costs** | | |
| Opening balance | 5,086 | 5,086 |
| Acquisitions | – | – |
| Sales/disposals | – | – |
| **Closing balance** | **5,086** | **5,086** |
| **Accumulated amortization** | | |
| Opening balance | −4,115 | −4,083 |
| Amortization | −15 | −32 |
| Sales/disposals | – | – |
| **Closing balance** | **−4,130** | **−4,115** |
| **Accumulated impairment losses** | | |
| Opening balance | −945 | −945 |
| Impairment losses | −3 | – |
| **Closing balance** | **−948** | **−945** |
| **Net carrying value** | **8** | **26** |

The balances are mainly related to Radio Frequency technology.

# P6 Property, plant and equipment

Property, plant and equipment

| | Other equipment and installations | Construction in process and advance payments | Total |
|---|---|---|---|
| **2021** | | | |
| **Accumulated acquisition costs** | | | |
| Opening balance | **1,722** | **182** | **1,904** |
| Additions | 14 | 50 | 64 |
| Sales/disposals | –6 | –1 | –7 |
| Reclassifications | 218 | –218 | – |
| **Closing balance** | **1,948** | **13** | **1,961** |
| **Accumulated depreciation** | | | |
| Opening balance | **–1,444** | **–** | **–1,444** |
| Depreciation | –110 | **–** | –110 |
| Sales/disposals | 6 | **–** | 6 |
| **Closing balance** | **– 1,548** | **–** | **–1,548** |
| **Net carrying value** | **400** | **13** | **413** |
| **2020** | | | |
| **Accumulated acquisition costs** | | | |
| Opening balance | **1,617** | **75** | **1,692** |
| Additions | 62 | 196 | 258 |
| Sales/disposals | –42 | –4 | –46 |
| Reclassifications | 85 | –85 | – |
| **Closing balance** | **1,722** | **182** | **1,904** |
| **Accumulated depreciation** | | | |
| Opening balance | **–1,389** | **–** | **–1,389** |
| Depreciation | –97 | – | –97 |
| Sales/disposals | 42 | – | 42 |
| **Closing balance** | **–1,444** | **–** | **–1,444** |
| **Net carrying value** | **278** | **182** | **460** |

# P7 Financial assets

## Investments in subsidiary companies, joint ventures and associated companies

| | Subsidiary companies | | Associated companies | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Opening balance | 68,798 | 71,172 | 1,184 | 1,184 |
| Acquisitions and stock issues | 127 | – | – | – |
| Shareholders' contribution | 6,396 | 1,010 | – | – |
| Repayment of shareholders' contribution | –1,388 | – | – | – |
| Write-downs[1)] | –1,300 | –3,383 | – | – |
| Disposals | –624 | –1 | – | – |
| **Closing balance** | **72,009** | **68,798** | **1,184** | **1,184** |

[1)] In 2021 write-downs of investments in subsidary companies were made by SEK 1.3 (3.4) billion. For impairment test in 2021 of investments in subsidiary companies a discount rate of 8.0% (8.0%) has been applied. The write-downs are mainly a result of devaluation of currency in one market and lowered expectation on future profitability for a few entities. At the time of the write-downs the recognized amounts in the balance sheet related to each impacted subsidiary company are equal to value in use or equity value of the entity.

## Other financial assets

| | Other investments in shares and participations | | Interest-bearing securities, non-current | | Other financial assets, non-current | | Receivables from subsidiaries, non-current | |
|---|---|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| **Accumulated acquisition costs** | | | | | | | | |
| Opening balance | 1,382 | 1,272 | 21,597 | 20,354 | 458 | 454 | 10,631 | 10,133 |
| Additions | 134 | 123 | 30,305 | 11,076 | 754 | 748 | 2,215 | 7,435 |
| Disposals/repayments/deductions | –49 | –40 | –13,561 | –5,022 | –775 | –465 | –714 | –248 |
| Reclassifications | –1 | – | –7,651 | –4,739 | – | –233 | – | –5,061 |
| Fair value remeasurement | 709 | 27 | –75 | –72 | 107 | –46 | – | – |
| Translation difference | – | – | – | – | – | – | 1,152 | –1,628 |
| **Closing balance** | **2,175** | **1,382** | **30,615** | **21,597** | **544** | **458** | **13,284** | **10,631** |

# P8 Investments

The following listing shows certain shareholdings owned directly and indirectly by the Parent Company as of December 31, 2021.

A complete listing of shareholdings, prepared in accordance with the Swedish Annual Accounts Act and filed with the Swedish Companies Registration Office (Bolagsverket), may be obtained upon request to: Telefonaktiebolaget LM Ericsson, External Reporting, SE-164 83 Stockholm, Sweden.

Shares owned directly by the Parent Company

| Company | Reg. No. | Domicile | Percentage of ownership | Par value in local currency, million | Carrying value, SEK million |
|---|---|---|---|---|---|
| **Subsidiary companies** | | | | | |
| Ericsson AB | 556056-6258 | Sweden | 100 | 50 | 20,731 |
| Ericsson Shared Services AB | 556251-3266 | Sweden | 100 | 361 | 2,216 |
| Ericsson Software Technology Holding AB | 559094-8963 | Sweden | 100 | – | 7 |
| Datacenter i Rosersberg AB | 556895-3748 | Sweden | 100 | – | 88 |
| Datacenter i Mjärdevi Aktiebolag | 556366-2302 | Sweden | 100 | 10 | 69 |
| AB Aulis | 556030-9899 | Sweden | 100 | 14 | 6 |
| Ericsson Credit AB | 556326-0552 | Sweden | 100 | 5 | 5 |
| Other (Sweden) | | | – | – | 1,142 |
| Ericsson Austria GmbH | | Austria | 100 | 4 | 94 |
| Ericsson Danmark A/S | | Denmark | 100 | 90 | 216 |
| Oy LM Ericsson Ab | | Finland | 100 | 13 | 196 |
| Ericsson France S.A.S | | France | 100 | 21 | 524 |
| Ericsson Antenna Technology Germany GmbH | | Germany | 100 | 2 | 21 |
| Ericsson Germany GmbH | | Germany | 100 | 1 | 2,844 |
| Ericsson Hungary Ltd. | | Hungary | 100 | 1,301 | 120 |
| L M Ericsson Limited | | Ireland | 100 | 4 | 34 |
| Ericsson Telecomunicazioni S.p.A. | | Italy | 100 | 44 | 3,173 |
| Ericsson Holding International B.V. | | The Netherlands | 100 | 222 | 2,983 |
| Ericsson A/S | | Norway | 100 | 75 | 114 |
| Ericsson Television AS | | Norway | 100 | 161 | 160 |
| Ericsson Corporatia AO | | Russia | 100 | 5 | 5 |
| Ericsson España S.A. | | Spain | 100 | 28 | 14 |
| Ericsson AG | | Switzerland | 100 | – | – |
| Ericsson Holdings Ltd. | | United Kingdom | 100 | 328 | 10 |
| Other (Europe, excluding Sweden) | | | – | – | 972 |
| Ericsson Holding II Inc. | | United States | 100 | – | 30,281 |
| Ericsson Smart Factory Inc. | | United States | 100 | – | 191 |
| Compañía Ericsson S.A.C.I. | | Argentina | 95 [1] | 193 | 99 |
| Ericsson Canada Inc. | | Canada | 100 | – | 51 |
| Belair Networks | | Canada | 100 | 108 | 170 |
| Ericsson Telecom S.A. de C.V. | | Mexico | 100 | 939 | 576 |
| Other (United States, Latin America) | | | – | – | 486 |
| Teleric Pty Ltd. | | Australia | 100 | 20 | 100 |
| Ericsson Ltd. | | China | 100 | 2 | 2 |
| Ericsson (China) Company Ltd. | | China | 100 | 65 | 475 |
| P.T. Ericsson Indonesia | | Indonesia | 95 | 9,531 | 614 |
| Ericsson India Global Services PVT. Ltd | | India | 100 | 291 | 51 |
| Ericsson Kenya Limited | | Kenya | 100 | – | 69 |
| Ericsson-LG CO Ltd. | | Korea | 75 | 285 | 2,279 |
| Ericsson (Malaysia) Sdn. Bhd. | | Malaysia | 100 | 3 | 131 |
| Ericsson Telecommunications Pte. Ltd. | | Singapore | 100 | 2 | 1 |
| Ericsson South Africa PTY. Ltd | | South Africa | 70 | – | 135 |
| Ericsson Taiwan Ltd. | | Taiwan | 90 | 270 | 36 |
| Ericsson (Thailand) Ltd. | | Thailand | 49 [2] | 90 | 17 |
| Other countries (the rest of the world) | | | – | – | 501 |
| **Total** | | | | | **72,009** |
| | | | | | |
| **Joint ventures and associated companies** | | | | | |
| Concealfab Co | | USA | 28 | – | 64 |
| Leone Media Inc. | | USA | 49 | 134 | 790 |
| Ericsson Nikola Tesla d.d. | | Croatia | 49 | 65 | 330 |
| **Total** | | | | – | **1,184** |

[1] Through subsidiary holdings, total holdings amount to 100% of Compania Ericsson S.A.C.I.

[2] Through subsidiary holdings, total holdings amount to 74% of Ericsson (Thailand) Ltd.

Note P8, cont'd.

Shares owned by subsidiary companies

| Company | Reg. No. | Domicile | Percentage of ownership |
|---|---|---|---|
| **Subsidiary companies** | | | |
| Ericsson Cables Holding AB | 556044-9489 | Sweden | 100 |
| Emodo Inc. | | United States | 100 |
| Ericsson Telekommunikation GmbH | | Germany | 100 |
| Ericsson GmbH | | Germany | 100 |
| Ericsson Telecommunicatie B.V. | | The Netherlands | 100 |
| Ericsson Telekomunikasyon A.S. | | Turkey | 100 |
| Ericsson Ltd. | | United Kingdom | 100 |
| Creative Broadcast Services Holdings Ltd. | | United Kingdom | 100 |
| Ericsson Inc. | | United States | 100 |
| Ericsson Wireless Office Inc. | | United States | 100 |
| Cradlepoint Inc. | | United States | 100 |
| Iconectiv, LLC. | | United States | 83 |
| Ericsson Telecomunicações S.A. | | Brazil | 100 |
| Ericsson Australia Pty. Ltd. | | Australia | 100 |
| Ericsson (China) Communications Co. Ltd. | | China | 100 |
| Nanjing Ericsson Panda Communication Co. Ltd. | | China | 51 |
| Ericsson Japan K.K. | | Japan | 100 |
| Ericsson Communication Solutions Pte Ltd. | | Singapore | 100 |

## P9 Trade receivables and customer finance

Credit risk management is governed on a Group level.

For further information, see notes to the consolidated financial statements – Note B6, "Customer contract related balances" and note F1 "Financial risk management."

Trade receivables and customer finance

| | 2021 | 2020 |
|---|---|---|
| Trade receivables excluding associated companies and joint ventures | 17 | 21 |
| Allowances for impairment | –16 | –15 |
| **Trade receivables, net** | **1** | **6** |
| Trade receivables related to associated companies and joint ventures | – | 1 |
| **Trade receivables, total** | **1** | **7** |
| Customer finance | 786 | 920 |
| **Customer finance, net** | **786** | **920** |

Movements in allowances for impairment

| | Trade receivables | |
|---|---|---|
| | 2021 | 2020 |
| Opening balance | 15 | 41 |
| Additions | – | – |
| Utilization | – | –26 |
| Reversal of excess amounts | – | – |
| Translation difference | 1 | – |
| **Closing balance** | **16** | **15** |

Outstanding customer finance credit risk exposure [1)]

| | 2021 | 2020 |
|---|---|---|
| Fair value of customer finance credits | 786 | 920 |
| *Of which current* | *499* | *525* |
| Financial guarantees for third-parties | 6 | 6 |
| Accrued interest | 9 | 8 |
| **Maximum exposure to credit risk** | **801** | **934** |
| Less third-party risk coverage | – | –74 |
| **Parent Company's risk exposure, less third-party risk coverage** | **801** | **860** |
| Credit commitments for customer finance | 303 | 1,626 |

[1)] This table has been adjusted to show the maximum exposure to credit risk.

Customer Finance Fair Value Reconciliation [1)]

| | 2021 | 2020 |
|---|---|---|
| Opening balance | 920 | 1,633 |
| Additions | 243 | 457 |
| Disposals/repayments | –395 | –1 362 |
| Revaluation | 18 | 192 |
| Translation difference | – | – |
| **Closing balance** | **786** | **920** |

[1)] This table has been adjusted to show the net fair value of customer finance. 2020 figures have therefor been restated.

## P10 Receivables and liabilities – subsidiary companies

Receivables and liabilities – subsidiary companies

| | Payment due by period | | | | |
|---|---|---|---|---|---|
| | < 1 year | 1–5 years | >5 years | Total 2021 | Total 2020 |
| **Non-current receivables** | | | | | |
| Financial receivables | – | 13,284 | – | 13,284 | 10,631 |
| **Current receivables** | | | | | |
| Trade receivables | 820 | – | – | 820 | 1,030 |
| Financial receivables | 24,215 | – | – | 24,215 | 27,337 |
| **Total** | **25,035** | **–** | **–** | **25,035** | **28,367** |
| **Non-current liabilities** | | | | | |
| Financial liabilities | – | 20 | – | 20 | – |
| **Current liabilities** | | | | | |
| Trade payables | 101 | – | – | 101 | 199 |
| Financial liabilities | 80,567 | – | – | 80,567 | 58,406 |
| **Total** | **80,668** | **–** | **–** | **80,688** | **58,605** |

## P11 Other current receivables

Other current receivables

| | 2021 | 2020 |
|---|---|---|
| Prepaid expenses | 391 | 323 |
| Accrued revenues | 222 | 139 |
| Derivative assets | 1,155 | 736 |
| Other | 45 | 119 |
| **Total** | **1,813** | **1,317** |

## P12 Equity and other comprehensive income

**Capital stock 2021**
Capital stock at December 31, 2021, consisted of the following:

Capital stock

| | Number of shares | Capital stock |
|---|---|---|
| Class A shares [1)] | 261,755,983 | 1,309 |
| Class B shares [1)] | 3,072,395,752 | 15,363 |
| **Total** | **3,334,151,735** | **16,672** |

[1)] Class A shares (quotient value SEK 5.00) and Class B shares (quotient value SEK 5.00).

The Board of Directors proposes a dividend of SEK 2.50 (2.00) per share and that the Parent Company shall retain the remaining part of non-restricted equity. The dividend is proposed to be paid in two equal installments, SEK 1.25 per share with the record date March 31, 2022, and SEK 1.25 per share with the record date September 30, 2022. The Class B treasury shares held by the Parent Company are not entitled to receive dividend. Assuming that no treasury shares remain on the record date, the Board of Directors proposes that earnings be distributed as follows:

**Proposed disposition of earnings**

Proposed disposition of earnings

| | |
|---|---|
| Amount to be paid to the shareholders | SEK 8,335,379,338 |
| Amount to be retained by the Parent Company | SEK 26,649,074,267 |
| Total non-restricted equity of the Parent Company | SEK 34,984,453,605 |

Equity and other comprehensive income 2021

| | Capital stock | Revaluation reserve | Statutory reserve | Total restricted equity | Disposition reserve | Cash flow hedge reserve | Revaluation of borrowings | Other retained earnings | Non-restricted equity | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **January 1, 2021** | **16,672** | **20** | **31,472** | **48,164** | **100** | **–** | **–366** | **34,181** | **33,915** | **82,079** |
| **Net income** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **7,631** | **7,631** | **7,631** |
| **Other comprehensive income** | | | | | | | | | | |
| **Items that will not be reclassified to profit or loss** | | | | | | | | | | |
| Revaluation of borrowings due to change in credit risk | – | – | – | – | – | **–** | 31 | – | **31** | **31** |
| Tax on items that will not be reclassified to profit or loss | – | – | – | – | – | **–** | –6 | – | **–6** | **–6** |
| **Items that have been or may be reclassified to profit or loss** | | | | | | | | | | |
| Cash flow hedge reserve | | | | | | | | | | |
| Gains/losses arising during the period | – | – | – | – | – | –26 | – | – | –26 | **–26** |
| **Total other comprehensive income, net of tax** | **–** | **–** | **–** | **–** | **–** | **–26** | **25** | **–** | **–1** | **–1** |
| **Total comprehensive income** | **–** | **–** | **–** | **–** | **–** | **–26** | **25** | **7,631** | **7,630** | **7,630** |
| **Transactions with owners** | | | | | | | | | | |
| Stock issue | – | – | – | – | – | – | – | – | – | – |
| Sale of own shares | – | – | – | – | – | – | – | 42 | 42 | 42 |
| Long-term variable compensation | – | – | – | – | – | – | – | 55 | 55 | 55 |
| Repurchase of own shares | – | – | – | – | – | – | – | – | – | – |
| Dividends paid | – | – | – | – | – | – | – | –6,658 | –6,658 | –6,658 |
| **December 31, 2021** | **16,672** | **20** | **31,472** | **48,164** | **100** | **–26** | **–341** | **35,251** | **34,984** | **83,148** |

Note P12, cont'd.

Equity and other comprehensive income 2020

| | Capital stock | Revaluation reserve | Statutory reserve | Total restricted equity | Disposition reserve | Revaluation of borrowings | Other retained earnings | Non-restricted equity | Total |
|---|---|---|---|---|---|---|---|---|---|
| **January 1, 2020** | **16,672** | **20** | **31,472** | **48,164** | **100** | **–445** | **32,567** | **32,222** | **80,386** |
| **Net income** | **–** | **–** | **–** | **–** | **–** | **–** | **6,385** | **6,385** | **6,385** |
| **Other comprehensive income** | | | | | | | | | |
| **Items that will not be reclassified to profit or loss** | | | | | | | | | |
| Revaluation of borrowings due to change in credit risk | – | – | – | – | – | 99 | – | 99 | 99 |
| Tax on items that will not be reclassified to profit or loss | – | – | – | – | – | –20 | – | –20 | –20 |
| **Total other comprehensive income, net of tax** | **–** | **–** | **–** | **–** | **–** | **79** | **–** | **79** | **79** |
| **Total comprehensive income** | **–** | **–** | **–** | **–** | **–** | **79** | **6,385** | **6,464** | **6,464** |
| **Transactions with owners** | | | | | | | | | |
| Stock issue | – | – | – | – | – | – | – | – | – |
| Sale of own shares | – | – | – | – | – | – | 163 | 163 | 163 |
| Long-term variable compensation | – | – | – | – | – | – | 51 | 51 | 51 |
| Repurchase of own shares | – | – | – | – | – | – | – | – | – |
| Dividends paid | – | – | – | – | – | – | –4,985 | –4,985 | –4,985 |
| **December 31, 2020** | **16,672** | **20** | **31,472** | **48,164** | **100** | **–366** | **34,181** | **33,915** | **82,079** |

# P13 Contributions

Contributions to Swedish subsidiaries amount to SEK 1,526 (1,540) million. There were no contributions from Swedish subsidiaries in 2021 and 2020.

# P14 Post-employment benefits

The Parent Company has two types of pension plans:
- Defined contribution plans: post-employment benefit plans where the Parent Company pays fixed contributions into separate entities and has no legal or constructive obligation to pay further contributions if the entities do not hold sufficient assets to pay all employee benefits relating to employee service. The expenses for defined contribution plans are recognized during the period when the employee provides service.
- Defined benefit plans: post-employment benefit plans where the Parent Company's undertaking is to provide predetermined benefits that the employee will receive on or after retirement.

Defined benefit obligation – amount recognized in the Balance sheet

| | 2021 | 2020 |
|---|---|---|
| Present value of wholly or partially funded pension plans[1)] | 1,298 | 1,266 |
| Fair value of plan assets | –1,836 | –1,657 |
| **Net obligation/surplus(–) of funded pension plans** | **–538** | **–391** |
| Excess from plan assets not accounted for | 538 | 391 |
| **Closing balance provision for pensions** | **0** | **0** |

1) The total defined benefit obligation is considered to be secured in the pension trust.

The defined benefit obligations are calculated based on the actual salary levels at year-end and based on a discount rate of 3.84% (3.84%) regarding ITP2 and –0.1% (0.3%) for other pension liabilities.

Weighted average life expectancy after the age of 65 is 24.7 (24.8) years for women and 23 (23) years for men.

The Parent Company utilizes no assets held by the pension trust. Return on plan assets was 10.8% (4.9%).

Plan assets allocation

| | 2021 | of which unquoted | 2020 | of which unquoted |
|---|---|---|---|---|
| Cash and cash equivalents | 68 | 0% | 78 | 0% |
| Equity securities | 468 | 35% | 346 | 31% |
| Debt securities | 887 | 16% | 834 | 14% |
| Real estate | 317 | 100% | 267 | 100% |
| Derivatives | –13 | –110% | – | – |
| Investment funds | 109 | 84% | 132 | 28% |
| **Total** | **1,836** | | **1,657** | |
| *Of which Ericsson securities* | – | | – | |

Change in the net defined benefit obligation

| | 2021 | 2020 |
|---|---|---|
| Opening balance | 0 | 0 |
| Pension costs, excluding taxes, related to defined benefit obligations accounted for in the income statement | 103 | 89 |
| Pension payments | –71 | –72 |
| Return on plan assets | –179 | –68 |
| Return on plan assets not accounted for | 147 | 51 |
| **Closing balance provision for pensions** | **0** | **0** |

Estimated pension payments for 2022 related to defined benefit obligations are SEK 73 million.

Total pension cost and income recognized in the Income statement

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| **Defined benefit obligations** | | | |
| Costs excluding interest and taxes[1)] | 64 | 361 | 54 |
| Interest cost | 39 | 39 | 39 |
| Credit insurance premium | 2 | 2 | 1 |
| **Total cost defined benefit plans excluding taxes** | **105** | **402** | **94** |
| **Defined contribution plans** | | | |
| Pension insurance premium | 70 | 60 | 58 |
| **Total cost defined contribution plans excluding taxes** | **70** | **60** | **58** |
| Return on plan assets | –32 | –17 | –26 |
| **Total pension cost, net excluding taxes** | **143** | **445** | **126** |

1) The pension cost for 2020 includes a contribution to the pension trust with SEK 311 millions.

Of the total pension cost, SEK 136 (423 in 2020 and 113 in 2019) million is included in operating expenses and SEK 7 (22 in 2020 and 13 in 2019) million in the financial net.

# P15 Other provisions

Other provisions

| | 2021 | 2020 |
|---|---|---|
| Opening balance | 343 | 668 |
| Additions | 88 | 42 |
| Reversal of excess amounts | −2 | −271 |
| Cash out/utilization | −136 | −96 |
| Reclassifications | – | – |
| **Closing balance**[1)] | **293** | **343** |

1) Consists mainly of costs for the independent compliance monitor appointed in 2020, and costs for LTV expenses. SEK 206 (139) million is expected to be utilized within one year.

# P16 Interest-bearing liabilities

As of December 31, 2021, the Parent Company's outstanding interest-bearing liabilities, excluding liabilities to subsidiaries, stood at SEK 31.4 (28.4) billion.

Interest-bearing liabilities

| | 2021 | 2020 |
|---|---|---|
| **Borrowings, current** | | |
| Current part of non-current borrowings | 9,405 | 5,212 |
| Other borrowings, current | – | 1,181 |
| **Total borrowings, current** | **9,405** | **6,393** |
| **Borrowings, non-current** | | |
| Notes and bond loans | 13,430 | 16,716 |
| Other borrowings, non-current | 8,586 | 5,305 |
| **Total borrowings, non-current** | **22,016** | **22,021** |
| **Total interest-bearing liabilities** | **31,421** | **28,414** |

Reconciliation of liabilities arising from financing activities

| | 2021 | 2020 |
|---|---|---|
| Opening balance | 28,414 | 35,941 |
| **Cash flows** | | |
| Proceeds from issuance of borrowings | 7,574 | 1,686 |
| Repayment of borrowings | −5,066 | −7,517 |
| Other financing activities | −1,181 | 1,181 |
| **Non-cash changes** | | |
| Effect of foreign exchange movement | 2,118 | −2,908 |
| Revaluation due to changes in credit risk | −31 | −99 |
| Other changes in fair value | −407 | 130 |
| Reclassification | – | – |
| Other non-cash movements | – | – |
| **Closing balance** | **31,421** | **28,414** |

To secure long-term funding, the Company uses notes and bond programs together with bilateral research and development loans. All outstanding notes and bond loans are issued by the Parent Company under its Euro Medium Term Note (EMTN) program or under its US Securities and Exchange Commission (SEC) Registered program. Bonds issued at a fixed interest rate are normally swapped to a floating interest rate using interest rate swaps under the Asset and liability management mandate described in note F1, "Financial risk management." Total weighted average interest rate cost for the long-term funding during the year was 1.75% (2.18%).

The borrowings issued by the Parent Company are held at fair value with changes in value due to changes in credit risk recognized in Other comprehensive income (OCI).

For detailed information about Notes, bonds and bilateral loans, see notes to the Consolidated Financial Statements, note F4 "Interest-bearing liabilities".

# P17 Financial risk management and financial instruments

Ericsson's financial risk management is governed on a Group level. For further information see notes to the Consolidated Financial Statements, note F1, "Financial risk management"

Outstanding derivatives

| 2021 | Gross amount recognized | Offset | Net amount presented | Related amounts not offset – collaterals | Net |
|---|---|---|---|---|---|
| **Currency derivatives**[1)] | | | | | |
| Assets | 83 | −20 | 63 | – | 63 |
| Liabilities | −111 | 20 | −91 | – | −91 |
| **Interest rate derivatives** | | | | | |
| Assets | 1,128 | −36 | 1,092 | – | 1,092 |
| Liabilities | −696 | 36 | −660 | 467 | −193 |

| 2020 | Gross amount recognized | Offset | Net amount presented | Related amounts not offset – collaterals | Net |
|---|---|---|---|---|---|
| **Currency derivatives** | | | | | |
| Assets | 1,519 | −13 | 1,506 | −1,181 | 325 |
| Liabilities | −958 | 13 | −945 | – | −945 |
| **Interest rate derivatives** | | | | | |
| Assets | 79 | −31 | 48 | – | 48 |
| Liabilities | −131 | 31 | −100 | – | −100 |

1) Currency derivatives designated as cash flow hedge of SEK 9 (0) million are included in Other current assets and SEK 25 (0) million in Other current liabilities.

Cash collaterals under Credit Support Annex (CSA) to ISDA for cross-currency derivatives are recognized as Interest-bearing securities, current or Borrowings, current, respectively.

Note P17, cont'd.

The Parent Company holds the following currency derivatives designated as hedging instruments:

| Foreign exchange forward contracts | | | | |
|---|---|---|---|---|
| 2021 | < 3 M | 3–12 M | > 1 Y | Total |
| National amount (USD millions) | 471 | 1,372 | – | **1,843** |
| Awerage forward date (SEK/USD) | 9.0213 | 9.0546 | | |

Hedge ratio is 1:1 and changes in forward rate have been designated as the hedged risk. The change in the fair value of the hedging instrument is compared with the change in fair value of the hedged item, and the lower amount is taken to OCI. If the change in fair value of the hedging instrument is higher, then the excess change in fair value is considered ineffective hedging and recorded in net foreign exchange gains and losses.

See note P 12 "Equity and other comprehensive income" for movement in the cash flow hedge reserve. No hedge ineffectiveness was recognized in the income statement in 2021.

| Cash, cash equivalents, interest bearing securities and derivative assets | | | | | | |
|---|---|---|---|---|---|---|
| 2021 | Rating or equivalent | < 3 M | 3–12 M | 1–5 Y | > 5 Y | Total |
| Bank deposits | | 27,730 | – | – | – | 27,730 |
| Other financial institutions | | 247 | – | – | – | 247 |
| **Type of issuer:** | | | | | | |
| Governments | AAA | 5,743 | 2,906 | 11,860 | – | 20,509 |
| Corporates | A2/P2 | 4,226 | – | – | – | 4,226 |
| Mortgage institutes | AAA | – | 5,749 | 21,700 | 304 | 27,753 |
| Derivative assets | | 202 | 641 | 312 | – | 1,155 |
| **Total** | | **38,148** | **9,296** | **33,872** | **304** | **81,620** |

| 2020 | Rating or equivalent | < 3 M | 3–12 M | 1–5 Y | > 5 Y | Total |
|---|---|---|---|---|---|---|
| Bank deposits | | 11,974 | – | – | – | 11,974 |
| Other financial institutions | | 202 | – | – | – | 202 |
| **Type of issuer:** | | | | | | |
| Governments | AAA | 15,000 | 605 | 12,483 | 395 | 28,483 |
| Corporates | A2/P2 | 1,960 | – | – | – | 1,960 |
| Mortgage institutes | AAA | 216 | 3,918 | 10,240 | – | 14,374 |
| Derivative assets | | 211 | 346 | 996 | – | 1,553 |
| **Total** | | **29,563** | **4,869** | **23,719** | **395** | **58,546** |

The instruments are classified as FVTPL or amortized cost. Cash, cash equivalents and interest-bearing securities are mainly held in SEK.

Debt financing is mainly carried out through borrowing in the Swedish and international debt capital markets. Bank financing is used for certain subsidiary funding and to obtain committed credit facilities, see note P16, "Interest-bearing liabilities."

| Funding programs [1] | | | |
|---|---|---|---|
| | Amount | Utilized | Unutilized |
| Euro Medium-Term Note program (USD million) | 5,000 | –1,495 | 3,505 |
| SEC Registered program (USD million) [2] | | 1,000 | |

[1] There are no financial covenants related to these programs.
[2] Program amount indeterminate.

In March 2021, the Company redeemed EUR 500 million notes issued under the Euro Medium-Term Note program.

In May 2021, the Company issued new EUR 500 million notes under the same program with maturity in 2029.

In June 2021, the Company drew on its credit commitment with the European Investment Bank (EIB) of USD 305 million with maturity in 2028.

| Committed credit facilities | | | |
|---|---|---|---|
| | Amount | Utilized | Unutilized |
| Multi-currency revolving credit facility (USD million) | 2,000 | – | 2,000 |

In September 2021, Ericsson entered into a USD 2 billion sustainability-linked revolving credit facility. The USD 2 billion facility replaces the previous USD 2 billion facility. The facility does not have interest rates linked to credit rating or financial covenants but is linked to two of Ericsson's sustainability KPIs.

The following table shows analysis of financial liabilities by contractual maturity:

| 2021 | < 1 Y | 1–3 Y | 3–5 Y | > 5 Y | Total |
|---|---|---|---|---|---|
| Trade payables | 419 | – | – | – | 419 |
| Borrowings and loans | 9,405 | 10,221 | 2,796 | 8,999 | 31,421 |
| Derivative liabilities | 411 | 330 | – | 10 | 751 |
| **Total** | **10,235** | **10,551** | **2,796** | **9,009** | **32,591** |

| 2020 | < 1 Y | 1–3 Y | 3–5 Y | > 5 Y | Total |
|---|---|---|---|---|---|
| Trade payables | 451 | – | – | – | 451 |
| Borrowings and loans | 6,393 | 10,198 | 10,125 | 1,698 | 28,414 |
| Derivative liabilities | 253 | 792 | – | – | 1,045 |
| **Total** | **7,097** | **10,990** | **10,125** | **1,698** | **29,910** |

The Company has a treasury and customer finance function with the principal role to ensure that appropriate financing is in place through loans and committed credit facilities, actively managing the Company's liquidity as well as financial assets and liabilities, and managing and controlling financial risk exposures in a manner consistent with underlying business risks and financial policies. The customer finance function may arrange suitable third-party financing solutions for customers to support their purchases from Ericsson. In some cases, and to the extent that customer loans are not provided directly by banks, the Parent Company may provide vendor finance credits to customers directly. The central function also monitors the exposure from outstanding vendor credits and credit commitments.

Note P17, cont'd.

**Fair valuation of the Company's financial instruments**
For a description of the Company's valuation techniques and valuation hierarchies, see note F1 "Financial risk management".

Reconciliation of Level 3 fair value items

| | Other investments in shares and participations |
|---|---|
| Opening balance | 1,382 |
| Additions | 134 |
| Disposals | –49 |
| Gain or losses [1] | 180 |
| Transfers to level 1 [2] | –55 |
| Reclassifications | –1 |
| **Closing balance** | **1,591** |

[1] Table shows net gains or losses recognized in Financial income, of which SEK 163 million unrealized gains relate to Level 3 assets held at the end of the year.
[2] Transfer between hierarchies is recognized from the date of change in circumstances that resulted in the transfer. Transfer in the year relates to an investment that was converted into listed equity shares. Unrealized gain of SEK 529 million was recognized in Financial income as a gain on Level 1 asset, excluded from the gain or loss presented in the table above.

Financial instruments

| | 2021 | | | | | 2020 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Fair value hierarchy level | | | | | Fair value hierarchy level | | |
| SEK billion | Amortized cost | Fair value | Level 1 | Level 2 | Level 3 | Amortized cost | Fair value | Level 1 | Level 2 | Level 3 |
| Assets at fair value through profit or loss | | | | | | | | | | |
| Customer finance | – | 0.8 | – | – | 0.8 | – | 0.9 | – | – | 0.9 |
| Interest bearing securities | – | 43.2 | 43.2 | – | – | – | 28.1 | 28.1 | – | – |
| Cash equivalents [2] | – | 26.0 | – | 26.0 | – | – | 23.6 | – | 23.6 | – |
| Other financial assets [1] | – | 2.2 | 0.6 | – | 1.6 | – | 1.4 | – | – | 1.4 |
| Other current receivables | – | 1.2 | – | 1.2 | – | – | 0.7 | – | 0.7 | – |
| Assets at fair value through OCI | | | | | | | | | | |
| Trade receivable | – | 0.0 | – | – | 0.0 | – | 0.0 | – | – | 0.0 |
| Assets at amortized cost | | | | | | | | | | |
| Interest bearing securities | 0.1 | – | – | – | – | 0.2 | – | – | – | – |
| Cash equivalents | – | – | – | – | – | – | – | – | – | – |
| Other financial assets | 0.5 | – | – | – | – | 0.5 | – | – | – | – |
| Receivables subsidiaries | 38.3 | – | – | – | – | 39.0 | – | – | – | – |
| **Financial assets** | **38.9** | **73.4** | **–** | **–** | **–** | **39.7** | **54.7** | **–** | **–** | **–** |
| Financial liabilities at designated FVTPL | | | | | | | | | | |
| Interest-bearing liabilities | – | –31.4 | –19.5 | –11.9 | – | – | –27.2 | –18.9 | –8.3 | – |
| Financial liabilities at FVTPL | | | | | | | | | | |
| Other current liabilities | – | –0.8 | – | –0.8 | – | – | –0.2 | – | –0.2 | – |
| Liabilities at amortized cost | | | | | | | | | | |
| Trade payables | –0.4 | – | – | – | – | –0.5 | – | – | – | – |
| Borrowings | –0.0 | – | – | – | – | –1.2 | – | – | – | – |
| Liabilities subsidiaries | –80.7 | – | – | – | – | –58.6 | – | – | – | – |
| **Financial liabilities** | **–81.1** | **–32.2** | **–** | **–** | **–** | **–60.3** | **–27.4** | **–** | **–** | **–** |

[1] Other financial assets relate to investment in equity interests which are included in 'Other investments in shares and participations' within note P7.
[2] Total Cash and cash equivalent is SEK 37.1 (28.8) billion, of which SEK 26.0 (23.6) billion relating to Cash equivalents are presented in the table above.

## P18 Other current liabilities

Other current liabilities

| | 2021 | 2020 |
|---|---|---|
| Accrued interest | 171 | 162 |
| Accrued expenses, of which | 665 | 729 |
| *Employee related* | *461* | *466* |
| *Other* | *204* | *263* |
| Derivative liabilities | 751 | 228 |
| Other current liabilities | 314 | – |
| **Total** | **1,901** | **1,119** |

## P19 Trade payables

Trade payables

| | 2021 | 2020 |
|---|---|---|
| Trade payables excluding associated companies and joint ventures | 419 | 451 |
| Associated companies and joint ventures | – | – |
| **Total** | **419** | **451** |

# P20 Assets pledged as collateral

| Assets pledged as collateral | 2021 | 2020 |
|---|---|---|
| Bank deposits | 532 | 476 |
| Other | 242 | 233 |
| **Total** | **774** | **709** |

Other includes pledged capital insurances for pension agreements to employees.

# P21 Contingent liabilities

| Contingent liabilities | 2021 | 2020 |
|---|---|---|
| **Total contingent liabilities** | **20,322** | **20,495** |

Contingent liabilities include pension commitments of SEK 20,102 (19,459) million.

# P22 Statement of cash flows

| Adjustments to reconcile net income to cash | 2021 | 2020 | 2019 |
|---|---|---|---|
| **Property, plant and equipment** | | | |
| Depreciation | 110 | 97 | 82 |
| **Total** | **110** | **97** | **82** |
| **Intangible assets** | | | |
| Amortization | 18 | 32 | 79 |
| **Total** | **18** | **32** | **79** |
| **Total depreciation and amortization on tangible and intangible assets** | **128** | **129** | **161** |
| Taxes | 154 | 552 | –204 |
| Write-downs and capital gains (–)/losses on sale of fixed assets, excluding customer finance, net | 578 | 3,304 | –619 |
| Unsettled group contributions | 1,526 | 1,540 | 1,961 |
| Unsettled dividends | – | – | – |
| Other non-cash items | –293 | –239 | 199 |
| **Total adjustments to reconcile net income to cash** | **2,093** | **5,286** | **1,498** |

# P23 Leasing

**Leasing with the Parent Company as lessee**

The Parent Company has the following types of leasing agreements: leasing of real estate and vehicles. 2021 costs for real estate amounted to SEK 596.2 (588.9) million and vehicles to SEK 4.4 (4.0) million. The Parent Company had variable lease expenses related to property taxes to a value of SEK 46.2 (37.0) million in 2021.

At December 31, 2021, future payment obligations for leases were distributed as follows:

| Future payment obligations for leases | Operating leases |
|---|---|
| 2022 | 594 |
| 2023 | 592 |
| 2024 | 529 |
| 2025 | 477 |
| 2026 | 389 |
| 2027 and later | 254 |
| **Total** | **2,835** |

**Leasing with the Parent Company as lessor**

The operating lease income is mainly income from the subleasing of real estate.

At December 31, 2021, future minimum payment receivables were distributed as follows:

| Future minimum payment receivables | Operating leases |
|---|---|
| 2022 | 14 |
| 2023 | 10 |
| 2024 | 2 |
| 2025 | – |
| 2026 | – |
| 2027 and later | – |
| **Total** | **26** |

# P24 Information regarding employees

| Average number of employees | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Men | Women | Total | Men | Women | Total |
| Europe & Latin America [1] | 177 | 185 | 362 | 169 | 174 | 343 |
| **Total** | **177** | **185** | **362** | **169** | **174** | **343** |
| *[1] of which in EU* | *177* | *185* | *362* | *169* | *174* | *343* |
| *of which in Sweden* | *177* | *185* | *362* | *169* | *174* | *343* |

## Remuneration

| Wages and salaries and social security expenses | 2021 | 2020 |
|---|---|---|
| Wages and salaries | 606 | 513 |
| Social security expenses[1]) | 397 | 744 |
| *of which pension costs[1])* | 179 | 555 |

[1] The pension cost for 2020 includes a contribution to the pension trust with SEK 311 million and associated effect on special salary tax with SEK 76 million.

| Wages and salaries per region | 2021 | 2020 |
|---|---|---|
| Europe & Latin America [1] | 606 | 513 |
| **Total** | **606** | **513** |
| *[1] of which in EU* | 606 | 513 |
| *of which in Sweden* | 606 | 513 |

Remuneration in foreign currency has been translated to SEK at average exchange rates for the year.

**Remuneration to the Board of Directors and the President and CEO**

See notes to the consolidated financial statements, note G2 "Information regarding members of the Board of Directors and Group management."

**Long-term variable compensation**

Compensation costs for employees of the Parent Company for the cash-based plan amounted to SEK 24.3 (5.6) million and the cost for share-based plan amounted to SEK 56.8 (51.3) million. See notes to the consolidated financial statements, note G3, "Share-based compensation".

## P25 Related party transactions

IAS 24, "Related Party Disclosures" requires disclosure of related party relationships, transactions and outstanding balances.

During 2021, various transactions were executed pursuant to contracts based on terms customary in the industry and negotiated on an arm's length basis.

**Ericsson Nikola Tesla d.d.**

Ericsson Nikola Tesla d.d. is a company providing the design, sales and service of telecommunications systems and equipment and an associated member of the Ericsson Group. Ericsson Nikola Tesla d.d. is located in Zagreb, Croatia. The Parent Company holds 49.07% of the shares.

For the Parent Company, the major transactions are license revenues for Ericsson Nikola Tesla d.d.'s usage of trademarks and received dividends.

Ericsson Nikola Tesla d.d.

| | 2021 | 2020 |
|---|---|---|
| **Related party transactions** | | |
| License revenues | 3 | 6 |
| Dividends | 72 | 43 |
| **Related party balances** | | |
| Receivables | 3 | 6 |

The Parent Company does not have any contingent liabilities, assets pledged as collateral or guarantees toward Ericsson Nikola Tesla d.d.

**Leone Media Inc.**

MediaKind includes platforms for compression video processing and storage. 51% of the MediaKind business was divested February 1 2019. After the transaction, the Parent Company holds 49% of the shares. The Parent Company has provided a loan to MediaKind of SEK 0.5 (0.5) billion.

Leone Media Inc.

| | 2021 | 2020 |
|---|---|---|
| **Related party transactions** | | |
| License revenues | – | – |
| Dividends | – | – |
| **Related party balances** | | |
| Receivables | 536 | 451 |

The Parent Company does not have any contingent liabilities, assets pledged as collateral or guarantees toward Leone Media Inc.

**Other related parties**

Total receivables from other related parties were SEK 3.5 (0) million.

For information regarding the remuneration of management, see notes to the consolidated financial statements, note G2, "Information regarding members of the Board of Directors and Group management.

## P26 Fees to auditors

Fees to auditors

| 2021 | Deloitte | Others | Total |
|---|---|---|---|
| Audit fees | 90 | 3 | 93 |
| Audit-related fees | – | – | – |
| Tax services fees | – | 9 | 9 |
| Other fees | – | 1 | 1 |
| **Total** | **90** | **13** | **103** |

| 2020 | | | |
|---|---|---|---|
| Audit fees | 56 | 28 | 84 |
| Audit-related fees | 8 | 5 | 13 |
| Tax services fees | 1 | 1 | 2 |
| Other fees | – | 1 | 1 |
| **Total** | **65** | **35** | **100** |

| 2019 | PwC | Other | Total |
|---|---|---|---|
| Audit fees | 26 | – | 26 |
| Audit-related fees | 9 | – | 9 |
| Tax services fees | 1 | – | 1 |
| Other fees | 2 | – | 2 |
| **Total** | **38** | **–** | **38** |

The allocation of fees to the auditors is based on the requirements in the Swedish Annual Accounts Act.

At the 2021 Annual General Meeting, Deloitte was appointed auditor for the period until the 2022 Annual General Meeting. PricewaterhouseCoopers (PwC) was appointed auditor for the period until the 2020 Annual General Meeting.

During the period 2019–2021, in addition to audit services, PwC and Deloitte provided certain audit-related services, tax and other services to the Parent Company. The audit-related services include quarterly reviews, SSAE 16 reviews and services in connection with the issuing of certificates and opinions and consultation on financial accounting. The tax services include corporate tax compliance work. Other services include services related to acquisitions.

## P27 Events after the reporting period

PRI non-profit association have decided to change the calculation criteria for old-age pension related to the ITP2 plan. The changes will apply from 1 January 2022 and this will have an impact on the pension liability. The changed calculation criteria are:

1. The discount rate will be updated from 4% (3.84% after deduction for future expenses) to 3% (2.85% after deduction). PRI indicates that this means an average increase of the pension liability of approximately 15%. The increase is dependent on the age profile amongst the beneficiaries, i.e. how long time in the future the benefit payments is expected to happen.

2. The life expectancy assumptions will increase for men by 0.5 year and will have an average life expectancy on retirement at 65 of 23.5 years. The average life expectancy on retirement for women on retirement at 65 remains unchanged at 24.7 years. PRI indicates in general an increase of the liability with 2% but this is dependent on the beneficiaries in the pension plan.

3. The consolidation reserve, which is a reserve for next years indexation of earned pension entitlements (decided by Alecta every year), is calculated as 2% of the capital value revised from 4%. This impact will result in a decrease of the pension liability.

For other events after the reporting period, see notes to the Consolidated Financial Statements, note H6,"Events after the reporting period".

# Risk factors

**All the information in this Annual Report and in particular the risks and uncertainties outlined below should be carefully considered. Based on the information currently known to the Company, Ericsson believes that the following section identifies the most significant risks affecting our business. Any of the factors described below, or any other risk factors discussed elsewhere in this report, could have a material negative effect on strategic objectives, business, operations, future performance, revenues, operating and after-tax results (EBIT), profit margins, financial condition, cash flow, liquidity, credit rating, market share, reputation, brand and/or our share price. Additional risks and uncertainties not presently known to the Company or that Ericsson currently believes to be immaterial may also materially adversely affect our business. Furthermore, our operating results may have a greater variability than in the past and Ericsson may have difficulties in accurately predicting future developments. See also "Forward-Looking Statements".**

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## 1 Risks related to business activities and industry

### 1.1 Ongoing geopolitical and trade uncertainty from a range of factors may have a material adverse impact on our business, operations, business prospects and consequently on operating results, financial conditions and our ability to meet our targets.

Geopolitical alliances are shifting as global tensions, including between US-China, drive growing economic, technological, military, and political competition across the world. At the same time, there are numerous ongoing local and regional conflicts, of which the ongoing military conflict between the Ukraine and Russia are of particular significance. It is not yet clear how these new dynamics will play out across the world, but we can expect more difficulty navigating through this variable geopolitical geometry, as old alliances fracture and new ones emerge. These tensions, including trade restrictions, enhanced sanctions measures and increased safeguards for national security purposes, can impact global market conditions and continue to be challenging for global supply chains in general and ICT supply chains in particular. These uncertainties include the effects of trade disputes and other political tensions involving the governments of the European Union, the US. China and Russia.

There are also uncertainties for the future bilateral trading relationship between China and several countries as a result of the restrictions towards Chinese vendors in 5G networks that have been adopted. Of special relevance for Ericsson in this context is the trade relationship between Sweden and China, since Ericsson, even though it is a global company with a global presence, has its headquarters in Sweden and therefore risks being affected by any deterioration of the Swedish-Chinese relationship. For example, the decision by the Post and Telecommunication Authority to exclude Huawei and ZTE products from 5G networks is still subject to judicial appeal.

Because the Company's continued business operations in China are part of Ericsson's current and future growth plans, further changes in the economic and political policies in or relating to China could have a material adverse effect on the Company's business. During the last years Ericsson has also seen the global free trade system, that has hitherto allowed increased efficiency and economic growth, facing sustained challenges, including towards the World Trade Organization (WTO) dispute settlement body. Any increased prospect of government policies and actions violating WTO agreements could negatively impact Ericsson's ability to benefit from open markets and free trade.

The mandated, or otherwise required, localization of manufacturing and R&D – as well as their digital counterparts (including localization of IT-infrastructure and restrictions on data flows) has been steadily growing and have been motivated by either protectionism, indigenous industrial policies or national security. There is a risk of moves away from global value chains and towards more regional or national alternatives. Governments may continue to impose conditions that require the use of local suppliers and local production or partnerships with local companies for R&D and IT-infrastructure, require the license or other transfer of intellectual property, or engage in other efforts to promote local businesses and local competitors, which could have a significant adverse impact on Ericsson's ability to pursue a business globally.

Additionally, political instability in the regions in which the Company operates may further increase the risk of possible legal or regulatory violations by Ericsson or its employees. Any violation by Ericsson or its employees could cause severe reputational harm to the Company and a material adverse effect on Ericsson's business operations and result in government actions and the imposition of significant financial penalties and restrictions on the Company's ability to do business with certain customers, such as government bodies. See risk factor 3.3.

The geopolitical situation can have consequences on the entire industry, with the possibility of further industry split, separation of global value chains and separation of global standards for mobile telecommunications. These developments have also led to several countries evaluating how to ensure uninterrupted access to telecommunication network infrastructure, for example through promoting disaggregation of the Radio Access Network and support of national communication network infrastructure champions as alternative to the established global vendors such as Ericsson – although the timing and extent of this remains unclear.

All of the above may have a material and potentially lasting adverse impact on Ericsson's international product development and supply chains and necessitates a flexible and adaptive organizational setup, therefore impacting its profitability and business as a whole. Such adverse impacts may include for example:

- Reduced or loss of sales and market share, e.g. in China, Ukraine and Russia and weakened market position
- Reduced or lost market access
- Decreased ability for unrestricted use of Ericsson's global supply chain for all markets, e.g. as a result of import or export restrictions in the US and China
- Increased trade restrictions, including economic sanctions and export controls, tariffs and increased costs which may not be recoverable
- Separation of global standards for mobile telecommunication
- Sourcing restrictions and constraints for access to hardware and software products and components
- Reduced efficiency in R&D and restrictions in use of R&D resources
- Deferrals of purchases, with lower revenues not fully compensated through reduced costs
- Excess and obsolete inventories and excess manufacturing capacity
- Financial difficulties or failures among Ericsson's suppliers
- Impairment losses related to Ericsson's intangible assets as a result of lower forecasted sales of certain products
- Increased difficulties in forecasting sales and financial results as well as increased volatility in Ericsson's reported results.

**1.2 Challenging global economic conditions may adversely impact the demand, cost and pricing for Ericsson's products and services as well as limit the Company's ability to grow.**

The challenging global economic conditions, e.g. due to the pandemic, downturn in the global economy, political unrest and uncertainty, labor and supply shortages, increasing inflation and rising interest rates, or geopolitical risks and trade frictions may have adverse, wide-ranging effects on demand for Ericsson's products and for the products of Ericsson's customers. This could cause operators and other customers to postpone investments or initiate other cost-cutting measures to maintain or improve their financial position. This could also result in significantly reduced expenditures for the Company's products and services, including network infrastructure, in which case Ericsson's operating results (EBIT) would suffer. If demand for the Company's products and services were to fall, Ericsson may experience material adverse effects on Ericsson's revenues, cash flow, capital employed and value of the Company's assets and Ericsson could incur operating losses. Furthermore, if demand is significantly weaker or more volatile than expected, Ericsson's credit rating, borrowing opportunities and costs as well as the trading price of Ericsson's shares could be adversely impacted. Should global economic conditions fail to improve or should they worsen or should political unrest and uncertainty, labor and supply shortages, increasing inflation and rising interest rates, or geopolitical problems or trade frictions fail to improve or should they worsen, other business risks Ericsson face could intensify and could also negatively impact Ericsson's business prospects of operators and other customers. Some operators and other customers, in particular in markets with weak currencies, may incur funding difficulties and slower traffic development, which may negatively affect their investment plans and cause them to purchase less of the Company's products and services. Increased inflation may impact our cost base through increased costs of labor and supply of material, products and services. Although inflation is a normal part of business and the Company has measures in place to address this, it may not be possible to fully compensate for such increased costs through increased sales prices to the Company's customers, leading to lower margins and decreased financial performance. The potential adverse effects of an economic downturn include:

- Reduced demand for products and services, resulting in increased price competition or deferrals of purchases, with lower revenues not fully compensated through reduced costs
- Excess and obsolete inventories and excess manufacturing capacity
- Financial difficulties or failures among Ericsson's suppliers
- Increased demand for customer finance, difficulties in collection of accounts receivable and increased risk of counter party failures
- Impairment losses related to Ericsson's intangible assets as a result of lower forecasted sales of certain products
- Increased difficulties in forecasting sales and financial results as well as increased volatility in Ericsson's reported results
- Changes in the value in the Company's pension plan assets resulting from, for example, adverse equity and credit market developments and/ or increased pension liabilities resulting from, for example, lower discount rates. Such development may trigger additional pension trust capitalization needs negatively affecting the company's cash balance
- End user demand could also be adversely affected by reduced consumer spending on technology, changed operator pricing, security breaches and trust issues.

**1.3 Ericsson's business depends upon the continued growth of mobile communications and the success of Ericsson's existing and targeted customer base. If growth slows or if the Company's customers do not manage to maintain or grow relevance in the digital value chain or if Ericsson's products and/or services are not successful, Ericsson's customers' investment in networks may slow or stop, harming the Company's business and operating results (EBIT).**

A substantial portion of Ericsson's business depends on the continued growth of mobile communications in terms of both the number of subscriptions and usage per subscriber, which in turn drives the continued deployment and expansion of network systems by Ericsson's customers. If operators fail to increase the number of subscribers and/or usage does not increase, or if they fail to utilize opportunities from the technological evolution, Ericsson's business and operating results could be materially adversely affected. Also, if operators fail to monetize services, fail to adapt their business models or experience a decline in their revenues or profitability, their willingness to further invest in their existing and new networks may decrease which will reduce their demand for Ericsson's products and services and have an adverse effect on the Company's business, operating results (EBIT), and financial condition.

Traffic development on cellular networks could be affected if more traffic is offloaded to WI-FI-networks. Further alternative services provided over the internet have profound effects on operator voice/ SMS revenues with possible reduced capital expenses consequences. Ericsson's strategy depends on the development and success of global standards. This could be affected adversely in the future by industry forces more interested in de-facto standards or geopolitical forces leading to standards fragmentation and increased difficulties of creating economies of scale.

Fixed and mobile networks converge and new technologies, such as IP and broadband, enable operators to deliver services in both fixed and mobile networks. Ericsson is dependent on the uptake of such services and the outcome of regulatory and standardization activities such as spectrum allocation. If delays in uptake, standardization or regulation occur, this could adversely affect Ericsson's business, operating results (EBIT), and financial condition.

**1.4 Pandemics, such as for example the one caused by the Coronavirus, COVID-19, could severely impact Ericsson's business and local and global operations.**

Pandemics, such as for example the one caused by the COVID-19 in March 2020 and its continued prolonged effects, could severely impact Ericsson's local and global operations related to e.g. Service Delivery, Research & Development, Sales and Supply, as well as the Company's customers and suppliers, which could result in significant financial and other consequences. For example, the COVID-19 pandemic has caused challenges and risks relating to travel and lockdowns limiting access to sites, transportation and logistics and impacting the flow of goods, as well as having major parts of the workforce working remotely. The infection rate in Ericsson markets can increase, giving further disturbances to the Company's operations, including in network deployments and impacting corresponding revenues. Disruptions to the global economy and to the operations and business of Ericsson's customers, suppliers, and partners could cause disturbances in the Company's operations and may have a material adverse effects on Ericsson's business and financial position. Moreover, the extensive working from home may limit creativity and efficiency in parts of the Company's operations, as well as negatively impact the health and motivation for some of Ericsson's employees.

The extent to which the COVID-19 pandemic will impact our business, financial performance and liquidity, including our ability to execute our near-term and long-term business strategies and initiatives in the expected time frame, will depend on future developments, including the duration and severity of the pandemic, the emergence of new variants, changes in infection rates, the vaccine participation rate, the effectiveness of vaccines and the speed with which the vaccine can be distributed, as well as regulations and requirements impacting the return of employees to the offices and/or our ability to visit customer sites, none of which can be predicted. Any of the foregoing factors, or other cascading effects of the COVID-19 pandemic that are not currently foreseeable, could have a material adverse effect on our business, results of operations (EBIT), financial condition and/or cash flows. Additionally, as pandemic conditions wane, we cannot predict how quickly the marketplaces in which the Company operate will return to pre-pandemic levels.

**1.5 Ericsson may not be successful in implementing its strategy, in achieving improvements in its profitability, in estimating addressable markets or market CAGR in the markets in which the Company operates.**

There can be no assurance that Ericsson will be able to successfully implement its strategy to achieve future profitability, growth or create share-holder value. When deemed necessary, Ericsson has undertaken and expect to continue to undertake specific restructuring or cost-saving initiatives; however, there are no guarantees that such initiatives will be sufficient, successful or executed in time to deliver any improvements in Ericsson's earnings. Furthermore, this annual report includes certain estimates with respect to addressable markets as well as with respect to growth rate in the market segments in which Ericsson operates, including Networks, Digital Services, Managed Services and Emerging Business and Other. If the underlying assumptions on which the Company's estimates are based prove not to be accurate, the actual performance or addressable markets and CAGR may be materially different from the estimates presented in this annual report, which may have a materially adverse effect upon Ericsson's financial condition.

**1.6 Ericsson may not be successful in executing its strategy to capture the 5G market opportunity in terms of e.g. scale, time and volume of business.**

The 5G market opportunity will depend on availability of attractive spectrum for 5G, and time of spectrum allocations, amount of spectrum, type of frequency bands such as low bands (below 1 GHz), mid-bands (3–6 GHz) and high bands (above 24 GHz), as well as terms of spectrum licenses, such as cost and license period of time, may not be according to needs and plans, which could delay or reduce the 5G market. In addition, the operator usage of this spectrum could be restricted by regulatory authorities for shorter or longer time and in different geographical areas, due to unforeseen reasons such as interference with other electronic equipment at sensitive locations, e.g. airports, and the Ericsson Group cannot guarantee that it will not become the subject of related liability claims (such as product liability or claims associated with the configuration or installation of equipment), all of which could have a material adverse impact on the Ericsson Group's business, operating results, financial condition, reputation and brand.

Operator speed and scale to adopt to 5G could also be changed due to market situations, including resolution of M&A transactions as well as government incentives to deploy 5G. Operator 5G deployment plans could also be delayed by operational aspects such as site access, permits, availability of installation crews. There is also a risk that the scale and time of 5G deployments will change due to the availability of 5G devices, not only for launch but also due to the speed with which device prices will decline to drive mass market adoption.

In addition to this, the timing, size and technology choices of market opportunities beyond enhanced mobile broadband, such as fixed wireline access, industrial IoT and private networks, may materialize differently than estimated, which could have a materially adverse effect on our business.

Finally, Ericsson or its suppliers may encounter unforeseen technical challenges that can affect Ericsson's ability to develop, supply or deploy 5G networks.

All of the above risks may have a negative impact on the ability of Ericsson to implement it's strategy and it's business as a whole.

**1.7 Ericsson engages in acquisitions and divestments which may be disruptive and require the Company to incur significant expenses, and Ericsson may not be successful in consummating such transactions, protecting the value of acquisitions during integration following consummation, or creating the value anticipated with the acquisition.**

In addition to in-house innovation efforts, Ericsson makes acquisitions in order to obtain various benefits such as reduced time-to-market, access to technology and competence, increased scale or to broaden Ericsson's product portfolio or customer base. One recent example is the acquisition of Cradlepoint. Acquisitions could result in the incurrence of contingent liabilities and an increase in amortization expenses related to intangible assets or impairment of goodwill, which could have a material adverse effect upon Ericsson's business, operating results (EBIT), financial condition and liquidity. Risks Ericsson could face with respect to acquisitions include:

- Insufficiencies of technologies and products acquired, such as unexpected quality problems
- Difficulties in the integration of the operations, technologies, products and personnel of the acquired company
- Risks of entering markets in which the Company has no or limited prior experience
- Potential loss of key employees

– Diversion of management's attention away from other business concerns
– Expenses of any undisclosed or potential legal liabilities of the acquired company, including failure to comply with laws or regulations.

From time-to-time Ericsson also divests parts of Ericsson's business to optimize the Company's product portfolio or operations. Any decision to dispose of or otherwise exit businesses may result in the recording of special charges, such as workforce reduction costs and industry- and technology-related write-offs. The risks associated with such acquisitions and divestments could have a material adverse effect upon Ericsson's business, operating results (EBIT), financial condition and liquidity. Risks Ericsson could face with respect to divestments include:
– Difficulties in the separation of the operations, technologies, products and personnel of the business divested
– Potential loss of key employees
– Expenses of any undisclosed or potential legal liabilities of the business divested.

In addition, we cannot assure that we will be successful in consummating acquisitions or divestments on favorable terms or at all. For example, although we expect our agreement, dated November 22, 2021, to acquire Vonage Holdings Corp. to be consummated during the first half of 2022, it may take up to a year to satisfy the conditions to closing this acquisition. Moreover, it is possible that certain of the conditions to the closing of this acquisition may not be satisfied or waived and, if that were to happen, the agreement would terminate without a closing. The closing conditions include the receipt of regulatory clearances and the approval of the agreement by a special meeting of the shareholders of Vonage. If the agreement were to terminate under specified circumstances where we have failed to obtain certain clearances from the Committee on Foreign Investment in the United States, we may have to pay a USD 200 million termination fee to Vonage. The delay or inability to consummate an acquisition or divestiture may impede our ability to execute our strategic plan and achieve the benefits that we anticipated from these transactions.

**1.8 Ericsson is in, and may enter into new, JV arrangements and have, and may have new, partnerships, which may not be successful and could expose the Company to future costs.**
Ericsson's JV and partnership arrangements, may fail to perform as expected for various reasons, including an incorrect assessment of the Company's needs and synergies, Ericsson's inability to take action without the approval of Ericsson's partners, the Company's difficulties in implementing Ericsson's business plans, the lack of capabilities or financial instability of the Company's strategic partners. Ericsson's ability to work with these partners or develop new products and solutions, e.g. as part of Ericsson's 5G portfolio, may become constrained, which could harm the Company's competitive position in the market.

Additionally, Ericsson's share of any losses from or commitments to contribute additional capital or borrowings to such JVs and partnerships may adversely affect Ericsson's business, operating results (EBIT), financial condition and cash flow.

**1.9 The telecommunications industry investment levels fluctuate and are affected by many factors, including the economic environment, and decisions made by operators and other customers regarding deployment of technology and their timing of purchases.**
The telecommunications industry has historically experienced downturns in which operators substantially reduced their capital spending on new equipment. While Ericsson expects the network operator equipment market, telecommunications services market and ICT market to grow in the coming years, the uncertainty surrounding global economic growth and the geopolitical situation may materially harm actual market conditions, which could have a material adverse effect on Ericsson's business. Moreover, market conditions are subject to substantial fluctuation, and could vary geographically and across technologies. Even if global conditions improve, conditions in the specific industry segments in which the Company participates could be weaker than in other segments. In that case, the Company's revenue and operating results (EBIT) may be adversely affected. If capital expenditures by operators and other customers are weaker than Ericsson anticipates, the Company's revenues, operating results (EBIT) and profitability may be adversely affected. The level of demand from operators and other customers who buy Ericsson's products and services can vary over short periods of time, including from month to month. Due to the uncertainty and variations in the telecommunication industry, as well as in the ICT industry, accurately forecasting revenues, results, and cash flow remains difficult.

**1.10 Sales volumes and gross margin levels can be reduced by an unfavorable mix and order time of Ericsson's products and services.**
Ericsson's sales to operators and other customers represent a mix of equipment, software and services, which normally generate different gross margins. The operators still represent the main part of Ericsson's business and are also the main focus for sales going forward. Ericsson provides all of the Company's customers with solutions based on Ericsson's own products as well as third-party products which normally have lower margins than Ericsson's own products. As a consequence, Ericsson's reported gross margin in a specific period will be affected by the overall mix of products and services as well as the relative content of third-party products. In the Company's Digital Services and Emerging Business and Other segments, third-party products and services represent a larger portion of Ericsson's business than the Company's traditional sales, which impact Ericsson's business models. Further, network expansions and upgrades have much shorter lead times for delivery than initial network build outs. Orders for such network expansions and upgrades are normally placed on short notice by customers, often less than a month in advance, and consequently variations in demand are difficult to forecast. As a result, changes in Ericsson's product and service mix and the short order time for certain of Ericsson's products may affect Ericsson's ability to accurately forecast sales and margins or detect in advance whether actual results will deviate from market consensus and expectations. Product and delivery lead times of certain products may be prolonged due to possibly restricted market availability of certain components caused e.g. by the pandemic and subsequent supply chain delays. Short-term variation could have a material adverse effect on Ericsson's business, operating results (EBIT), financial condition and cash flow.

**1.11 Ericsson may not be able to properly respond to market trends in the industries in which it operates, including virtualization of network functions.**
Ericsson is affected by market conditions and trends within the industries in which the Company operates, including the convergence of the IT and telecom industries. Technological developments largely drive convergences enabling digitalization and a move from dedicated hardware to software and cloud based services. This includes also a disaggregation of the Radio Access Network, although the timing and extent of this remains unclear. This is changing the competitive landscape of Ericsson 's business as well as value chains and business models and

affects Ericsson's objective-setting, risk assessment and strategies. The change makes access to market easier for new competitors including new competitors to Ericsson's business that have entered and may continue to enter the market and negatively impact Ericsson's market share in selected areas. If Ericsson fails to understand or anticipate the market trends and development, or fail to acquire the necessary competencies to develop and sell products, services and solutions that are competitive in this changing business environment, the Company's business, operating results and financial condition will suffer.

**1.12 Ericsson faces intense competition from the Company's existing competitors as well as new entrants, and this could materially adversely affect the Company's results.**
The markets in which Ericsson operates are highly competitive in terms of price, functionality, service quality, customization, timing of development, and the introduction of new products and services. The Company faces intense competition from significant competitors, many of which are very large companies, with substantial technological and financial resources and established relationships with operators. Ericsson's operator customers, which represent the main part of Ericsson's business, are also large and highly sophisticated and exercise significant buying power through the common use of competitive bidding process. Ericsson also encounters increased competition from new market entrants and alternative technologies are evolving industry standards. In addition, if Ericsson chooses to enter new market segments, it might underestimate the skills and practices of the competitors within these segments. The Company's competitors may implement new technologies before Ericsson does, offer more attractively priced or enhanced products, services or solutions, or they may offer other incentives that Ericsson does not provide. Some of the Company's competitors may also have greater resources in certain business segments or geographic areas than Ericsson does. Increased competition, and the crystallization of any of the risks above, could result in reduced profit margins, loss of market share, increased research and development costs as well as increased sales and marketing expenses, which could have a material adverse effect on Ericsson's business, operating results (EBIT), financial condition and market share.

Additionally, Ericsson operates in markets characterized by rapidly changing technology and also the nature in which this technology is being brought to market is rapidly changing. This has, and may continue to result in continuous price pressure on Ericsson's products and services. If Ericsson's counter measures, including enhanced products and business models or end to end cost reductions cannot be achieved or do not occur in a timely manner, there could be adverse impacts on Ericsson's business, operating results, financial condition and market share.

**1.13 Vendor consolidation may lead to stronger competitors who are able to benefit from integration, scale and greater resources, which could increase competition in our market.**
Industry convergence and consolidation among equipment and services suppliers could potentially result in stronger competitors that are competing as end-to-end suppliers as well as competitors more specialized in particular areas, which could for example impact certain of Ericsson's segments such as Digital Services, and Emerging Business and Other. If established actors in adjacent markets acquire players with new technologies in Ericsson's markets, new strong competitors could emerge. Consolidation may also result in competitors with greater resources than Ericsson has. Both of these events could have a materially adverse effect on Ericsson's business, operating results (EBIT), financial condition and market share.

**1.14 Ericsson relies on a limited number of suppliers of components, production capacity and R&D and IT services, which exposes the Company to supply disruptions and cost increases.**
Ericsson's ability to deliver according to market demands and contractual commitments depends significantly on obtaining a timely and adequate supply of materials, components, production capacity and other vital services on competitive terms. Although Ericsson strives to avoid single- source supplier solutions, this is not always possible. This includes also development and supply of key ASIC and FPGA components, for which Ericsson has a dependency to very few suppliers. Accordingly, there is a risk that the Company will be unable to obtain key supplies it needs to produce Ericsson's products and provide Ericsson's services on commercially reasonable terms, in time, or at all. Failure by any of the Company's suppliers could delay or interrupt Ericsson's product or services supply or operations and significantly limit sales or increase Ericsson's costs. To find an alternative supplier or redesign products to replace components may take significant time which could cause significant delays or interruptions in the delivery of Ericsson's products and services and result in a reduction in sales. Ericsson has from time to time experienced interruptions of supply and the Company may experience such interruptions in the future.

Furthermore, the Company's procurement of supplies requires Ericsson to predict future customer demands. If Ericsson fails to anticipate customer demand properly, an over or under supply of components and production capacity could occur. In many cases, some of Ericsson's competitors utilize the same manufacturers and if they have purchased capacity ahead of Ericsson, the Company could be blocked from acquiring the needed products. This factor could limit Ericsson's ability to supply its customers and increase costs. At the same time, Ericsson commits to certain capacity levels or component quantities, which, if unused, will result in charges for unused capacity, unrecoverable costs or the scrapping of costs used to procure such components. The Company is also exposed to financial counterpart risks to suppliers when Ericsson pays in advance for supplies. Such supply disruptions and cost increases may negatively affect the Company's business, operating results (EBIT) and financial condition.

**1.15 A significant portion of Ericsson's revenue is currently generated from a limited number of key customers, and operator consolidation may increase Ericsson's dependence on key customers and key markets. The Company is also significantly dependent on the sales of certain of Ericsson's products and services.**
Ericsson derives most of its business from large, multi-year agreements with a limited number of significant customers. Many of these agreements are reviewed on a yearly basis to renegotiate the price for Ericsson's products and services and do not contain committed purchase volumes. Ericsson's largest customer represented approximately 12% of the Company's sales in 2021, Ericsson's ten largest customers accounted for 53% of Ericsson's sales in 2021. A loss of or a reduced role with a key customer could have a significant adverse impact on sales, profit and market share for an extended period. In addition, Ericsson's dependence on the sales of certain of Ericsson's products and services may have a significant adverse impact on sales, profit and market share.

In recent years, service providers have undergone significant consolidation, resulting in fewer operators with activities in several countries. This trend is expected to continue, and intra-country consolidation is likely to accelerate as a result of competitive pressure. A market with fewer and larger operators will increase Ericsson's reliance on key customers and may negatively impact Ericsson's bargaining position and profit margins. Moreover, if the combined companies operate in the same geographic areas, networks may be shared and less network

equipment and fewer associated services may be required. Network investments could be delayed by the consolidation process, which may include, among others, actions relating to merger or acquisition agreements, securing necessary regulatory approvals, or integration of businesses. Network operators also share parts of their network infrastructure through cooperation agreements rather than legal consolidations, which may adversely affect demand for network equipment. Accordingly, operator consolidation may have a material adverse effect on Ericsson's business, operating results (EBIT), market share and financial condition.

Service providers are increasingly looking for ways to save cost by co-investing in and sharing their assets based on their commercial plans, besides network infrastructure, also of site, and IT-infrastructure. In addition, some of the service providers may becoming more willing to partner with hyperscalers to build and run the telecom's access networks. Moreover, service providers including Ericsson's key customers may be adversely impacted by new competition, especially in rural mobile broadband growth affected by the emerging competition from the greenfield satellite broadband sector. Accordingly, Ericsson's business may experience a material adverse effect, including impacts on Ericsson's operating sales, operating results (EBIT), market share and financial condition.

**1.16 Certain long-term agreements with customers include commitments to future price reductions, requiring us to constantly manage and control Ericsson's cost base.**
Long-term agreements with Ericsson's customers are typically awarded on a competitive bidding basis. In some cases, such agreements also include a commitment to future price reductions. In order to maintain Ericsson's gross margin with such price reductions, Ericsson continuously strives to reduce the costs of the Company's products through design improvements, negotiation of better purchase prices from Ericsson's suppliers, allocation of more production to low-cost countries and increased productivity in Ericsson's own production. However, there can be no assurance that Ericsson's actions to reduce costs will be sufficient or quick enough to maintain the Company's gross margin in such contracts, which may have a material adverse effect on Ericsson's business, operating results (EBIT) and financial condition.

**1.17 If the Company's customers' financial conditions decline, Ericsson will be exposed to increased credit and commercial risks.**
After completing sales to customers, the Company may encounter difficulty collecting accounts receivables and could be exposed to risks associated with uncollectable accounts receivable. Ericsson regularly assesses the credit worthiness of Ericsson's customers and based on that assessment Ericsson determines a credit limit for each customer. Challenging financial conditions have impacted some of Ericsson's customers' ability to pay their invoices. Ericsson may be unable to avoid future losses on the Company's trade receivables. Ericsson has also experienced demands for customer financing, and in adverse financial markets or more competitive environments for the customers, those demands may increase. Upon the financial failure of a customer, the Company may experience losses on credit extended and loans made to such customer, losses relating to Ericsson's commercial risk exposure, and the loss of the customer's ongoing business. If customers fail to meet their obligations to us, the Company may experience reduced cash flows and losses in excess of reserves, which could have a material adverse effect on its operating results (EBIT) and financial condition.

**1.18 Product, solution or service quality issues could lead to reduced revenue and gross margins and declining sales to existing and new customers, as well as penalties, claims and liquidity damage.**
Sales contracts normally include warranty undertakings for faulty products and often include provisions regarding penalties and/or termination rights in the event of a failure to deliver ordered products or services on time or with required quality, possibly also for damages incurred on customer businesses. Although Ericsson undertakes a number of quality assurance measures to reduce such risks, product quality or service performance issues may negatively affect Ericsson's reputation, business, operating results (EBIT) and financial condition. This could also include poor quality of AI based solutions, or third-party products that are part of Ericsson's solutions. If significant warranty obligations arise due to reliability or quality issues, Ericsson's operating results and financial position could be negatively impacted by costs associated with fixing software or hardware defects including replacement, high service and warranty expenses, high inventory obsolescence expense, delays in collecting accounts receivable or declining sales to existing and new customers, and reputational damage.

**1.19 The development of Ericsson's managed services business is increasingly reliant on acceptance of value-based business models.**
Ericsson has invested in increased use of automation and Artificial Intelligence (AI) to deliver managed services and network optimization to customers, as part of a service offering or packaged software capabilities. Monetization of these investments relies on a value-based commercial model that shows increased benefit for the customer and proper returns to Ericsson development efforts. Failure to stay competitive in this area and to get customer acceptance for new business models could have a material adverse effect on Ericsson's business, operating results (EBIT) and financial condition. Further, most managed services contracts span more than one year, with long sales cycle for new contracts. Risk of termination and reduced scope or renegotiation of existing contracts may have a negative impact on sales and earnings.

**1.20 Ericsson depends upon the development of new products and enhancements to the Company's existing products, and the success of Ericsson's substantial research and development investments is uncertain.**
Rapid technological and market changes in Ericsson's industry require us to make significant investments in technological innovation. Ericsson invests significantly in new technology, products and solutions, e.g. related to 5G. In order for us to be successful, those technologies, products and solutions must often be accepted by relevant standardization bodies and/or by the industries and markets as a whole. The failure of Ericsson's research and development efforts to be technically or commercially successful could have adverse effects on Ericsson's business, operating results (EBIT) and financial condition. If Ericsson invests in the development of technologies, products and solutions that do not function as expected, are not adopted by the industry, are not ready in time, or are not successful in the marketplace, the Company's sales and earnings may materially suffer. Additionally, it is common for research and development projects to encounter delays due to changing requirements and unforeseen problems. Delays in production and research and development may increase the cost of research and development efforts and put us at a disadvantage against Ericsson's competitors, and can also include delays of communicated product availability dates. This could have a material adverse effect upon the Company's business, customer relationships, operating results (EBIT) and financial condition.

**1.21 Ericsson may not be successful in reaching the Digital Services business objectives.**
Ericsson may be unable to meet its Digital Services business objectives and several risks related to market, technology and operations can impact the turnaround plan.

5G market development and subscriber growth, as well as the uptake of virtualization and consequent adoption of Ericsson's new products and automated delivery can be slower than expected. Increased competition from both emerging and established competitors may impact Ericsson's market position.

The Company could be too slow to adapt and adopt new technologies like AI and Machine Learning to drive more automation in products and solutions. The product overhaul to cloud native solutions mandated by customers could also take longer than expected. In addition, the increasing influence of open source initiatives such as Open Network Automation Platform (ONAP) could drive a best of breed approach in Ericsson's customers, driving prices down and adversely impact the Company's full suite offerings.

In the operational dimension, Ericsson may be unable to successfully execute on continued efficiency measures in end-to-end; inability in implementing and successfully driving organizational-wide transformation programs across the develop-sell-deliver dimension for operating model simplification; as well as being unable to mitigate risks in the customer projects and product launches, which could have a material adverse effect on Ericsson's business.

**1.22 Ericsson's ability to benefit from intellectual property rights (IPR), which are critical to the Company's business, may be limited by changes in regulation relating to patents, inability to prevent infringement, the loss of licenses to or from third-parties, infringement claims brought against us by competitors and others and changes in the area of open standards when it comes to licensing of open standard essential patents.**
Although the Company has a large number of patents, there can be no assurance that they will not be challenged, invalidated, or circumvented, or that any rights granted in relation to Ericsson's patents will in fact provide us with competitive advantages.

Ericsson utilizes a combination of trade secrets, confidentiality policies, nondisclosure and other contractual arrangements in addition to relying on patent, copyright and trademark laws to protect Ericsson's intellectual property rights. However, these measures may not be adequate to prevent or deter infringement or other misappropriation. In addition, Ericsson relies on many software patents, and limitations on the patentability of software may materially affect Ericsson's business.

Moreover, the Company may not be able to detect unauthorized use or take appropriate and timely steps to establish and enforce Ericsson's proprietary rights. In fact, existing legal systems of some countries in which Ericsson conducts business offer only limited protection of intellectual property rights, if at all. The Company's solutions may also require us to license technologies from third-parties. It may be necessary in the future to seek or renew licenses and there can be no assurance that they will be available on acceptable terms, or at all. Moreover, the inclusion in Ericsson's products of software or other intellectual property licensed from third-parties on a non-exclusive basis could limit the Company's ability to protect proprietary rights in Ericsson's products.

Many key aspects of telecommunications and data network technology are governed by industry-wide standards usable by all market participants. As the number of market entrants and the complexity of technology increases, the possibility of functional overlap and inadvertent infringement of intellectual property rights also increases, which has been the case with the introduction of 5G technology. In addition to industry-wide standards, other key industry-wide software solutions are currently developed by market participants as free and open source software. Contributing to the development and distribution of software developed as free and open source software may limit Ericsson's ability to enforce applicable patents in the future. Third-parties have asserted, and may assert in the future, claims, directly against us or against Ericsson's customers, alleging infringement of their intellectual property rights. Defending such claims may be expensive, time-consuming and divert the efforts of Ericsson's management and/or technical personnel. As a result of litigation, Ericsson could be required to pay damages and other compensation directly or to indemnify Ericsson's customers for such damages and other compensation, develop non-infringing products/technology or enter into royalty or licensing agreements. However, the Company cannot be certain that such licenses will be available to us on commercially reasonable terms or at all, and such judgments could have a material adverse effect on Ericsson's business, reputation, operating results and financial condition. Using free and open source software may allow third-parties to further investigate the Company's software due to the accessibility of source code. This may in turn make this software more prone to assertions from third-parties.

Investigations held by antitrust authorities, court judgments and legislative change could potentially affect Ericsson's ability to benefit from its patent portfolio when licensing patents necessary to conduct an open standard (e.g. 4G and 5G technology), which could have a material adverse effect on Ericsson's business, reputation, operating results (EBIT) and financial condition. Ericsson holds a leading patent portfolio in open standards and possible changes regarding such a portfolio may materially affect Ericsson's reputation, business, operating results (EBIT) and financial condition.

Ericsson's ability to benefit from intellectual property rights (IPR), may be limited by the loss of patent licenses to or from third-parties. Patent licensing agreements are generally multi-year and term based and the process for renewal of these licenses normally requires negotiations, particularly in conjunction with technology shifts and the introduction of new standards, such as 5G. Such renewals and negotiations may take time to resolve, sometimes involve litigation and may have material adverse impact on Ericsson's business and financial position, including on the timing for and level of revenues from the IPR licensing contract portfolio.

Challenging global economic conditions and political unrest and uncertainty, geopolitical risks and trade frictions could have adverse effects on Ericsson's IPR licensing revenues as well as on the ability to acquire licenses.

**1.23 Ericsson may not be successful in continuing to attract and retain highly qualified employees to remain competitive.**
Ericsson believes that the Company's future success largely depends on Ericsson's continued ability to hire, develop, motivate and retain engineers and other qualified employees who develop successful new products/solutions, support Ericsson's existing product range and provide services to the Company's customers and create great customer experience.

Competition for highly qualified people in the industries in which the Company operates remains intense. This competition is only further increased by the fact that other industries are looking for similar talent. The Company is continuously developing its corporate culture, and Ericsson's philosophies with the aim to create a positive work experience that makes it easy for us to focus on Ericsson's business and the Company's customers as well as inspiring Ericsson's people to grow and

to find "their great". The Company's ability to succeed depends in part on maintaining a favourable corporate reputation which can be adversely impacted by many factors including ongoing litigation, investigations, and adverse media reports. However, there are no guarantees that Ericsson will be successful in attracting and retaining employees with the right skills in the future, and failure in retaining and recruiting could have a material adverse effect on Ericsson's business and brand.

**1.24 Ericsson's operations are complex and several critical operations are centralized in a single location. Any disruption of Ericsson's operations, whether due to natural or man-made events, may be highly damaging to the operation of Ericsson's business.**
The Company's business operations and those of our suppliers are vulnerable to interruption by fire, earthquake, hurricane, flood or other natural disasters, power loss, computer viruses, computer systems failure, telecommunications failure, pandemics, quarantines, national catastrophe, terrorist activities, war and other events beyond our control. If any disaster were to occur, our or our suppliers ability to operate could be seriously impaired and we could experience material harm to our business, operating results (EBIT) and financial condition.
Having outsourced significant portions of Ericsson's operations, such as parts of IT, finance and HR operations, Ericsson depends on the performance of external companies, including their security and reliability measures. Regardless of protection measures, systems and communications networks are susceptible to disruption due to failure, vandalism, computer viruses, security or privacy breaches, natural disasters, power outages and other events. Ericsson also has a concentration of operations on certain sites, including R&D, production, network operation centers, ICT centers and logistic centers and shared services centers, where business interruptions could cause material damage and costs.

The delivery of goods from suppliers, and to customers, could also be hampered for the reasons stated above. Interruptions to Ericsson's systems and communications may have an adverse effect on the Company's operations and financial condition.

**1.25 The Company may not achieve some or all of the expected benefits of Ericsson's restructuring activities and the Company's restructuring may adversely affect Ericsson's business.**
Restructuring activities may be costly and disruptive to Ericsson's business, and Ericsson may not be able to achieve and retain the cost savings and benefits that were initially anticipated. Additionally, as a result of Ericsson's restructuring, the Company may experience a loss of continuity, loss of accumulated knowledge and/or inefficiency during transitional periods. Reorganization and restructuring can require a significant amount of management and other employees' time and focus, which may divert attention from operating and growing Ericsson's business. Restructuring activities can create unanticipated consequences and negative impacts on the business such as Ericsson's ability to develop, sell and deliver, and Ericsson cannot be sure that any ongoing or future restructuring efforts will be successful or generate expected cost savings. Factors that may impede a successful implementation include the retention of key employees, the impact of regulatory matters, and adverse economic market conditions. If Ericsson fails to achieve some or all of the expected benefits of restructuring, it could have a material adverse effect on the Company's competitive position, business, financial condition, results of operations (EBIT), cash flows, reputation and share price.

## 2 Risks related to Ericsson's financial situation

**2.1 Ericsson's debt increases the Company's vulnerability to general adverse economic and industry conditions, limits Ericsson's ability to borrow additional funds, and may limit the Company's flexibility in planning for, or reacting to, changes in Ericsson's business and industry.**
As of December 31, 2021, Ericsson's outstanding debt was SEK 31,8 billion and while the Company is rated investment grade by Standard & Poor's (BBB-) and Fitch (BBB-) it is rated one step below investment grade with Moody's (Ba1). This degree of debt and the credit ratings could have important consequences, including:

- Increasing Ericsson's vulnerability to general economic and industry conditions
- Requiring a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on the Company's indebted-ness, thereby reducing Ericsson's ability to use its cash flow to fund the Company's operations, capital expenditures and future business opportunities
- Restricting us from making strategic acquisitions or causing us to make non-strategic divestitures
- Limiting Ericsson's ability to obtain additional financing for adjusted working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes
- Limiting the Company's ability to adjust to changing market conditions and placing us at a competitive disadvantage compared to Ericsson's competitors.

Ericsson may choose to incur substantial additional indebtedness in the future. If new indebtedness is added to the Company's current debt levels, the related risks that Ericsson now faces could increase.

If Ericsson's financial performance were to deteriorate, the Company may not be able to generate sufficient cash to service all of its indebtedness and may be forced to take other actions to satisfy Ericsson's obligations under the Company's indebtedness, which may not be successful.

Ericsson's ability to make scheduled payments on or to refinance the Company's debt obligations depends on its financial condition and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond Ericsson's control. While the Company believes that Ericsson currently has adequate cash flows to service its indebtedness, if Ericsson's financial performance were to deteriorate significantly, the Company might be unable to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on Ericsson's indebtedness.

If, due to such a deterioration in the Company's financial performance, Ericsson's cash flows and capital resources were to be insufficient to fund its debt service obligations, Ericsson may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital or restructure or refinance Ericsson's indebtedness. These alternative measures may not be successful and may not permit us to meet Ericsson's scheduled debt service obligations. In addition, if the Company were required to raise additional capital in the current financial markets, the terms of such financing, if available, could result in higher costs and greater restrictions on its business.

In addition, if Ericsson were to refinance its existing indebtedness, the conditions in the financial markets at that time could make it difficult to refinance Ericsson's existing indebtedness on acceptable terms or at all. If such alternative measures proved unsuccessful, Ericsson could face substantial liquidity problems and might be required to dispose of material assets or operations to meet the Company's debt service and other obligations.

**2.2 Due to having a significant portion of Ericsson's costs in SEK and revenues in other currencies, the Company's business is exposed to foreign exchange fluctuations that could negatively impact its revenues and operating results (EBIT).**

Ericsson incurs a significant portion of the Company's expenses in SEK, please refer to the consolidated financial statement note F1, "Financial risk management". As a result of Ericsson's international operations, Ericsson generates, and expects to continue to generate, a significant portion of the Company's revenue in currencies other than SEK. To the extent Ericsson is unable to match revenue received in foreign currencies with costs paid in the same currency, exchange rate fluctuations could have a negative impact on Ericsson's consolidated income statement, balance sheet and cash flows when foreign currencies are exchanged or translated to SEK, which increases volatility in reported results.

As market prices are predominantly established in US dollars or Euros, Ericsson presently has a net revenue exposure in foreign currencies which means that a stronger SEK exchange rate would generally have a negative effect on Ericsson's reported results. The Company's attempts to reduce the effects of exchange rate fluctuations through a variety of natural and financial hedging activities may not be sufficient or successful, resulting in an adverse impact on Ericsson's results and financial condition.

**2.3 Ericsson relies on various sources for short-term and long-term capital for the funding of the Company's business. Should such capital become unavailable or available in insufficient amounts or unreasonable terms, Ericsson's business, financial condition and cash flow may materially suffer.**

Ericsson's business requires a significant amount of cash. If Ericsson does not generate sufficient amounts of capital to support the Company's operations, service its debt and continue Ericsson's research and development and customer finance programs, or if the Company cannot raise sufficient amounts of capital at the required times and on reasonable terms, Ericsson's business, financial condition and cash flow are likely to be adversely affected. Access to funding may decrease or become more expensive as a result of Ericsson's operational and financial condition, market conditions, or due to deterioration in Ericsson's credit rating. There can be no assurance that additional sources of funds that Ericsson may need from time to time will be available on reasonable terms or at all. If the Company cannot access capital on a commercially viable basis, Ericsson's business, financial condition and cash flow could materially suffer.

**2.4 Impairment of goodwill, other intangible assets, property and equipment (PP&E) and right-of-use (RoU) asset leased by the Company have impacted and may continue to negatively impact Ericsson's financial condition and results of operations (EBIT). An impairment of goodwill, other intangible assets, PP&E and RoU could adversely affect the Company's financial condition or results of operations (EBIT).**

Ericsson has a significant amount of these assets; for example, patents, customer relations, trademarks, software, PP&E and RoU.

Goodwill is the only intangible asset the company has recognized to have indefinite useful life. Other intangible assets are mainly amortized on a straight-line basis over their estimated useful lives and the assets are reviewed for impairment whenever events such as product discontinuances, product dispositions or other changes in circumstances indicate that the carrying amount may not be fully recoverable. Those intangible assets not yet in use are tested for impairment annually.

Historically, the Company has recognized impairment charges mainly due to restructuring, which is usually limited, but occasionally significant. Additional impairment charges may be incurred in the future and could be significant due to various reasons, including strategy changes, restructuring actions or adverse market conditions that are either specific to us or the broader industries in which Ericsson operates or more general in nature and that could have an adverse effect on Ericsson's operating results (EBIT) and financial condition.

Negative deviations in actual cash flows compared to estimated cash flows as well as new estimates that indicate lower future cash flows might result in recognition of impairment charges. Estimates require management judgment as well as the definition of cash-generating units for impairment testing purposes. Other judgments might result in significantly different results and may differ from the actual financial condition in the future.

## 3 Legal and regulatory risk

**3.1 Ericsson could experience penalties and adverse rulings in enforcement or other proceedings for non-compliance with laws, rules and regulations governing its business. Compliance with changed laws, rules or regulations may subject Ericsson to increased costs or reduced products and services demand. Compliance failures as well as required operational changes could have a material adverse impact on Ericsson, including its reputation, business, financial condition, results of operations (EBIT), cash flows or prospects.**

Ericsson is subject to multiple laws, rules and regulations. The Company could experience penalties and adverse rulings in enforcement or other proceedings for non-compliance with applicable laws, rules or regulations governing its business, which could have a material adverse effect on Ericsson, including its reputation, business, financial condition, results of operations (EBIT), cash flows, or prospects. While Ericsson strives for compliance, the Company has not been in compliance with all such laws, rules and regulations in the past and cannot assure that all past violations have been addressed or that additional violations will not occur in the future.

Further changes in laws, rules or regulations could subject us to liability, increased costs, or reduced products and services demand and have a material adverse effect on Ericsson, including its reputation, business, financial condition, results of operations (EBIT), cash flows or prospects.

Changes to laws, rules or regulations may adversely affect both Ericsson's customers' and the Company's own operations. For example, regulations imposing more stringent, time-consuming or costly planning and zoning requirements or building approvals for radio base stations and other network infrastructure could adversely affect the timing and costs of network construction or expansion, and ultimately the commercial launch and success of these networks. Similarly, tariff and roaming laws, regulations or rules on network neutrality could also affect operators' ability or willingness to invest in network infrastructure, which in turn could affect the sales of Ericsson's systems and services. Additionally, delay in radio frequency spectrum allocation, and allocation between different types of usage may adversely affect operator spending or force us to develop new products to be able to compete.

Further, Ericsson develops many of the Company's products and services based on existing laws, rules, regulations and technical standards. Changes to existing laws, rules, regulations and technical standards, or the implementation of new laws, rules, regulations and technical

standards relating to products and services not previously regulated, could adversely affect Ericsson's development efforts by increasing compliance costs and causing delay. Demand for those products and services could also decline. Regulatory changes related to e.g. license fees, environment, health and safety, privacy (including the cross-border transfer of personal data for example between the EU and the US), and other regulatory areas may increase costs and restrict Ericsson's operations or the operations of network operators. Also, indirect impacts of such changes and changes to laws, rules or regulations in other fields, such as pricing regulations, could have an adverse impact on Ericsson even though the specific laws, rules or regulations may not apply directly to the Company's products or us.

**3.2 Ericsson's substantial international operations are subject to uncertainties which could affect the Company, including its reputation, business, financial condition, results of operations (EBIT), cash flows or prospects.**

Ericsson conducts business throughout the world and is subject to the effects of general global economic conditions as well as conditions unique to specific countries or regions. The Company has customers in more than 180 countries, with a significant proportion of Ericsson's sales to emerging markets in the Asia Pacific region, Latin America, Eastern Europe, the Middle East and Africa.

Ericsson's extensive operations are subject to additional risks, including civil disturbances, acts of terrorism, acts of war, economic and geopolitical instability and conflict, potential misuse of technology leading to human rights violations, pandemics, the imposition of exchange controls, economies which are subject to significant fluctuations, nationalization of private assets or other governmental actions affecting the flow of goods and currency, effects from changing climate and difficulty of enforcing agreements and collecting receivables through local legal systems.

Further, in certain markets in which Ericsson operates, there is a risk that national governments actively favor or establish local vendors in their respective markets at the expense of foreign competitors. The implementation of such measures could adversely affect Ericsson's sales, Ericsson's market share and its ability to purchase critical components.

The Company strives to comply with applicable export control regulations and sanctions or other trade embargoes in force. The political situation in parts of the world, particularly in Russia/Ukraine and parts of the Middle East, remains uncertain and the level of sanctions is still relatively high from a historical perspective and this level could even increase, thus significantly impacting our operations where increase occurs, including in these markets. A universal element of these sanctions is the financial restrictions with respect to individuals and legal entities, but sanctions can also restrict certain exports and ultimately lead to a complete trade embargo towards a country. During the last years, the global free trade system has been under sustained attack which has increased the risk of states adopting policies and actions that violate WTO agreements. Further there is a risk in many countries of unexpected changes in regulatory requirements, tariffs and other trade barriers, price or exchange controls, restrictions of imports, or other governmental policies which could limit Ericsson's operations and decrease Ericsson's profitability. Furthermore, export control regulations, sanctions or other forms of trade restrictions targeting countries in which Ericsson is active may result in a reduction of commitment in those countries. As an example, escalation of trade tensions between the US and China has resulted in additional trade restrictions and increased tariffs, which if further negatively developed could harm the Company's ability to compete effectively in Chinese markets or with Chinese companies. Additionally, the ongoing Ukraine-Russia crisis has resulted in the application of enhanced export control and sanctions measures against Russia by a number of other jurisdictions, including the EU and the US. These measures, and any additional measures that may be imposed should the crisis continue, may have a material impact on our ability to operate in the ordinary course of business in Russia and Ukraine. The need to terminate activities as a result of further trade restrictions may also expose us to customer claims and other inherent risks. Although the Company seeks to comply with all export control and sanctions rules or regulations, these laws, rules and regulations are complex, frequently changing and increasing in number and the Company has not been in compliance with all such export control and sanctions rules or regulations in the past and cannot assure that all past violations have been addressed or that additional violations will not occur in the future. Such violations could have material adverse effects on Ericsson, including its reputation, business, financial condition, results of operations (EBIT), cash flows, or prospects and could constitute a violation of its resolution with the United States Department of Justice (DOJ), known as a Deferred Prosecution Agreement (DPA) or the consent judgment with the United States Securities and Exchange Commission.

The business operations are complex involving the development, production and delivery of telecom solutions to customers in a very large number of jurisdictions. Each jurisdiction has its own tax laws, rules and regulations and the Company has to comply with the relevant laws, rules and regulations in each of these countries. These laws, rules and regulations involve income taxes and indirect taxes such as VAT and sales taxes as well as withholding taxes on domestic and cross border payments and social security charges related to Ericsson's employees. Constant changes of the laws, rules or regulations and the interpretation thereof also create exposures regarding taxes. This results in complex tax issues and tax disputes that may lead to additional tax payment obligations. Being a global operation, Ericsson also faces risk of being taxed for the same income in more than one jurisdiction (double taxation). This could have adverse effects on Ericsson, including its reputation, business, financial condition, results of operations (EBIT), cash flows, or prospects.

There has been a concern reported by some media and others, that certain countries may use features of their telecommunications systems in ways that could result in potential violation of human rights, among others. This may adversely affect the telecommunications business and may have a negative impact for people and Ericsson.

All of the above may have a material and potentially lasting adverse impact on Ericsson, including its reputation, business, including sales market share, market access, supply chain and R&D activities, financial condition, results of operations (EBIT), cash flows, or prospects.

**3.3 We are subject to certain US and other anti-corruption (including anti-bribery, anti-money-laundering, sanctions, terror finance and anti-terrorism) laws, rules and regulations. Ericsson may be subject to further adverse consequences following the 2019 resolutions with the DOJ and the SEC of the previously disclosed investigations under the US Foreign Corrupt Practices Act (FCPA).**

The Company is required to comply with anti-corruption (including anti-bribery, anti-money-laundering, sanctions, terror finance and anti-terrorism) laws, rules and regulations in the jurisdictions in which Ericsson does business. In addition, some of the international locations in which we operate lack a developed legal system and have elevated levels of corruption affecting many aspects of conducting business. From time to time, the Company investigates potential instances of

corruption, including potential violations of anti-bribery, anti-money-laundering, sanctions, terror finance and anti-terrorism laws, rules and regulations. While Ericsson strives for compliance, the Company has not been in compliance with all such laws, rules and regulations in the past and cannot assure that all past violations have been addressed or that additional violations will not occur in the future. For example, the Company has previously acknowledged publicly that it had failed to implement sufficient internal controls, including internal controls designed to deter and detect corruption. Over the last years, Ericsson has made significant investments in compliance which have enhanced the Company's ability to uncover and address past misconduct. We have policies and procedures designed to assist us and our personnel in complying with applicable laws, rules and regulations but our employees, subcontractors and agents have taken, and may from time to time take, actions that violate these requirements. Actions by Ericsson's employees, or by third party intermediaries acting on the Company's behalf in violation of these laws, rules or regulations whether carried out in the US or elsewhere in connection with the conduct of Ericsson's business may expose the Company to significant liability for violations of such laws, rules or regulations and may have a material adverse effect on the Company, including its reputation, business, financial condition, results of operations (EBIT), cash flows, or prospects.

For example, in December 2019, Ericsson resolved the previously disclosed investigations by the DOJ and SEC regarding the Company's compliance with the FCPA. The resolution with the DOJ provided for: a DPA with a three-year term and a guilty plea by Ericsson's Egyptian subsidiary to one criminal charge of violating the anti-bribery provisions of the FCPA. The resolution with the SEC provided for: consent to the entry of a judgment to resolve civil claims related to allegations of violations of the anti-bribery, books and records, and internal controls provisions of the FCPA. The Company paid fines, penalties and pre-judgment interest to the DOJ and SEC totalling USD 1,060,570,432. Ericsson also agreed to the retention of an independent compliance monitor for the term of three years pursuant to the resolutions with both the DOJ and SEC.

Under Ericsson's DPA with the DOJ, the Company admitted to the conduct described in the statement of facts attached to the DPA, and the DOJ agreed to defer prosecution of Ericsson for the three-year term of the DPA, after which period the charges will be dismissed with prejudice if Ericsson does not violate the terms of the DPA.

In October 2021, Ericsson received correspondence from the DOJ stating that it has determined that Ericsson breached its obligations under the DPA by failing to provide certain documents and factual information and that Ericsson will have the opportunity to respond in writing to explain the nature and circumstances of such breach, as well as the actions Ericsson has taken to address and remediate the situation.

The Company also publicly disclosed a 2019 internal investigation, that included a review of the conduct of Ericsson employees, vendors and suppliers in Iraq during the period 2011–2019. The 2019 investigation, which was supported by external legal counsel, conducted over the course of a year, and involved the collection and review of a large amount of information, found serious breaches of compliance rules and the Company's Code of Business Ethics. It identified evidence of corruption-related misconduct, including: Making a monetary donation without a clear beneficiary; paying a supplier for work without a defined scope and documentation; using suppliers to make cash payments; funding inappropriate travel and expenses; and improper use of sales agents and consultants. In addition, it found violations of Ericsson's internal financial controls; conflicts of interest; non-compliance with tax laws; and obstruction of the investigation. The investigating team also identified payments to intermediaries and the use of alternate transport routes in connection with circumventing Iraqi Customs, at a time when terrorist organizations, including ISIS, controlled some transport routes. Investigators could not determine the ultimate recipients of these payments. Payment schemes and cash transactions that potentially created the risk of money laundering were also identified. The investigation could not identify that any Ericsson employee was directly involved in financing terrorist organizations.

As a result of the investigation, several employees were exited from the company and multiple other disciplinary and other remedial actions were taken. This included closing gaps in our internal processes in the region and incorporating lessons from the investigation into our ethics and compliance program. Furthermore, Ericsson terminated a number of third-party relationships and prioritized the Iraq country business for enhanced training and awareness activities, policies and procedures, and third-party management processes. Ericsson is continuing to work with external counsel to review the findings and remediation resulting from the 2019 investigation to identify any additional measures that the company should take.

On March 1, 2022, the DOJ informed Ericsson that the disclosure made by the Company prior to the DPA about its internal investigation into conduct in Iraq in the period 2011 until 2019 was insufficient. Furthermore, it determined that the Company breached the DPA by failing to make subsequent disclosure related to the investigation post-DPA. The company is in communication with the DOJ regarding the facts and circumstances of the breach determination and is committed to co-operating with the DOJ to resolve the matter.

If the DOJ determines that the Company violated the terms of the DPA for these or any other reason, the DOJ may in its sole discretion commence prosecution, including, but not limited to, for the charged conspiracy to violate the anti-bribery and books and records and internal controls provisions of the FCPA that were included in the information filed in conjunction with the DPA. In such circumstances, the DOJ would be permitted to rely upon the admissions Ericsson made in the DPA and would benefit from Ericsson's waiver of certain procedural and evidentiary defenses. In addition, the DOJ may in its sole discretion decide to extend the term of the DPA. Under Ericsson's consent judgment with the SEC, Ericsson is permanently enjoined from violating the anti-bribery and books and records and internal controls provisions of the FCPA. Failure to comply with this injunction or other violations of the consent judgment could result in the imposition of civil or criminal penalties, a new enforcement action, or both. Any criminal prosecution or civil or criminal penalties imposed as a result of non-compliance for any reason with the DPA or consent judgment could have a material adverse effect on the Company, including its reputation, business, financial condition, results of operations (EBIT), cash flows, or prospects.

Ericsson may also face other potentially negative consequences relating to the investigations by, and settlements with, the DOJ and SEC, or to other potential investigations. Enforcement authorities in the US or elsewhere, including the SEC, the DOJ or OFAC, could investigate us for additional possible violations of applicable anti-corruption (including anti-bribery, anti-money laundering, sanctions, terror finance and anti-terrorism) laws, rules or regulations of which we are aware or unaware at any time. Such violations could result in severe reputational damage, and have a materially adverse effect on Ericsson, including its reputation, business, financial condition, results of operations (EBIT), cash flows, or prospects and could constitute a violation of the DPA or the consent judgment with the SEC. Neither the DPA nor the consent judgment prevents the DOJ, SEC or any other authorities from carrying out investigations with respect to facts not covered in the agreements or in other jurisdictions, or prevents other authorities from carrying out investigations related to these or other matters. It has been reported

that Swedish authorities have initiated an investigation into the conduct that resulted in the above-mentioned resolutions with the DOJ and SEC. Similarly, the resolutions with the DOJ and SEC do not foreclose third parties, such as competitors, customers, suppliers, or shareholders, from commencing litigation related to these or other matters.

There can be no assurance that the remedial measures described above and any others Ericsson may take in the future will be effective or that there will not be a finding of material weakness in Ericsson's internal controls. Any one or more of the foregoing could have a material adverse effect on the Company, including its reputation, business, financial condition, results of operations (EBIT), cash flows, or prospects.

Additionally, any ongoing media or governmental interest in investigations and resolutions or additional company investigations that we are currently undertaking or may undertake in the future could result in the discovery of additional facts, impact the public perception of Ericsson and result in reputational harm and other negative consequences. For example, customers or suppliers may reconsider their relationships with the Company, or governmental and regulatory authorities in the relevant jurisdictions or elsewhere could seek to penalize the Company or place restrictions on its operations or ability to participate in public tenders. Harm to reputation, or any resulting disruption in customer or supplier relationships, could have a material adverse impact on Ericsson, including its reputation, business, financial condition, results of operations (EBIT), cash flows, or prospects.

**3.4 Ericsson is involved in lawsuits, legal proceedings and investigations which, if determined unfavorably, could require the Company to pay substantial damages, fines and/or penalties.**
In the normal course of Ericsson's business Ericsson is involved in legal proceedings. These proceedings include such matters as commercial disputes, claims regarding intellectual property, antitrust, tax and labor disputes, as well as government inquiries and investigations. Legal proceedings can be expensive, lengthy and disruptive to normal business operations. Moreover, the results of complex legal proceedings are difficult to predict. An unfavorable resolution of a particular matter could have a material adverse effect on Ericsson's business, operating results (EBIT), financial condition and reputation. As a publicly listed company, Ericsson may be exposed to lawsuits in which plaintiffs allege that the Company or its officers have failed to comply with securities laws, stock market regulations or other laws, regulations or requirements. Whether or not there is merit to such claims, the time and costs incurred to defend the Company and its officers and the potential settlement or compensation to the plaintiffs could have significant impact on Ericsson's reported results and reputation.

For additional information regarding certain of the inquiries and lawsuits in which Ericsson is involved, see "Legal proceedings" in the Board of Directors' Report.

In addition, the Company is from time to time and may in the future be subject to additional inquiries, litigation or other proceedings or actions, regulatory or otherwise, arising in relation to the matters described above and related litigation and investigative matters. An unfavorable outcome of any such litigation or regulatory proceeding or action could have a material adverse effect on Ericsson's business, financial condition and results of operations (EBIT).

In April 2019, Ericsson was informed by China's State Administration for Market Regulations (SAMR) Anti-monopoly bureau that SAMR has initiated an investigation into Ericsson's patent licensing practices in China. Ericsson is cooperating with the investigation, which is still in a fact-finding phase. The next steps include continued fact-finding and meetings with SAMR in order to facilitate the authority's assessment and conclusions. In case of adverse findings, SAMR has the power to impose behavioral and financial remedies, which may have material adverse effects on Ericsson's business, financial condition and results of operations (EBIT).

**3.5 Ericsson may be found non-compliant to privacy regulations and may be subject to regulatory penalties.**
The introduction of more stringent privacy regulations with heavy and challenging requirements to implement such regulations when it comes to personal data processing as well as stringent regulations on cross-border data transfers by regulators in many countries and markets in which Ericsson operates comes with a risk that Ericsson is found to be non-compliant to privacy legislation, either accidentally, through the actions of third parties, or otherwise, and subject to penalties levied against Ericsson, with the associated damage to Ericsson's brand and reputation. Due to the diverse nature of privacy legislation worldwide, any single incidence of non-compliance by Ericsson may lead to regulatory agencies in various jurisdictions levelling separate penalties or judgments against Ericsson. Due to the nature of Ericsson's business and the amount of personally identifiable information of which Ericsson is the controller or processor, such an event could have far ranging consequences, even if it was caused by a third party outside of the control of Ericsson. This could include large fines, as well as significant damage claims and losing trust from customers, end-users and employees.

## 4 Internal control risk

**4.1 Cybersecurity incidents may have a material adverse effect on Ericsson's business, operations, financial performance, customer and vendor relationships, reputation and brand, and may introduce the possibility of litigations or regulatory investigations or actions.**
The Company's cybersecurity capabilities regularly manage cybersecurity incidents and vulnerabilities. Ericsson's business operations are vulnerable to cybersecurity incidents that may impact the confidentiality, availability or integrity of information assets, IT assets, products, services, or solutions. These incidents may include data breaches, intrusions, espionage, data privacy infringements, leakage of confidential or sensitive data, unauthorized or accidental modification of data and general malfeasance.

Ericsson utilizes third-parties to a large extent to whom the Company has outsourced significant aspects of Ericsson's IT infrastructure, product development, services, hardware, software, finance and HR operations. Events or incidents that are caused as a result of vulnerabilities in their operations or products supplied to us could have a material adverse effect upon Ericsson, Ericsson's business, financial performance, reputation and brand, potentially slowing operations, leaking valuable or sensitive information, personal data or damaging Ericsson's products that have been installed in the Company's customers' networks.

It is possible that a cybersecurity incident in Ericsson's operations or supply chain could have an adverse impact on the integrity of solutions or services provided by Ericsson as well as Ericsson's ability to comply with legal, regulatory or contractual requirements. These incidents may include tampering with components, the inclusion of backdoors or implants, the unintentional inclusion of vulnerabilities in components or software, and cybersecurity incidents which prevent a supplier from being able to fulfil commitments to Ericsson.

Any cybersecurity incident including unintended use, misconfiguration, or unintended actions, involving Ericsson's operations, supply

chain, product development, services, third-party providers or installed product base, could cause severe harm to Ericsson and could have a material adverse effect on Ericsson's business, financial performance, customer and vendor relationships, reputation and brand, and may introduce the possibility of litigation or regulatory investigations or actions.

Ericsson's network systems and storage and other business applications, and the systems, storage and other business applications maintained by the Company's third-party providers, have been in the past, and may be in the future, subject to cyber intrusions, including attempts to gain unauthorized access, breach, malfeasance or other system disruptions. In some cases, such incidents are difficult to anticipate or to detect immediately and the damage caused thereby. If an actual or perceived breach of security occurs in Ericsson's network or any of its third-party providers' networks, Ericsson could incur significant costs and the Company's reputation could be harmed. While Ericsson works to safeguard Ericsson's internal network systems and assess and validate the security of the Company's third-party providers to mitigate these potential risks, including through security requirements and employee awareness and training, there is no assurance that such actions will be sufficient to prevent cyber attacks or security breaches.

**4.2 The presence of vulnerabilities in Ericsson's products, services or operations, may not be detected during product development and operations, and may be leveraged by a threat actor to cause material harm to Ericsson or Ericsson's customers.**
Vulnerabilities in Ericsson's products, solutions or services not detected and treated during product development or solution delivery may be exploited by a threat actor to cause harm to Ericsson's customers, end-users or Ericsson. Vulnerabilities could be brought in through different stages of the product life cycle. In some situations, it may be hard to detect these vulnerabilities due to their location, or due to the fact that they are unknown vulnerabilities, often referred to as "zero-day vulnerabilities". As almost any modern software can contain open source and third-party components, so does software in networks, unmitigated security exposures can put Ericsson customers at varying levels of risk and expose Ericsson to liabilities or loss of business.

**4.3 Identities may be compromised, either from the misuse of Ericsson's identities or accounts, leading to material damage to Ericsson's products, services or brand.**
If identities in Ericsson are misused or compromised it can be difficult to differentiate authorized parties undertaking normal account activities from the threat actor's use of a compromised identity or credential. Ericsson's identity and access management routines are required to access Ericsson's customer's networks, and any limitation of this capability would impact Ericsson's ability to offer services and products to Ericsson's customers, which could have a material adverse effect upon Ericsson's reputation and it's business as a whole.

**4.4 Threat actors may target employees, or other members of Ericsson's workforce, through technological and non-technological means.**
Recent trends have shown that there is a willingness to target end users, rather than the entire enterprises. This has manifested itself in the rise of threats such as ransomware, phishing, spear phishing, spoofing and other extortion methods. With a diverse workforce of approximately 100,000 employees, Ericsson is susceptible to risks of disruption or information loss resulting from large scale attacks towards Ericsson's employees, or society at large. This could have a material adverse effect on the Company's business, financial condition, reputation and brand.

**4.5 Insiders may steal or monitor information or disrupt networks related to Ericsson or its customers, through technological or non-technological means.**
To gain strategic access or to steal specific information competitors or governments may induce insiders or recruit employees who sells information or services for personal gain. Several organizations and institutes report an increase of the insider threat over the last years. Any insider incident could cause severe harm to Ericsson and could have a material adverse effect on Ericsson's business, financial performance, customer and vendor relationships, reputation and bran, and may introduce the possibility of litigation or regulatory investigations or actions.

## 5 Environmental, social and governance risk

**5.1 Failure to comply with environmental, occupational health and safety regulations in many jurisdictions may expose us to significant penalties and other sanctions.**
Ericsson is subject to certain environmental, occupational health and safety laws and regulations that affect Ericsson's operations, facilities, products and services in each of the jurisdictions in which the Company operates. While Ericsson works actively to ensure compliance with laws, rules, regulations and customer requirements related to the environment, health, and safety (including without limitation occupational health and safety) that apply to the Company, Ericsson can provide no assurance that the Company has been, is, or will continue to be compliant with these laws, rules or regulations. If Ericsson has failed or fails to comply with these laws, rules or regulations the Company could be subject to significant penalties and other sanctions that could have a material adverse effect on Ericsson's business, operating results (EBIT), financial condition, reputation and brand. Additionally, there is a risk that Ericsson may have to incur expenditures to cover environmental, occupational health and safety-liabilities to maintain compliance with current or future applicable laws and regulations or to undertake any necessary remediation. It is difficult to reasonably estimate the future impact of environmental matters, such as climate change and extreme weather events, including potential liabilities. Adverse future events, regulations, or judgments could have a significant adverse effect on Ericsson's business, operating results (EBIT), financial condition, reputation and brand.

**5.2 Ericsson has failed and may fail to comply with environmental, social and governance standards, which could negatively affect the Company, including its reputation, business, financial condition, results of operations (EBIT), cash flows or prospects.**
The Company is subject to environmental, social and governance laws, rules and regulations as well as sustainability and corporate responsibility requirements and Ericsson expect such laws, rules, regulations and other requirements to increase as governments impose new laws, rules, regulations or other requirements. These laws, rules, regulations and other requirements have a high focus on anti-corruption (including anti-bribery, anti-money-laundering, sanctions, terror finance and anti-terrorism). To ensure that Ericsson's operations are conducted in accordance with applicable laws, rules, regulations and other requirements, Ericsson's management system includes the Code of Business Ethics, the Code of Conduct for Business Partners and a Sustainability Policy,

as well as other Group Policies and Directives to govern the Company's processes and operations.

Ericsson is committed to the UN Global Compact ten principles, the UN Guiding Principles on Business and Human Rights and principles of the World Economic Forum's Partnering Against Corruption Initiative. However, Ericsson cannot fully prevent unintended or unlawful violation of Ericsson's Code of Business Ethics, corruption (including violations of anti-bribery, anti-money laundering, sanctions, terror finance and anti-terrorism laws, rules or regulations), fraud, embezzlement, misuse of the Company's technology leading to potential human rights breaches or violations of anti-trust legislation, trade restrictions and international sanctions, Ericsson's Code of Conduct for Business Partners in Ericsson or in the supply chain.

There is also an increased demand from external stakeholders, for example non-governmental organizations and investors, on transparency about sustainability and corporate responsibility issues that might be difficult to fulfill. If we fail to adequately meet these expectations, our business may be adversely affected.

Climate change and the potential resulting environmental impact may also result in new environmental, health and safety laws, rules and regulations that may affect us, our suppliers, and our customers. Such laws, rules or regulations could cause us to incur additional direct costs for compliance, including costs associated with changes to manufacturing processes, or costs associated with the procurement of raw materials and components used in our products, as well as increased indirect costs resulting from our customers, suppliers or both incurring additional costs that are passed on to us. These costs may adversely impact the Company, including its reputation, business, financial condition, results of operations (EBIT), cash flows, or prospects. In addition, climate change could cause severe weather events, such as droughts, heat waves, wildfires, storms, and flooding, to occur more frequently or with greater intensity, as well as chronic changes in temperatures and rising sea levels, which could pose physical risks to our manufacturing facilities or our suppliers' facilities, cause disruptions in our upstream and downstream logistic flows, and consequently increase operating costs and/or cause business interruptions.

While the Company attempts to monitor and audit internally and externally Ericsson's compliance with the policies, directives, laws, rules and regulations, including anti-corruption (including anti-bribery, anti-money laundering, sanctions, terror finance and anti-terrorism) laws, rules and regulations, as well as the Company's suppliers' adherence to Ericsson's Code of Conduct for Business Partners and strives for continuous improvements, Ericsson has not been in compliance with all such policies, directives, laws, rules and regulations in the past and cannot provide any assurances that future violations will not occur which could have material adverse effects on Ericsson, including its reputation, business, financial condition, results of operations (EBIT), cash flows, or prospects, see risk factor 3.3 above.

**5.3 Potential health risks related to radiofrequency electromagnetic fields may subject us to various product liability claims and result in regulatory changes.**

The mobile telecommunications industry is subject to claims that mobile devices and other equipment that generate radiofrequency electromagnetic fields may expose individuals to health risks. At present, a substantial number of scientific reviews conducted by various independent research bodies have concluded that radiofrequency electromagnetic fields, when used at levels within the limits prescribed by public health authority safety standards and recommendations, cause no adverse effects to human health. However, any perceived risk or new scientific findings of adverse health effects from mobile communication devices and equipment could adversely affect us through a reduction in sales or through liability claims. Although Ericsson's products are designed to comply with currently applicable safety standards and regulations regarding radio frequency electromagnetic fields, the Company cannot guarantee that Ericsson will not become the subject of product liability claims. We also cannot guarantee that the Company will not be held liable for such claims or be required to comply with future changed regulatory requirements. Ericsson may in addition be affected by regulatory or other restrictions imposed on the Company's customers use of radio equipment that may have a material adverse effect on our business, operating results (EBIT), financial condition, reputation and brand.

**5.4 Regulations related to "conflict minerals" may cause us to incur additional expenses, and may make our supply chain demands more complex.**

In 2012, the US Securities and Exchange Commission (SEC) adopted a rule requiring disclosures of specified minerals ("conflict minerals") that are necessary to the functionality or production of products manufactured or contracted to be manufactured by companies that file periodic reports with the SEC, whether or not these products or their components are manufactured by third-parties. While Ericsson believes that the Company is able to fulfill these requirements without materially affecting our costs or access to materials Ericsson can provide no assurance that there will not be material costs associated with complying with the disclosure requirements. These requirements could adversely affect the sourcing, availability and pricing of minerals used in the manufacture of certain of our products, which may have a material adverse effect on our business. In addition, since our supply chain is complex, the Company may not be able to sufficiently verify the origins for these minerals contained in our products through the due diligence procedures that Ericsson implements, which may harm our reputation and our business. Ericsson may also encounter challenges if customers put more emphasis on the idea that all of the Ericsson's product components be certified as "conflict-free".

# Auditor's report

To the general meeting of the shareholders of Telefonaktiebolaget LM Ericsson (publ) corporate identity number 556016-0680

## Report on the annual accounts and consolidated accounts

### Opinions

We have audited the annual accounts and consolidated accounts of Telefonaktiebolaget LM Ericsson (publ) for the financial year January 1, 2021 – December 31, 2021. The annual accounts and consolidated accounts of the company are included on pages 12 – 112 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2021 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

### Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

### Revenue recognition of significant contracts

Ericsson generates revenues from sales of hardware, software, and services to its customers. Total revenue for 2021 amounted to SEK 232.3 billion. Most of these revenues are related to multi-year framework agreements with large customers which often include discounts and incentives arrangements. The customers issue purchase orders under these framework agreements that in combination constitute a commitment to purchases of products and services over the duration of the agreement with the customer. These arrangements may give rise to a risk of material misstatement due to the incorrect identification of performance obligations and timing of revenue recognition for each obligation, for significant contracts that could have a material impact on the financial statements.

Ericsson conducts an assessment at contract inception to determine which promised goods and services in a customer contract are distinct and accordingly identified as performance obligations. The Company considers there to be a distinct performance obligation if the customer can benefit from the good or service either on its own or together with other resources readily available, and if the Company's obligation to transfer the good or service is separately identifiable from other obligations in the contract.

The amount and timing of revenue recognized is determined in relation to the individual elements of the contract. Transaction prices including variable considerations, discounts, concessions and incentive agreements, are estimated at the commencement of the contract (and periodically thereafter). Judgment is used in the estimation process based on historical experience with the type of business and customer and in allocating revenue to each performance obligation by reference to their standalone selling prices.

We identified revenue recognition of significant contracts as a critical audit matter due to the complex application of revenue recognition accounting standards and that it requires management to make judgments and estimates in determining the amount and timing of revenue recognized in relation to individual elements of the contracts. Accounting principles and disclosures related to revenue recognition can be found in note B1 and B2.

Our audit procedures related to the amount and timing of revenue recognized in relation to significant contracts included, but were not limited to the following:

- We tested the effectiveness of the Company's controls over revenue recognition with particular focus on the controls related to the identification of performance obligations within revenue contracts and determination of the timing of recognition for each revenue obligation including the reviews performed by the company's central board for material and complex deals.
- We tested a sample of significant contracts to assess management's judgments and estimates related to the identification of performance obligations and determination of the timing of recognition for each revenue obligation based on the contract.
- We tested a sample of revenue transactions recorded during the year by tracing them to supporting evidence of delivery and acceptance and assessed the judgments and estimates for revenue recorded in the period by comparing it to contractual terms such as, delivery terms, transaction prices including variable considerations, discounts, concessions and incentive agreements.
- We tested a sample of ongoing negotiations with existing customers and analysed reversals of revenue subsequent to year-end for indicators of unrecorded discounts and concessions during the period.

### Valuation of Goodwill

Goodwill is a significant asset in the consolidated balance sheet and amounts to SEK 38.2 billion as of December 31, 2021. The Company's evaluation of the carrying value of goodwill involves the comparison of the recoverable amount of each cash generating unit to their carrying values. Ericsson's assessment is based on a discounted cash flow model using a business plan covering 5 or 10 years, which requires management to make significant estimates and assumptions regarding forecasts of future sales growth, operating income, working capital and capital expenditure requirements, as well as assumptions on discount rates. Changes in these assumptions could have a significant impact on either the recoverable amount, the amount of any impairment charge, or both.

We identified goodwill as a key audit matter because of the significant judgments made by management to estimate the recoverable amount. The assessment of management's assumptions regarding recoverable amount requires a high degree of auditor judgment, including an increased extent of complexity and the need to involve our fair value specialists. Accounting principles and disclosures related to goodwill and other intangible assets can be found in note C1.

Our audit procedures related to the assumptions regarding recoverable amount included, but were not limited to the following:

- We tested the effectiveness of The Company's controls over goodwill impairment evaluation and determination of the recoverable amount with particular focus on the controls over management's preparation and review of assumptions for future sales growth, operating income, working capital, capital expenditure requirements and method for determining the discount rate used.

– We evaluated management's ability to accurately forecast future sales growth and operating income by comparing actual results to management's historical forecasts, the Company's historical results, external analyst reports and internal communications to management and the Board of Directors.
– With the assistance of our fair value specialists, we evaluated the discount rates, including testing the underlying source information and the mathematical accuracy of the calculations, and developing a range of independent estimates and comparing those to the discount rates selected by management.

**Other information than the annual accounts and consolidated accounts**
This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–11 and 116–130 in the Financial report, 1–26 in the Corporate governance report, 1–12 in the Remuneration report, 1–36 and 38–39 in the Sustainability and corporate responsibility report. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Board of Directors and the Managing Director**
The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

**The auditor's responsibility**
Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:
– Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
– Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
– Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
– Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
– Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

## Report on other legal and regulatory requirements

**Opinions**
In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Telefonaktiebolaget LM Ericsson (publ) (publ) for the financial year January 1, 2021 – December 31, 2021 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

**Basis for Opinions**
We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

**Responsibilities of the Board of Directors and the Managing Director**
The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

**The auditor's responsibility**
Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:
- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

## The auditor's examination of the Esef report

**Opinion**
In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528) for Telefonaktiebolaget LM Ericsson (publ) for the financial year 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report a3ef24cd82ad2403d3bf0bbd96471b0bfc285a4eacdb85553ff919912db2abdb has been prepared in a format that, in all material respects, enables uniform electronic reporting.

**Basis for opinion**
We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Telefonaktiebolaget LM Ericsson (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

**Responsibilities of the Board of Directors and the Managing Director**
The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with the Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

**The auditor's responsibility**
Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e., if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

Deloitte AB, was appointed auditor of Telefonaktiebolaget LM Ericsson (publ) by the general meeting of the shareholders on March 30, 2021 and has been the company's auditor since March 31, 2020.

Stockholm March 3, 2022

**Deloitte AB**

**Thomas Strömberg**
Authorized Public Accountant

# Forward-looking statements

This Annual Report includes forward-looking statements, including statements reflecting management's current views relating to the growth of the market, future market conditions, future events, financial condition, and expected operational and financial performance, including, in particular the following:

- Our goals, strategies, planning assumptions and operational or financial performance expectations
- Industry trends, future characteristics and development of the markets in which we operate
- Our future liquidity, capital resources, capital expenditures, cost savings and profitability
- The expected demand for our existing and new products and services as well as plans to launch new products and services including research and development expenditures
- The ability to deliver on future plans and to realize potential for future growth
- The expected operational or financial performance of strategic cooperation activities and joint ventures
- The time until acquired entities and businesses will be integrated and accretive to income
- Technology and industry trends including the regulatory and standardization environment in which we operate, competition and our customer structure.

The words "believe", "expect", "foresee", "anticipate", "assume", "intend", "likely", "projects", "may", "could", "plan", "estimate", "forecast", "will", "should", "would", "predict", "aim", "ambition", "seek", "potential", "target", "might", "continue", or, in each case, their negative or variations, and similar words or expressions are used to identify forward-looking statements. Any statement that refers to expectations, projections or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements.

We caution investors that these statements are subject to risks and uncertainties many of which are difficult to predict and generally beyond our control that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements.

Important factors that could affect whether and to what extent any of our forward-looking statements materialize include but are not limited to the factors described in the section Risk Factors.

These forward-looking statements also represent our estimates and assumptions only as of the date that they were made. We expressly disclaim a duty to provide updates to these forward-looking statements, and the estimates and assumptions associated with them, after the date of this Annual Report, to reflect events or changes in circumstances or changes in expectations or the occurrence of anticipated events, whether as a result of new information, future events or otherwise, except as required by applicable law or stock exchange regulation.

# Five-year summary – Financial information

For definitions of certain financial terms used, see Alternative performance measures and Financial terminology.

Five-year summary

| | 2021 | Change | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|
| **Income statement and cash flow items, SEK million** | | | | | | |
| Net sales [1] | 232,314 | 0% | 232,390 | 227,216 | 210,838 | 205,378 |
| Operating expenses [1] | –69,071 | 4% | –66,280 | –64,215 | –66,848 | –70,563 |
| EBIT (loss) [1] | 31,780 | 14% | 27,808 | 10,564 | 1,242 | –34,743 |
| Net income (loss) [1] | 22,980 | 30% | 17,623 | 1,840 | –6,276 | –32,433 |
| Cash flow from operating activities | 39,065 | 35% | 28,933 | 16,873 | 9,342 | 9,601 |
| **Year-end position, SEK million** | | | | | | |
| Total assets [1] | 305,614 | 13% | 271,530 | 276,383 | 268,761 | 259,882 |
| Property, plant and equipment | 13,580 | 1% | 13,383 | 13,850 | 12,849 | 12,857 |
| Stockholders' equity [1] | 108,775 | 25% | 86,674 | 82,559 | 86,978 | 96,935 |
| Non-controlling interests | –1,676 | – | –1,497 | –681 | 792 | 636 |
| **Per share indicators** | | | | | | |
| Earnings (loss) per share, basic, SEK [1] | 6.82 | 30% | 5.26 | 0.67 | –1.98 | –9.94 |
| Earnings (loss) per share, diluted, SEK [1] | 6.81 | 29% | 5.26 | 0.67 | –1.98 | –9.94 |
| Dividends per share, SEK [2] | 2.50 | 25% | 2.00 | 1.50 | 1.00 | 1.00 |
| Dividends per share, USD [2] | 0.23 | 44% | 0.16 | 0.16 | 0.11 | 0.12 |
| Number of shares outstanding (in millions) | | | | | | |
| end of period, basic | 3,330 | 0% | 3,328 | 3,314 | 3,297 | 3,284 |
| average, basic | 3,329 | 0% | 3,323 | 3,306 | 3,291 | 3,277 |
| average, diluted | 3,332 | 0% | 3,326 | 3,320 | 3,318 | 3,317 |
| **Other information, SEK million** | | | | | | |
| Additions to property, plant and equipment | 3,663 | –18% | 4,493 | 5,118 | 3,975 | 3,877 |
| Depreciations and write-downs/impairments of property, plant and equipment | 3,872 | –6% | 4,114 | 3,947 | 3,843 | 6,314 |
| Acquisitions/capitalization/divestments of intangible assets | 1,723 | –85% | 11,817 | –13,692 | 2,315 | 1,759 |
| Amortizations and write-downs/impairments of intangible assets | 2,820 | 33% | 2,126 | 2,593 | 4,475 | 21,578 |
| Research and development expenses [1] | 42,074 | 6% | 39,714 | 38,815 | 38,909 | 37,887 |
| as percentage of net sales | 18.1% | – | 17.1% | 17.1% | 18.5% | 18.4% |
| Inventory turnover days | 88 | 13% | 78 | 77 | 70 | 66 |
| **Alternative Performance Measures (APMs) [3]** | | | | | | |
| Sales growth adjusted for comparable units and currency | 4% | – | 5% | 4% | 1% | – |
| Gross margin [1] | 43.4% | – | 40.3% | 37.3% | 32.3% | 23.3% |
| Gross margin excluding restructuring charges [1] | 43.5% | – | 40.6% | 37.5% | 35.2% | 25.9% |
| EBIT margin [1] | 13.7% | – | 12.0% | 4.6% | 0.6% | –16.9% |
| EBIT margin excluding restructuring charges [1] | 13.9% | – | 12.5% | 5.0% | 4.4% | –12.8% |
| EBITA margin [1] | 14.3% | – | 12.5% | 5.1% | 1.4% | –8.8% |
| EBITA margin excluding restructuring charges [1] | 14.6% | – | 13.1% | 5.5% | 5.2% | –4.7% |
| Restructuring charges, SEK million | 549 | –58% | 1,306 | 798 | 8,015 | 8,501 |
| Free cash flow before M&A, SEK million | 32,056 | 44% | 22,261 | 7,633 | 4,253 | 4,833 |
| Free cash flow after M&A, SEK million | 32,115 | 154% | 12,663 | 6,128 | 2,968 | 5,109 |
| Capital employed, SEK million [1] | 184,283 | 14% | 161,990 | 165,273 | 149,615 | 155,625 |
| Return on equity [1] | 23.2% | – | 20.7% | 2.6% | –7.1% | –28.1% |
| Return on capital employed [1] | 18.4% | – | 17.0% | 6.7% | 0.8% | –20.4% |
| Equity ratio [1] | 35.0% | – | 31.4% | 29.6% | 32.7% | 37.5% |
| Capital turnover [1] | 1.3 | –7% | 1.4 | 1.4 | 1.4 | 1.2 |
| Adjusted working capital, SEK million [1] | 59,667 | 31% | 45,613 | 48,821 | 52,508 | 56,439 |
| Gross cash, SEK million | 97,608 | 35% | 72,045 | 72,192 | 68,996 | 67,702 |
| Net cash, SEK million | 65,777 | 57% | 41,885 | 34,496 | 35,871 | 34,657 |
| Adjusted earnings (loss) per share, SEK | 7.26 | 25% | 5.83 | 1.07 | 0.27 | –3.24 |
| **Statistical data, year-end** | | | | | | |
| Number of employees | 101,322 | 0% | 100,824 | 99,417 | 95,359 | 100,735 |
| of which in Sweden | 14,183 | 8% | 13,173 | 12,730 | 12,502 | 13,864 |
| Export sales from Sweden, SEK million [1] | 140,898 | 7% | 132,269 | 120,822 | 109,969 | 87,463 |

[1] 2017 is restated due to implementation of IFRS 15 "Revenue from Contracts with Customers."
[2] For 2021, as proposed by the Board of Directors.
[3] A reconciliation to the most directly reconcilable line items in the financial statements for 2021 and four comparison years is available on pages 119–123.

# Five-year summary – Non-financial information

For additional information and definitions, see Consolidated sustainability notes, found on pages 28–36 of the Sustainability and Corporate Responsibility report.

Five-year summary

| | 2021 | Change | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|
| **Employees** | | | | | | |
| Employee headcount at year-end | 101,322 | 0% | 100,824 | 99,417 | 95,359 | 100,735 |
| Average number of employees | 100,757 | 2% | 98,589 | 94,503 | 97,843 | 107,369 |
| Employees who have left the Company | 11,631 | 48% | 7,839 | 11,078 | 16,630 | 21,791 |
| Employees who have joined the Company | 12,129 | 31% | 9,246 | 15,136 | 11,254 | 11,062 |
| **Employee diversity by age at year-end (%)** | | | | | | |
| Under 25 years old | 3 | 0% | 3 | 3 | 3 | 4 |
| 25–35 years old | 31 | –6% | 33 | 35 | 36 | 37 |
| 36–45 years old | 34 | 0% | 34 | 32 | 32 | 32 |
| 46–55 years old | 23 | 5% | 22 | 22 | 22 | 21 |
| Over 55 years old | 9 | 13% | 8 | 8 | 7 | 7 |
| **Female representation (%)** | | | | | | |
| All employees | 25 | 0% | 25 | 25 | 23 | 25 |
| Line managers | 21 | 0% | 21 | 20 | 20 | 20 |
| Executive population | 36 | 13% | 32 | 32 | 31 | 27 |
| Executive Team | 20 | 0% | 20 | 20 | 27 | 36 |
| Board of Directors | 23 | 0% | 23 | 23 | 23 | 43 |
| **Compliance concerns, sensitive business and information security** | | | | | | |
| Total number of reported compliance concerns | 1,059 | 14% | 933 | 538 | 445 | 412 |
| Total number of cases reviewed in the Sensitive business process | 722 | –13% | 828 | 651 | 587 | 846 |
| Total number of information security and privacy incidents reported | 2,463 | –3% | 2,533 | 3,840 | 3,312 | 3,235 |
| **Occupational health and safety** | | | | | | |
| Number of fatalities – Ericsson employees | 1 | – | 0 | 0 | 0 | 0 |
| Number of fatalities – Supply chain and public | 13 | 86% | 7 | 11 | 14 | 23 |
| Number of major incidents – Ericsson employees | 56 | –15% | 66 | 122 | 83 | [1] |
| Number of major incidents – Supply chain and public | 50 | 39% | 36 | 57 | 33 | [1] |
| Number of lost workday incidents – Ericsson employees | 77 | –14% | 90 | 180 | 143 | [1] |
| Number of lost workday incident – Supply chain and public | 68 | 28% | 53 | 87 | 61 | [1] |
| **Responsible management of suppliers** | | | | | | |
| Tier one suppliers risk assessed (%) [2] | 99 | 0% | 99 | 98 | 47 | – |
| **Energy consumption (facility energy usage) (GWh)** | | | | | | |
| Electricity and cooling – non-renewable | 189 | 4% | 182 | 255 | 299 | 347 |
| Electricity and cooling – renewable | 391 | 0% | 390 | 333 | 335 | 357 |
| District heating | 26 | 13% | 23 | 26 | 33 | 33 |
| Local heating and backup electricity | 25 | –24% | 33 | 50 | 49 | 45 |
| Energy intensity (GWh/net sales SEK billion) | 2.7 | 0% | 2.7 | 2.9 | 3.4 | 3.8 |
| **Waste, product take-back and water** | | | | | | |
| Waste generated at facilities (tonnes) | 6,777 | –2% | 6,916 | 11,013 | 10,217 | 11,755 |
| of which recycled (%) | 67 | 38% | 49 | 44 | 34 | 38 |
| Product take-back (tonnes) | 8,849 | –13% | 10,204 | 8,403 | 8,380 | 12,252 |
| of which recycled or re-used (%) | 96 | 1% | 95 | 93 | 93 | 94 |
| Total water consumption ($Mm^3$) | 1.2 | –20% | 1.5 | 1.5 | 1.6 | 1.8 |
| **Green House Gas Emissions ($CO_2e$) (Ktonne)** | | | | | | |
| Direct emissions – Scope 1 | 38 | –5% | 40 | 49 | 54 | 73 |
| Indirect emissions – Scope 2 (market based) | 58 | –22% | 74 | 124 | 134 | 156 |
| Other indirect emissions – Scope 3 [3] | 34,637 | –5% | 36,605 | 35,877 | – | – |
| Emissions intensity (Ktonnes $CO_2e$/net sales SEK billion) | | | | | | |
| Scope 1 | 0.16 | –8% | 0.17 | 0.22 | 0.26 | 0.36 |
| Scope 2 (market based) | 0.25 | –22% | 0.32 | 0.55 | 0.64 | 0.76 |

[1] Due to limitations in data availability, reporting on major incidents and lost-time incident broken down on employees and supply chain/public for 2017 is not possible.
[2] Risk assessment process described in the Sustainability and Corporate Responsibility report 2021, page 26. The process was formalized in 2018 wherefore comparative figures before that year are not available.
[3] Scope of reporting has been updated during 2021 wherefore comparable figures for 2018 and 2017 are not available.

# Alternative performance measures

In this section, the Company presents its Alternative Performance Measures (APMs), which are not recognized measures of financial performance under IFRS. This section includes a reconciliation of the APM's to the most directly reconcilable line items in the financial statements. The presentation of APMs has limitations as analytical tools and should not be considered in isolation or as a substitute for related financial measures prepared in accordance with IFRS.

APMs are presented to enhance an investor's evaluation of ongoing operating results, to aid in forecasting future periods and to facilitate meaningful comparison of results between periods.

Management uses these APMs to, among other things, evaluate ongoing operations in relation to historical results, for internal planning and forecasting purposes and in the calculation of certain performance-based compensation. APM's should not be viewed as substitutes for income statement or cash flow items computed in accordance with IFRS.

The APMs presented in this report may differ from similarly titled measures used by other companies.

As from 2021 Operating income has been renamed as EBIT and Operating margin as EBIT margin. The definitions of EBIT and EBIT margin remain unchanged. The APMs have been updated with the new names.

As from 2021 EBITA excluding restructuring charges has been added. The main reason for the update is that Ericsson's long-term target is expressed as EBITA excluding restructuring charges as a percentage of net sales.

### Adjusted earnings (loss) per share [1)]

| SEK | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Earnings (loss) per share, diluted | 6.81 | 5.26 | 0.67 | −1.98 | −9.94 |
| Restructuring charges | 0.13 | 0.30 | 0.18 | 1.88 | 1.93 |
| Amortizations and write-downs of acquired intangibles | 0.32 | 0.27 | 0.22 | 0.37 | 4.77 |
| Adjusted earnings (loss) per share | 7.26 | 5.83 | 1.07 | 0.27 | −3.24 |

1) 2017 is restated due to implementation of IFRS 15 "Revenue from Contracts with Customers."

**Definition**

Adjusted earnings (loss) per share (EPS), diluted, excluding amortizations and write-downs of acquired intangible assets and excluding restructuring charges.

**Reason to use**

Restructuring charges vary between years. This measurement gives an indication of the performance without restructuring and without the impact of amortizations and write-downs of acquired intangible assets from acquired companies.

### Adjusted working capital [1)]

| SEK million | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Current assets | 174,805 | 149,795 | 153,914 | 161,167 | 153,423 |
| Current non-interest-bearing provisions and liabilities | | | | | |
| Provisions, current | −5,782 | −7,580 | −8,244 | −10,537 | −6,283 |
| Contract liabilities | −32,834 | −26,440 | −29,041 | −29,348 | −29,076 |
| Trade payables | −35,684 | −31,988 | −30,403 | −29,883 | −26,320 |
| Current tax liabilities [2)] | −2,917 | −4,486 | – | – | – |
| Other current liabilities [2)] | −37,921 | −33,688 | −37,405 | −38,891 | −35,305 |
| Adjusted working capital | 59,667 | 45,613 | 48,821 | 52,508 | 56,439 |

1) 2017 is restated due to implementation of IFRS 15 "Revenue from Contracts with Customers."

2) As from 2021 current tax liabilities is presented as a separate line item in the balance sheet and the comparison year 2020 has been updated accordingly. For 2017– 2019 the current tax liabilities is included in other current liabilities.

**Definition**

Current assets less current non-interest-bearing provisions and liabilities (which include: current provisions, contract liabilities, trade payables, current tax liabilities and other current liabilities).

**Reason to use**

Due to the need to optimize cash generation to create value for Ericsson's shareholders, management focuses on working capital and reducing lead times between orders booked and cash received.

### Capital employed [1]

| SEK million | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Total assets | 305,614 | 271,530 | 276,383 | 268,761 | 259,882 |
| Non-interest-bearing provisions and liabilities | | | | | |
| Provisions, non-current | 3,722 | 2,886 | 2,679 | 5,471 | 3,596 |
| Deferred tax liabilities | 884 | 1,089 | 1,224 | 670 | 901 |
| Other non-current liabilites | 1,587 | 1,383 | 2,114 | 4,346 | 2,776 |
| Provisions, current | 5,782 | 7,580 | 8,244 | 10,537 | 6,283 |
| Contract liabilities | 32,834 | 26,440 | 29,041 | 29,348 | 29,076 |
| Trade payables | 35,684 | 31,988 | 30,403 | 29,883 | 26,320 |
| Current tax liabilities [2] | 2,917 | 4,486 | – | – | – |
| Other current liabilities [2] | 37,921 | 33,688 | 37,405 | 38,891 | 35,305 |
| Capital employed | 184,283 | 161,990 | 165,273 | 149,615 | 155,625 |

[1] 2017 is restated due to implementation of IFRS 15 "Revenue from Contracts with Customers."
[2] As from 2021 current tax liabilities is presented as a separate line item in the balance sheet and the comparison year 2020 has been updated accordingly. For 2017–2019 the current tax liabilities is included in other current liabilities.

**Definition**
Total assets less non-interest-bearing provisions and liabilities.

**Reason to use**
Capital employed represents the value of the balance sheet assets that contributes to revenue and profit generation. It is also used in the calculation of return on capital employed.

### Capital turnover [1]

| SEK million | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Net sales | 232,314 | 232,390 | 227,216 | 210,838 | 205,378 |
| Average capital employed | | | | | |
| Capital employed at beginning of period | 161,990 | 165,273 | 149,615 | 155,625 | 185,666 |
| Captial employed at end of period | 184,283 | 161,990 | 165,273 | 149,615 | 155,625 |
| Average capital employed | 173,137 | 163,632 | 157,444 | 152,620 | 170,646 |
| Capital turnover (times) | 1.3 | 1.4 | 1.4 | 1.4 | 1.2 |

[1] 2017 is restated due to implementation of IFRS 15 "Revenue from Contracts with Customers."

**Definition**
Net sales divided by average capital employed.

**Reason to use**
Capital turnover indicates how effectively investment capital is used to generate revenues.

### EBITA and EBITA margin / EBITA and EBITA margin excluding restructuring charges [1]

| SEK million | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Net income (loss) | 22,980 | 17,623 | 1,840 | −6,276 | −32,433 |
| Income tax | 6,270 | 9,589 | 6,922 | 4,813 | −3,525 |
| Financial income and expenses, net | 2,530 | 596 | 1,802 | 2,705 | 1,215 |
| Amortizations and write-downs of acquired intangibles | 1,477 | 1,220 | 1,038 | 1,662 | 16,652 |
| EBITA (loss) | 33,257 | 29,028 | 11,602 | 2,904 | −18,091 |
| Net sales | 232,314 | 232,390 | 227,216 | 210,838 | 205,378 |
| EBITA margin (%) | 14.3% | 12.5% | 5.1% | 1.4% | −8.8% |
| Restructuring charges | 549 | 1,306 | 798 | 8,015 | 8,501 |
| EBITA (loss) excluding restructuring charges | 33,806 | 30,334 | 12,400 | 10,919 | −9,590 |
| EBITA margin excluding restructuring charges (%) | 14.6% | 13.1% | 5.5% | 5.2% | −4.7% |

[1] 2017 is restated due to implementation of IFRS 15 "Revenue from Contracts with Customers."

**Definition**
Earnings (loss) before interest, taxes, amortizations and write-downs of acquired intangibles, as a percentage of net sales. Reported EBITA (loss) excluding restructuring charges as a percentage of net sales.

**Reason to use**
Amortizations and write-downs of intangible assets are normally non-cash items in the annual income statement, EBITA margin % gives an indication of the financial performance without the impact from acquired companies. The Company's view is that EBITA margin excluding restructuring charges gives a fair view of the profitability of the ongoing business.

### EBIT and EBIT margin / EBIT and EBIT margin excluding restructuring charges [1)]

| SEK million | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| EBIT (loss) | 31,780 | 27,808 | 10,564 | 1,242 | −34,743 |
| Net sales | 232,314 | 232,390 | 227,216 | 210,838 | 205,378 |
| EBIT margin (%) | 13.7% | 12.0% | 4.6% | 0.6% | −16.9% |
| Restructuring charges | 549 | 1,306 | 798 | 8,015 | 8,501 |
| EBIT (loss) excluding restructuring charges | 32,329 | 29,114 | 11,362 | 9,257 | −26,242 |
| EBIT margin excluding restructuring charges (%) | 13.9% | 12.5% | 5.0% | 4.4% | −12.8% |

[1)] 2017 is restated due to implementation of IFRS 15 "Revenue from Contracts with Customers."

**Definition**
Reported EBIT (loss) as a percentage of net sales.
Reported EBIT (loss) excluding restructuring charges as a percentage of net sales.

**Reason to use**
EBIT margin shows the EBIT in percentage of net sales. EBIT margin is a key internal measure as the Company believes that it provides users of the financial statements with a better understanding of the Group's financial performance both short and long term. The Company's view is that EBIT margin excluding restructuring charges gives a fair view of the profitability of the ongoing business.

### Equity ratio [1)]

| SEK million | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Total equity | 107,099 | 85,177 | 81,878 | 87,770 | 97,571 |
| Total assets | 305,614 | 271,530 | 276,383 | 268,761 | 259,882 |
| Equity ratio (%) | 35.0% | 31.4% | 29.6% | 32.7% | 37.5% |

[1)] 2017 is restated due to implementation of IFRS 15 "Revenue from Contracts with Customers."

**Definition**
Equity expressed as a percentage of total assets.

**Reason to use**
An equity ratio above 40% is one of the company's capital targets. This supports financial flexibility and independence to operate and manage variations in working capital needs as well as to capitalize on business opportunities.

### Free cash flow before M&A / Free cash flow after M&A

| SEK million | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Cash flow from operating activities | 39.065 | 28,933 | 16,873 | 9,342 | 9,601 |
| Net capital expenditures and other investments (excluding M&A) | | | | | |
| Investments in property, plant and equipment | −3,663 | −4,493 | −5,118 | −3,975 | −3,877 |
| Sales of property, plant and equipment | 115 | 254 | 744 | 334 | 1,016 |
| Product development | −962 | −817 | −1,545 | −925 | −1,444 |
| Other investing activities | −131 | 801 | −331 | −523 | −463 |
| Repayment of lease liabilities | −2,368 | −2,417 | −2,990 | – | – |
| Free cash flow before M&A | 32,056 | 22,261 | 7,633 | 4,253 | 4,833 |
| Acquisitions of subsidiaries and other operations | −389 | −9,657 | −1,753 | −1,618 | −289 |
| Divestments of subsidiaries and other operations | 448 | 59 | 248 | 333 | 565 |
| Free cash flow after M&A | 32,115 | 12,663 | 6,128 | 2,968 | 5,109 |

**Definition**
Free cash flow before M&A: Cash flow from operating activities less net capital expenditures, other investments (excluding M&A) and repayment of lease liabilities.
Free cash flow after M&A: Cash flow from operating activities less net capital expenditures, other investments and repayment of lease liabilities.

**Reason to use**
Free cash flow before M&A represents the cash that the Company generates after capital expenditures, other investments and repayment of lease liabilities. The Company believes that free cash flow before M&A is a good way of reflecting the cash flows generated by the Company that can be used to expand the business, invest in subsidiaries, pay dividends and reduce debt.

Free cash flow after M&A represents the cash that the Company generates after capital expenditures, other investments, repayment of lease liabilities and acquisitions/divestments of subsidiaries. The Company believes that free cash flow after M&A is a good way of reflecting the cash flows generated by the company that can be used to expand the business, pay dividends and reduce debt.

## Gross cash

| SEK million | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Cash and cash equivalents | 54,050 | 43,612 | 45,079 | 38,389 | 35,884 |
| Interest-bearing securities, current | 12,932 | 6,820 | 6,759 | 6,625 | 6,713 |
| Interest-bearing securities, non-current | 30,626 | 21,613 | 20,354 | 23,982 | 25,105 |
| Gross cash | 97,608 | 72,045 | 72,192 | 68,996 | 67,702 |

**Definition**
Cash and cash equivalents plus interest-bearing securities (current and non-current).

**Reason to use**
Gross cash is showing total available cash and interest-bearing securities and is a parameter for calculating the net cash position.

## Gross margin and Gross margin excluding restructuring charges [1)]

| SEK million | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Gross income | 100,749 | 93,724 | 84,824 | 68,200 | 47,927 |
| Net sales | 232,314 | 232,390 | 227,216 | 210,838 | 205,378 |
| Gross margin (%) | 43.4% | 40.3% | 37.3% | 32.3% | 23.3% |
| Restructuring charges included in cost of sales | 273 | 725 | 337 | 5,938 | 5,242 |
| Gross income excluding restructuring charges | 101,022 | 94,449 | 85,161 | 74,138 | 53,169 |
| Gross margin excluding restructuring charges (%) | 43.5% | 40.6% | 37.5% | 35.2% | 25.9% |

[1)] 2017 is restated due to implementation of IFRS 15 "Revenue from Contracts with Customers."

**Definition**
Reported gross income as a percentage of net sales.
Reported gross income excluding restructuring charges as a percentage of net sales.

**Reason to use**
Gross margin shows the difference between net sales and cost of sales, in percentage of net sales. Gross margin is impacted by several factors such as business mix, service share, price development and cost reductions. Gross margin is an important internal measure and this number is also provided in the income statement as the Company believes that it provides users of the financial statements with a better understanding of the Group's business development. The Company's view is that gross margin excluding restructuring charges gives a fair view of the profitability of the ongoing business.

## Net cash

| SEK million | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Cash and cash equivalents | 54,050 | 43,612 | 45,079 | 38,389 | 35,884 |
| + Interest-bearing securities, current | 12,932 | 6,820 | 6,759 | 6,625 | 6,713 |
| + Interest-bearing securities, non-current | 30,626 | 21,613 | 20,354 | 23,982 | 25,105 |
| – Borrowings, current | 9,590 | 7,942 | 9,439 | 2,255 | 2,545 |
| – Borrowings, non-current | 22,241 | 22,218 | 28,257 | 30,870 | 30,500 |
| Net cash | 65,777 | 41,885 | 34,496 | 35,871 | 34,657 |

**Definition**
Cash and cash equivalents plus interest-bearing securities (current and non-current) less borrowings (current and non-current).

**Reason to use**
A positive net cash position that is larger than the pension liability is one of the company's capital targets. This creates financial flexibility and independence to operate and manage variations in working capital needs.

## Operating expenses, excluding restructuring charges

| SEK million | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Operating expenses | –69,071 | –66,280 | –64,215 | –66,848 | –70,563 |
| Restructuring charges included in R&D expenses | 137 | 411 | 344 | 1,293 | 2,307 |
| Restructuring charges included in selling and administrative expenses | 139 | 170 | 117 | 784 | 952 |
| Operating expenses, excluding restructuring charges | –68,795 | –65,699 | –63,754 | –64,771 | –67,304 |

**Definition**
Reported operating expenses, excluding restructuring charges.

**Reason to use**
Restructuring charges vary between years and in order to analyse trends in reported expenses overtime, restructuring charges are excluded.

### Return on capital employed [1)]

| SEK million | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| EBIT (loss) | 31,780 | 27,808 | 10,564 | 1,242 | −34,743 |
| Average capital empolyed | | | | | |
| Capital employed at beginning of period | 161,990 | 165,273 | 149,615 | 155,625 | 185,667 |
| Capital employed at end of period | 184,283 | 161,990 | 165,273 | 149,615 | 155,625 |
| Average capital empolyed | 173,137 | 163,632 | 157,444 | 152,620 | 170,646 |
| Return on capital employed (%) | 18.4% | 17.0% | 6.7% | 0.8% | −20.4% |

1) 2017 is restated due to implementation of IFRS 15 "Revenue from Contracts with Customers."

**Definition**
Reported EBIT (loss) as a percentage of average capital employed.

**Reason to use**
Return on capital employed is a measure of the profitability after taking into account the amount of capital used. A higher return on capital employed indicates a more efficient use of capital.

### Return on equity [1)]

| SEK million | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Net income (loss) attributable to owners of the Parent Company | 22,694 | 17,483 | 2,223 | −6,530 | −32,576 |
| Average stockholders' equity | | | | | |
| Stockholders' equity, beginning of period [2)] | 86,674 | 82,559 | 86,729 | 95,952 | 134,582 |
| Stockholders' equity, end of period | 108,775 | 86,674 | 82,559 | 86,978 | 96,935 |
| Average stockholders' equity | 97,725 | 84,617 | 84,644 | 91,465 | 115,759 |
| Return on equity (%) | 23.2% | 20.7% | 2.6% | −7.1% | −28.1% |

1) 2017 is restated due to implementation of IFRS 15 "Revenue from Contracts with Customers."
2) For 2019, adjusted opening balance due to implementation of IFRS 16 "Leases," and for 2018, adjusted opening balance due to implementation of IFRS 9 "Financial instruments."

**Definition**
Net income (loss) attributable to owners of the Parent Company as a percentage of average stockholders' equity.

**Reason to use**
Return on equity is a measure of the profitability in relation to the book value of shareholder equity. Return on equity is a measure of how investments are used to generate earnings growth.

### Sales growth adjusted for comparable units and currency

| SEK million | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| Net sales | 232,314 | 232,390 | 227,216 | 210,838 |
| Acquired/divested business | −1,201 | −1,362 | −96 | – |
| Net FX impact | 11,607 | 7,796 | −10,675 | −4,232 |
| Comparable net sales, excluding FX impact | 242,720 | 238,824 | 216,445 | 206,606 |
| Comparable net sales adjusted for acquired/divested business | 232,390 | 227,132 | 208,130 | – |
| Sales growth adjusted for comparable units and currency (%) | 4% | 5% | 4% | 1% |

**Definition**
Sales growth adjusted for the impact of acquisitions and divestments as well as the effects of foreign currency fluctuations. Also named organic sales.

**Reason to use**
Ericsson's presentation currency is SEK while the total revenues are mainly in other currencies. Reported sales growth is dependent on fluctuations in SEK versus other currencies and in addition acquired or divested business can have an impact on reported net sales. Sales growth adjusted for comparable units and currency shows the underlying sales development without these parameters.

# The Ericsson share

## Share trading

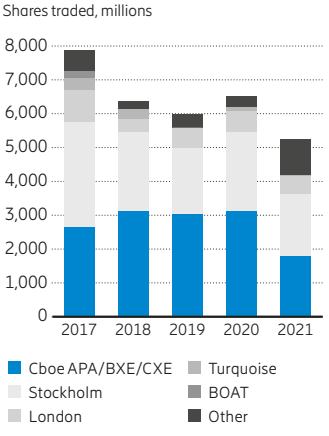
The Telefonaktiebolaget LM Ericsson (the Parent Company) Class A and Class B shares (Ericsson shares) are listed on Nasdaq Stockholm. In the United States, the Class B shares are listed on NASDAQ New York in the form of American Depositary Shares (ADS) evidenced by American Depositary Receipts (ADR) under the symbol ERIC. Each ADS represents one Class B share.

In 2021, approximately 1.8 (2.3) billion Class B shares were traded on Nasdaq Stockholm and approximately 1.6 (2.2) billion ADS were traded in the United States (incl. NASDAQ New York). A total of 3.5 (4.5) billion Ericsson Class B shares were thus traded on the exchanges in Stockholm and in the United States. According to Nasdaq, trading volume in Ericsson shares decreased by approximately 21% on Nasdaq Stockholm and decreased by approximately 25% in the United States when compared to 2020.

With the implementation of the Mifid directive in the EU, share trading became heavily fragmented across a large number of venues and trading categories. Trading on MTFs (multilateral trading facilities) and other venues gained market shares from stock exchanges such as Nasdaq Stockholm. In the last few years however, following a series of merger and acquisitions among trading venues, trading has become more concentrated.

According to Nasdaq, trading in Stockholm represented 53% of total trading in 2021. Total trading in Ericsson B shares on all venues combined has decreased over the past five years from 7.9 billion shares in 2017 to 5.2 billion shares in 2021. Over the same period, trading of Ericsson ADS in the US has increased from 1.2 billion shares in 2017 to 1.6 billion shares.

**Share trading on different market places (class B shares)**




### The Ericsson share

| Share/ADS listings |
|---|
| Nasdaq Stockholm |
| NASDAQ New York |

| Share data | |
|---|---|
| Total number of shares in issue | 3,334,151,735 |
| *of which Class A shares, each carrying one vote* [1] | *261,755,983* |
| *of which Class B shares, each carrying one tenth of one vote* [1] | *3,072,395,752* |
| Ericsson treasury shares, Class B | 4,009,306 |
| Quotient value | SEK 5.00 |
| Market capitalization, December 31, 2021 | SEK 333 billion |
| ICB (Industry Classification Benchmark) | 9,500 |

[1] Both classes of shares have the same rights of participation in the net assets and earnings.

| Ticker codes | |
|---|---|
| Nasdaq Stockholm | ERIC A/ERIC B |
| NASDAQ New York | ERIC |
| Bloomberg Nasdaq Stockholm | ERICA SS/ERICB SS |
| Bloomberg Nasdaq | ERIC US |
| Reuters Nasdaq Stockholm | ERICa.ST/ERICb.ST |
| Reuters Nasdaq | ERIC.O |

Changes in number of shares and capital stock 2017–2021

| | | Number of shares | Share capital (SEK) |
|---|---|---|---|
| 2017 | May 10, new issue (Class C shares, later converted to Class B-shares) [1] | 3,000,000 | 15,000,000 |
| 2017 | December 31 | 3,334,151,735 | 16,670,758,678 |
| 2018 | December 31 | 3,334,151,735 | 16,670,758,678 |
| 2019 | December 31 | 3,334,151,735 | 16,670,758,678 |
| 2020 | December 31 | 3,334,151,735 | 16,670,758,678 |
| 2021 | December 31 | 3,334,151,735 | 16,670,758,678 |

[1] The AGM 2017 resolved to issue 3,000,000 Class C shares for the Long-Term Variable Compensation Program 2017. In accordance with an authorization from the AGM, in the second quarter 2017, the Board of Directors resolved to repurchase the new issued shares, which were subsequently converted into Class B shares. The quotient value of the repurchased shares was SEK 5, totaling SEK 15 million, representing less than 0.1% of capital stock, and the acquisition cost was approximately SEK 15.1 million.

Share performance indicators

| | 2021 | 2020 | 2019 | 2018 | 2017[4] |
|---|---|---|---|---|---|
| Earnings (loss) per share, diluted (SEK) [1] | 6.81 | 5.26 | 0.67 | –1.98 | –9.94 |
| Adjusted earnings (loss) per share (SEK) [2] | 7.26 | 5.83 | 1.07 | 0.27 | –3.24 |
| Dividend per share (SEK) [3] | 2.50 | 2.00 | 1.50 | 1.00 | 1.00 |
| Total shareholder return (%) | 4 | 22 | 6 | 47 | 3 |
| P/E ratio | 15 | 19 | 122 | n/a | n/a |

[1] Calculated on average number of shares outstanding, diluted.
[2] EPS, diluted, excluding amortizations and write-downs of acquired intangible assets, and excluding restructuring charges, SEK. A reconcilation of Alternative performance measures is available on pages 119–123.
[3] For 2021 as proposed by the Board of Directors.
[4] 2017 is restated due to implementation of IFRS 15 "Revenue from Contracts with Customers".

For definitions of the financial terms used including a description of alternative performance measure, see Glossary and Financial Terminology.

## Share and ADS prices

**Principal trading market – Nasdaq Stockholm – share prices**
The tables state the high and low share prices for the Class A and Class B shares as reported by Nasdaq Stockholm for the periods indicated. Trading on the exchange generally continues until 5:30 p.m. (CET) each business day. In addition to trading on the exchange, there is trading off the exchange and on alternative venues during trading hours and also after 5:30 p.m. (CET).

Nasdaq Stockholm publishes a daily Official Price List of Shares which includes the volume of recorded transactions in each listed stock, together with the prices of the highest and lowest recorded trades of the day. The Official Price List of Shares reflects price and volume information for trades completed by the members.

**Host market – NASDAQ New York – ADS prices**
The tables state the high and low share prices quoted for the ADSs on NASDAQ New York for the periods indicated. The NASDAQ New York quotations represent prices between dealers, not including retail markups, markdowns or commissions, and do not necessarily represent actual transactions.

Share prices on Nasdaq Stockholm

| (SEK) | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Class A at last day of trading | 100.20 | 105.40 | 85.40 | 77.40 | 53.25 |
| Class A high (Feb 15, 2021) | 128.80 | 119.00 | 96.80 | 85.20 | 64.80 |
| Class A low (Nov 3, 2021) | 91.90 | 64.10 | 74.70 | 49.05 | 44.17 |
| Class B at last day of trading | 99.79 | 99.98 | 81.56 | 77.92 | 53.85 |
| Class B high (Apr 21, 2021) | 121.80 | 110.15 | 96.74 | 85.66 | 64.95 |
| Class B low (Nov 3, 2021) | 91.00 | 59.54 | 74.02 | 49.04 | 43.75 |

Source: Nasdaq Stockholm

Share prices on NASDAQ New York

| (USD) | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| ADS at last day of trading | 10.87 | 11.95 | 8.78 | 8.88 | 6.68 |
| ADS high (Jan 27, 2021) | 15.32 | 12.20 | 10.46 | 9.45 | 7.47 |
| ADS low (Dec 3, 2021) | 9.93 | 6.15 | 7.58 | 6.00 | 5.52 |

Source: NASDAQ New York

Share prices on Nasdaq Stockholm and NASDAQ New York

| | Nasdaq Stockholm | | | | NASDAQ New York | |
|---|---|---|---|---|---|---|
| | SEK per Class A share | | SEK per Class B share | | USD per ADS[1] | |
| Period | High | Low | High | Low | High | Low |
| **Annual high and low** | | | | | | |
| 2017 | 64.80 | 44.17 | 64.95 | 43.75 | 7.47 | 5.52 |
| 2018 | 85.20 | 49.05 | 85.66 | 49.04 | 9.45 | 6.00 |
| 2019 | 96.80 | 74.70 | 96.74 | 74.02 | 10.45 | 7.58 |
| 2020 | 119.00 | 64.10 | 110.15 | 59.54 | 12.61 | 6.15 |
| 2021 | 128.80 | 91.90 | 121.80 | 91.00 | 15.32 | 9.93 |
| **Quarterly high and low** | | | | | | |
| 2020 First Quarter | 96.10 | 64.10 | 89.22 | 59.54 | 9.24 | 6.15 |
| 2020 Second Quarter | 100.60 | 77.40 | 91.78 | 77.60 | 9.88 | 7.62 |
| 2020 Third Quarter | 114.80 | 92.50 | 105.10 | 85.40 | 12.10 | 9.20 |
| 2020 Fourth Quarter | 119.00 | 100.40 | 110.15 | 93.42 | 12.61 | 10.50 |
| 2021 First Quarter | 128.80 | 105.40 | 118.05 | 96.90 | 15.32 | 11.55 |
| 2021 Second Quarter | 122.60 | 104.40 | 121.80 | 104.90 | 14.39 | 12.40 |
| 2021 Third Quarter | 116.00 | 95.40 | 116.16 | 95.58 | 13.40 | 10.88 |
| 2021 Fourth Quarter | 107.00 | 91.90 | 107.04 | 91.00 | 12.24 | 9.93 |
| **Monthly high and low** | | | | | | |
| August 2021 | 105.00 | 97.90 | 104.78 | 97.78 | 12.00 | 11.16 |
| September 2021 | 104.80 | 95.40 | 104.48 | 95.58 | 12.13 | 10.88 |
| October 2021 | 107.00 | 93.20 | 107.04 | 92.92 | 12.24 | 10.82 |
| November 2021 | 98.70 | 91.90 | 98.59 | 91.00 | 11.19 | 9.94 |
| December 2021 | 100.60 | 92.20 | 99.99 | 91.16 | 11.02 | 9.93 |
| January 2022 | 116.40 | 99.70 | 115.38 | 97.01 | 12.39 | 10.54 |

[1] One ADS = 1 Class B share.

Source: Nasdaq Stockholm and NASDAQ New York.

## Shareholders

As of December 31, 2021, the Parent Company had 423,904 shareholders registered at Euroclear Sweden AB (the Central Securities Depository – CSD), of which 698 holders had a US address. According to information provided by the Company's depositary bank, Deutsche Bank, there were 335,317,026 ADSs outstanding as of December 31, 2021, and 3,041 registered holders of such ADSs. A significant number of Ericsson ADSs are held by banks, brokers and/or nominees for the accounts of their customers. As of January 14, 2022, the total number of bank, broker and/or nominee accounts holding Ericsson ADSs was 214,032.

According to information known at year-end 2021, approximately 87% of the Class A and Class B shares were owned by institutions, Swedish and international. The major shareholders do not have different voting rights than other shareholders holding the same classes of shares. As far as Ericsson knows, the Company is not directly or indirectly owned or controlled by another corporation, by any foreign government or by any other natural or legal person(s) separately or jointly.

The table below shows the total number of shares in the Parent Company owned by the Executive Team and Board members (including Deputy employee representatives) as a group as of December 31, 2021.

The Executive Team and Board members, ownership

| | Number of Class A shares | Number of Class B shares | Voting rights, percent |
|---|---|---|---|
| The Executive Team and Board members as a group (30 persons) | 1,708 | 3,077,014 | 0.05% |

For individual holdings, see Corporate Governance Report.

**Geographical ownership breakdown of share capital including retail shareholders and treasury shares**

Percent of capital

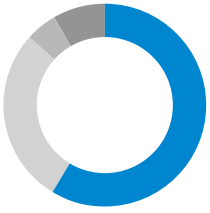


| | 2021 | 2020 |
|---|---|---|
| Sweden | 39.83% | 41.04% |
| United States | 26.67% | 26.14% |
| United Kingdom | 6.47% | 5.90% |
| Norway | 4.10% | 3.90% |
| France | 2.47% | 1.50% |
| Other countries | 20.46% | 21.52% |

Source: Nasdaq

**Ownership breakdown by type of owner**

Percentage of voting rights



| | 2021 | 2020 |
|---|---|---|
| Swedish institutions | 58.66% | 59.81% |
| *Of which:* | | |
| *– Investor AB* | *23.79%* | *22.81%* |
| *– AB Industrivärden [1]* | *15,45%* | *19.26%* |
| *– AMF Tjänstepension & AMF Fonder* | *4.36%* | *2.56%* |
| Foreign institutions | 28.23% | 27.63% |
| Swedish retail investors | 5.02% | 4.81% |
| Other | 8.09% | 7.75% |

Source: Nasdaq

[1] Together with SHB Pensionsstiftelse and Pensionkassan SHB Tjänstepensionsförening.

Number of shares [1]

| Holding | No. of shareholders | No. of A shares | No. of B shares | Percentage of share capital | Percentage of voting rights | Market value (MSEK) |
|---|---|---|---|---|---|---|
| 1–500 | 339,582 | 1,476,912 | 42,268,120 | 1.31% | 1.00% | 4,365,922 |
| 501–1,000 | 38,180 | 986,204 | 28,029,100 | 0.87% | 0.67% | 2,895,842 |
| 1,001–5,000 | 37,886 | 2,805,648 | 79,845,443 | 2.48% | 1.90% | 8,248,903 |
| 5,001–10,000 | 4,762 | 1,050,198 | 32,985,657 | 1.02% | 0.76% | 3,396,869 |
| 10,001–15,000 | 1,266 | 373,924 | 15,224,160 | 0.47% | 0.33% | 1,556,686 |
| 15,001–20,000 | 599 | 311,008 | 10,431,025 | 0.32% | 0.24% | 1,072,075 |
| 20,001– | 1,626 | 254,752,089 | 2,863,287,988 | 93.52% | 95.09% | 311,253,668 |
| **Total, December 31, 2021 [2]** | **423,904** | **261,755,983** | **3,072,395,752** | **100%** | **100%** | **332,822,322** |

[1] Source: Euroclear.

[2] Includes a nominee reporting discrepancy of 324,264 shares.

The following table shows share information as of December 31 2021 with respect to the 15 largest shareholders ranked by voting rights as well as their percentage of voting rights as of December 31 2021, 2020 and 2019.

Largest shareholders December 31, 2020 and percentage of voting rights December 31, 2021, 2020 and 2019

| Identity of person or group [1] | Number of Class A shares | Of total Class A shares percent | Number of Class B shares | Of total Class B shares percent | Of total Class A+B shares percent | 2021 Voting rights percent | 2020 Voting rights percent | 2019 Voting rights percent |
|---|---|---|---|---|---|---|---|---|
| Investor AB | 120,762,803 | 46.14 | 145,982,932 | 4.75 | 8.00 | 23.79 | 22.81 | 22.53 |
| AB Industrivärden | 86,052,615 | 32.88 | 1,000,000 | 0.03 | 2.61 | 15.14 | 15.14 | 15.14 |
| AMF Tjänstepension & AMF Fonder | 20,650,000 | 7.89 | 41,849,713 | 1.36 | 1.87 | 4.36 | 2.56 | 2.71 |
| Cevian Capital | 339,228 | 0.13 | 151,386,082 | 4.93 | 4.55 | 2.72 | 3.25 | 4.99 |
| BlackRock Institutional Trust Company, N.A. | 522 | 0.00 | 137,111,236 | 4.46 | 4.11 | 2.41 | 2.35 | 2.16 |
| Swedbank Robur Fonder AB [2] | 8,277 | 0.00 | 127,530,652 | 4.15 | 3.83 | 2.24 | 2.31 | 2.33 |
| AFA Försäkring AB | 11,484,600 | 4.39 | 1,881,329 | 0.06 | 0.40 | 2.05 | 1.99 | 2.06 |
| PRIMECAP Management Company | 0 | 0.00 | 105,576,247 | 3.44 | 3.17 | 1.86 | 2.18 | 2.32 |
| The Vanguard Group, Inc. | 867,142 | 0.33 | 80,337,772 | 2.61 | 2.44 | 1.56 | 1.42 | 1.46 |
| Livförsäkringsbolaget Skandia, ömsesidigt | 4,417,721 | 1.69 | 23,875,322 | 0.78 | 0.85 | 1.20 | 1.17 | 1.18 |
| Fidelity International | 0 | 0.00 | 59,948,762 | 1.95 | 1.80 | 1.05 | 0.79 | 0.57 |
| Tredje AP Fonden | 4,253,533 | 1.62 | 15,657,855 | 0.51 | 0.60 | 1.02 | 0.44 | 0.53 |
| State Street Global Advisors (US) | 0 | 0.00 | 53,785,677 | 1.75 | 1.61 | 0.95 | 0.97 | 1.03 |
| Handelsbanken Asset Management | 11,352 | 0.00 | 52,624,728 | 1.71 | 1.58 | 0.93 | 0.89 | 1.25 |
| Norges Bank Investment Management (NBIM) | 260,203 | 0.10 | 48,011,969 | 1.56 | 1.45 | 0.89 | 1.03 | 1.49 |
| Others | 12,647,987 | 4.83 | 2,025,835,476 | 65.94 | 61.14 | 37.83 | 40.71 | 38.24 |
| **Total** | **261,755,983** | **100** | **3,072,395,752** | **100** | **100** | **100** | **100** | **100** |

[1] Source: Nasdaq

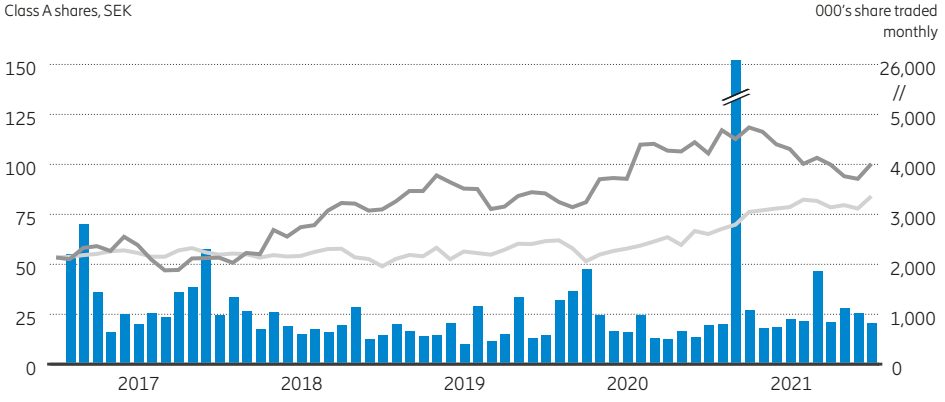
[2] In 2019 Annual report, Folksam's holdings were included in Swedbank Robur Fonder AB's holdings for 2019, which is why Swedbank Robur Fonder AB's holdings were then stated as 3.07% of the voting rights and 5.24% of the number of shares for 2019.

## Share trend

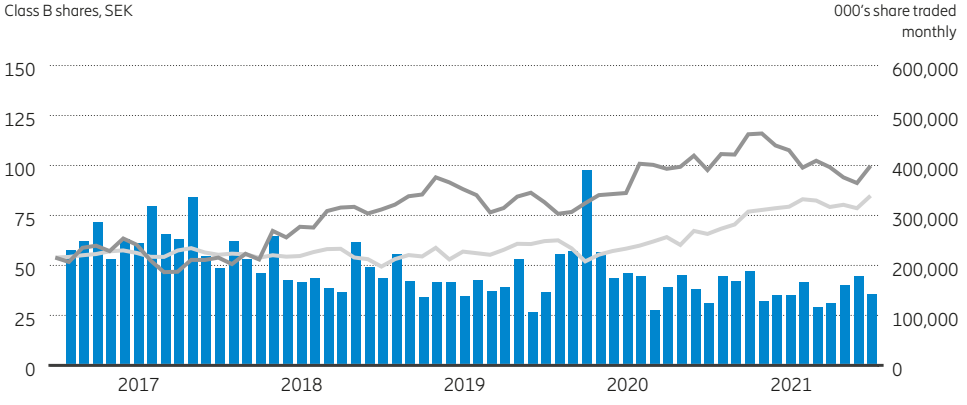
In 2021, Ericsson's total market capitalization increased by 2.2% to SEK 333 billion, compared to an increase by 19.7% reaching SEK 326 billion in 2020. In 2021, the index, OMX Stockholm, on Nasdaq Stockholm increased by 29.1%, the Nasdaq composite index increased by 21.4% and the S&P 500 Index increased by 26.9%.

### Share turnover and price trend, Nasdaq Stockholm

Class A shares, SEK




Class B shares, SEK

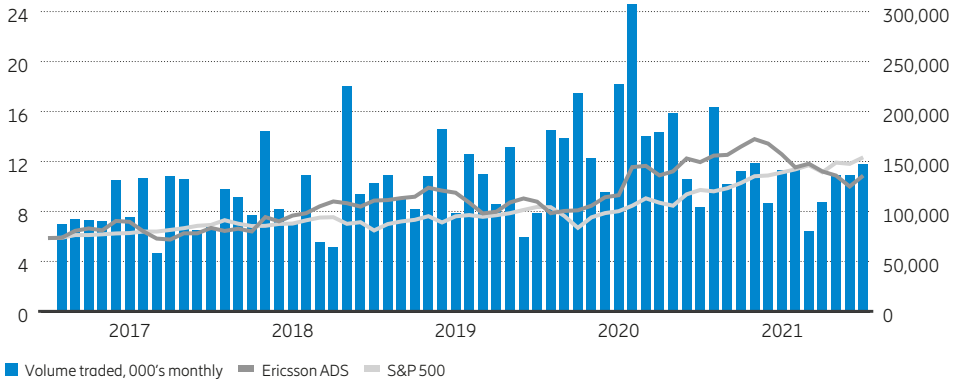



Volume traded, 000's monthly — Ericsson share — Nasdaq Stockholm Index OMXS30

Volumes reflect trading on Nasdaq Stockholm only.

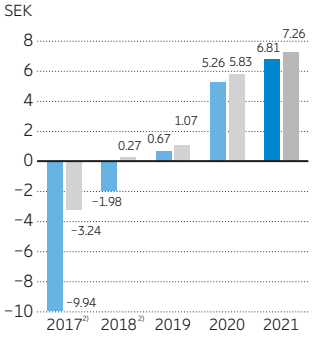
### Share turnover and price trend, NASDAQ New York

ADS, USD




Volume traded, 000's monthly — Ericsson ADS — S&P 500

### Earnings (loss) per share, diluted



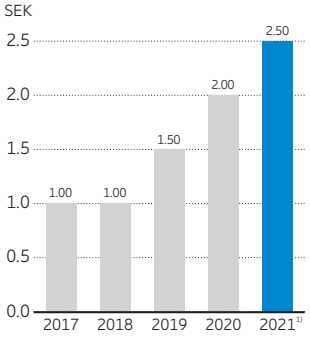

Earnings (loss) per share, diluted

Adjusted earnings (loss) per share [1]

[1] EPS, diluted, excl. restructuring charges, amortizations and write-downs of acquired intangible assets, SEK. A reconciliation of Alternative performance measures is available on pages 119–123.

[2] 2017 is restated due to implementation of IFRS 15 "Revenue from Contracts with Customers".

### Dividend per share




[1] For 2021 as proposed by the Board of Directors.

# Shareholder information

Telefonaktiebolaget LM Ericsson's Annual General Meeting of shareholders 2022 will be held on Tuesday, March 29, 2022 at 3 p.m.

Due to COVID-19, the Board of Directors has decided that the Annual General Meeting of shareholders 2022 will be conducted without the physical presence of shareholders, representatives and third parties and that the meeting will be conducted as a digital meeting with online participation, in accordance with the Swedish Act on temporary exceptions to facilitate the execution of general meetings in companies and other associations. Shareholders are also able to exercise their voting rights by post before the meeting.

Information on registration and notice of participation, on how shareholders will be able to exercise their voting rights, and on proxies and assistants is found in the notice of the Annual General Meeting. Information is also available on Ericsson's website www.ericsson.com.

**Dividend**

The Board of Directors will propose a dividend for 2021 of SEK 2.50 (2.00) per share to the Annual General Meeting. The dividend is proposed to be paid in two equal installments, SEK 1.25 per share with the record date March 31, 2022, and SEK 1.25 per share with the record date September 30, 2022.

**Financial information from Ericsson**

*2021 Form 20-F for the US market:*
- March 24, 2022

*Interim reports 2022:*
- Q1, April 14, 2022
- Q2, July 14, 2022
- Q3, October 20, 2022
- Q4, January 20, 2023

*Annual Report 2022:*
- March, 2023

# Financial terminology [1)]

**Adjusted earnings (loss) per share**
Earnings (loss) per share (EPS), diluted, excluding amortizations and write-downs of acquired intangible assets and excluding restructuring charges.

**Adjusted working capital**
Current assets less current non-interest-bearing provisions and liabilities (which include current provisions, contract liabilities, trade payables, current tax liabilities and other current liabilities).

**CAPEX**
Capital expenditures.

**Capital employed**
Total assets less non-interest-bearing provisions and liabilities (which includes non-current provisions, deferred tax liabilities, contract liabilities, other non-current liabilities, current provisions, trade payables, current tax liabilities and other current liabilities).

**Capital turnover**
Net sales divided by average capital employed.

**Compound annual growth rate (CAGR)**
The year-over-year growth rate over a specified period of time.

**Days sales outstanding (DSO)**
Trade receivables balance at quarter end divided by net sales in the quarter and multiplied by 90 days. If the amount of trade receivables is larger than last quarter's sales, the excess amount is divided by net sales in the previous quarter and multiplied by 90 days, and total DSO are the 90 days of the most current quarter plus the additional days from the previous quarter.

**Earnings (loss) per share (EPS)**
Basic earnings (loss) per share: profit or loss attributable to stockholders of the Parent Company divided by the weighted average number of ordinary shares outstanding during the period.

**Earnings (loss) per share diluted (EPS diluted)**
Earnings (loss) per share, using the weighted average number of shares outstanding adjusted for the effects of dilutive potential ordinary shares.

**EBIT**
Reported earnings (loss) before financial items and income tax.

**EBIT margin**
Reported EBIT (loss) as a percentage of net sales.

**EBITA**
Earnings (loss) before interest, taxes, amortizations and write-downs of acquired intangible assets

**EBITA margin**
Earnings (loss) before interest, taxes, amortizations and write-downs of acquired intangible assets (EBITA) as a percentage of net sales.

**Equity ratio**
Equity expressed as a percentage of total assets.

**Free cash flow after M&A**
Cash flow from operating activities less net capital expenditures, other investments and repayment of lease liabilities.

**Free cash flow before M&A**
Cash flow from operating activities less net capital expenditures, other investments and repayment of lease liabilities (excluding M&A).

**Gross cash**
Cash and cash equivalents plus interest-bearing securities (current and non-current).

**Gross margin**
Reported gross income as a percentage of net sales.

**Inventory turnover days (ITO days)**
365 divided by inventory turnover, calculated as total cost of sales divided by the average inventories for the year (net of advances from customers).

**M&A**
Mergers and Acquisitions.

**Net cash**
Cash and cash equivalents plus interest-bearing securities (current and non-current) less borrowings (current and non-current).

**OCI**
Other comprehensive income.

**OPEX**
Operational expenses.

**P/E ratio**
The P/E ratio is calculated as the price of a Class B share at last day of trading divided by earnings per basic share.

**Payable days**
The average balance of trade payables at the beginning and at the end of the year divided by cost of sales for the year, and multiplied by 365 days.

**Return on capital employed**
Reported EBIT (loss) as a percentage of average capital employed (based on the amounts at January 1 and December 31).

**Return on equity**
Net income (loss) attributable to owners of the Parent Company as a percentage of average stockholders' equity (based on the amounts at January 1 and December 31).

**Sales growth adjusted for comparable units and currency**
Sales growth adjusted for the impact of acquisitions and divestments as well as the effects of foreign currency fluctuations. Also named as organic sales.

**SG&A**
Selling, General & Adminstrative operating expenses.

**Total shareholder return (TSR)**
The increase or decrease in Class B share price during the period, including dividend, expressed as a percentage of the share price at the start of the period.

**Value at Risk (VaR)**
A statistical method for calculating the maximum potential loss that may occur with a given confidence level over a given time period.

## Exchange rates

Exchange rates in consolidation

| | January–December | |
|---|---|---|
| | 2021 | 2020 |
| **SEK/EUR** | | |
| Average rate [1)] | 10.15 | 10.46 |
| Closing rate | 10.24 | 10.06 |
| **SEK/USD** | | |
| Average rate [1)] | 8.56 | 9.14 |
| Closing rate | 9.05 | 8.19 |

[1)] Average for the year for disclosure purpose only. Period income and expenses for each income statement are translated at period average exchange rates.

[1)] For additional information of certain financial terms, see Alternative performance measures on pages 119–123.

# Glossary

**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.

**4G**
Forth generation mobile systems, also known as LTE.

**5G**
The fifth generation of mobile systems. An evolution of 4G/LTE.

**BSS**
Business Support Systems, the IT-systems that a service provider uses to run its business operations towards customers. Together with operations support systems (OSS), they are used to support various services for both business processes and the network end-to-end.

**Cloud**
When data and applications reside in accessible data centers.

**$CO_2e$**
The amount of a particular greenhouse gas, expressed as the amount of carbon dioxide that gives the same greenhouse effect.

**Core network**
The mobile network's core part, which offers numerous services to the end users who are interconnected by the access network. Its key function is to direct voice calls and route data traffic.

**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).

**ICT**
Information and Communication Technology.

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

**IP**
Internet Protocol. Defines how information travels between network elements across the internet.

**IPR**
Intellectual Property Rights, or specifically patents.

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

**Managed services**
Management of operator networks and/or hosting of their services.

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

**OSS**
Operations Support Systems, IT-systems used by service providers to manage their networks. They support management functions such as network inventory, service provisioning, network configuration and fault management. Together with Business Support Systems (BSS), they are used to support various services for both business processes and the network end-to-end.

**RAN**
Radio Access Network, consists of a large number radio base stations that handsets and devices can connect to.

# Corporate Governance report

Part of Ericsson Annual Report 2021



Annual Report 2021

Financial report

Corporate Governance report

Remuneration report

Sustainability and Corporate Responsibility report

ericsson.com

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## Corporate Governance report 2021


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This Corporate Governance report is rendered as a separate report added to the Financial Report in accordance with the Annual Accounts Act ((SFS 1995:1554) Chapter 6, Sections 6 and 8) and the Swedish Corporate Governance Code.

The report has been reviewed by Ericsson's auditor in accordance with the Annual Accounts Act.

A report from the auditor is appended here to.

# Corporate Governance report 2021

Corporate governance describes how rights and responsibilities are distributed among corporate bodies according to applicable laws, rules and internal processes. Corporate governance also defines the decision-making systems and structures through which owners directly or indirectly control a company.

"For the Board, governance and compliance are a top priority. The Board oversees Ericsson's continued strengthening of its Ethics and Compliance program to ensure that it lives up to its ambitious standards. The Company is committed to continuously developing and improving its internal processes and internal anti-corruption controls in the years to come.

The Code of Business Ethics outlines the fundamental ethical principles and expectations for Ericsson's business decisions and integrity. The Board fully supports the addition of integrity to the Company's core values of respect, professionalism, and perseverance, as it clearly strengthens the Company's ongoing cultural transformation and reflects Ericsson's strong ambition to build an integrity-based "speak-up" culture."

**Ronnie Leten**
Chair of the Board

## Regulation and compliance

### External rules

As a Swedish public limited liability company with securities quoted on Nasdaq Stockholm as well as on NASDAQ New York, Ericsson is subject to a variety of rules that affect its governance. Some relevant external rules applicable to Ericsson's governance include:

- The Swedish Companies Act
- Applicable EU regulations
- The Nordic Main Market Rulebook for Issuers of Shares, Nasdaq Nordic
- The Swedish Corporate Governance Code (the Code)
- The NASDAQ Stock Market Rules, including applicable NASDAQ New York corporate governance requirements (subject to certain exemptions principally reflecting mandatory Swedish legal requirements)
- Applicable requirements of the US Securities and Exchange Commission (SEC).

### Internal rules

In addition, to ensure compliance with legal and regulatory requirements and the high standards that Ericsson has set, Ericsson has adopted internal rules that include:

- The Code of Business Ethics
- Group Steering Documents, including Group policies and directives, instructions and business processes for approval, control and risk management
- The Code of Conduct for Business Partners

The articles of association and the work procedure for the Board of Directors also include internal corporate governance rules.

### Sustainability and corporate responsibility governance

Ericsson's approach to sustainability and corporate responsibility is an integral part of the Company's strategy and culture and is embedded across its operations to drive business transformation and create value for stakeholders.

The environmental, social and economic performance of the Company is regularly measured, assessed and externally assured. A dedicated Sustainability and Corporate Responsibility unit is accountable for developing and implementing relevant strategies, policies, steering documents, targets and processes.

The Board of Directors oversees the Company's sustainability and corporate responsibility strategy. The Board receives reports on risks and performance annually, or more often as needed.

Ericsson has prepared a separate Sustainability Report in accordance with the Swedish Annual Accounts Act, named the Sustainability and Corporate Responsibility Report 2021.

## Compliance with regulations

### Compliance with the Swedish Corporate Governance Code

The Code is based on the principle of "comply or explain" and is published on the website of the Swedish Corporate Governance Board, which administers the Code: www.corporategovernanceboard.se. Ericsson does not report any deviations from the rules of the Code in 2021.

### Compliance with applicable stock exchange rules

There has been no infringement by Ericsson of applicable stock exchange rules and no breach of good practice on the securities market reported by the disciplinary committee of Nasdaq Stockholm or the Swedish Securities Council in 2021.

**2019 Resolutions with US Authorities**
In 2019, Ericsson announced the resolution of investigations by the US Department of Justice (DOJ) and the Securities and Exchange Commission (SEC) regarding the Company's compliance with the US Foreign Corrupt Practices Act (FCPA). As part of the Deferred Prosecution Agreement (DPA) with the DOJ and consent judgment with the SEC, Ericsson agreed to engage an independent compliance monitor for a period of three years while the Company continues to undertake significant reforms to strengthen its Ethics & Compliance Program. In 2020, the three-year period for the monitorship commenced with the appointment of Dr. Andreas Pohlmann of the firm Pohlmann & Company – Compliance and Governance Advisory LLP as Ericsson's monitor. The monitor's main responsibilities include reviewing Ericsson's compliance with the terms of the resolution and evaluating the Company's progress in implementing and operating its enhanced compliance program and accompanying controls as well as providing recommendations for improvements.

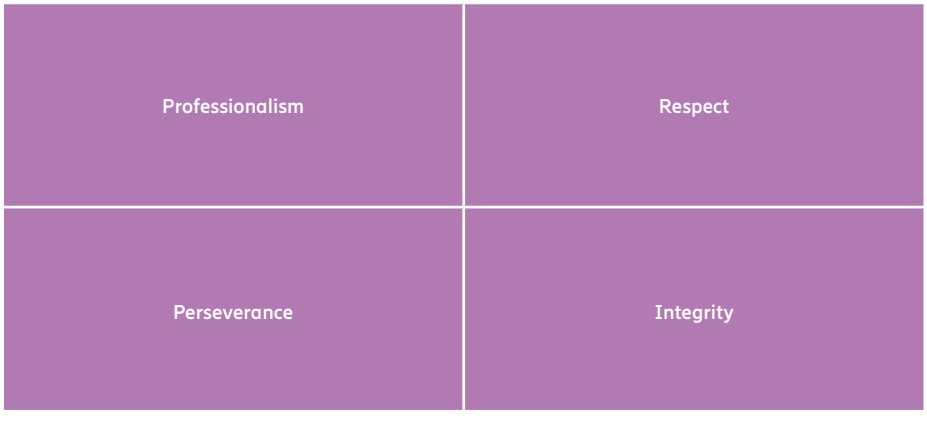
On October 21, 2021 Ericsson received correspondence from the DOJ stating its determination that the Company had breached its obligations under the DPA by failing to provide certain documents and factual information. At this time we cannot provide further details about the determination by the DOJ and cannot 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. Ericsson is committed to cooperating openly and fully with the DOJ and its Independent Compliance Monitor consistent with all terms set out in the DPA.

**The Code of Business Ethics**
Ericsson's newly revised and enhanced Code of Business Ethics (COBE), launched in 2021, outlines the Company's fundamental ethical principles and expectations. COBE is designed to ensure that the Company pursues business with a strong sense of integrity and reflects the Company's commitment to conducting business responsibly, consistent with all internationally recognized human rights principles and the applicable laws and regulations where the Company operates.

COBE is applicable to all individuals performing work for Ericsson and under its control (including employees, the Board of Directors, the President and CEO, and consultants and contractors) and has been translated into 43 languages to ensure that it is understood by all. Everyone working for the Company has an individual responsibility to ensure that their business practices adhere to COBE.

The Company reviews and updates COBE's content periodically, and runs an acknowledgment process regularly, including during 2021, to ensure that everyone working for Ericsson has read and understood it. New employees and individuals starting work for Ericsson are also required to acknowledge their understanding of COBE upon their recruitment or on the first day of their assignment.

**Ericsson's core values**




The Company's core values are the foundation of its culture. They guide employees' daily work, in how they relate to each other and the world around them and in the way the Company does business.

The Code of Business Ethics and the Code of Conduct for Business Partners can be found on Ericsson's website.

## Governance structure

Shareholders may exercise their decision-making rights in Telefonaktiebolaget LM Ericsson (the "Parent Company") at General Meetings of shareholders.

A Nomination Committee is appointed each year by the major shareholders in accordance with the Instruction for the Nomination Committee adopted by the Annual General Meeting of shareholders. The tasks of the Nomination Committee include the proposal of Board members and external auditor for election by the Annual General Meeting of shareholders and proposal of Board member and auditor remuneration.

In addition to the Board members elected by shareholders, the Board of Directors consists of employee representatives and their deputies who the unions have the right to appoint under Swedish law. The Board of Directors is ultimately responsible for the strategy and the organization of Ericsson and the management of its operations.

The President and CEO, appointed by the Board of Directors, is responsible for handling the day-to-day management of Ericsson in accordance with guidelines issued by the Board. The President and CEO is supported by the Executive Team.

The external auditor of Ericsson is appointed by the shareholders at the General Meeting of shareholders.

## Ownership structure

As of December 31, 2021, the Parent Company had 423,904 registered shareholders, of which 411,093 were resident or located in Sweden (according to the share register kept by Euroclear Sweden AB). Swedish institutions held approximately 58.66% of the votes. The largest shareholders as of December 31, 2021 were Investor AB with approximately 23.79% of the votes (8.00% of the shares) and AB Industrivärden (together with Svenska Handelsbankens Pensionsstiftelse and Pensionskassan SHB Tjänstepensionsförening) with approximately 15.45% of the votes (2.95% of the shares) and AMF Tjänstepension & AMF Fonder with approximately 4.36% of the votes (1.87% of the shares).

A significant number of the shares held by foreign investors are nominee-registered, i.e., held of record by banks, brokers and/or nominees. This means that the actual shareholder is not displayed in the share register or included in the shareholding statistics.

More information on Ericsson's shareholders can be found in the chapter "The Ericsson share" in the Financial Report.

## Shares and voting rights

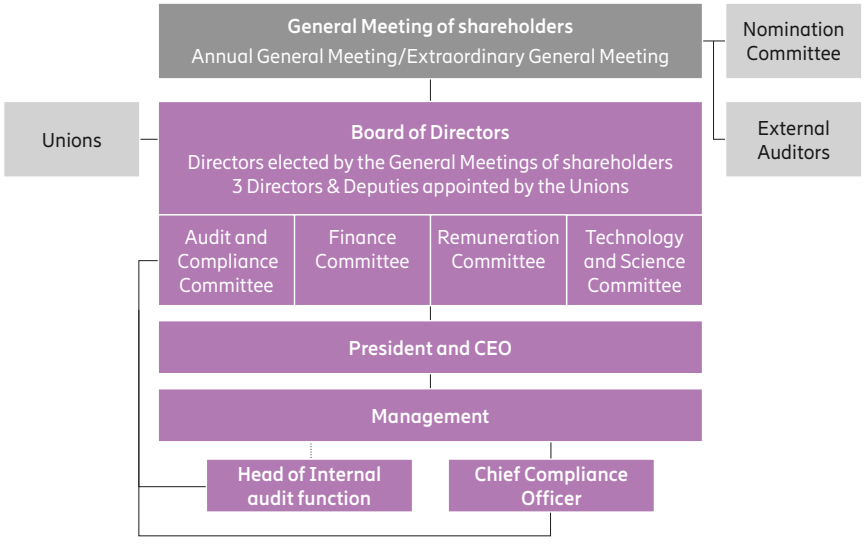
The share capital of the Parent Company consists of two classes of shares listed on Nasdaq Stockholm: A and B shares. Each Class A share carries one vote, and each Class B share carries one tenth of one vote. Class A and B shares entitle the holder to the same proportion of assets and earnings and carry equal rights to dividends.

The Parent Company may also issue Class C shares, which are converted into Class B shares to create treasury stock to finance and hedge long-term variable compensation programs resolved by the General Meeting of shareholders.

In the US, the Ericsson Class B shares are listed on NASDAQ New York in the form of American Depositary Shares (ADS) evidenced by American Depositary Receipts (ADR). Each ADS represents one Class B share.

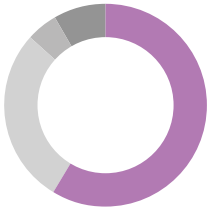
The members of the Board of Directors and the Executive Team have the same voting rights on shares as other shareholders holding the same class of shares.

### Governance structure




### Shareholders

Ownership percentage (voting rights)



| | |
|---|---|
| Swedish institutions: | 58.66% |
| Of which: | |
| – Investor AB: | 23.79% |
| – AB Industrivärden: (together with SHB Pensionsstiftelse and Pensionskassan SHB Tjänstepensionsförening | 15.45% |
| – AMF Tjänstepension & AMF Fonder: | 4.36% |
| Foreign institutions: | 28.23% |
| Swedish retail investors: | 5.02% |
| Others: | 8.09% |

Source: Nasdaq

## General Meetings of shareholders

### Decision-making at General Meetings

The decision-making rights of Ericsson's shareholders are exercised at General Meetings of shareholders. Most resolutions at General Meetings are passed by a simple majority. However, the Swedish Companies Act requires qualified majorities in certain cases, for example in case of:

- Amendment of the articles of association
- Resolution to transfer treasury stock to employees participating in long-term variable compensation programs.

### The Annual General Meeting of shareholders

The Annual General Meeting of shareholders (AGM) is held in Stockholm. The date and venue for the meeting are announced on the Ericsson website no later than at the time of release of the third-quarter interim financial report in the preceding year.

Shareholders who cannot participate in person may be represented by proxy. The Board of Directors may decide, in accordance with the articles of association, that the shareholders also shall be able to exercise their voting rights by post before the AGM pursuant to the procedure stated in the Swedish Companies Act. Only shareholders registered in the share register have voting rights. Nominee-registered shareholders who wish to vote must request to be entered into the share register by the record date for the AGM.

The AGM is held in Swedish and is simultaneously translated into English. Documentation provided by the Company is available in both Swedish and English.

The AGM gives shareholders the opportunity to raise questions relating to the operations of the Group. Normally, the majority of the members of the Board of Directors and the Executive Team is present to answer such questions.

The external auditor is present at the AGM.

### Ericsson's AGM 2021

Including shareholders represented by proxy, 1,890 shareholders were represented at the AGM held on March 30, 2021 representing approximately 67% of the votes.

Due to the COVID-19 pandemic, the AGM 2021 was conducted without the physical presence of shareholders, representatives and third parties and the shareholders were able to exercise their voting rights only by post before the meeting. This in line with section 22 of the Act (2020:198) on temporary exceptions to facilitate the execution of general meetings in companies and other associations. To allow shareholders to listen to management and ask questions, the Company also held an on-line shareholder event before the voting deadline.

Decisions of the AGM 2021 included:

- Payment of a dividend of SEK 2.00 per share to be paid in two instalments
- Re-election of Ronnie Leten as Chair of the Board of Directors
- Re-election of other members of the Board of Directors: Jon Fredrik Baksaas, Jan Carlson, Eric A. Elzvik, Nora Denzel, Börje Ekholm, Kurt Jofs, Kristin S. Rinne, Helena Stjernholm and Jacob Wallenberg
- Approval of Board of Directors' fees, in accordance with the Nomination Committee's proposal:
  - Chair: SEK 4,225,000 (previously SEK 4,075,000)
  - Other non-employee Board members: SEK 1,060,000 each (previously SEK 1,020,000)
  - Chair of the Audit and Compliance Committee: SEK 420,000 (previously SEK 400,000)
  - Other non-employee members of the Audit and Compliance Committee: SEK 270,000 each (previously SEK 250,000)
  - Chairs of the Finance Committee, the Remuneration Committee and the Technology and Science Committee: SEK 205,000 each (previously SEK 200,000)
  - Other non-employee members of the Finance Committee, the Remuneration Committee and the Technology and Science Committee: SEK 180,000 each (previously SEK 175,000)
- Approval for part of the Directors' fees to be paid in the form of synthetic shares
- Appointment of Deloitte AB as auditor for the period up until the end of the AGM 2022
- Amendment of the articles of association
- Implementation of a Long-Term Variable Compensation Program 2021 (LTV 2021) for the Executive Team.

The minutes from the AGM 2021 are available on Ericsson's website.

**Contact the Board of Directors**
Telefonaktiebolaget LM Ericsson
The Board of Directors Secretariat
SE-164 83 Stockholm
Sweden
boardsecretariat@ericsson.com

**Annual General Meeting 2022**
Ericsson's AGM 2022 will take place on March 29, 2022. Further information is available on Ericsson's website.

## Nomination Committee

The AGM has adopted an Instruction for the Nomination Committee that includes the tasks of the Nomination Committee and the procedures for appointing its members. The Instruction applies until the General Meeting of shareholders resolves otherwise. Under the Instruction, the Nomination Committee shall consist of:

- Representatives of the four largest shareholders by voting power by the end of the month in which the AGM was held, and
- The Chair of the Board of Directors.

The Committee may also include additional members following a request by a shareholder. The request must be justified by changes in the shareholder's ownership of shares and be received by the Nomination Committee no later than December 31 of each year. No fees are paid to the members of the Nomination Committee. However, the Company shall bear the reasonable expenses reasonably related to the assignment of the Nomination Committee.

### Members of the Nomination Committee

The current Nomination Committee members are:

- Johan Forssell (Investor AB), Chair of the Nomination Committee
- Karl Åberg (AB Industrivärden)
- Anders Oscarsson (AMF Tjänstepension & AMF Fonder)
- Jonas Synnergren (Cevian Capital Partners Limited)
- Ronnie Leten (the Chair of the Board of Directors).

### The tasks of the Nomination Committee

The main task of the Nomination Committee is to propose Board members for election by the AGM. As member of the Nomination Committee, the Chair of the Board of Directors fulfills an important role to inform the Committee of the Company's strategy and future challenges. Such insights are necessary for the Committee to be able to assess the competence and experience that is required by the Board. In addition, the Committee must consider independence rules applicable to the Board of Directors and its committees.

The Nomination Committee also makes the following proposals, for resolution by the AGM:

- Remuneration to non-employee Directors elected by the AGM and remuneration to the auditor
- Appointment of auditor, whereby candidates are selected in cooperation with the Audit and Compliance Committee of the Board
- Election of Chair at the AGM
- Changes to the Instruction for the Nomination Committee (if any).

### Work of the Nomination Committee for the AGM 2022

The Nomination Committee started its work by going through a checklist of its duties under the Code and the Instruction for the Nomination Committee and by setting a time plan for its work ahead. The complete proposals of the Nomination Committee are presented in connection with the notice convening the AGM 2022.

A good understanding of Ericsson's business and strategy is important for the Nomination Committee. Therefore, the Chair of the Board presented his views to the Committee on the Company's strategy and challenges. The Committee also met with Ericsson's President and CEO, Börje Ekholm, who presented his views in this respect.

The Committee has analysed the needs of competencies in the Board and has been informed of the results of the Board work evaluation led by the Chair of the Board. On this basis the Nomination Committee has assessed the competence and experience required by Ericsson's Board members and the need for improvement of the composition of the Board in terms of diversity in age, gender and cultural/geographic background. The Nomination Committee has applied the Swedish Corporate Governance Code, section 4.1, as diversity policy. The Nomination Committee aims to propose a composition of Board members with complementing experiences and competencies to make it possible for the Board to contribute to a positive development of Ericsson. The Nomination Committee searches for potential Board member candidates both with a long-term and a short-term perspective and always focuses on diversity to ensure that the Board is provided with different perspectives into the Board work and considerations. The Nomination Committee also considers the need for renewal and carefully assesses whether the proposed Directors have the capability to devote necessary time and care to the Board work.

In 2021, the Committee met with the Chair of the Audit and Compliance Committee to acquaint itself with the assessments made by the Company and the Audit and Compliance Committee of the quality and efficiency of external auditor work. The Audit and Compliance Committee also provided its recommendations on external auditor and audit fees.

As of February 22, 2022, the Nomination Committee has held four meetings.

## Board of Directors

The Board of Directors is ultimately responsible for the organization of Ericsson and the management of Ericsson's operations. The Board appoints the President and CEO who is responsible for managing the day-to-day operations in accordance with guidelines from the Board. The President and CEO ensures that the Board is updated regularly on issues of importance to Ericsson. This includes updates on business development, results, financial position and liquidity.

Directors serve from the close of one AGM to the close of the next, but can serve any number of consecutive terms.

The President and CEO may be elected a Director of the Board but may not be elected Chair of the Board under the Swedish Companies Act.

**Contact the Nomination Committee**
Telefonaktiebolaget LM Ericsson
The Nomination Committee
c/o The Board of Directors Secretariat
SE-164 83 Stockholm
Sweden
nomination.committee@ericsson.com

**Proposals to the Nomination Committee**
Shareholders may submit proposals to the Nomination Committee at any time but should do so in due time before the AGM to ensure that the proposals can be considered by the Committee. Further information is available on Ericsson's website.

### Conflicts of interest

Ericsson maintains rules and regulations regarding conflicts of interest. Directors are disqualified from participating in any decision regarding agreements between themselves and Ericsson. The same applies to agreements between Ericsson and any third party or legal entity in which the Board member has an interest that may be contrary to the interests of Ericsson.

The Audit and Compliance Committee oversees the procedures for related-party transactions. The Committee has also implemented a pre-approval process for non-audit services carried out by the external auditor.

### Composition of the Board of Directors and diversity

The current Board of Directors consists of ten Directors elected by the shareholders at the AGM 2021 for the period until the close of the AGM 2022. The Board of Directors also consists of three employee representatives and two deputies, appointed by the trade unions for the same period of time.

The Nomination Committee advised before the AGM 2021 that the Nomination Committee had applied the Swedish Corporate Governance Code, section 4.1, as diversity policy with the aim to propose a composition of Board members with complementing experiences and competencies that is diverse also in terms of age, gender and cultural/geographical background. The current Board composition is the result of the work of the Nomination Committee prior to the AGM 2021. The Board consists of Board members with experiences from different cultural/geographic areas, competencies from different industry sectors and, excluding the President and CEO, 33% of the shareholder elected Board members are women.

### Work procedure

In accordance with the Swedish Companies Act, the Board of Directors has adopted a work procedure for the Board and its Committees outlining rules for the distribution of tasks among the Board, its Committees and the President and CEO. This complements the rules in the Swedish Companies Act and in the articles of association of the Company. The work procedure is reviewed, evaluated and amended by the Board as required or appropriate, and is adopted by the Board at least once a year.

### Independence

The Board of Directors and its Committees are subject to a variety of independence rules under applicable Swedish law, the Code and applicable US securities laws, SEC rules and the NASDAQ Stock Market Rules. Ericsson can rely on exemptions from certain US and SEC requirements and may decide to follow Swedish practices in lieu of the NASDAQ Stock Market independence rules.

The composition of the Board of Directors meets all applicable independence criteria. The Nomination Committee concluded before the AGM 2021 that, for purposes of the Code, at least six of the nominated Directors were independent from Ericsson, its senior management and its major shareholders. These were Jon Fredrik Baksaas, Jan Carlson, Nora Denzel, Eric A. Elzvik, Kurt Jofs and Kristin S. Rinne.

At Board meetings where the Board members meet in person, a non-executive session is normally held without Ericsson management present.

### Structure of the work of the Board of Directors

The work of the Board follows a yearly cycle. This enables the Board to appropriately address each of its duties and to keep strategy, risk assessment and value creation high on the agenda.

As the Board is responsible for financial oversight, financial information is presented and evaluated at Board meetings. Furthermore, the Chair of each Committee reports on Committee work at Board meetings and minutes from the Committee meetings are made available to all Directors.

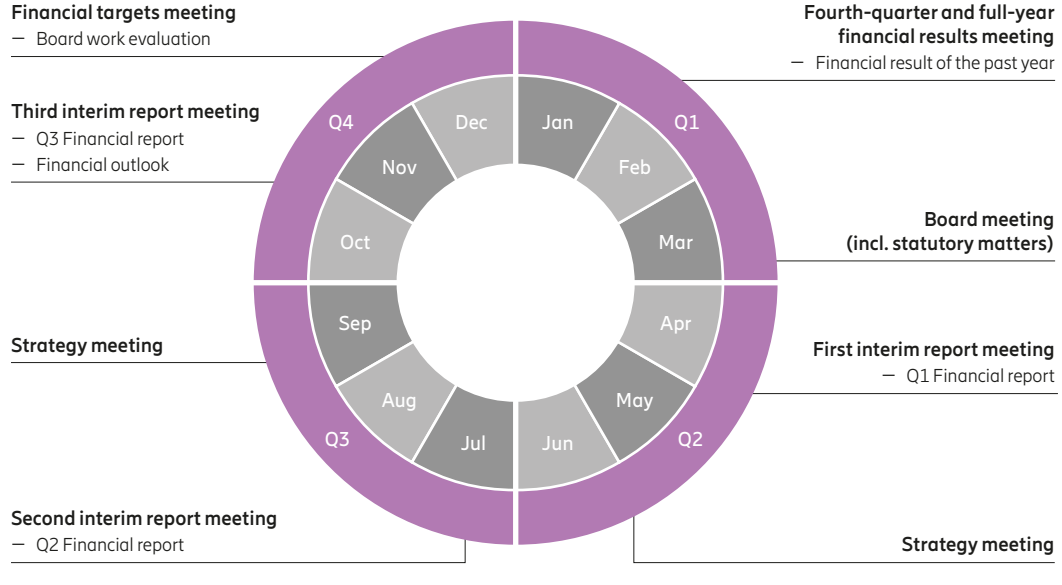
At Board meetings, the President and CEO reports on business and market developments as well as on the financial performance of the Group. Strategic issues and risks are also addressed at most Board meetings. The Board is regularly informed of developments in legal and regulatory matters of importance. Board and Committee meetings may, as appropriate, be held by way of telephone or video conference, and resolutions may be taken per capsulam (unanimous written consent). Such resolutions are accounted for as Board/Committee meetings. During 2021, most of the Board meetings have been held by way of video conference due to the COVID-19 pandemic.

### The 2021 annual work cycle of the Board

– **Fourth-quarter and full-year financial results meeting**
  Following the end of the calendar year, the Board held a meeting which focused on the

**The Board's annual work cycle 2021**

The annual cycle applied to the Board's work allows the Board to appropriately address its duties during the year. It also facilitates the organization in aligning its global processes to allow appropriate Board involvement.



financial results of the entire year 2020 and handled the fourth-quarter financial report.
- **Board meeting (incl. statutory matters)**
  A Board meeting was held in connection with the AGM 2021. Members of each of the Board Committees were appointed and the Board resolved on signatory powers.
- **First interim report meeting**
  At the first interim report meeting, the Board addressed the interim financial report for the first quarter of the year.
- **Strategy meeting**
  A Board meeting was held to address particular strategic matters in further detail.
- **Second interim report meeting**
  At the second interim report meeting, the Board addressed the interim financial report for the second quarter of the year.
- **Strategy meeting**
  A Board meeting was held, in essence dedicated to short-term and long-term strategies of the Group, with particular focus on merger & acquisitions.
- **Third interim report meeting**
  At the third interim report meeting, the Board addressed the interim financial report for the third quarter of the year and the financial outlook.
- **Financial targets meeting**
  A Board meeting was held, e.g., for the Board to address the financial targets. At this meeting, the results of the Board evaluation were presented to and discussed by the Board.

### Training

New Directors receive training tailored to their individual needs. Introductory training typically includes meetings with heads of business areas and Group functions, as well as training required by Nasdaq Stockholm on listing issues and insider rules.

The Board's strategy discussions are usually combined with deep dives into issues of importance for the Ericsson Group, including business area and market area deep dives. Directors' knowledge in these fields is crucial to allow well-founded Board resolutions, and to ensure that the Company takes due advantage of the different competencies of the Directors.

During 2021, the Board has had deep dives into topics such as ethics and compliance and the regulatory landscape.

### Auditor involvement

At the AGM 2021, Deloitte AB was reappointed external auditor.

The Board meets with Ericsson's external auditor in closed sessions at least once a year to receive and consider the auditor's observations. The auditor provides reports to management on the accounting and financial reporting of the Group.

The Audit and Compliance Committee also meets regularly with the auditor to receive and consider observations on the interim reports and the Annual Report. The auditor reports on whether the accounts, the management of funds and the general financial position of the Group are presented fairly in all material respects.

In addition, the Board reviews and assesses the process for financial reporting, as described on page 25 under Internal control over financial reporting. Combined with other steps taken internally, the Board's and the auditor's review of the interim and annual reports are deemed to give reasonable assurance of the effectiveness of the internal controls over financial reporting.

### Work of the Board of Directors in 2021

In 2021, 18 Board meetings were held. For attendance at Board meetings, see the table on page 11. In addition to the Board meetings held as a part of the annual work cycle of the Board, the Board receives information updates, in writing or in telephone meetings, as deemed appropriate.

Business strategy, ethics and compliance, geopolitics, cyber security and mergers and acquisitions, are among the matters that have been in focus within the Board during the year. Compliance, strategy and risk management are always high on the Board's agenda as well as sustainability and corporate responsibility, which are integrated into the business strategy. The Board continuously monitors international developments and their possible impact on Ericsson.

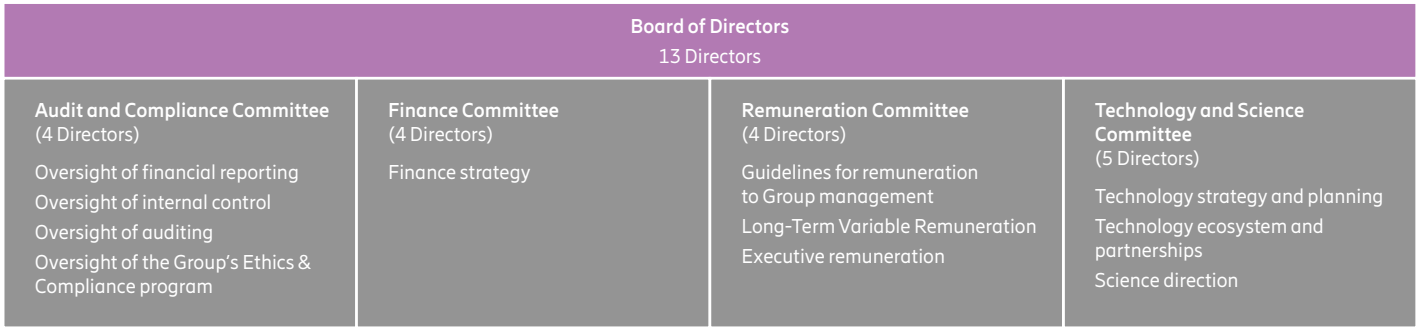
### Board work evaluation

A key objective of the Board work evaluation is to ensure that the Board work is functioning well. This includes gaining an understanding of the issues that the Board thinks warrant greater focus, as well as determining areas where additional competence is needed within the Board and whether the Board composition is appropriate. The evaluation also serves as guidance for the work of the Nomination Committee.

Each year, the Chair of the Board initiates and leads the evaluation of the Board and Committee work and procedures. Evaluation tools include detailed questionnaires and discussions. The services of an external corporate advisory firm have been retained by the Company to assist in developing questionnaires, carrying out surveys and summarizing responses.

In 2021, Directors responded to a written questionnaire covering the Board work in general as well as the work of the Chair of the Board, the Audit and Compliance Committee, the Finance Committee, the Remuneration Committee and the Technology and Science Committee. In addition, each Director responded to a questionnaire on the Director's individual performance. As part of the evaluation process, the Chair of the Board also had individual discussions with each of the Directors. The results from the evaluations were presented to the Board and were thoroughly discussed. The Nomination Committee was informed of the results of the Board work evaluation.

**Organization of the Board work**
**Number of Committee members as of December 31, 2021**



### Committees of the Board of Directors

The Board of Directors has currently established four Committees: the Audit and Compliance Committee, the Finance Committee, the Remuneration Committee and the Technology and Science Committee. Members of each Committee are appointed for one year from among the Board members.

The main task of the Committees is to prepare matters for resolution by the Board. However, the Board has authorized each Committee to determine and handle certain issues in limited areas. It may also on occasion provide extended authorization for the Committees to determine specific matters. If deemed appropriate, the Board of Directors and each Committee have the right to engage independent external expertise, either in general or with respect to specific matters.

The minutes from the Committee meetings are made available to all Directors and the Chair of the Committee reports on the work of the Committee at Board meetings.

### Audit and Compliance Committee

On behalf of the Board, the Audit and Compliance Committee monitors the following:

- The scope and accuracy of the financial statements
- Compliance with material legal and regulatory requirements
- Internal control over financial reporting
- Risk management
- The effectiveness and appropriateness of the Group's compliance programs including the Ethics & Compliance (E&C) Program.

The Audit and Compliance Committee also reviews the annual and interim financial reports and oversees the external audit process. In order to ensure the auditor's independence, there are pre-approval policies and procedures in place for audit and non-audit related services to be performed by the external auditor. Pre-approval authority may not be delegated to management.

The Audit and Compliance Committee itself does not perform audit work. The Head of Ericsson's internal audit function reports directly to the Audit and Compliance Committee.

Ericsson's external auditor is appointed by the shareholders at the AGM. The Committee is involved in the preparatory work for the Nomination Committee to propose external auditor for appointment at the AGM. It also monitors the ongoing performance and independence of the auditor with the aim to avoid conflicts of interest.

The Audit and Compliance Committee oversees matters relating to compliance risk, and regularly receives reporting on compliance related matters from the Chief Legal Officer, the Chief Compliance Officer and the Head of Corporate Investigations. The Chief Legal Officer has a direct reporting line to the Audit and Compliance Committee on compliance matters that fall outside the scope of the E&C Program, and on the holistic management of legal, compliance, ethical and associated reputational risks arising in the Company's operations. The Chief Compliance Officer has a further independent reporting line to the Committee on the areas of the E&C Program (defined as the areas of ethics, anti-bribery and -corruption, conflicts of interests, anti-money laundering and competition law). The Chief Compliance Officer regularly reports to the Committee on the effective operation of the E&C Program, including information of actual or suspected serious Code of Business Ethics (COBE) violations, insights from investigations outcomes and remediation activities, the identification of patterns of failures, and emerging risks and changes in the legal and regulatory environment. The Head of Corporate Investigations has an extraordinary reporting line to the Committee in the event s(he) is impeded or obstructed in fulfilling his/her duties.

The Audit and Compliance Committee also oversees Ericsson's process for reviewing transactions with related parties and Ericsson's whistleblower procedures. Further, the Audit and Compliance Committee reviews the Group's handling of information and cyber security as well as data privacy, and the Group's environmental, social and governance (ESG) reporting and performance.

On an annual basis, the Audit and Compliance Committee receives training on topics of special relevance to the Committee, within areas such as finance, legal, compliance and cyber security. During 2021, the Committee received training on several topics including anti-corruption and competition law.

### Reporting Compliance Concerns

Ericsson provides employees and other external stakeholders a dedicated communication channel for reporting compliance concerns – the Ericsson Compliance Line. The Ericsson Compliance Line is operated by a third party and it is available 24/7, 365 days per year, enabling people to report from multiple countries and in many languages. Employees and external stakeholders are encouraged to report conduct that could violate the law, Ericsson's policies including COBE and related steering documents or the Ericsson Code of Conduct for Business Partners. Such conduct may relate to corruption, fraud, questionable accounting, deficiencies in the internal controls, auditing, environmental, occupational health and safety, human right matters, workplace respect and fairness or other matters that could constitute a breach of law, or that could harm the sustainability or reputation of Ericsson, its employees and shareholders.

Ericsson's Allegation Management Office is responsible for the overall management process from the time an allegation of a potential compliance violation is reported to the remediation of any such substantiated violation. Corporate Investigations is responsible for ensuring that all plausible allegations

**Members of the Committees as of December 31, 2021**

| Members of the Committees of the Board of Directors | | | |
|---|---|---|---|
| **Audit and Compliance Committee** | **Finance Committee** | **Remuneration Committee** | **Technology and Science Committee** |
| Eric A. Elzvik (Chair) | Ronnie Leten (Chair) | Jon Fredrik Baksaas (Chair) | Kristin S. Rinne (Chair) |
| Jan Carlson | Anders Ripa | Kurt Jofs | Jan Carlson |
| Kurt Jofs | Helena Stjernholm | Ronnie Leten | Nora Denzel |
| Torbjörn Nyman | Jacob Wallenberg | Kjell-Åke Soting | Kurt Jofs |
| | | | Anders Ripa |

of potential compliance violations assigned to Corporate Investigations are appropriately investigated and for oversight of investigations that it delegates to other Ericsson units (e.g., Security, People) or to external third-party investigators. Group-relevant allegations reported through the Ericsson Compliance Line and other channels are reported to the Audit and Compliance Committee.

To respond to the coming into force of the EU Directive on Whistleblower Protection, and its transposition into Swedish and other local laws, Ericsson has enhanced its internal processes and is further analyzing the impact on its current allegation management process to meet further requirements entering into force during 2022.

More information on reporting compliance concerns can be found on page 18 of the Sustainability and Corporate Responsibility report.

**Members of the Audit and Compliance Committee**
The Audit and Compliance Committee consists of four Board members appointed by the Board in connection with the AGM 2021: Eric A. Elzvik (Chair), Jan Carlson, Kurt Jofs, and Torbjörn Nyman (employee representative). The Board has appointed shareholder elected Board members with CFO or CEO experience to the Committee.

The composition of the Audit and Compliance Committee meets all applicable independence requirements, including the conditions for reliance on an exemption for employee representatives. The Board of Directors has determined that each of Eric A. Elzvik, Jan Carlson and Kurt Jofs is an "audit committee financial expert", as defined under the SEC rules and regulations, and that each of them qualifies as financially sophisticated under the applicable Nasdaq listing rules and are familiar with the accounting practices of an international company, such as Ericsson.

**Work of the Audit and Compliance Committee in 2021**
The Audit and Compliance Committee held eleven meetings in 2021. Directors' attendance is reflected in the table on page 11. During the year, the Audit and Compliance Committee reviewed the scope and results of external financial audits and the independence of the external auditor. Prior to publishing, the Committee also reviewed and discussed each interim report and the annual report with the external auditor. The Committee also monitored the external audit fees and approved non-audit-services performed by the external auditor in accordance with such policies and procedures.

The Committee approved the audit plan for the internal audit function based on among other things the annual risk assessment, and reviewed the reports of the internal audit function. The Committee also received and reviewed updates and reports to the Ericsson Compliance Line and from other internal reporting channels including updates on on-going investigations within the Group.

The Committee monitored the continued compliance with the Sarbanes-Oxley Act as well as the internal control and risk management process and monitored and evaluated the effectiveness and appropriateness of Ericsson's E&C Program.

**Finance Committee**
The Finance Committee is responsible for preparing for resolution by the Board, matters related to the finance strategy such as capital structure, capital targets, rating strategy and treasury operations.

**Members of the Finance Committee**
The Finance Committee consists of four Board members appointed by the Board in connection with the AGM 2021: Ronnie Leten (Chair), Anders Ripa (employee representative), Helena Stjernholm and Jacob Wallenberg. The Board has appointed shareholder elected Board members with extensive industrial and financial experience to the Committee.

**Work of the Finance Committee in 2021**
The Finance Committee held four meetings in 2021. Directors' attendance is reflected in the table on page 11. During 2021, the Finance Committee assessed the Company's financial strength and balance-sheet as well as reviewed the finance strategy including capital structure, capital targets, rating strategy and treasury operations.

**Remuneration Committee**
The Remuneration Committee's responsibilities include:
- Reviewing and preparing, for resolution by the Board, proposals on salary and other remuneration, including retirement compensation, for the President and CEO
- Reviewing and preparing, for resolution by the Board, proposals to the AGM on Guidelines for remuneration to the Executive Team
- Reviewing and preparing, for resolution by the Board, proposals to the AGM on the Long-Term Variable Compensation Program (LTV) and similar equity arrangements
- Approving proposals on salary and other remuneration, including retirement compensation, for the members of the Executive Team (other than the President and CEO)
- Approving proposals on target levels for the short-term variable compensation (STV) for the members of the Executive Team (other than the President and CEO)
- Approving pay-out of the STV for the members of the Executive Team members (other than the President and CEO), based on achievements and performance.

In its work, the Remuneration Committee considers trends in remuneration, legislative changes, disclosure rules and the general global executive remuneration environment. It reviews salary survey data before preparing salary adjustment recommendations for the President and CEO for resolution by the Board and before approving any salary adjustments for the other members of the Executive Team.

**Members of the Remuneration Committee**
The Remuneration Committee appointed by the Board in connection with the AGM 2021 consists of four Board members: Jon Fredrik Baksaas (Chair), Kurt Jofs, Ronnie Leten and Kjell-Åke Soting (employee representative). The Board has appointed shareholder elected Board members to the Committee with experiences from different markets of relevance to the Group.

During the year 2021, Peter Boreham from Mercer advised and assisted the Remuneration Committee as an independent expert.

**Work of the Remuneration Committee in 2021**
The Remuneration Committee held eight meetings in 2021. Director's attendance is reflected in the table on page 11.

The Remuneration Committee reviewed and prepared a proposal for LTV 2021 for the Executive Team, for resolution by the Board and further approval by the AGM 2021. It further resolved on salaries and STV 2021 for the members of the Executive Team (other than the President and CEO), reviewed the vesting results for LTV 2018 and result of the 2020 EBIT (Group operating income) performance condition for LTV 2020, and prepared proposals regarding remuneration to the President and CEO for resolution by the Board. It reviewed the implementation of Guidelines for remuneration to the Executive Team in 2021 and resolved not to propose any changes for resolution by the Board. It also proposed the Remuneration Report 2020 to be approved by the Board and subsequently referred to the AGM 2021 for adoption.

During the latter part of 2021 the Remuneration Committee reviewed the current LTV structure and executive remuneration, including the integration of environmental, social and governance (ESG) performance measures to executive remuneration, along

with 2022 targets for STV for the members of the Executive Team (other than the President and CEO) and the Remuneration Report 2021. The resulting proposals on LTV 2022 and the Remuneration Report will be referred to the AGM 2022 for approval.

For further information on fixed and variable remuneration, please see Notes to the consolidated financial statements – note G2 Information regarding members of the Board of Directors and Group management and note G3 "Share-based compensation" in the Financial report and the Remuneration report.

**Technology and Science Committee**
The responsibilities of the Technology and Science Committee include:

- Reviewing and preparing for consideration and/or resolution by the Board, matters related to technology strategy and planning for the Group, monitoring the Group's technology ecosystem, relationships and partnerships
- Reviewing and preparing for consideration and/or resolution by the Board, matters related to science direction and influence on a geopolitical level.

**Members of the Technology and Science Committee**
The Technology and Science Committee consists of five Board members appointed by the Board in connection with the AGM 2021: Kristin S. Rinne (Chair), Jan Carlson, Nora Denzel, Kurt Jofs and Anders Ripa (employee representative). The Board has appointed Board members to the Committee with extensive experience within technology.

**Work of the Technology and Science Committee in 2021**
The Technology and Science Committee held four meetings in 2021. Directors' attendance is reflected in the table below. The Technology and Science Committee has during the year reviewed selected focus areas:

- Network evolution
- Semiconductor industry
- Artificial Intelligence
- Cloud and edge technologies
- Energy and sustainability.

Directors' attendance and fees 2021

| | Fees resolved by the AGM 2021 | | Number of Board/Committee meetings attended in 2021 | | | | |
|---|---|---|---|---|---|---|---|
| Board member | Board fees, SEK [1] | Committee fees, SEK | Board | Audit and Compliance-Committee | Finance Committee | Remun. Committee | Tech. and Science Committee |
| Ronnie Leten | 4,225,000 | 385,000 | 18 | | 4 | 8 | |
| Helena Stjernholm | 1,060,000 | 180,000 | 18 | | 4 | | |
| Jacob Wallenberg | 1,060,000 | 180,000 | 18 | | 4 | | |
| Jon Fredrik Baksaas | 1,060,000 | 205,000 | 18 | | | 8 | |
| Jan Carlson | 1,060,000 | 450,000 | 18 | 10 | | | 4 |
| Nora Denzel | 1,060,000 | 180,000 | 18 | | | | 4 |
| Börje Ekholm | – [2] | – | 18 | | | | |
| Eric A. Elzvik | 1,060,000 | 420,000 | 18 | 11 | | | |
| Kurt Jofs | 1,060,000 | 630,000 | 18 | 11 | | 8 | 4 |
| Kristin S. Rinne | 1,060,000 | 205,000 | 18 | | | | 4 |
| Torbjörn Nyman | 27,000 [3] | 16,500 [3] | 18 | 11 | | | |
| Anders Ripa [4] | 27,000 [3] | 9,000 [3] | 18 | | 3 | | 3 |
| Kjell-Åke Soting | 27,000 [3] | 12,000 [3] | 18 | | | 8 | |
| Roger Svensson [5] | 4,500 [3] | 3,000 [3] | 3 | | 1 | | 1 |
| Per Holmberg [6] | 21,000 [3] | – | 14 | | | | |
| Ulf Rosberg [7] | 22,500 [3] | – | 15 | | | | |
| Loredana Roslund | 27,000 [3] | – | 18 | | | | |
| **Total number of meetings** | | | **18** | **11** | **4** | **8** | **4** |

[1] Non-employee Directors can choose to receive part of their Board fee (exclusive of Committee fees) in the form of synthetic shares.
[2] Board member remuneration resolved by the AGM is only for non-employee Directors elected by the shareholders.
[3] Employee representative Board members and their deputies are not entitled to a Board fee, but instead get paid compensation in the amount of SEK 1,500 per attended Board and Committee meeting.
[4] Appointed employee representative Board member as of March 30, 2021 (previously deputy employee representative Board member).
[5] Resigned as employee representative Board member as of March 30, 2021.
[6] Resigned as deputy employee representative Board member as of November 3, 2021.
[7] Appointed deputy employee representative Board member as of March 30, 2021.

**Remuneration to Board members**
Remuneration to Board members not employed by the Company is proposed by the Nomination Committee for resolution by the AGM.

The AGM 2021 approved the Nomination Committee's proposal for fees to non-employee Board members for Board and Committee work. For further information on Board of Directors' fees 2021, please refer to Notes to the consolidated financial statements – note G2 "Information regarding members of the Board of Directors and Group management" in the Financial Report.

The shareholders at the AGM 2021 also approved the Nomination Committee's proposal that Board members may be paid part of their Board fee in the form of synthetic shares. A synthetic share gives the right to receive a future cash payment of an amount which corresponds to the market value of a Class B share in Ericsson at the time of payment. The Directors' right to receive payment with regard to allocated synthetic shares occurs, as a general rule, after the publication of the Company's year-end financial statement during the fifth year following the General Meeting that resolved on the allocation of the synthetic shares. The purpose of paying part of the Board of Directors' fee in the form of synthetic shares is to further align the Directors' interests with shareholder interests. For more information on the terms and conditions of the synthetic shares, please refer to the notice convening the AGM 2021 and to the minutes from the AGM 2021, which are available at Ericsson's website.

# Members of the Board of Directors

## Board members elected by the AGM 2021



**Ronnie Leten**
Chair of the Board of Directors, Chair of the Finance Committee, Member of the Remuneration Committee

**First elected**
2018

**Born**
1956

**Education**
Master of Science in Applied Economics, University of Hasselt, Belgium.

**Nationality**
Belgium

**Board Chair**
Epiroc AB and Piab

**Board Member**
–

**Holdings in Ericsson**
100,000 Class B shares [1], 128,452 call options [2]. and 94,954 synthetic shares [3].

**Principal work experience and other information**
President and CEO of Atlas Copco AB 2009–2017 and various leadership positions within the Atlas Copco Group 1997–2009 and 1985–1995. Previous positions include plant manager of Tenneco Automotive Inc., Belgium, 1995–1997 and various positions within General Biscuits 1979–1985.



**Helena Stjernholm**
Deputy Chair of the Board of Directors, Member of the Finance Committee

**First elected**
2016

**Born**
1970

**Education**
Master of Business Administration, Stockholm School of Economics, Sweden.

**Nationality**
Sweden

**Board Chair**
–

**Board Member**
AB Industrivärden, AB Volvo and Sandvik AB

**Holdings in Ericsson**
20,060 Class B shares [1] and 32,208 synthetic shares [3].

**Principal work experience and other information**
President and CEO of AB Industrivärden since 2015. Partner in the private equity firm IK Investment Partners (2008–2015), with responsibility for the Stockholm office from 2011 to 2015. Investment Manager at IK Investment Partners (1998–2008). Previous experience as consultant for Bain & Company (1997–1998).



**Jacob Wallenberg**
Deputy Chair of the Board of Directors, Member of the Finance Committee

**First elected**
2011

**Born**
1956

**Education**
Bachelor of Science in Economics and Master of Business Administration, Wharton School, University of Pennsylvania, USA. Officer of the Reserve, Swedish Navy.

**Nationality**
Sweden

**Board Chair**
Investor AB

**Deputy Board Chair**
ABB Ltd., FAM and Patricia Industries

**Board Member**
The Knut and Alice Wallenberg Foundation, Wallenberg Investments AB and Nasdaq Inc.

**Holdings in Ericsson**
427,703 Class B shares [1] and 48,315 synthetic shares [3].

**Principal work experience and other information**
Chair of the Board of Investor AB since 2005. President and CEO of SEB in 1997 and Chair of SEB's Board of Directors 1998–2005. Executive Vice President and CFO of Investor AB 1990–1993. Honorary Chair of IBLAC (Mayor of Shanghai's International Business Leaders Advisory Council) and member of the steering committee of the European Round Table of Industrialists, Deputy Chair of the Swedish-American Chamber of Commerce US, member of the International Advisory Board of the Atlantic Council, Washington DC, member of the International Business Council of the World Economic Forum, Trilateral Commission and the Advisory Board of Tsinghua University.



**Jon Fredrik Baksaas**
Chair of the Remuneration Committee

**First elected**
2017

**Born**
1954

**Education**
Master of Science in Economics, NHH Norwegian School of Economics & Business Administration, Norway.

**Nationality**
Norway

**Board Chair**
Statnett SA and DNV GL Group AS

**Board Member**
Svenska Handelsbanken AB.

**Holdings in Ericsson**
42,999 synthetic shares [3].

**Principal work experience and other information**
President and CEO of Telenor Group (2002–2015). Previous positions within the Telenor Group since 1989, including Deputy CEO, CFO and CEO of TBK AS. Positions before Telenor include CFO of Aker AS, finance director of Stolt Nielsen Seaway AS and controller at Det Norske Veritas, Norway and Japan. Member of the GSMA Board (2008–2016) and Chair of the GSMA Board (2014–2016).

The Board memberships and holdings in Ericsson reported above are as of December 31, 2021.

[1] The number of shares and ADS includes holdings by related persons, if applicable.

[2] Call options issued by Investor AB entitling to purchase Ericsson Class B shares.

[3] Since 2008, the AGM has each year resolved that part of the Board fee may be received in the form of synthetic shares. A synthetic share is a right to receive in the future a payment corresponding to the value of the Class B share in Ericsson at the time of payment. Please see page 11 for further information.



**Jan Carlson**
Member of the Audit and Compliance Committee and the Technology and Science Committee

**First elected**
2017

**Born**
1960

**Education**
Master of Science degree in Engineering Physics and Electrical Engineering, the University of Linköping, Sweden.

**Nationality**
Sweden

**Board Chair**
Autoliv Inc. and Veoneer Inc.

**Board Member**
–

**Holdings in Ericsson**
7,900 Class B shares [1] and 48,315 synthetic shares [2].

**Principal work experience and other information**
Chair and President and CEO of Veoneer Inc. since June 2018. President and CEO of Autoliv Inc. 2007–2018 and Chair of Autoliv Inc. since 2014. Previous positions within the Autoliv Group since 1999, including President Autoliv Europe, Vice President Engineering of Autoliv and President Autoliv Electronics. Previous positions include President of Saab Combitech and of Swedish Gate Array.



**Nora Denzel**
Member of the Technology and Science Committee

**First elected**
2013

**Born**
1962

**Education**
Master of Business Administration, Santa Clara University, USA. Bachelor of Science in Computer Science, State University of New York, USA.

**Nationality**
USA and Ireland

**Board Chair**
–

**Board Member**
Advanced Micro Devices Inc., NortonLifeLock Inc. and SUSE

**Holdings in Ericsson**
3,850 ADS [1] and 16,102 synthetic shares [2]

**Principal work experience and other information**
CEO (interim) of Outerwall Inc. (January 2015–August 2015). Senior Vice President Big Data, Marketing and Social Product Design and General Manager QuickBooks Payroll Division (2008–2012). Previous positions include Senior Vice President and General Manager of HP's Global Software, Storage and Consulting Divisions (2000–2006), Senior Vice President Product Operations Legato Systems (bought by Dell EMC) and various engineering, marketing and executive positions at IBM. Non-Profit board member of the National Association of Corporate Directors (NACD) Northern California Chapter.



**Börje Ekholm**
President, CEO and Member of the Board

**First elected**
2006

**Born**
1963

**Education**
Master of Science in Electrical Engineering, KTH Royal Institute of Technology, Stockholm, Sweden. Master of Business Administration, INSEAD, France.

**Nationality**
Sweden and USA

**Board Chair**
–

**Board Member**
Alibaba Group and Trimble Inc.

**Holdings in Ericsson**
260,351 Class B shares, 1,009,000 ADS [1] and 2,000,000 call options [3].

**Principal work experience and other information**
President and CEO of Telefonaktiebolaget LM Ericsson since 2017. CEO of Patricia Industries, a division within Investor AB (2015–2017). President and CEO of Investor AB (2005–2015). Formerly Head of Investor Growth Capital Inc. and New Investments. Previous positions at Novare Kapital AB and McKinsey & Co Inc. Holds honorary Doctorate at KTH Royal Institute of Technology, Sweden. Since 2017, member of the Steering Committee of the World Economic Forum Digital Communication Governors. Member of the Board of the Swedish-American Chamber of Commerce New York.



**Eric A. Elzvik**
Chair of the Audit and Compliance Committee

**First elected**
2017

**Born**
1960

**Education**
Master of Business Administration, Stockholm School of Economics, Sweden.

**Nationality**
Sweden and Switzerland

**Board Chair**
Global Connect Group

**Board Member**
Landis+Gyr Group AG, AB Volvo and VFS Global

**Holdings in Ericsson**
10,000 Class B shares [1] and 16,102 synthetic shares [2]

**Principal work experience and other information**
CFO and member of the Group Executive Committee of ABB Ltd (2013–2017). Division CFO ABB Discrete Automation & Motion (2010–2012) and division CFO Automation Products Division (2006–2010). Previous positions within the ABB Group since 1984, including senior management positions within finance, mergers & acquisitions and new ventures. Currently, senior industrial advisor to EQT.

The Board memberships and holdings in Ericsson reported above are as of December 31, 2021.

[1] The number of shares and ADS includes holdings by related persons, if applicable.

[2] Since 2008, the AGM has each year resolved that part of the Board fee may be received in the form of synthetic shares. A synthetic share is a right to receive in the future a payment corresponding to the value of the Class B share in Ericsson at the time of payment. Please see page 11 for further information.

[3] Call options issued by AB Industrivärden (1,000,000 call options) and Investor AB (1,000,000 call options), each entitling the purchase of one Ericsson B share from AB Industrivärden/Investor AB respectively (further information is available in the Notes to the consolidated financial statements – note G2 "Information regarding members of the Board of Directors and Group management" in the Financial Report).

## Board members elected by the AGM 2021, cont'd.



### Kurt Jofs

Member of the Remuneration Committee, the Audit and Compliance Committee and the Technology and Science Committee

**First elected**
2018

**Born**
1958

**Education**
Master of Science in Engineering, Royal Institute of Technology, Stockholm, Sweden.

**Nationality**
Sweden

**Board Chair**
–

**Board Member**
AB Volvo, Feal AB and Arjeplog Hotel Silverhatten AB

**Holdings in Ericsson**
50,450 Class B shares [1] and 19,378 synthetic shares [2].

**Principal work experience and other information**
Entrepreneur and investor with extensive experience in various industries. Previous positions include Executive Vice President and responsible for Ericsson's Networks business 2003–2008, CEO of Segerström & Svensson 1999–2001. CEO of Linjebuss 1996–1999, and various positions within ABB and Ericsson.



### Kristin S. Rinne

Chair of the Technology and Science Committee

**First elected**
2016

**Born**
1954

**Education**
Bachelor of Arts, Washburn University, USA.

**Nationality**
USA

**Board Chair**
–

**Board Member**
Synchronoss

**Holdings in Ericsson**
22,666 synthetic shares [2].

**Principal work experience and other information**
Previously Senior Vice President, Network Technology, Network Architecture & Planning, at AT&T (2007–2014). CTO of Cingular Wireless (2005–2007) and VP Technology & New Product Development of Cingular Wireless (2000–2005). Previous positions within Southwestern Bell and SBC (1976–2000). Trustee of Washburn University Foundation. Member of the Advisory Board of Link Labs.

The Board memberships and holdings in Ericsson reported above are as of December 31, 2021.

[1] The number of shares and ADS includes holdings by related person, if applicable.

[2] Since 2008, the AGM has each year resolved that part of the Board fee may be received in the form of synthetic shares. A synthetic share is a right to receive in the future a payment corresponding to the value of the Class B share in Ericsson at the time of payment. Please see page 11 for further information.

## Board members and deputies appointed by the trade unions



**Torbjörn Nyman**
Employee representative, Member of the Audit and Compliance Committee

**First appointed**
2017

**Born**
1961

**Appointed by**
LO, the Swedish Trade Union Confederation

**Nationality**
Sweden

**Holdings in Ericsson**
33,828 Class B shares [1].

**Employed since**
1996
Working as ICT Strategic Product Manager within Business Area Networks.



**Anders Ripa**
Employee representative, Member of the Finance Committee and of the Technology and Science Committee

**First appointed**
2017

**Born**
1962

**Appointed by**
PTK

**Nationality**
Sweden

**Holdings in Ericsson**
2,377 Class B shares and 1,708 Class A shares [1].

**Employed since**
1998
Working as Security Advisor for Mission Critical Networks within Business Area Networks.



**Kjell-Åke Soting**
Employee representative, Member of the Remuneration Committee

**First appointed**
2016

**Born**
1963

**Appointed by**
PTK

**Nationality**
Sweden

**Holdings in Ericsson**
9,107 Class B shares [1].

**Employed since**
1996
Working as Global SQA Manager within Business Area Networks.



**Ulf Rosberg**
Employee representative – Deputy

**First appointed**
2021

**Born**
1964

**Appointed by**
PTK

**Nationality**
Sweden

**Holdings in Ericsson**
10 Class B shares[1].

**Employed since**
1985
Working as System Manager within R&D, Business Area Networks.



**Loredana Roslund**
Employee representative – Deputy

**First appointed**
2017

**Born**
1967

**Appointed by**
PTK

**Nationality**
Sweden

**Holdings in Ericsson**
2,271 Class B shares [1].

**Employed since**
1994
Working as Project Manager within R&D, Business Area Networks.

Börje Ekholm was the only Director who held an operational management position at Ericsson in 2021.
Per Holmberg left his position as deputy Employee representative of the Board of Directors on November 3, 2021.

[1] The number of shares and ADS reflects ownership as of December 31, 2021 and includes holdings by related persons, if applicable.

## Management

### The President and CEO and the Executive Team

The Board of Directors appoints the President and CEO and the Executive Vice President(s). The President and CEO is responsible for the management of day-to-day operations and is supported by the other members of the Executive Team.

The role of the Executive Team is to:

- Define Group strategies and policies, drive corporate agenda and establish a strong corporate culture
- Determine targets for operational units, allocate resources and monitor unit performance
- Secure operational excellence and realize global synergies through efficient organization of the Group.

The organizational structure includes four business areas, five geographical market areas and a number of supporting group functions.

**Business areas** are responsible for developing competitive product-led business solutions, including both products and services and for investing in research and development for technology and cost leadership. **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.

**Market areas** are responsible for selling and delivering customer solutions. Resources are moved closer to the customers in order to establish leading positions in critical markets.

**Group functions** are responsible for providing an effective support platform to the market areas and business areas to drive synergies and align ways of working across units and for driving the corporate agenda.

The Executive Team members as of December 31, 2021, are presented on pages 20–23.

### Remuneration to the Executive Team

Guidelines for remuneration to the Executive Team were approved by the AGM 2020. For further information on fixed and variable remuneration, see the Remuneration Report and note G2, "Information regarding members of the Board of Directors and the Group management" in the Financial Report.

### The Ericsson Group Management System

Ericsson has a global management system, the Ericsson Group Management System (EGMS). EGMS aims to ensure an adequate and effective management and continual improvement of Ericsson´s operations, ensure ISO certification as decided, support effecting Ericsson's core values, contribute to the corporate culture, and ensure that the business is managed:

- To fulfill the objectives of Ericsson's major stakeholders (customers, shareholders, employees)
- Within established risk limits and with reliable internal control (win with integrity)
- In compliance with relevant applicable laws, listing requirements, governance codes and corporate responsibilities.

EGMS is a framework consisting of rules and requirements for Ericsson's business, specified through governance structures, ways of working, processes, organizational descriptions, policies, directives and instructions. The management system is applied in Ericsson's operations globally, and its consistency and global reach is designed to build trust in the way Ericsson operates. EGMS is founded on ISO 9001 (international standard for quality management systems) but is designed as a dynamic governance system to enable Ericsson to adapt the system to evolving demands and expectations, including new legislation as well as customers' and other stakeholders' requirements. Ericsson implements external requirements only after thorough analysis and after putting them into the Ericsson context.

The main elements of EGMS are:

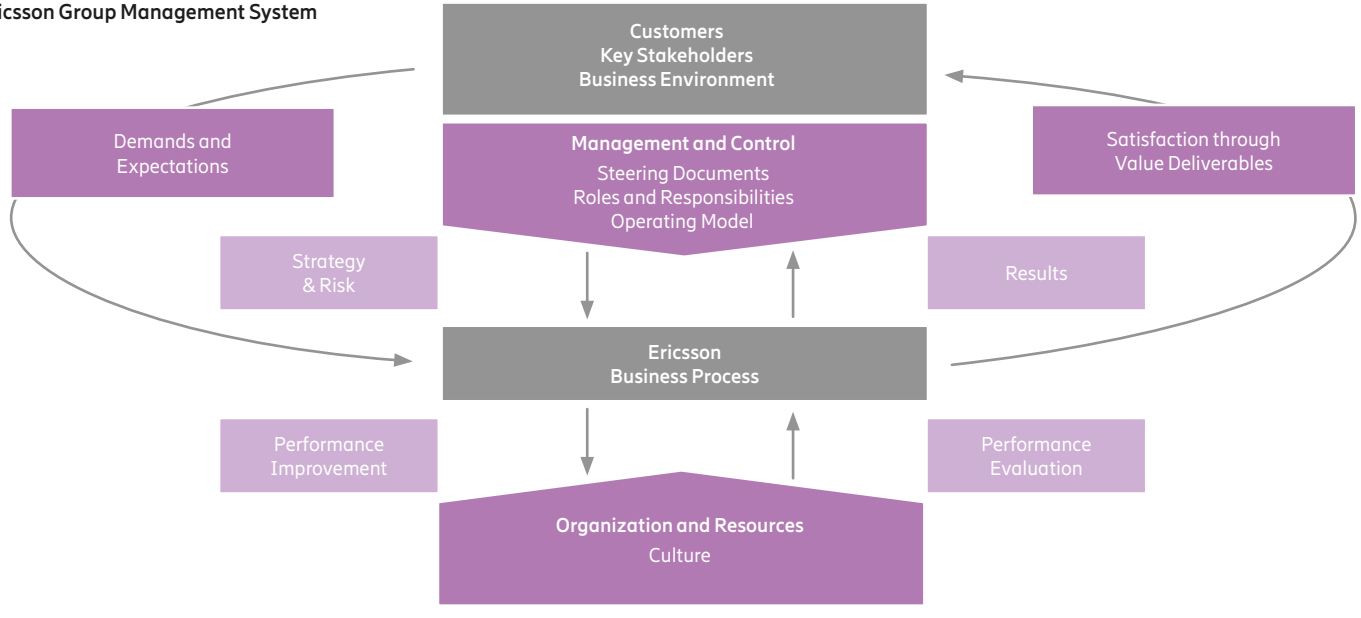
- Management and control
- Ericsson business processes
- Organization and resources, culture.

### Management and control

Ericsson's strategy process includes the whole chain from business intelligence and strategic forecasting to deployment of developed strategies into targets and programs in coordinated cycles; capturing the overall strategic direction, market development and progress of strategy execution.

Group-wide policies, directives and instructions govern how the organization works and are core elements in managing and directing Ericsson. The policies, directives and instructions contain, among other things, the Code of Business Ethics, the Code of Conduct for Business Partners and accounting and reporting directives to fulfill external reporting requirements. Ericsson has a Group Steering Documents Committee that works to align policies and directives with Group strategies, values and structures.

**Ericsson Group Management System**



### Ericsson business processes

Ericsson business processes are a set of defined Group-wide processes integrated in EGMS. They describe how Ericsson delivers value to customers, proactively and on-demand. Ericsson business processes offer capabilities to translate customer requirements into defined hardware, software, solutions and services offered by Ericsson.

### Organization and resources

Ericsson is operated in two dimensions: one operational structure and one legal structure. The operational structure aligns accountability and authority regardless of country borders and supports the process flows with cross-country operations. In the operational structure, Ericsson is organized in group functions, segments, business areas and market areas. The legal structure is the basis for legal requirements and responsibility as well as for tax and statutory reporting purposes. There are more than 200 legal entities within the Ericsson Group with approximately 80 branch offices with representation (via legal entities, branch and representative offices) in approximately 150 countries. The company culture is defined by the core values, respect, professionalism, perseverance and integrity, as well as the five focus areas of the culture transformation initiative: Ericsson on the Move.

### Chief Compliance Officer

Ericsson's Board of Directors and Executive Team are committed to ensuring ethics and compliance remain a priority for the Group. The Audit and Compliance Committee monitors the effectiveness and appropriateness of Ericsson's Ethics & Compliance (E&C) Program. The Chief Compliance Officer (CCO) oversees the operation of the E&C Program, with particular focus on ethics, anti-bribery and -corruption, conflicts of interests, anti-money laundering, and competition. The CCO advises and updates the Group Compliance Committee, the CEO, Executive Team, the Audit and Compliance Committee and the Board on operations relating to the E&C Program. The CCO has a dual reporting line to the Chief Legal Officer and to the Audit and Compliance Committee to ensure adequate independence of the Compliance Office. Compliance officers, located at Ericsson's headquarters in Stockholm, Sweden, and in other geographies support Ericsson's market area and business area operating model and report to the CCO.

### Insider Committee

Ericsson has established an Insider Committee to make assessments relating to the disclosure of inside information. The Insider Committee comprises the Chief Legal Officer, the Chief Financial Officer and the Chief Marketing and Communications Officer.

### Audits, assessments and certification

The purpose of audits and assessments is to determine the level of compliance and to provide valuable information for understanding, analyzing and continually improving performance, to ensure that the EGMS is adequate and effective in managing Ericsson´s operations. Management monitors compliance with policies, directives, instructions and processes through internal self-assessment activities within the respective units. This is complemented by internal and external audits and assessments.

To ensure fulfilment of demands and requirements from customers and other external stakeholders, Ericsson takes conscious decisions on certification. Certification means that Ericsson's interpretation of standards or requirements are confirmed by a third party via an assessment activity.

As EGMS is a global system, group-wide ISO certificates are issued by a third party certification body proving that the system is efficient throughout the organization as well as compliant to the ISO standards in scope. Ericsson's operations are currently globally certified to ISO 9001 (Quality), ISO 14001 (Environment), ISO 45001 (Health & Safety) and ISO 27001 (Information Security). Selected Ericsson units are also certified to TL 9000 (telecom-specific standard). EGMS is also assessed within the scope of the audit plan of Ericsson's internal audit function (Corporate Audit).

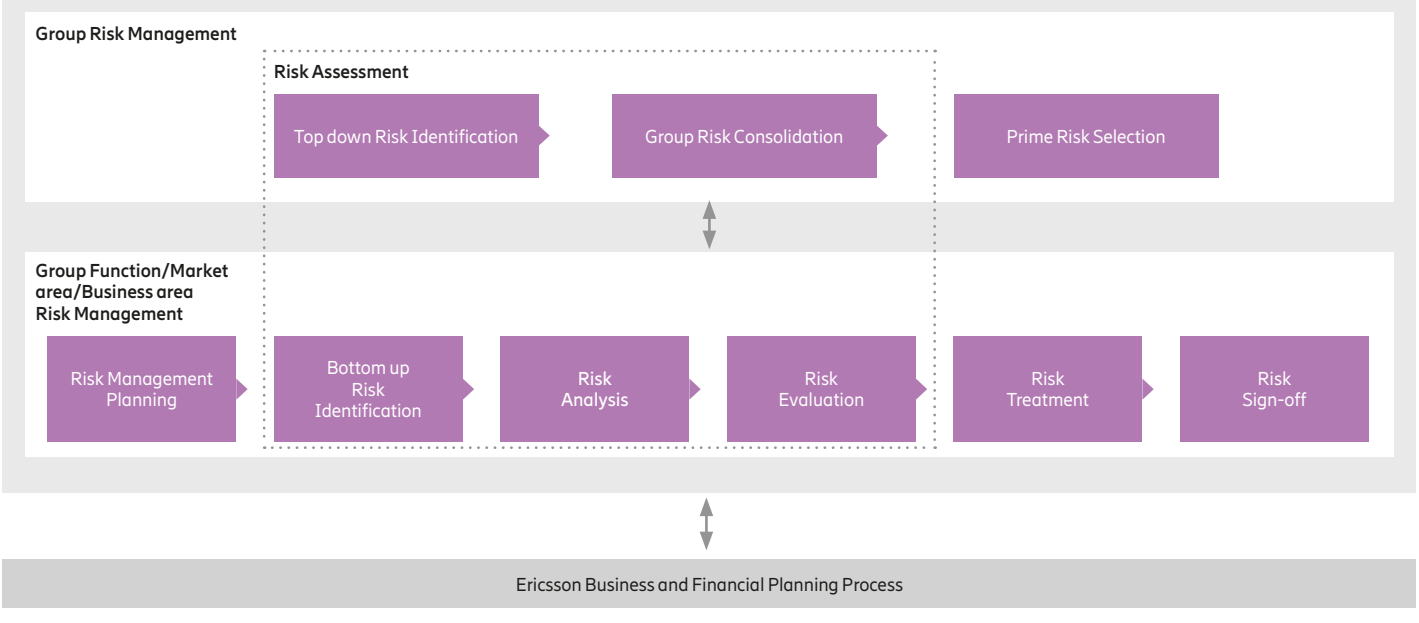
ISO/management system assessments are performed by BSI (British Standards Institution). Internal audits are performed by the Company's internal audit function which reports to the Audit and Compliance Committee.

With a risk-based approach, Ericsson conducts audits of suppliers to secure compliance with Ericsson's Code of Conduct for Business Partners, which includes rules that suppliers to the Ericsson Group must comply with. Ericsson's external financial audits are performed by Deloitte AB.

Different types of assurance as described above have differing scope and rationale. All assurance providers have defined and established accountabilities and responsibilities.

**ERM Process**

Read more about Risk management on next page.



## Risk management

The management of operational risks in Ericsson is embedded in various business processes and controls, such as decision tollgates and approvals. Certain cross-process risks are centrally coordinated, such as risks relating to information security, IT security, sustainability and corporate responsibility, privacy and anti-bribery and -corruption. Financial risk management is governed by a Group policy and carried out by the Treasury and Customer Finance functions. For further information on financial risk management, please see Notes to the consolidated financial statements – note F1 "Financial risk management" in the Financial Report.




Ericsson's Enterprise Risk Management (ERM) framework is an integrated part of the EGMS. The aim of the ERM framework is to strengthen the Group's governance by integrating risk management with the strategy-setting and execution.

The ERM framework is designed to establish an adequate and effective management of risk, i.e. the uncertainty in achieving the strategic objectives of the Company. The framework provides methods to assess and treat the risks, and to agree on and stay within the Company's risk appetite. The ERM framework is based on five elements (illustrated above and described in the following text). It is applied across Ericsson's operations and covers business areas, market areas and group functions. The framework comprises the minimum requirements that the units must meet to have a common basis for ERM to enable transparency and risk oversight.

### Governance & Culture

Ericsson is executing on an ERM strategy with the aim to drive transformation in certain focus areas, such as risk culture, risk appetite and usage of risk weighted return concepts in strategic decisions, relation between risk and internal control, and aligned assurance.

*Risk Governance*

Each manager is responsible for handling the risks that emerges from their respective area of responsibility. The responsibility for the identified prime risks of the Company is always allocated to a member of the Executive Team. The Group Risk Management function is responsible for driving the ERM strategy execution and the ERM operations on Group level. The head of each group function, market area and business area, is accountable for appointing one or several risk manager(s) to drive risk management within the unit's area of responsibility, and for overseeing the ERM in the respective unit. The CFO is accountable for performing oversight of ERM and the Board of Directors and the Audit and Compliance Committee are responsible for reviewing the effectiveness and appropriateness of the ERM.

*Risk culture*

Ericsson's risk culture is reflected in the attitudes, behaviours, and understanding about risk, both positive and negative, that influence decisions made by leaders and employees. The implementation of Ericsson's ERM Framework is supporting the five focus areas of the culture transformation initiative: Ericsson on the Move.

### Strategy

Risk management is an important element of strategic decision making and value creation since it captures the opportunities and threats that are related to reaching the strategic objectives. Ericsson's risk management activities are interconnected with the development and deployment of Ericsson's business plans and functional strategies.

### Assessment & Treatment

Assessment and Treatment of risks are done in accordance with the ERM process (illustrated on page 17) that applies to the Group and to all roles with responsibilities with regards to risk management activities. It focuses on getting the group functions, market areas and business areas to connect their risks with strategic objectives and accountabilities for decision making, in a clear way. The process also covers the activities that are managed centrally by the Group Risk Management function.

*Risk management planning*

Risk management planning is done in collaboration between risk managers in the group functions, market areas, business areas and the Group Risk Management function.

*Risk Assessment*

The Risk Assessment results in a risk register for the unit where all significant risks to achieve strategic objectives are identified and their probability, impact and dependencies are understood. The risks in the units' risk registers are re-assessed on regular base.

Current risks within the scope of accountability for the group function, market area and business area are identified in the bottom-up risk identification process step. The appropriate risk manager engages the leadership teams and stakeholders in a unit and the organization to identify risks. In the top-down risk identification, the Group Risk Management function conducts interviews with senior management, and external experts, to identify and refine the risks Ericsson faces.

The Risk Universe (illustrated on page 18) is used as inspiration to identify emerging risks and secure that all applicable risk categories

**Risk Universe**

| | | | | | |
|---|---|---|---|---|---|
| Intellectual Property Rights | Competition | M&A | Cyber and information security | Security, safety and continuity | People |
| Governance, risk and control | Laws and regulations | Communication and marketing | Geopolitical | Customer | Accounting |
| Treasury | Technology | Supply and sourcing | Product and service | Project execution | Environment and climate |

are covered. Risk Descriptions cover event, cause and impact (illustrated below). For further information on risks related to Ericsson's business, see the chapter "Risk factors" in the Financial Report.

In the Risk Analysis process step, the impact of an identified risk is estimated considering four dimensions – financial impact, strategic impact, occupational health and safety impact, and reputational impact. The key risks in a unit are presented in a heat map (see example to the right). The heat map shows the impact and probability for each key risk and enables comparison for all kinds of risks supporting prioritization.

Risk Evaluation is done to define the risk appetite for each risk i.e., the accepted probability and impact rating. The risk appetite for an individual risk indicates the ambition with treatment plans, hence driving operational decisions.

The Group Risk Management function identifies opportunities to consolidate risks based on commonalities: e.g. similar treatment plans or root causes. Further, the Group Risk Management function identifies and hands over the responsibility of the Group consolidated risks, to the suitable units for further analysis and treatment.

*Risk Treatment*

For identified risks of relevance, treatment options are chosen, i.e. avoid or accept the risk, mitigate the probability or impact of the risk, or increase the risk in order to pursue an opportunity. Based on the selected treatment option(s), a treatment plan for getting the probability and impact within the risk appetite is defined and described, including references to current or planned internal controls (illustrated below). Once the treatment plan is implemented, its effectiveness shall be assessed on an ongoing basis, and decisions shall be made where corrective actions are needed.

*Risk sign-off*

The risk sign-off entail a process step where the risks, including the responsibility for handling a risk and treatment plans, are acknowledged by the unit's leadership team and aligned cross-Group in a workshop with the applicable leadership team and the head of the Group Risk Management function. Such workshops are arranged by the appropriate risk manager.

*Prime Risk Selection*

Ericsson's prime risks are defined as the identified top risks in the Group. The responsibility for each prime risk is allocated to a member of the Executive Team and these risks are given additional attention in terms of analysis and reporting. The Group Risk Management function identifies potential prime risks in the Ericsson risk register in collaboration with the responsible units and the Executive Team.

## Communication & Reporting

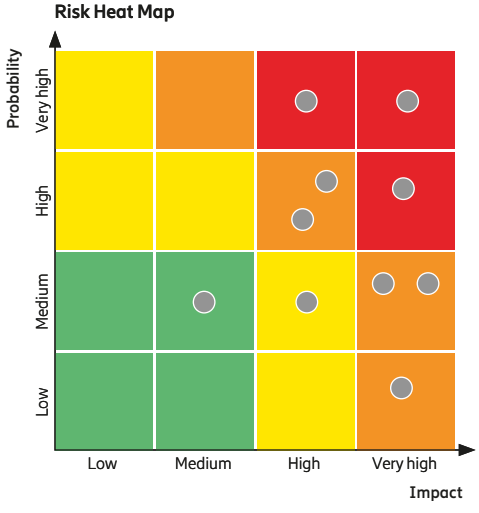
*Risk Communication*

Effective communication is important to enable employees to share information, collaborate, and support each other in managing risks in the business. The risk management community has the mission to create awareness and, improve knowledge with respect to risk management issues and requirements. Ericsson has established a Group Risk Council to facilitate cross-Group alignment and improvements of the ERM framework as well as of the management of actual risks. The Head of Group Risk Management is the chair of the council in which all risk managers participate.

*Risk Reporting*

The risk managers coordinate the reporting of key risk status to the leadership teams within the respective unit on a regular basis. Each unit's risk register is also reported to the Group Risk Management function as part of the Group risk consolidation and prime risk selection. The formal reporting to the Group Risk Management function is only required once a year. Risks identified outside of the reporting cycle that could potentially be significant at Group level are however required to be escalated when identified to the Group Risk Management function.

The Head of the Group Risk Management function reports, in collaboration with the Prime Risk Owners, the status of the prime risks to the Executive Team and the Audit and Compliance Committee on a regular basis. These reports include a heat map overview and a more detailed reporting of prime risks and relevant treatment.



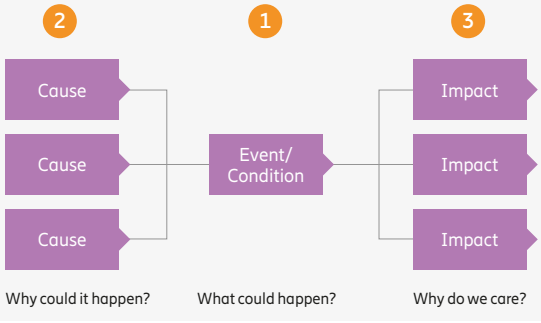

The illustration shows an example of the heat map used for presenting the key risks in a unit.

## Monitoring

The Group Risk Management function monitors the efficiency and effectiveness of the ERM Framework. This is done through self-assessments but also by providing assessment requirements regarding risk management to the ISO 9001 internal assessment process and follow up on the internal assessment results. The Group Risk Management function also reviews internal and external audit results to address identified weaknesses as part of the continuous improvements of the ERM framework.

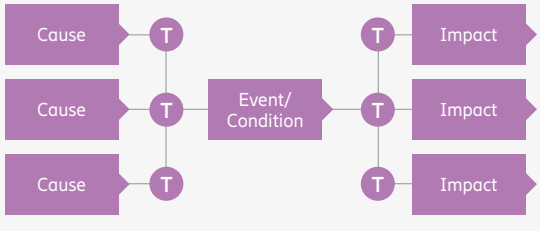
**Risk Description**

Risk Descriptions are created by answering the following questions:




**Treatment plan**

**Treatment plans** for the risk are defined by looking at different treatment options to reduce the probability of the cause and impact of the event.



## Members of the Executive Team



**Börje Ekholm**
President and Chief Executive Officer (CEO) (since 2017)

–

**Born**
1963

**Education**
Master of Science in Electrical Engineering, KTH Royal Institute of Technology, Stockholm, Sweden. Master of Business Administration, INSEAD, France.

**Nationality**
Sweden and USA

**Board Member:**
Telefonaktiebolaget LM Ericsson, Alibaba Group and Trimble Inc.

**Holdings in Ericsson[1)]**
260,351 Class B shares, 1,009,000 ADS and 2,000,000 call options[2)].

**Background**
CEO of Patricia Industries, a division within Investor AB (2015–2017). President and CEO of Investor AB (2005–2015). Formerly Head of Investor Growth Capital Inc. and New Investments. Previous positions at Novare Kapital AB and McKinsey & Co Inc. Since 2017, member of the Steering Committee of the World Economic Forum Digital Communication Governors. Member of the Board of the Swedish-American Chamber of Commerce New York.



**Fredrik Jejdling**
Executive Vice President, Business Area Networks (since 2017)

**Functions**
Head of Business Area Networks and Head of Segment Networks

**Born**
1969

**Education**
Master of Science in Economics and Business Administration, Stockholm School of Economics, Sweden.

**Nationality**
Sweden

**Board Member**
Teknikföretagen and the Confederation of Swedish Enterprise

**Holdings in Ericsson[1)]**
72,767 Class B shares.

**Background**
Senior Vice President and Head of Business Unit Network Services (2016–2017). Has held a variety of positions in commercial operations and financials, including Head of Region Sub-Saharan Africa, Head of Region India, and Head of Sales and Finance for Business Unit Global Services. Previous positions include senior positions with LUX Asia Pacific and Tele2 Group.



**Arun Bansal**
Executive Vice President (since 2020), Market Area Europe & Latin America (since 2017)

**Functions**
Head of Market Area Europe & Latin America

**Born**
1968

**Education**
Bachelor of Engineering (Electronics), University of Jiwaji, India, and Postgraduate Diploma in Marketing, Indira Gandhi National Open University, India.

**Nationality**
India

**Board Member**
OPCOM Cables Sdn Bhd, Malaysia and Mycronic AB Sweden

**Holdings in Ericsson[1)]**
100,771 Class B shares and 18,078 ADS.

**Background**
Various senior management positions, including Senior Vice President (2016–2017), Head of Business Unit-Radio (2014-2016), Head of South East Asia & Oceania and Country Manager in Indonesia and Bangladesh. Lived and worked across multiple countries and markets, including Malaysia, Sweden, Singapore, UK and USA.



**MajBritt Arfert**
Senior Vice President, Chief People Officer (CPO) (since 2017)

**Functions**
Head of Group Function People

**Born**
1963

**Education**
Bachelor of Human Resources, University of Gothenburg, Sweden.

**Nationality**
Sweden

**Board Member**
–

**Holdings in Ericsson[1)]**
51,021 Class B shares.

**Background**
Acting Head of Group Function Human Resources (November 2016–March 2017). Previously Head of Human Resources Ericsson Sweden (2015–2016) and Vice President and Head of Human Resources Business Unit Support Solutions (2007–2015). Has held various senior global positions in Ericsson including Head of Human Resources Business Unit Broadband Networks, Head of Human Resources Microwave Systems as well as a position as Head of Human Resources and Internal Communicatins at Sony Ericsson Germany.

The Board memberships and Ericsson holdings reported above are as of December 31, 2021.

1) The number of shares and ADS includes holdings by related persons, if applicable.

2) Call options issued by AB Industrivärden (1,000,000 call options) and Investor AB (1,000,000 call options), each entitling the purchase of one Ericsson B share from AB Industrivärden/Investor AB respectively (further information is available in the Notes to the consolidated financial statements – note G2 "Information regarding members of the Board of Directors and the Group management" in the Financial Report).



**Xavier Dedullen**
Senior Vice President, Chief Legal Officer, and secretary of the Board of Directors of Telefonaktiebolaget LM Ericsson (since 2018)

**Functions**
Head of Group Function Legal Affairs & Compliance

**Born**
1964

**Education**
Master of Laws (LL.M), New York University School of Law, USA, Master of Laws (Lic. Jur), KU University of Leuven, Belgium, and Bachelor in Law, Facultés Notre Dame de la Paix, Belgium.

**Nationality**
Belgium

**Board Member**
–

**Holdings in Ericsson**[1)]
44,923 Class B shares.

**Background**
Previously Group General Counsel at Holcim Ltd (2013–2018) with responsibility for the Legal and Compliance functions, based in Switzerland. Started career in private practice in New York in 1988 followed by various in-house positions of increasing seniority in the banking, power and telecom industries, based in the UK, Hong Kong and Switzerland. Prior to joining Holcim Ltd, worked at Verizon (2004–2013) most recently as Vice President International – Legal and External Affairs.



**Erik Ekudden**
Senior Vice President, Chief Technology Officer (CTO) (since 2018)

**Functions**
Head of Group Function Technology

**Born**
1968

**Education**
Master of Science in Electrical Engineering, KTH Royal Institute of Technology, Stockholm, Sweden.

**Nationality**
Sweden

**Board Member**
–

**Holdings in Ericsson**[1)]
31,198 Class B shares and 9,118 ADS.

**Background**
Group Chief Technology Officer and Head of Technology and Architecture within Group Function Technology and Emerging Business (July 2017–March 2018). Joined Ericsson in 1993 and has held various management positions in the company, including Head of Technology Strategy, Chief Technology Officer Americas in Santa Clara US, and Head of Standardization and Industry. Member of the Royal Swedish Academy of Engineering Sciences (IVA). Since 2020, member of the Broadband Commission for Sustainable Development and member of the board of IVA's Näringslivsråd.



**Niklas Heuveldop**
Senior Vice President, Market Area North America (since 2017)

**Functions**
Head of Market Area North America

**Born**
1968

**Education**
Master of Science in Industrial Engineering and Management, the Linköping Institute of Technology, Sweden.

**Nationality**
Sweden

**Board Member**
The Swedish-American Chamber of Commerce New York and CTIA – US wireless industry trade association

**Holdings in Ericsson**[1)]
82,209 Class B shares and 13,908 ADS.

**Background**
Senior Vice President, Chief Strategy Officer and Head of Group Function Technology & Emerging Business (April 2017–March 2018). Previous positions include Chief Customer Officer and Head of Group Function Sales (2016–2017) and senior leadership positions across Europe and the Americas, including Head of Global Customer Unit AT&T and Head of Market Unit Central America and Caribbean. Previous positions outside Ericsson include CEO of ServiceFactory and COO of WaterCove Networks.



**Chris Houghton**
Senior Vice President, Market Area North East Asia (since 2017)

**Functions**
Head of Market Area North East Asia

**Born**
1966

**Education**
Bachelor of Law, Huddersfield Polytechnic, United Kingdom.

**Nationality**
United Kingdom

**Board Member**
–

**Holdings in Ericsson**[1)]
96,963 Class B shares.

**Background**
Head of Region North East Asia (2015–2017). Has also previously held management positions within Ericsson, including Head of Region India, Head of Customer Unit UK and Ireland and various management positions within Ericsson in China, Hungary, India, Ireland, Japan, Sweden and the UK.

The Board memberships and Ericsson holdings reported above are as of December 31, 2021.
[1)] The number of shares and ADS includes holdings by related persons, if applicable.

## Members of the Executive Team, cont'd.



**Jan Karlsson**
Senior Vice President, Business Area Digital Services (since 2018)

**Functions**
Head of Business Area Digital Services and Head of Segment Digital Services

**Born**
1966

**Education**
Bachelor in Business Administration, ESSEC Business School, France.

**Nationality**
Sweden

**Board Member**
TM Forum

**Holdings in Ericsson**[1)]
1,368 Class B-shares and 6,964 ADS.

**Background**
Acting Head of Business Area Digital Services February–July 2018. Previous Head of Solution Area BSS within Business Area Digital Services. Before joining Ericsson early 2017 Jan Karlsson was the CEO of DigitalRoute, an ISV focusing on data collection & pre-processing across Telco and Non-telco verticals.



**Peter Laurin**
Senior Vice President, Business Area Managed Services (since 2017)

**Functions**
Head of Business Area Managed Services and Head of Segment Managed Services

**Born**
1971

**Education**
Master of Technology, Chalmers University of Technology, Sweden, and Master of Business Administration, Gothenburg School of Economics and Commercial Law, Sweden.

**Nationality**
Sweden

**Board Member**
ByggVesta AB

**Holdings in Ericsson**[1)]
3,775 Class B shares.

**Background**
Head of Region Northern Europe and Central Asia. Previous management positions within Ericsson include Head of Ericsson's Global Customer Unit Vodafone (2013–2016) and various executive positions in North America, Asia and Europe. Previous external roles include positions in Arthur D. Little and Mediatude Ltd.



**Stella Medlicott**
Senior Vice President, Chief Marketing and Communications Officer (CMO and CCO) (since 2019)

**Functions**
Head of Group Function Marketing & Corporate Relations

**Born**
1969

**Education**
Bachelors of Arts (Hons) degree in Social Science, University of Lincoln (known at that time as University of Humberside), United Kingdom and Postgraduate Diploma in Marketing, Chartered Institute of Marketing, United Kingdom.

**Nationality**
United Kingdom

**Board Member**
–

**Holdings in Ericsson**[1)]
7,572 Class B shares.

**Background**
Vice President of Marketing, Communications and Government Relations for Ericsson Market Area Europe and Latin America July 2017–June 2019. Prior to joining Ericsson, Stella Medlicott was Chief Marketing Officer at Red Bee Media, which was acquired by Ericsson in May 2014. She has over 25 years of marketing experience in major IT, telecoms and media companies including two years at Technicolor as VP Marketing and ten years at Siemens Communications as Global VP Marketing.



**Carl Mellander**
Senior Vice President, Chief Financial Officer (CFO) (since 2017)

**Functions**
Head of Group Function Finance & Common Functions

**Born**
1964

**Education**
Bachelor of Arts in Business Administration and Economics, Stockholm University, Sweden; and East- and South East Asia Program, Lund University, Sweden

**Nationality**
Sweden

**Board Member**
International Chamber of Commerce (ICC) Sweden

**Holdings in Ericsson**[1)]
91,461 Class B shares.

**Background**
Acting Chief Financial Officer and Head of Group Function Finance and Common Functions (July 2016–March 2017). Previous positions within Ericsson include Vice President and Group Treasurer, and Head of Finance in Region Western and Central Europe. Also held Head of Finance/CFO positions within the telecom operator space and defence industry.

The Board memberships and Ericsson holdings reported above are as of December 31, 2021.
[1)] The number of shares and ADS includes holdings by related persons, if applicable.



**Nunzio Mirtillo**
Senior Vice President, Market Area South East Asia, Oceania & India (since 2017)

**Functions**
Head of Market Area South East Asia, Oceania & India

**Born**
1961

**Education**
Master in Electronic Engineering, Sapienza University, Italy.

**Nationality**
Italy

**Board Member**
–

**Holdings in Ericsson[1)]**
130,189 Class B shares.

**Background**
Previously Head of Region Mediterranean. Previous management positions within Ericsson include Head of Sales Networks for Western Europe within Business Unit Networks, Head of Business Operations in Market Unit South East Europe and Key Account Manager for Wind Italy, Vodafone Italy and other customers.



**Fadi Pharaon**
Senior Vice President, Market Area Middle East & Africa (since 2019)

**Functions**
Head of Market Area Middle East & Africa

**Born**
1972

**Education**
Master of Science in Computer Science, KTH Royal Institute of Technology, Sweden and a Master of Business Administration, Heriot Watt University, Edinburgh Business School, Scotland.

**Nationality**
Sweden and Lebanon

**Board Member**
–

**Holdings in Ericsson[1)]**
334 Class B shares and 1,138 ADS.

**Background**
Vice President of Networks & Managed Services (presales and commercial management) within Market Area Europe & Latin America. Previous management positions within Ericsson include Head of Presales and Strategy for Ericsson Region South East Asia & Oceania, and Country Manager for Ericsson Singapore and Brunei.



**Åsa Tamsons**
Senior Vice President, Business Area Technologies & New Businesses (since 2018)

**Functions**
Head of Business Area Technologies & New Businesses and Head of Segment Emerging Business and Other

**Born**
1981

**Education**
Master of Business Administration, Stockholm School of Economics, Sweden.

**Nationality**
Sweden

**Board Member**
CNH Industrial

**Holdings in Ericsson[1)]**
35,311 Class B shares.

**Background**
Head of Business Area Technology and Emerging Business (April–September 2018) and Group Strategy and M&A. Previously Partner at McKinsey & Company, serving high-tech and telecommunications companies worldwide on growth strategies, digital and commercial transformations. Before joining Ericsson lived and work in the US, Brazil, France, Sweden and Singapore.

The Board memberships and Ericsson holdings reported above are as of December 31, 2021.
[1)] The number of shares and ADS includes holdings by related persons, if applicable.

## Auditor

According to the articles of association, the Parent Company shall have no less than one and no more than three registered public accounting firms as external independent auditor. Ericsson's auditor is currently appointed each year at the AGM for a one-year mandate period. The auditor reports to the shareholders at General Meetings.

The duties of the auditor include:

- Updating the Board of Directors regarding the planning, scope and content of the annual audit work
- Reviewing the interim reports to assess that the financial statements are presented fairly in all material respects and providing review opinions over the interim reports for the third and fourth quarters and the year-end financial statements
- Providing an audit opinion over the Annual Report
- Advising the Board of Directors of non-audit services performed, the consideration paid and other issues that determine the auditor's independence.

Auditing work is carried out by the auditor continuously throughout the year. For further information on the contacts between the Board and the auditor, please see "Work of the Board of Directors" earlier in this Corporate Governance report.

### Current auditor

Deloitte AB was reappointed auditor at the AGM 2021 for a period of one year, i.e. until the close of the AGM 2022. Deloitte AB has appointed Thomas Strömberg, Authorized Public Accountant, to serve as auditor in charge. Thomas Strömberg is also auditor in charge in Epiroc AB.

### Fees to the auditor

Ericsson paid the fees (including expenses) for audit-related and other services listed in the table in note H5, "Fees to auditors" in the Financial Report.

## Internal control over financial reporting

This section has been prepared in accordance with the Annual Accounts Act and the Swedish Corporate Governance Code and is limited to internal control over financial reporting.

Since Ericsson is listed in the US, the requirements outlined in the Sarbanes-Oxley Act (SOX) apply, subject to certain exceptions. These regulate the establishment and maintenance of internal control over financial reporting as well as management's assessment of the effectiveness of the controls.

In order to support high-quality reporting and to meet the requirements of SOX, the Company has implemented detailed documented controls and testing, and reporting procedures based on the internationally established 2013 COSO framework for internal control. The COSO framework is issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management's internal control report, according to SOX, will be included in Ericsson's Annual Report on Form 20-F and filed with the SEC in the US.

### Disclosure policies

Ericsson's financial reporting and disclosure policies follow the International Financial Reporting Standards (IFRS) and aim to ensure transparent, relevant and consistent communication with equity and debt investors on a timely, fair and equal basis. This will support a fair market value for Ericsson securities. Ericsson wants current and potential investors to have a good understanding of how the Company works, including operational performance, prospects and potential risks.

To achieve these objectives, financial reporting and disclosure must be:

- **Transparent** – enhancing understanding of the economic drivers and operational performance of the business, building trust and credibility
- **Consistent** – comparable in scope and level of detail to facilitate comparison between reporting periods
- **Simple** – to support the understanding of the business operations and performance, and to avoid misinterpretations
- **Relevant** – with focus on what is relevant to Ericsson's stakeholders or required by regulation or listing agreements, to avoid information overload
- **Timely** – with regularly scheduled disclosures as well as ad-hoc information, such as press releases on important events, performed in a timely manner
- **Fair and equal** – where all material information is published via press releases to ensure that the whole investor community receives the information at the same time
- **Complete** – free from material errors and a reflection of best practice – disclosures compliant with applicable financial reporting standards and listing requirements and in line with industry norms.

Ericsson's website comprises comprehensive information about the Group, including:

- An archive of annual and interim reports
- Access to recent news.

### Disclosure controls and procedures

Ericsson has controls and procedures in place to allow for timely disclosure in accordance with applicable laws and regulations, including the US Securities Exchange Act of 1934, and under agreements with Nasdaq Stockholm and NASDAQ New York. These procedures also require that such information is provided to management, including the President and CEO and the CFO, so timely decisions can be made regarding the required disclosures.

The Disclosure Committee assists management in fulfilling their responsibility regarding disclosures made to the shareholders and the investment community. One of the main tasks of the committee is to monitor the integrity and effectiveness of the disclosure controls and procedures. The Disclosure Committee comprises members with various expertise including representation from the segments.

Ericsson has investments in certain entities that the Company does not control or manage. With respect to such entities, disclosure controls and procedures are substantially more limited than those maintained with respect to subsidiaries.

Controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving the desired control objectives. Ericsson's President and CEO and the CFO evaluated the Company's disclosure controls and procedures and concluded that they were effective at a reasonable assurance level as of December 31, 2021.

**Internal control over financial reporting**
Ericsson has integrated risk management and internal control over financial reporting into its business processes. As defined in the COSO framework, internal control is an aggregation of components such as a control environment, risk assessment, control activities, information and communication and monitoring.

The control framework is updated regularly to reflect relevant changes in processes, tools usage, outcome of risk assessments, changes in legislations, etc. Continuous enhancements are initiated to strengthen and risk-adapt the design of the controls and the efficiency of the internal control over financial reporting. The scope of the enhancements covers both business process controls and IT controls.

The Company continued to adapt its workplace practices globally due to the COVID-19 pandemic, resulting in most of its employees still working remotely; this has not significantly affected the Company's internal controls over financial reporting.

**Control environment**
The Company's internal control structure is based on the division of tasks between the Board of Directors and its Committees and the President and CEO. The Company has implemented a management system that is based on:

- Steering documents, such as policies and directives, and the Code of Business Ethics
- A strong corporate culture
- The Company's organization and mode of operations, with well-defined roles and responsibilities and delegations of authority
- Several well-defined Group-wide processes for planning, operations and support.

The most essential parts of the control environment relative to financial reporting are included in steering documents and processes for accounting and financial reporting. These steering documents are updated regularly to include, among other things:

- Changes to laws
- Financial reporting standards and listing requirements, such as IFRS and SOX.

The processes include specific controls to be performed to ensure high-quality financial reports. The management of each reporting legal entity, region and business unit is supported by finance functions in the execution of controls related to transactions and reporting. The finance functions are organized in Company Control and Business Shared Services Hubs/Centers, each supporting a number of legal entities within a geographical area. A financial controller function is also established on Group level, reporting to the CFO.

**Risk assessment**
Risks of material misstatements in the financial reporting may exist in relation to recognition and measurement of assets, liabilities, revenue and cost or insufficient disclosure. Other risks related to financial reporting include fraud, loss or embezzlement of assets and undue favorable treatment of counterparties at the expense of the Company.

Policies and directives regarding accounting and financial reporting cover areas of particular significance to support correct, complete and timely accounting, reporting and disclosure.

Identified types of risks are mitigated through well-defined business processes with integrated risk management activities, segregation of duties and appropriate delegation of authority. This requires specific approval of material transactions and ensures adequate asset management.

**Control activities**
The Company's business processes include financial controls regarding the approval and accounting of business transactions. The financial closing and reporting process has controls regarding recognition, measurement, and disclosure. These include the application of critical accounting policies and estimates, in individual subsidiaries as well as in the consolidated accounts.

Regular analyses of the financial results for each subsidiary, region and business unit cover the significant elements of assets, liabilities, revenues, costs and cash flow. Together with further analysis of the consolidated financial statements performed at Group level, these procedures are designed to produce financial reports without material errors.

For external financial reporting purposes, the Disclosure Committee performs additional control procedures to review whether the disclosure requirements are fulfilled.

The Company has implemented controls to ensure that financial reports are prepared in accordance with its internal accounting and reporting policies, and IFRS as well as with the relevant listing regulations. It maintains detailed documentation on internal controls related to the accounting and financial reporting. It also keeps records on the monitoring of the execution and results of such controls. This allows the President and CEO and the CFO to assess the effectiveness of the controls in a way that is compliant with SOX.

Entity-wide controls, focusing on the control environment and compliance with financial reporting policies and directives, are implemented in the subsidiaries. Detailed process controls and documentation of controls performed are also implemented in the significant subsidiaries or operational units covering these subsidiaries, covering the items with significant materiality and risk.

In order to secure compliance, governance and risk management in the areas of legal entity accounting and taxation, as well as securing funding and equity levels, the Company operates through Company Control and Business Shared Services Hubs/Centers, covering subsidiaries in each geographical area.

Based on a common IT platform, a common chart of accounts and common master data, the Company Control and Business Shared Services Hubs/Centers perform accounting and financial reporting services for most subsidiaries.

**Information and communication**
The Company's information and communication channels support complete, correct and timely financial reporting by making all relevant internal process instructions and policies accessible to all the employees concerned. Regular updates and briefing documents regarding changes in accounting policies, reporting and disclosure requirements are also supplied.

Subsidiaries and operating units prepare regular financial and management reports for internal steering groups and Company management. These include analysis and comments on financial performance and risks. The Board of Directors receives financial reports monthly. Ericsson has established a whistleblower tool, the Ericsson Compliance Line, that can be used for the reporting of alleged violations that:

- Are conducted by Group or local management, and
- Relate to corruption, questionable accounting, deficiencies in the internal control of accounting or auditing matters, or otherwise seriously affect vital interests of the Group or personal health and safety.

**Monitoring**
The Company's process for financial reporting is reviewed annually by management. This forms a basis for evaluating the internal management system and internal steering documents to ensure that they cover all significant areas and risks related to financial reporting. The Management of the Company Control and Business Shared Services Hubs/Centers continuously monitor accounting quality through a set of performance indicators. Compliance with policies and directives is monitored through annual self-assessments and representation letters from company heads and company controllers in subsidiaries as well as in business areas and market areas.

The Company's financial performance is also reviewed at Board meetings. The Committees of the Board fulfill important monitoring functions regarding remuneration, loans, investments, customer finance, cash management, financial reporting and internal control. The Audit and Compliance Committee and the Board of Directors review all interim and annual financial reports before they are released to the market. The Company's internal audit function reports directly to the Audit and Compliance Committee. The Audit and Compliance Committee also receives regular reports from the external auditor. The Audit and Compliance Committee follows up on any actions taken to improve or modify controls.

**Board of Directors**

Stockholm, March 3, 2022

Telefonaktiebolaget LM Ericsson (publ)
Org. no. 556016-0680

# Auditor's report on the Corporate Governance report

**To the general meeting of the shareholders in Telefonaktiebolaget LM Ericsson (publ) corporate identity number 556016-0680**

**Engagement and responsibility**
It is the board of directors who is responsible for the corporate governance statement for the financial year January 1, 2021 – December 31, 2021 on pages 1– 26 and that it has been prepared in accordance with the Annual Accounts Act.

**The scope of the audit**
Our examination has been conducted in accordance with FAR's standard RevR 16 *The auditor's examination of the corporate governance statement*. This means that our examination of the corporate governance statement 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. We believe that the examination has provided us with sufficient basis for our opinions.

**Opinions**
A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, March 3rd 2022

**Deloitte AB**

**Thomas Strömberg**
Authorized public accountant

# Remuneration report

Part of Ericsson Annual Report 2021



Annual Report 2021


Financial report

Corporate Governance report

Remuneration report

Sustainability and Corporate Responsibility report


ericsson.com

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## Remuneration report 2021


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The Report has been prepared in accordance with Chapter 8, Sections 53 a and 53 b of the Swedish Companies Act (2005:551) and the Remuneration Rules (December 1, 2020) issued by the Swedish Corporate Governance Board.

Information required under Chapter 5, Sections 40–44 of the Annual Accounts Act (1995:1554) is available in note G1–G4 in the Financial report.

Information on the work of the Remuneration Committee during 2021 is set out in the Corporate Governance report, which is available on page 10 in the Corporate Governance report.

# Remuneration report 2021

## Statement from the Chair of the Remuneration Committee

On behalf of the Board of Directors, I am pleased to present Ericsson's Remuneration report for the financial year 2021. The Remuneration report describes how the Guidelines for remuneration to Group Management approved at the Annual General Meeting 2020 have been adhered to during 2021. Furthermore, the Remuneration report also includes information on the long-term variable compensation programs during 2021.

In 2021, Ericsson continued to execute on the focused business strategy introduced in 2017. In addition, in 2021 Ericsson has made acquisitions to further develop and expand its 5G enterprise business. The Company continues to pursue selective, disciplined and profitable growth in order to build a stronger Ericsson in the long-term remaining committed to the targets for 2022 as well as the long-term target of 15–18% EBITA margin excluding restructuring charges.

It is only possible for Ericsson to accomplish its long-term goals under a strong leadership team with a mix of talent consisting of individuals with a range of backgrounds, skills and capabilities. This requires that the Company can attract, retain and motivate the right talent and can offer them competitive remuneration at a global level. Hence, Ericsson's remuneration philosophy and practices are based on the principles of competitiveness, fairness, transparency and impact, with long-term value creation for shareholders as the overall purpose in order to successfully implement the Company's strategy and sustainable long-term interests.

In 2021, the Guidelines for remuneration to Group Management, approved by the shareholders in March 2020, were complied with and remuneration was paid in accordance with the guidelines. In the annual total compensation review, each compensation element (at target level) in the total remuneration mix has been benchmarked against external local and global market levels where Ericsson competes for talent.

Furthermore, the Remuneration Committee and the Board of Directors continue to evaluate the long-term variable compensation programs for the Executive Team on an ongoing basis for effectiveness in serving their purpose to support achieving Ericsson's strategic business objectives and sustainable long-term interests as well as their facility to secure the long-term focus of the members of the Executive Team and align their interests with the long-term expectations and the interests of the shareholders. The long-term variable compensation programs introduced for the Executive Team in 2017 along with the inclusion of the one-year Group operating income (EBIT) performance criterion starting from 2018 proved effective in terms of playing a key role in the achievement of Ericsson's Group financial targets. Having evaluated the ongoing long-term variable compensation programs and considering investor input obtained, the Remuneration Committee and the Board of Directors propose to the Annual General Meeting of shareholders 2022 a long-term variable compensation program 2022 for the Executive Team similar to the long-term variable compensation program 2021 adding a Group Environmental, Social and Governance performance criterion. The purpose is to further strengthen the Ericsson's commitment to long-term sustainability and responsible business.

Finally, yet importantly, I want to express the Remuneration Committee's appreciation to the Executive Team and all our people across the global organization for Ericsson's performance during the year.

Thank you all!

**Jon Fredrik Baksaas**
Chair of the Remuneration Committee

# Introduction

This Remuneration report (the Report) provides an outline of how the Guidelines for Remuneration to Group Management (the Guidelines) of Telefonaktiebolaget LM Ericsson (Ericsson or the Company), adopted by the Annual General Meeting of shareholders (AGM) 2020, have been adhered to in the financial year 2021. The Report also provides details on total remuneration, including fixed and variable remuneration, to Ericsson's President and CEO and the two Executive Vice Presidents (EVPs). In addition, the Report contains a summary of the Company's current short-term and long-term variable compensation programs to the Executive Team (ET).

The remuneration to the President and CEO and the EVPs presented in the Report constitute their total remuneration, regardless of being paid through the Company or a Group company.

The Guidelines, adopted by the AGM 2020, can be found on page 22–26 in the Financial report. The auditor's report regarding whether the Company has complied with the Guidelines is available on Ericsson's website, www.ericsson.com.

Remuneration to the Board of Directors is not covered by this Report. Such remuneration is resolved annually by the AGM and is disclosed in note G2 on page 69–70 in the Financial report 2021.

**Executive outline**

Information regarding Ericsson's performance during the financial year can be found in the Financial report 2021.

A successful implementation of the Company's strategy and sustainable long-term interests requires that the Company can attract, retain and motivate the right talent and can offer them competitive remuneration. For Ericsson, long-term value creation for shareholders and pay for performance constitute a strong foundation for remuneration. The Guidelines aim to ensure alignment with Ericsson's current remuneration philosophy and practices applicable for the Company's employees based on the principles of competitiveness, fairness, transparency and impact. In particular to:

- Attract and retain highly competent, high performing, and motivated people that have the ability, experience and skill to deliver on the Ericsson strategy,
- Encourage behavior consistent with Ericsson's culture, core values and Ethics and Compliance Program,
- Ensure fairness in reward by delivering total remuneration that is appropriate but not excessive, and clearly explained,
- Have a total compensation mix of fixed pay, variable pay and benefits that is competitive where Ericsson competes for talent, and
- Encourage variable remuneration which aligns employees with clear and relevant targets, reinforces their performance and enables flexible remuneration costs.

The Guidelines also aim to allow the Company to offer the members of the ET attractive and competitive total remuneration globally.

Under the Guidelines, remuneration to the ET shall be on market terms and may consist of the following components: fixed salary, variable remuneration, pension and other benefits. In addition to remuneration covered by the Guidelines, the shareholders have decided to implement long-term variable compensation programs (LTV). The programs LTV 2019, LTV 2020 and LTV 2021 are still ongoing.

During 2021, no derogations or deviations have been made from the Guidelines or from the decision procedures set out in the Guidelines for determining the remuneration to the ET. No remuneration has been reclaimed during 2021.

During 2021, the following key decisions with regards to remuneration were made by the Renumeration Committee and the Board of Directors respectively:

- Total compensation review was conducted in January 2021, taking into account the total remuneration, resulting in:
  - An increase of the short term variable compensation (STV) target opportunity level to 40% and increase of the maximum opportunity level to 80% for all members of the ET excluding the President and CEO
  - An increase of the LTV grant level to 190% for the President and CEO.
- Achieved vesting level of the LTV 2019 determined to be 126.35%, based on the pre-agreed performance criteria; Group operating income (EBIT), relative and absolute total shareholder return (TSR).
- Achieved vesting level for the LTV 2021 Group operating income (EBIT) performance criteria was determined to be 200%.

The Remuneration Committee supports the Board of Directors with the review and evaluation of the Guidelines and Ericsson's application of the Guidelines. The Guidelines approved by the AGM 2020 are intended to apply to the AGM 2024. The Remuneration Committee and the Board of Directors have concluded that the Guidelines should not be revised this year. Since no changes are proposed to the Guidelines no shareholder approval of remuneration guidelines will be required at the AGM 2022.

The Remuneration Committee and the Board of Directors evaluate the LTV programs to the ET on an ongoing basis for effectiveness in serving their purpose to support achieving the Company's strategic business objectives and sustainable long-term interests, as well as their facility to increase the long-term focus of the members of the ET and align their interests with the long-term expectations and the interests of the shareholders.

Upon evaluation of the ongoing LTV programs to the ET, the Remuneration Committee and the Board of Directors concluded that the ongoing program for 2019 and 2020 as well as the vested program for 2018, enabled the Company to achieve its long-term objectives for 2020 set forth in 2017, especially with the inclusion of the one-year Group operating income (EBIT) performance criterion. Although the Group operating income (EBIT) performance criterion has a one-year performance period, it has a three-year vesting period that is the same as the vesting periods for the absolute and relative TSR performance criteria, which is in line with the objectives of the LTV programs. This means that the participants cannot exercise any of the allocated Performance Share Awards until the three-year vesting period is completed and that the participants are fully exposed to share price movements for the three-year period.

Given that LTV programs of 2018, 2019 and 2020 have served their purpose to support achieving the Company's long-term objectives for 2020, the AGM 2021 resolved an LTV program to the ET for 2021 with the same structure as the previous LTV programs to support the Company's 2022 targets. In order to further strengthen Ericsson's and the ET 's commitment to long-term sustainability and responsible business, the Remuneration Committee and the Board of Directors resolved to propose a long-term variable compensation program for 2022 with similar structure to the long-term variable compensation program of 2021 with the addition of a Group Environmental, Social and Governance (ESG) performance criterion to the Annual General Meeting of shareholders in 2022.

# Remuneration 2021 at a glance

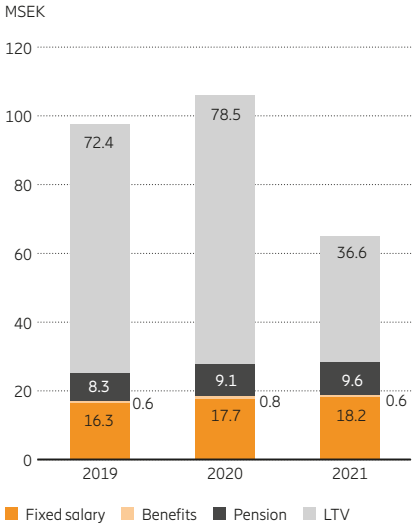
## Total remuneration

The table below summarizes how the remuneration elements outlined in the Guidelines have been applied in relation to the President and CEO and the EVPs. The table also summarizes information on LTV, as approved by the shareholders.

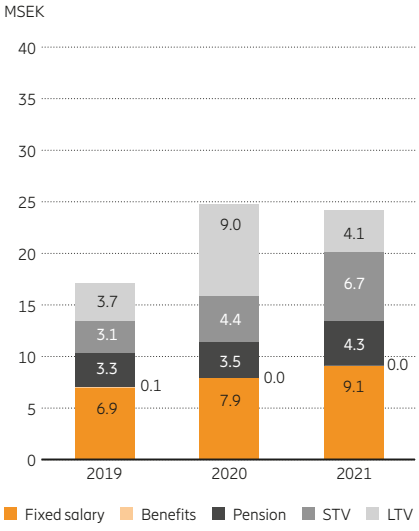
| | Purpose and link to strategy | Key features | Execution during the financial year that ended on December 31, 2021 |
|---|---|---|---|
| **Fixed salary** | Support the attraction and retention of executive talent required to implement Ericsson's strategy. | Deliver part of the annual compensation in a predictable format.<br>Salaries are normally reviewed annually in January taking into account:<br>– Ericsson's overall business performance,<br>– business performance of the unit that the individual leads,<br>– year-on-year performance of the individual,<br>– external economic environment,<br>– size and complexity of the position,<br>– external market data,<br>– pay and conditions for other employees based in locations considered to be relevant to the role.<br>When setting fixed salaries, the impact on total remuneration is also taken into consideration. | President and CEO: fixed annual salary of SEK 17,720,460 corresponding to an increase of 5% compared to 2020.<br>EVP and Head of Business Area Networks: fixed annual salary of SEK 8,339,494, corresponding to an increase of 5% compared to 2020.<br>EVP and Head of Market Area Europe & Latin America: fixed salary of INR 68,985,000, corresponding to an increase of 9.5% compared to 2020. |
| **Other benefits** | Provide market competitive benefits to support the attraction and retention of executive talent required to implement Ericsson's strategy. | Benefits are set in line with competitive market practices in the individual's country of employment.<br>The levels of benefits provided may vary year on year depending on the cost of the provision of benefits to the Company.<br>Benefits are capped at 10% of the annual fixed salary for members of the ET located in Sweden.<br>Benefits for members of the ET who are on long-term international assignment (LTA) in countries other than their home countries of employment, are determined in line with the Company's global international mobility policy which may include (but is not limited to) commuting or relocation costs; cost of living adjustment, housing, home travel and education allowance; tax and social security equalization assistance. | President and CEO: other benefits to a value of SEK 555,688<br>EVP and Head of Business Area Networks: other benefits to a value of SEK 14,980.<br>EVP and Head of Market Area Europe & Latin America: other benefits to a value of SEK 1,345,055. |
| **Pension** | Offer long term financial security and planning for retirement by way of providing competitive retirement arrangements in line with local market practices. | The pension plans follow competitive practice in the individual's home country.<br>Pension plans for the President and CEO and the EVPs are defined contribution plans. | Company pension contribution:<br>– President and CEO: SEK 9,569,049<br>– EVP and Head of Business Area Networks: SEK 4,314,186,<br>– EVP and Head of Market Area Europe & Latin America: SEK 985,340 |
| **Short term variable compensation (STV)** | Set clear and relevant targets for the ET that are aligned with Ericsson's strategy and sustainable long-term interests.<br>Provide individuals an earning opportunity for performance at flexible cost to the Company. | The President and CEO is not entitled to any STV.<br>Target opportunity is at 40% of fixed salary and maximum is 80% of fixed salary for the EVPs.<br>Performance measures, weightings and target levels are set annually.<br>Subject to malus and clawback. | Outcome of STV 2021:<br>– EVP and Head of Business Area Networks: 100% of the maximum opportunity<br>– EVP and Head of Market Area Europe & Latin America: 100% of the maximum opportunity. |
| **Long term variable compensation (LTV)** | Align the long-term interests of the members of the ET with those of shareholders.<br>Rewards consistent with long-term performance in line with Ericsson's business strategy.<br>Provide individuals with long-term compensation for long-term commitment and value creation in alignment with shareholder interests. | Awards granted after AGM approval.<br>Award levels are determined as percentage of fixed salary:<br>– For the President and CEO 190% of fixed salary.<br>– For the EVPs 50% of fixed salary.<br>Performance measures, weightings and targets levels are presented to the AGM for approval. Three-year vesting period.<br>Subject to malus and clawback. | Achieved vesting of LTV 2019 at 126.35% of target. |

## Remuneration earned in 2021

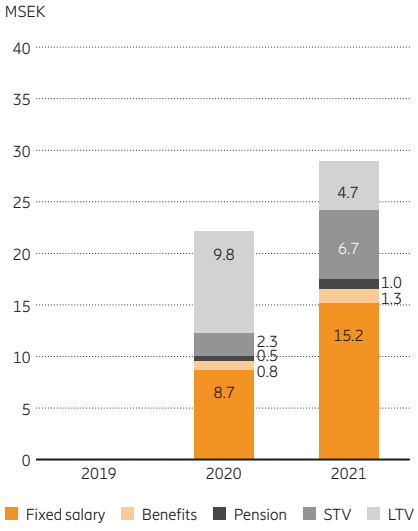
**Börje Ekholm**
President and CEO




**Fredrik Jejdling**
EVP and Head of Business Area Networks




**Arun Bansal** [1)]
EVP and Head of Market Area Europe & Latin America




[1)] Arun Bansal was appointed Executive Vice President in June 2020. Information disclosed covers the time period from June 1, 2020.

### STV

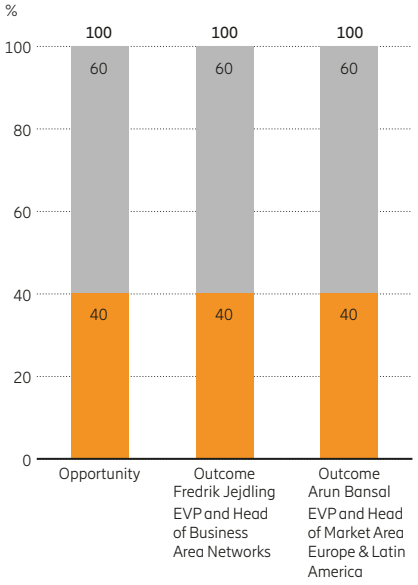
The information presented for 2021 covers the financial year 2021, and the information for 2020 and 2019 covers the financial years 2020 and 2019, respectively.

### LTV

The information presented for 2021 include information on LTV 2019 that will vest during 2022. Information presented for 2020 and 2019 include information on vested programs LTV 2018 and LTV 2017, respectively.

## Performance outcome in 2021

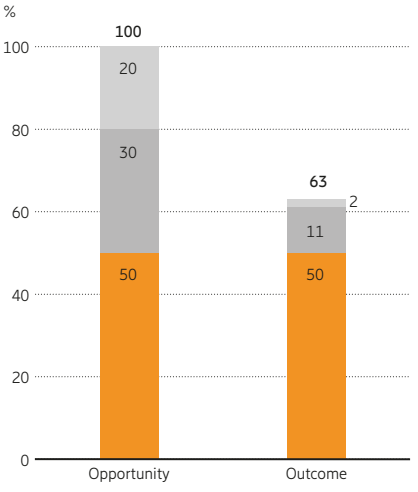
### STV 2021 outcome




**Economic Profit:** Business Area/Market Area as % of maximum opportunity
**Economic Profit:** Group as % of maximum opportunity

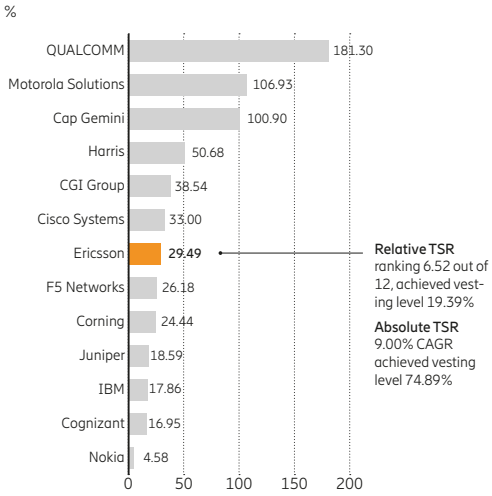
Economic Profit means operating profit less cost of capital.

### LTV 2019 outcome




**Relative TSR:** As % of maximum opportunity
**Absolute TSR:** As % of maximum opportunity
**Group Operating income (EBIT):** As % of maximum opportunity

### LTV 2019 TSR development (2019–2021)




To support the execution of Ericsson's business strategy and achievement of the financial targets of the Group, the Company's variable compensation programs focus on targets relating to economic profit, Group operating income (EBIT) and TSR. The variable remuneration is thereby designed to create incentives for the contribution to Ericsson's short- and long-term strategic plan and business objectives.

# Total remuneration to the President and CEO and Executive Vice Presidents

The table below sets out total remuneration in SEK to the President and CEO and the EVPs of Ericsson between 2019 and 2021.

Total remuneration to the President and CEO and Executive Vice Presidents

| | | Fixed remuneration | | Variable remuneration | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Name and position | Financial year | Fixed salary (incl. vacation pay) | Other benefits [1] | One-year variable [2] | Multi-year variable [3] | Additional arrangements [4] | Pension [5] | Total remuneration [6] | Proportion of fixed remuneration [7] | Proportion of variable remuneration [8] |
| Börje Ekholm President and CEO | 2021 | 18,208,859 | 555,688 | – | 36,630,457 | – | 9,569,049 | 64,964,053 | 44% | 56% |
| | 2020 | 17,727,726 | 770,276 | – | 78,475,833 | – | 9,113,376 | 106,087,211 | 26% | 74% |
| | 2019 | 16,299,080 | 600,572 | – | 72,397,175 | – | 8,284,891 | 97,581,719 | 26% | 74% |
| Fredrik Jejdling EVP and Head of Business Area Networks | 2021 | 9,129,087 | 14,980 | 6,671,595 | 4,092,344 | – | 4,314,186 | 24,222,193 | 56% | 44% |
| | 2020 | 7,925,971 | 22,110 | 4,415,425 | 9,025,678 | – | 3,457,409 | 24,846,592 | 46% | 54% |
| | 2019 [9] | 6,933,652 | 142,305 | 3,085,500 | 3,724,945 | – | 3,282,635 | 17,169,037 | 60% | 40% |
| Arun Bansal EVP and Head of Market Area Europe & Latin America [10,11] | 2021 | 15,158,407 | 1,345,055 | 6,727,226 | 4,741,209 | – | 985,340 | 28,957,237 | 60% | 40% |
| | 2020 [11] | 8,673,843 | 840,273 | 2,253,084 | 9,844,590 | – | 516,344 | 22,128,134 | 45% | 55% |
| | 2019 [11] | – | – | – | – | – | – | – | – | – |

1) For further information about other benefits, see table regarding the Execution of fixed remuneration and pension to the President and CEO and the Executive Vice Presidents.
2) Amounts represent STV that was earned during the financial year that is paid the following year, i.e. for 2021 amounts represent STV 2021, for 2020 amount represents STV 2020 and for 2019 amout represents STV 2019
3) Amounts represent the LTV for which all performance periods lapsed during the financial year and the Executive Performance Stock Plan (EPSP) share matching that took place during the financial year. For 2021 amounts represent LTV 2019, for 2020 amounts represent LTV 2018 and for 2019 amounts represents LTV 2017. Amounts are calculated based on the numbers of Performance Share Awards that will vest at the end of the vesting period multiplied by the volume weighted average of the five last trading days of each financial year. The 2016 EPSP was settled and closed with the final delivery of the remaining performance matching shares to the participants on August 17, 2020. The 2016 EPSP performance period ended December 31, 2018, and since 2016 no EPSP has been introduced for members of the ET. The details of the EPSP are explained in the notes to the consolidated financial statements – note G3 share-based compensation, page 73 in the Financial report 2020.
4) Amounts represent discretionary additional arrangements approved by the Remuneration Committee or the Board of Directors that was made during the financial year
5) Amounts represent cash in lieu of pension (for the President and CEO) or pension contributions (for the EVPs) paid during the financial year.
6) Amounts represent the sum of Fixed remuneration, Variable remuneration, Additional arrangements and Pension.
7) Amounts represent the sum of Fixed remuneration and Pension divided by Total remuneration.
8) Amounts represent the sum of Variable remuneration and Additional arrangements divided by Total remuneration.
9) Pension regarding 2019 updated compared to Remuneration report 2020 due to a typo, other amounts, including Total remuneration, remain the same.
10) Any remuneration in foreign currency has been translated to SEK at average exchange rates for the year.
11) Arun Bansal was appointed EVP in June 2020. Fixed salary, Other benefits, One-year variable, Additional arrangements and Pension are calculated on a pro-rata basis based on the time period June 1 – December 31, 2020. With regards to multi-year variable, it constitutes LTV 2018 and EPSP share matching for the time period June 1 – December 31, 2020.

## Execution of fixed remuneration and pension to the President and CEO and the Executive Vice Presidents

The table below sets out the implementation of fixed remuneration and pension to the President and CEO and the EVPs.

| | Fixed salary | Other benefits | Pension |
|---|---|---|---|
| **Börje Ekholm President and CEO** | During the yearly total compensation review the Board of Directors resolved in a salary increase of 5% from January 1, 2021 for the President and CEO. The increase reflects the performance of the President and CEO up until the end of 2020. The fixed salary level deemed appropriate in relation to the responsibility of being the President and CEO of a leading global ICT solutions provider compared to the compensation packages of President and CEOs of similar international companies. | In accordance with the Company's Swedish benefits policy, Börje Ekholm is entitled to a company car or a cash allowance and other ordinary benefits as other employees in Sweden. Due to Börje Ekholm being resident of the USA he is also entitled to a US medical insurance as well as tax advisory services with regards to his income statement. | Börje Ekholm receives a cash payment in lieu of a defined contribution pension, because it is not possible to enroll him in the Swedish defined contribution pension plan (ITP1) due to his residency in the USA. The cash payment is treated as salary for the purposes of tax and social security and is made in a way which is cost neutral for Ericsson. Because Börje Ekholm's remuneration package does not include an STV component, and because incentive payments in cash are included as part of the pensionable income under Swedish rules, it was agreed in his employment contract that his pension contribution would include an additional premium over annual fixed salary to take into account an assumed STV on-target opportunity. |
| **Fredrik Jejdling EVP and Head of Business Area Networks** | The salary level reflects Fredrik Jejdling's responsibility as head of Ericsson's largest segment Networks. The salary level is deemed competitive with regards to the external market of both other EVPs of leading global ICT solutions providers as well as smaller sized companies' President and CEOs. | In accordance with the Company's Swedish benefits policy, Fredrik Jejdling is entitled to a company car or a cash allowance and other ordinary benefits as other employees in Sweden. | In accordance with Ericsson's pension guidelines, Fredrik Jejdling participates in the defined contribution plan ITP1. He is not entitled to any other retirement benefit outside of the rules and regulations in the ITP. |
| **Arun Bansal EVP and Head of Market Area Europe & Latin America** | The fixed salary reflects Arun Bansal's responsibility as head of two major geographies, both Europe and Latin America. His salary level is deemed competitive to reflect his responsibility. Arun Bansal is currently on LTA in the United Kingdom from his original employment in India. In accordance with best practice for international assignments, his compensation is set with a "home base approach". | As Arun Bansal is on LTA, he is entitled to benefits in line with Ericsson's international mobility policy such as housing allowance, transportation allowance, home travel, tax and social security equalization assistance and medical insurance. | In accordance with Ericsson's pension guidelines and according to his employment contract, Arun Bansal is eligible for Ericsson's LTA pension plan, International Pension Plan (IPP) and annual pension contribution is paid into Interben Trustees Limited in 2021. |

# Variable remuneration

Ericsson believes that, where possible, variable compensation should be encouraged as an integral part of total remuneration. First and foremost, this aligns the employees' interests with Ericsson's strategic business objectives, sustainable long-term interests and the relevant unit's performance. In addition, it enables more flexible payroll costs and emphasizes the link between performance and pay.

All variable compensation plans have maximum award and vesting limits. Short-term variable compensation is to a greater extent dependent on the performance of Ericsson and the specific unit, while long-term variable compensation is dependent on the achievements of the Ericsson Group.

**Short term variable compensation (STV)**

Short-term annual variable compensation is delivered through cash-based programs that are dependent only on financial business targets. Specific financial business targets are derived from the annual business plan approved by the Board of Directors and, in turn, defined by the Company's long-term strategy. Ericsson strives to achieve best-in-class margins and return on investment along with strong cash conversion and therefore the starting point is to have one core economic profit target which is a measure of operational profitability after the deduction of cost of capital.

For the ET, economic profit targets are defined:

- At Group level for heads of Group functions,
- As a combination of Group level and business area level for heads of business areas,
- As a combination of Group level and market area level for heads of market areas.

The President and CEO does not uphold any short-term variable compensation, with the main intention to encourage and ensure a long-term engagement and performance. The Remuneration Committee decides on and approves all targets which are set for other members of the ET. These targets are cascaded within the organization and broken down to unit-related targets throughout the Company where applicable. The Remuneration Committee monitors the appropriateness and fairness of the Group, business area and market area target levels throughout the performance year and has the authority to revise them should they cease to be relevant or stretching or to enhance shareholder value. The current weighting for the EVPs as well as other business or market area heads is 40% Group Economic Profit target and 60% business/market area Economic Profit target.

The tables below set out the outcome of STV 2021 for each EVP, determined by reference to performance against applicable financial measures.

EVP and Head of Business Area Networks – Fredrik Jejdling (STV 2021)

| Measure | Weighting | Threshold performance level (as % of target)<br>SEK outcome at threshold performance | Target performance level<br>SEK outcome at target performance | Maximum performance level (as % of target)<br>SEK outcome at maximum performance | Actual Performance (as % of target)<br>SEK outcome at actual performance |
|---|---|---|---|---|---|
| Group Economic Profit [1] | 40% | 36% | 100% | 196% | 264% |
| | | SEK 0 | SEK 1,334,319 | SEK 2,668,638 | SEK 2,668,638 |
| Business Area Networks Economic Profit [1] | 60% | 82% | 100% | 118% | 149% |
| | | SEK 0 | SEK 2,001,479 | SEK 4,002,957 | SEK 4,002,957 |
| **Total** | **100%** | **SEK 0** | **SEK 3,335,798** | **SEK 6,671,595** | **SEK 6,671,595** |

[1] Economic Profit means operating profit less cost of capital.

EVP and Head of Market Area Europe & Latin America– Arun Bansal (STV 2021)

| Measure | Weighting | Threshold performance level (as % of target)<br>SEK outcome at threshold performance | Target performance level<br>SEK outcome at target performance | Maximum performance level (as % of target)<br>SEK outcome at maximum performance | Actual Performance (as % of target)<br>SEK outcome at actual performance |
|---|---|---|---|---|---|
| Group Economic Profit [1] | 40% | 36% | 100% | 196% | 264% |
| | | SEK 0 | SEK 1,345,445 | SEK 2,690,890 | SEK 2,690,890 |
| Market Area Europe & Latin America Economic Profit [1] | 60% | 77% | 100% | 119% | 123% |
| | | SEK 0 | SEK 2,018,168 | SEK 4,036,336 | SEK 4,036,336 |
| **Total** | **100%** | **SEK 0** | **SEK 3,363,613** | **SEK 6,727,226** | **SEK 6,727,226** |

[1] Economic Profit means operating profit less cost of capital.

## Long-term variable compensation (LTV)

The current LTV programs have been designed to encourage long-term commitment and value creation in alignment with Ericsson's long-term strategic objectives and shareholder interests. They form part of a total remuneration package and in general span over a minimum of three years. As these are variable compensation programs, the outcomes cannot be predicted when the programs are introduced and rewards depend on long-term personal commitment, corporate performance and share price development.

The LTV programs within Ericsson consist of share-based remuneration for members of the ET. The aim of the LTV programs is to attract, retain and motivate executives in a competitive market through performance-based share related incentives and to encourage the build-up of significant equity holdings to align the interests of the ET with those of shareholders. Awards under LTV 2018, 2019, 2020 and 2021 (Performance Share Awards) are granted free of charge entitling the participants, provided that i.a. certain performance conditions are met, to receive a number of shares, free of charge, following expiration of a three-year vesting period (vesting period) under each program. Allotment of shares pursuant to Performance Share Awards are subject to the achievement of challenging performance criteria which are defined specific to each year's program when the program was introduced. Which portion, if any, of the Performance Share Awards for LTV that will vest is determined at the end of the relevant performance period based on the satisfaction of the predetermined performance criteria for that year's LTV program, ranging from one to three years (performance period). It is generally required that the participant retains his or her employment over a period of three years from the date of grant of awards to be eligible to receive the performance awards. Provided that the performance criteria have been met during the performance period and that the participant has retained his or her employment (unless special circumstances are at hand) during the service period, allotment of vested shares will take place as soon as practicably possible following the expiration of the vesting period.

When determining the final vesting level of Performance Share Awards, the Board of Directors examines whether the vesting level is reasonable considering the Company's financial results and position, conditions on the stock market and other circumstances, and if not, reserves the right to reduce the vesting level to a lower level deemed appropriate.

The Board of Directors may, at any time prior to the Vesting Date of an award, reduce (including to zero) the number of shares to which an award relates, to the extent it considers appropriate, taking into account:

- the Company's financial results and position;
- conditions on the stock market; and/or
- other circumstances and reasons as the Board considers appropriate.

In addition, the Company has the right in its discretion to deny in whole or in part the entitlement of a participant to the program related to the year(s) in which the participant has acted in breach of Ericsson's Code of Business Ethics. The Company also has the right in its discretion to claim repayment in whole or in part the awards vested in respect of year(s) in which the participant has acted in breach of Ericsson's Code of Business Ethics.

The details for each of the ongoing long-term variable compensation programs within Ericsson, including the programs for other employees, are explained in the notes to the consolidated financial statements – note G3 Share-based compensation, page 71 in the Financial report.

### Long-Term Variable compensation program 2021 (LTV 2021)

LTV 2021 was approved at the AGM 2021 and includes all members of the ET, a total of 15 ET members in 2021, including the President and CEO. The participants were granted Performance Share Awards on May 3, 2021. The Performance Share Awards granted to the President and CEO and EVPs are summarized in the table below.

Grant information Long-Term Variable compensation program 2021 (LTV 2021)

| Participant | Grant value [1] | Grant value as percentage of annual base salary [2] | Number of Performance Share Awards granted [3] | Percentage of grant subject to performance condition [4] | Maximum number of possible performance awards vesting [5] |
|---|---|---|---|---|---|
| Börje Ekholm | 33,668,874 | 190% | 308,323 | 100% | 616,646 |
| Fredrik Jejdling | 4,169,747 | 50% | 38,184 | 100% | 76,368 |
| Arun Bansal | 3,944,866 | 50% | 36,125 | 100% | 72,250 |

[1] Amounts represent base entitlement amount in SEK.

[2] Numbers represent base entitlement amount as percentage of the annual base salary at grant date.

[3] Calculated as the respective grant value divided by the volume weighted average of the market price of Ericsson B shares on Nasdaq Stockholm during the five trading days immediately following the publication of the Company's interim report for the fourth quarter 2020.

[4] All Performance Share Awards are subject to challenging performance criteria that are measured over pre-determined performance periods, ranging from one to three years. Performance criteria for LTV 2021 are: (i) Group operating income (EBIT) target (weight 50%) that is measured over the period January 1, 2021 to December 31, 2021; (ii) Absolute TSR development (weight 30%) ranging from 6–14% compounded annual growth rate; (iii) Relative TSR development (weight 20%) for the Ericsson B share, ranking 6–2 against 11 peer companies, measured over the period January 1, 2021 to December 31, 2023. The performance criteria for LTV 2021 along with the details on how the performance criteria will be calculated and measured are explained in minutes from the AGM 2021 under Item 16.

[5] The maximum number of shares that could vest will result in a dilution of approximately 0.1% of the total number of outstanding shares. The effect on important key figures is only marginal.

**Performance outcome under LTV 2019 and Group operating income (EBIT) performance criterion for LTV 2021**

LTV 2019 and LTV 2021 had targets with performance periods ending December 31, 2021, which are summarized in the tables below. LTV 2019 will vest during 2022 since all performance periods under the program have now ended. LTV 2021 will not vest until 2024, but the performance period for the one-year Group operating income (EBIT) performance criterion of LTV 2021 ended on December 31, 2021.

LTV 2021 performance criteria

| Program | Performance criterion | Criteria | Weight | Performance period | Vesting opportunity (linear pro rata) | Achievement | Achieved vesting level [1] |
|---|---|---|---|---|---|---|---|
| LTV 2021 | 2021 Group Operating income (EBIT) | Range (SEK billion) 15.0–24.0 | 50% | Jan 1, 2021–Dec 31, 2021 | 0–200% | SEK 27.4 billion [2] | 200.00% |
| *LTV 2021* | *Absolute TSR* | *Range 6–14%* | *30%* | *Jan 1, 2021–Dec 31, 2023* | *0–200%* | – | – |
| *LTV 2021* | *Relative TSR* | *Ranking of Ericsson 6–2* | *20%* | *Jan 1, 2021–Dec 31, 2023* | *0–200%* | – | – |
| ***Total*** | | | ***100%*** | | ***0–200%*** | | |

[1] The Board of Directors resolved on the achieved vesting level for the 2021 Group operating income (EBIT) performance criterion as 200% for this portion of the Performance Share Awards granted based on the 2021 Group operating income (EBIT) outcome. For further information regarding the number or Performance Share Awards earned for each of the President and CEO and the EVPs, see table Long-Term Variable compensation (LTV) to the President and CEO and the Executive Vice Presidents. Vesting of the Performance Share Awards will occur at the end of the vesting period in 2024.

[2] Excludes restructuring charges and items not included in target performance criterion.

LTV 2019 performance criteria

| Program | Performance criterion [1] | Criteria | Weight | Performance period | Vesting opportunity (linear pro rata) | Achievement | Achieved vesting level [2] |
|---|---|---|---|---|---|---|---|
| LTV 2019 | 2019 Group Operating income (EBIT) | Range (SEK billion) 10.0–20.0 | 50% | Jan 1, 2019–Dec 31, 2019 | 0–200% | SEK 20.4 billion | 200.00% [1] |
| LTV 2019 | Absolute TSR | Range 6%–14% | 30% | Jan 1, 2019–Dec 31, 2021 | 0–200% | 9.00% | 74.89% [2] |
| LTV 2019 | Relative TSR | Ranking of Ericsson 7–2 | 20% | Jan 1, 2019–Dec 31, 2021 | 0–200% | 6.52 out of 12 | 19.39% [2] |
| **Total** | | | **100%** | | **0–200%** | | **126.35%** |

[1] As communicated in the Annual Report 2019, the Board of Directors resolved on the achieved vesting level for the 2019 Group operating income (EBIT) performance criterion as 200% for this portion of the Performance Share Awards granted based on a 2019 Group operating income (EBIT) outcome excluding fines and similar related to the United States Department of Justice (DOJ)/Securities and Exchange Commission (SEC) resolution.

[2] The Board of Directors resolved on the achieved vesting levels for the absolute TSR and relative TSR development performance criteria as 74.89% and 19.39% respectively based on the achievement results of 9.00% absolute TSR and 6.52 ranking for relative TSR, which resulted in an overall achieved vesting level of 126.35% for LTV 2019. Vesting of Performance Share Awards will occur at the end of the vesting period in 2022. For further information regarding the number or Performance Share Awards earned for each of the President and CEO and the EVPs, see table Long-Term Variable compensation (LTV) to the President and CEO and the Executive Vice Presidents.

**Long term variable compensation (LTV) to the President and CEO and the Executive Vice Presidents**

The table below sets out relevant information of LTV 2018, 2019, 2020 and 2021 with regards to the President and CEO and the EVPs.

Long-Term Variable compensation (LTV) to the President and CEO and the Executive Vice Presidents

| Main conditions of share award plans | | | | | | | | | Information regarding reported financial year | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Name and position | Program | Performance criterion (weight) [1] | Grant date [2] | Performance period [3] | Performance period end date [4] | Vesting Date [5] | Performance share awards granted (value in SEK) [6] | Maximum number of possible Performance Share Awards vesting (value in SEK) [7] | Opening balance (value in SEK) [8] | Performance Share Awards earned during the year (value in SEK) [9] | Performance Share Awards still subject to performance condition (value in SEK) [10] | Performance Share Awards vested during the year (value in SEK) [11] | Year-end balance, earned Performance Share Awards unvested (value in SEK) [12] |
| **Börje Ekholm** President and CEO | LTV 2021 | Group Operating income (EBIT) (50%) | 2021-05-03 | 1 year | 2021-12-31 | 2024-05-03 | 154,161 ( 16,834,437) | 308,322 ( 33,668,874) | | 308,322 ( 30,594,792) | | | 308,322 ( 30,594,792) |
| | | TSR performance criteria (50%) | 2021-05-03 | 3 years | 2023-12-31 | 2024-05-03 | 154,162 ( 16,834,437) | 308,324 ( 33,668,874) | | | 308,324 ( 30,594,991) | | |
| | LTV 2020 | Group Operating income (EBIT) (50%) | 2020-04-01 | 1 year | 2020-12-31 | 2023-04-01 | 194 830 (15,188,966) | 389,660 (30,377,932) | 389,660 ( 38,245,129) | | | | 389,660 ( 38,665,962) |
| | | TSR performance criteria (50%) | 2020-04-01 | 3 years | 2022-12-31 | 2023-04-01 | 194,830 (15,188,966) | 389,660 (30,377,932) | | | 389,660 (38,665,962) | | |
| | LTV 2019 [13] | Group Operating income (EBIT) (50%) | 2019-05-18 | 1 year | 2019-12-31 | 2022-05-18 | 146,087 (13,808,151) | 292,174 (27,616,302) | 292,174 (28,676,878) | | | | 292,174 (28,992,426) |
| | | TSR performance criteria (50%) | 2019-05-18 | 3 years | 2021-12-31 | 2022-05-18 | 146,087 (13,808,151) | 292,174 (27,616,302) | | 76,973 (7,638,031) | | | 76,973 (7,638,031) |
| | LTV 2018 | Group Operating income (EBIT) (50%) | 2018-05-18 | 1 year | 2018-12-31 | 2021-05-18 | 199,888 (13,150,620 | 399,776 (26,301,240) | 399,776 (39,238,014) | | | 399,776 (44,391,247) | |
| | | TSR performance criteria (50%) | 2018-05-18 | 3 years | 2020-12-31 | 2021-05-18 | 199,887 (13,150,620) | 399,774 (26,301,240) | 399,774 (39,237,818) | | | 399,774 (44,391,024) | |
| | **Total** | | | | | | **1,389,932 (117,964,348)** | **2,779,864 (235,928,696)** | **1,481,384 (145,397,840)** | **385,295 (38 232 823)** | **697,984 (69,260,952)** | **799,550 (88,782,271)** | **1,067,129 (105,891,211)** |

1) The TSR performance criteria includes both the absolute and the relative performance criteria for each respective program.
2) Grant date represents the date at which the initial grant was made.
3) Performance period represents the period over which each performance criterion will be measured.
4) Performance period end date represents the date when the performance period ends.
5) Vesting date represents the date of which the Performance Share Awards, if any, will vest and entitle the participants to receive shares free of charge.
6) Numbers represent the number of initial Performance Share Awards that were granted at the grant date. SEK values represent the equivalent value at the grant date.
7) Numbers represent the maximum number of Performance Share Awards that could be earned for each performance criterion. SEK values represent the equivalent value at the grant date.
8) Numbers represent the balance at the beginning of the year, which includes earned Performance Share Awards for previous year(s) that are yet to vest. SEK values are calculated as the number of earned Performance Share Awards multiplied by the volume weighted average share price of the five last trading days for the previous financial year.
9) Numbers represent the number of Performance Share Awards earned that had a performance period ending during the financial year. SEK values are calculated as the number of earned Performance Share Awards multiplied by the volume weighted average share price of the five last trading days for the financial year.
10) Numbers represent the maximum number of outstanding Performance Share Awards that are still subject to an ongoing performance period. SEK values are calculated as the number of outstanding Performance Share Awards that are still subject to an ongoing performance period multiplied by the volume weighted average share price of the five last trading days for the financial year.
11) Numbers represent the number of Performance Share Awards that had a vesting period ending during the financial year and which entitled the participant to receive shares free of charge. SEK values represent the actual value of shares given to the participant at the vesting date.
12) Numbers represent the balance at the end of the year, which includes earned Performance Share Awards for the financial year and previously earned Performance Share Awards that are yet to vest. SEK values are calculated as the number of earned Performance Share Awards multiplied by the volume weighted average share price of the five last trading days for the financial year.
13) LTV 2019 maximum number of possible Performance Share Awards vesting updated compared to Remuneration report 2020 due to a typo. Opening balance and Year-end balance, earned Performance Share Awards unvested adjusted accordingly.

## Long term variable compensation (LTV) to the President and CEO and the Executive Vice Presidents, cont'd.

| Main conditions of share award plans | | | | | | | | | Information regarding reported financial year | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Name and position | Program | Performance criterion (weight) [1] | Grant date [2] | Performance period [3] | Performance period end date [4] | Vesting Date [5] | Performance share awards granted (value in SEK) [6] | Maximum number of possible Performance Share Awards vesting (value in SEK) [7] | Opening balance (value in SEK) [8] | Performance Share Awards earned during the year (value in SEK) [9] | Performance Share Awards still subject to performance condition (value in SEK) [10] | Performance Share Awards vested during the year (value in SEK) [11] | Year-end balance, earned Performance Share Awards unvested (value in SEK) [12] |
| **Fredrik Jejdling** EVP and Head of Business Area Networks | LTV 2021 | Group Operating income (EBIT) (50%) | 2021-05-03 | 1 year | 2021-12-31 | 2024-05-03 | 19,092 ( 2,084,874) | 38,184 (4,169,747) | | 38,184 (3,788,998) | | | 38,184 (3,788,998) |
| | | TSR performance criteria (50%) | 2021-05-03 | 3 years | 2023-12-31 | 2024-05-03 | 19,092 ( 2,084,874) | 38,184 (4,169,747) | | | (38,184) (3,788,998) | | |
| | LTV 2020 | Group Operating income (EBIT) (50%) | 2020-04-01 | 1 year | 2020-12-31 | 2023-04-01 | 22,262 (1,735,594) | 44,524 (3,471,188) | 44,524 (4,370,031) | | | | 44,524 (4,418,117) |
| | | TSR performance criteria (50%) | 2020-04-01 | 3 years | 2022-12-31 | 2023-04-01 | 22,263 (1,735,594 | 44,526 (3,471,188) | | | 44,526 (4,418,315) | | |
| | LTV 2019 | Group Operating income (EBIT) (50%) | 2019-05-18 | 1 year | 2019-12-31 | 2022-05-18 | 16,321 (1,542,750) | 32,642 (3,085,500) | 32,642 (3,203,812) | | | | 32,642 (3,239,066) |
| | | TSR performance criteria (50%) | 2019-05-18 | 3 years | 2021-12-31 | 2022-05-18 | 16,322 (1,542,750) | 32,644 (3,085,500) | | 8,599 (853,279) | | | 8,599 (853,279) |
| | LTV 2018 | Group Operating income (EBIT) (50%) | 2018-05-18 | 1 year | 2018-12-31 | 2021-05-18 | 22,991 (1,512,500) | 45,982 (3,025,000) | 45,982 (4,513,133) | | | 45,982 (5,105,855) | |
| | | TSR performance criteria (50%) | 2018-05-18 | 3 years | 2020-12-31 | 2021-05-18 | 22,988 (1,512,500) | 45,976 (3,025,000) | 45 976 (4,512,544) | | | 45 976 (5,105,189) | |
| | **Total** | | | | | | **161 331 (13 751 435)** | **322 662 (27 502 870)** | **169 124 (16 599 521)** | **46 783 (4 642 277)** | **82 710 (8 207 313)** | **91,958 (10,211,044)** | **123,949 (12,299,459)** |

1) The TSR performance criteria includes both the absolute and the relative performance criteria for each respective program.
2) Grant date represents the date at which the initial grant was made.
3) Performance period represents the period over which each performance criterion will be measured.
4) Performance period end date represents the date when the performance period ends.
5) Vesting date represents the date of which the Performance Share Awards, if any, will vest and entitle the participants to receive shares free of charge.
6) Numbers represent the number of initial Performance Share Awards that were granted at the grant date. SEK values represent the equivalent value at the grant date.
7) Numbers represent the maximum number of Performance Share Awards that could be earned for each performance criterion. SEK values represent the equivalent value at the grant date.
8) Numbers represent the balance at the beginning of the year, which includes earned Performance Share Awards for previous year(s) that are yet to vest. SEK values are calculated as the number of earned Performance Share Awards multiplied by the volume weighted average share price of the five last trading days for the previous financial year.
9) Numbers represent the number of Performance Share Awards earned that had a performance period ending during the financial year. SEK values are calculated as the number of earned Performance Share Awards multiplied by the volume weighted average share price of the five last trading days for the financial year.
10) Numbers represent the maximum number of outstanding Performance Share Awards that are still subject to an ongoing performance period. SEK values are calculated as the number of outstanding Performance Share Awards that are still subject to an ongoing performance period multiplied by the volume weighted average share price of the five last trading days for the financial year.
11) Numbers represent the number of Performance Share Awards that had a vesting period ending during the financial year and which entitled the participant to receive shares free of charge. SEK values represent the actual value of shares given to the participant at the vesting date.
12) Numbers represent the balance at the end of the year, which includes earned Performance Share Awards for the financial year and previously earned Performance Share Awards that are yet to vest. SEK values are calculated as the number of earned Performance Share Awards multiplied by the volume weighted average share price of the five last trading days for the financial year.

## Long term variable compensation (LTV) to the President and CEO and the Executive Vice Presidents, cont'd.

| Main conditions of share award plans | | | | | | | | | Information regarding reported financial year | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Name and position | Program | Performance criterion (weight) [1] | Grant date [2] | Performance period [3] | Performance period end date [4] | Vesting Date [5] | Performance share awards granted (value in SEK) [6] | Maximum number of possible Performance Share Awards vesting (value in SEK) [7] | Opening balance (value in SEK) [8] | Performance Share Awards earned during the year (value in SEK) [9] | Performance Share Awards still subject to performance condition (value in SEK) [10] | Performance Share Awards vested during the year (value in SEK) [11] | Year-end balance, earned Performance Share Awards unvested (value in SEK) [12] |
| **Arun Bansal** EVP and Head of Market Area Europe & Latin America | LTV 2021 | Group Operating income (EBIT) (50%) | 2021-05-03 | 1 year | 2021-12-31 | 2024-05-03 | 18,062 (1,972,433) | 36,124 ( 3,944,866) | | 36,124 (3,584,585) | | | 36,124 (3,584,585) |
| | | TSR performance criteria (50%) | 2021-05-03 | 3 years | 2023-12-31 | 2024-05-03 | 18,063 (1,972,433) | 36,126 ( 3,944,866) | | | 36,126 (3,584,783) | | |
| | LTV 2020 | Group Operating income (EBIT) (50%) | 2020-04-01 | 1 year | 2020-12-31 | 2023-04-01 | 27,399 (2,136,026) | 54,798 (4,272,052) | 54,798 (5,378,424) | | | | 54,798 (5,437,606) |
| | | TSR performance criteria (50%) | 2020-04-01 | 3 years | 2022-12-31 | 2023-04-01 | 27,398 (2,136,026) | 54,796 (4,272,052) | | | 54,796 (5,437,407) | | |
| | LTV 2019 | Group Operating income (EBIT) (50%) | 2019-05-18 | 1 year | 2019-12-31 | 2022-05-18 | 18,909 (1,787,323) | 37,818 (3,574,646) | 37,818 (3,711,837) | | | | 37,818 (3,752,680) |
| | | TSR performance criteria (50%) | 2019-05-18 | 3 years | 2021-12-31 | 2022-05-18 | 18,909 (1,787,323) | 37,818 (3,574,646) | | 9,962 ( 988,529) | | | 9,962 (988,529) |
| | LTV 2018 | Group Operating income (EBIT) (50%) | 2018-05-18 | 1 year | 2018-12-31 | 2021-05-18 | 24,745 (1,627,930) | 49,490 (3,255,860) | 49,490 (4,857,444) | | | 49,490 (5,495,384) | |
| | | TSR performance criteria (50%) | 2018-05-18 | 3 years | 2020-12-31 | 2021-05-18 | 24,743 (1,627,930) | 49,486 (3,255,860) | 49,486 (4,857,051) | | | 49,486 (5,494,940) | |
| | **Total** | | | | | | **178,228 (15,047,424)** | **356,456 (30,094,848)** | **191,592 (18,804,755)** | **46,086 (4,573,114)** | **90,922 (9,022,190)** | **98,976 (10,990,325)** | **138,702 (13,763,399)** |

[1] The TSR performance criteria includes both the absolute and the relative performance criteria for each respective program.

[2] Grant date represents the date at which the initial grant was made.

[3] Performance period represents the period over which each performance criterion will be measured.

[4] Performance period end date represents the date when the performance period ends.

[5] Vesting date represents the date of which the Performance Share Awards, if any, will vest and entitle the participants to receive shares free of charge.

[6] Numbers represent the number of initial Performance Share Awards that were granted at the grant date. SEK values represent the equivalent value at the grant date.

[7] Numbers represent the maximum number of Performance Share Awards that could be earned for each performance criterion. SEK values represent the equivalent value at the grant date.

[8] Numbers represent the balance at the beginning of the year, which includes earned Performance Share Awards for previous year(s) that are yet to vest. SEK values are calculated as the number of earned Performance Share Awards multiplied by the volume weighted average share price of the five last trading days for the previous financial year.

[9] Numbers represent the number of Performance Share Awards earned that had a performance period ending during the financial year. SEK values are calculated as the number of earned Performance Share Awards multiplied by the volume weighted average share price of the five last trading days for the financial year.

[10] Numbers represent the maximum number of outstanding Performance Share Awards that are still subject to an ongoing performance period. SEK values are calculated as the number of outstanding Performance Share Awards that are still subject to an ongoing performance period multiplied by the volume weighted average share price of the five last trading days for the financial year.

[11] Numbers represent the number of Performance Share Awards that had a vesting period ending during the financial year and which entitled the participant to receive shares free of charge. SEK values represent the actual value of shares given to the participant at the vesting date.

[12] Numbers represent the balance at the end of the year, which includes earned Performance Share Awards for the financial year and previously earned Performance Share Awards that are yet to vest. SEK values are calculated as the number of earned Performance Share Awards multiplied by the volume weighted average share price of the five last trading days for the financial year.

**Shareholding guidelines for the Executive Team**

The Board of Directors has adopted the following shareholding guidelines to be applied to the current and future members of the ET effective from January 1, 2019 in order to encourage acquiring and maintaining a level of ownership of shares that more closely aligns the interests of the members of the ET with those of the Company's shareholders:

- The President and CEO is required to build up and maintain a shareholding equivalent to at least 200% of his gross annual base salary.
- The other members of the ET are required to build up and maintain a shareholding equivalent to at least 75% of their gross annual base salaries.

The current members of the ET have five years to build up the required share ownership starting from January 1, 2019. In case of new appointments to the ET, the new members will be expected to fulfil the share ownership requirement at the fifth anniversary of the receipt of their first grant of Performance Share Awards under the LTV program. The Board of Directors will consider as counting towards the applicable shareholding objective;

- any interests in Ericsson B shares held or acquired directly by the member of the ET,
- any vested but unexercised options (post-tax, post-exercise cost value),
- any equity awards held by the member of the ET where performance and/or employment conditions have been met, but which are subject to a holding period (on a post-tax basis).

Any unvested share, synthetic share or share option awards subject to performance conditions or continued employment shall not count towards the shareholding guideline requirements.

The Remuneration Committee shall monitor adherence to the shareholding guidelines and report periodically to the Board of Directors, and inform the members of the ET of the extent to which the shareholding guidelines have been met.

The holdings of the ET are set out in the Corporate Governance report, which is available on page 20–23 in the Corporate Governance report.

# Comparative information on the change of remuneration and company performance

Comparative table on the change of remuneration and company performance over the last three reported financial years

| | | | | | | Ericsson performance | | |
|---|---|---|---|---|---|---|---|---|
| Remuneration for the President and CEO and Executive Vice Presidents | | Börje Ekholm President and CEO | Fredrik Jejdling EVP and Head of Business Area Networks | Arun Bansal EVP and Head of Market Area Europe & Latin America [3] | Average remuneration to employees on a full-time equivalent basis [4] | Group operating income (EBIT) | Group net sales | Share Price as per December 31 of the financial year |
| 2021 (% change YoY) | Fixed remuneration [1] | 18,764,547 (1%) | 9,144,067 (15%) | 16,503,462 (73%) | 889,538 (13%) | 31,780 (14%) | 232,314 (–0.03%) | 99.79 (2.20%) |
| | Variable remuneration [2] | 88,782,271 (22%) | 14,626,469 (122%) | 14,763,028 (11248%) | 295,193 (–1%) | | | |
| 2020 (% change YoY) | Fixed remuneration [1] | 18,498,002 (13%) | 7,948,081 (15%) | 9,514,116 | 790,295 (–23%) | 27,808 (163%) | 232,390 (2.28%) | 97.64 (19.72%) |
| | Variable remuneration [2] | 72,507,054 | 6,595,909 (103%) | 130,096 | 299,589 (25%) | | | |
| 2019 | Fixed remuneration [1] | 16,299,080 | 6,933,652 | – | 1,030,185 | 10,564 | 227,216 | 81.56 |
| | Variable remuneration [2] | 0 | 3,244,887 | – | 238,913 | | | |
| | Comments | LTV 2018 vested and shares were transferred in may 2021. | LTV 2018 vested and shares were transferred in may 2021. | LTV 2018 vested and shares were transferred in may 2021. Information disclosed and compared from date of appointment as EVP. | During 2021 the delayed annual salary review for 2020 took place with a company sponsored retroactive effect, increasing the remuneration paid to other employees. A majority of employees in the parent company does not have variable remuneration. | | | |

[1] Fixed remuneration includes fixed salary and other benefits.

[2] Variable remuneration for the President and CEO and the EVPs include STV and LTV, as applicable. For the employees of the Company, the variable remuneration includes short- and long-term variable compensation. For comparability reasons, the variable remuneration represents numbers vested during the financial year, since performance evaluations and long-term variable compensation programs for other employees that have performance periods ending during the financial year 2021 are yet to be finalized.

[3] Arun Bansal was appointed EVP in June, 2020. Information disclosed covers the time period after June 1 2020.

[4] Employees of Telefonaktiebolaget LM Ericsson, excluding the President and CEO and the other members of the ET employed within the Company.

**Board of Directors**

Stockholm, March 3, 2022

Telefonaktiebolaget LM Ericsson (publ)
Org. no. 556016-0680

# 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 |
|---|---|---|---|

ericsson.com

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## Sustainability and Corporate Responsibility report 2021


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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 iscommitted 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

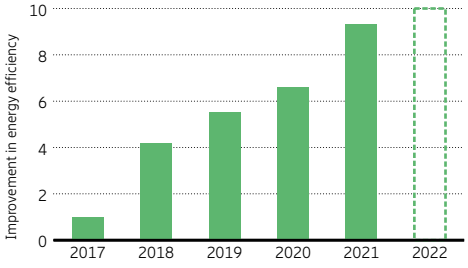
| Value chain | Topic | Topic relevance | Ericsson's approach |
|---|---|---|---|
| **Portfolio** | | | |
| | **Climate action - Network energy performance** | The mobile industry has set the ambition to transform itself to reach Net Zero carbon emissions by 2050.<br>Technological innovations and the 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.<br>Network energy performance improvements play a key role in enabling a fast tracked global 5G deployment to achieve this ambition. | 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.<br>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. |
| | **Security and privacy** | 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.<br>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. | 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. |
| | **Digital inclusion** | 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.<br>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. | 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. |
| | **Respect for human rights** | 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.<br>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. | 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. |
| **Supply chain** | | | |
| | **Responsible management of suppliers** | 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.<br>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. | 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.<br>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. |

| Target or key performance indicator | Performance | SDG contribution |
|---|---|---|

**Group targets**

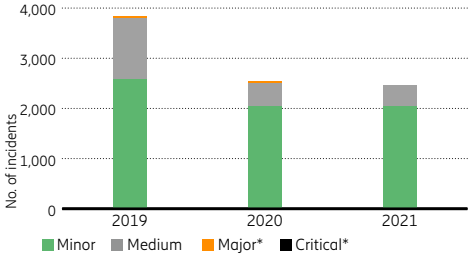
– Achieve a 5G product portfolio that is ten times more energy efficient (per transferred data) than 4G by 2022. Performance year to date against target is shown in the graph to the right.
– Achieve 35% energy saving in Ericsson Radio System compared with the legacy portfolio by 2022. Approved by Science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

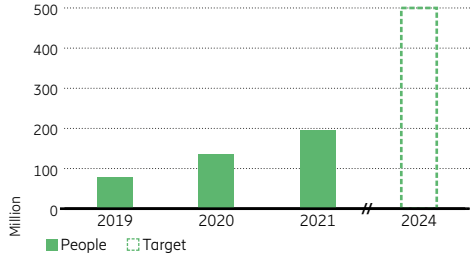



* Major 11 (25 in 2020 and 30 in 2019), Critical 0 (1 in 2020 and 3 in 2019)

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

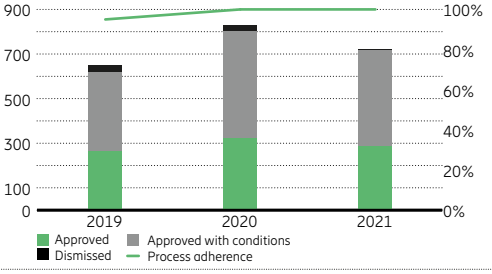
Due to updates in the methodology to measure Ericsson's share of new broadband connects made in 2021, past year's figures have been restated.

**Additional people connected (aggregated)**



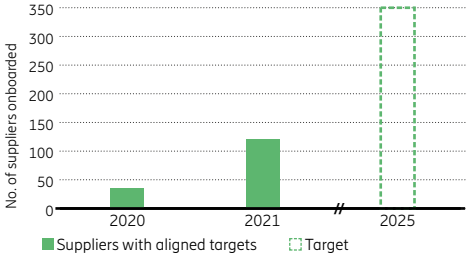

**Key performance indicator**
Cases reviewed in the sensitive business process and process adherence.

**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**



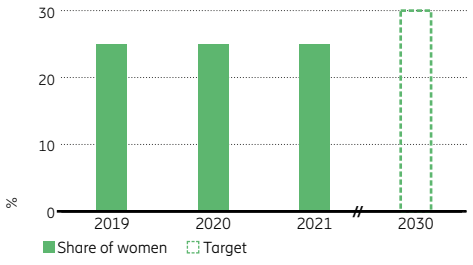
Sustainability performance summary, cont'd.

| Value chain | Topic | Topic relevance | Ericsson's approach |
|---|---|---|---|
| **Own operations** | | | |
| | **Our people** | 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.<br>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. | Ericsson's ability to attract, develop and retain talent is largely determined by the experience it provides 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. |
| | **Health, safety and well-being** | 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.<br>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. | 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.<br>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. |
| | **Business ethics and anti-corruption** | Corruption and unethical business practices are an obstacle to economic and social development. They often disproportionally affect fragile communities and undermine democratic institutions.<br>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. | 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. |
| | **Climate action - Ericsson's own carbon emissions** | 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.<br>To meet essential global climate targets, all companies must take responsibility for their own carbon emissions. | Proactive climate action and environmental management is a core component of Ericsson's Group strategy.<br>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. |

| Target or key performance indicator | Performance | SDG contribution |
|---|---|---|

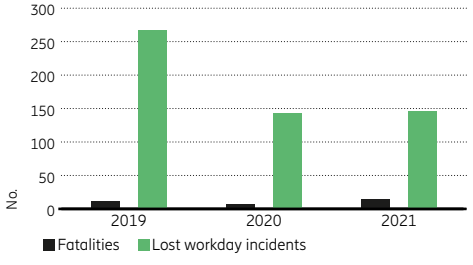
**Group target**
30% women in the total workforce, line manager, and executive population by 2030.

**Share of women employees**



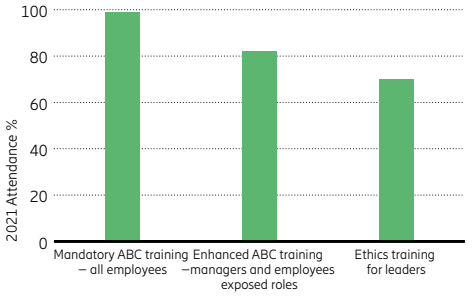

**Group target**
Zero fatalities and lost workday incidents by 2025.

**Number of fatalities and lost workday incidents**



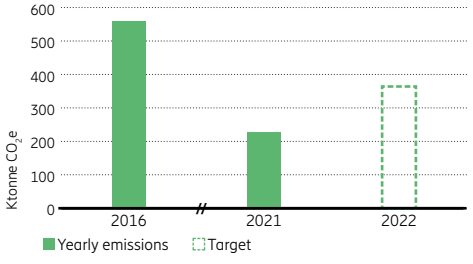

**Group target**
Strengthen and enhance Ericsson's Ethics and Compliance program to ensure an effective and sustainable anti-bribery and corruption program by 2022.

**Compliance training and awareness**




**Group targets**
- 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.

**Progression on Science Based Target**



## 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

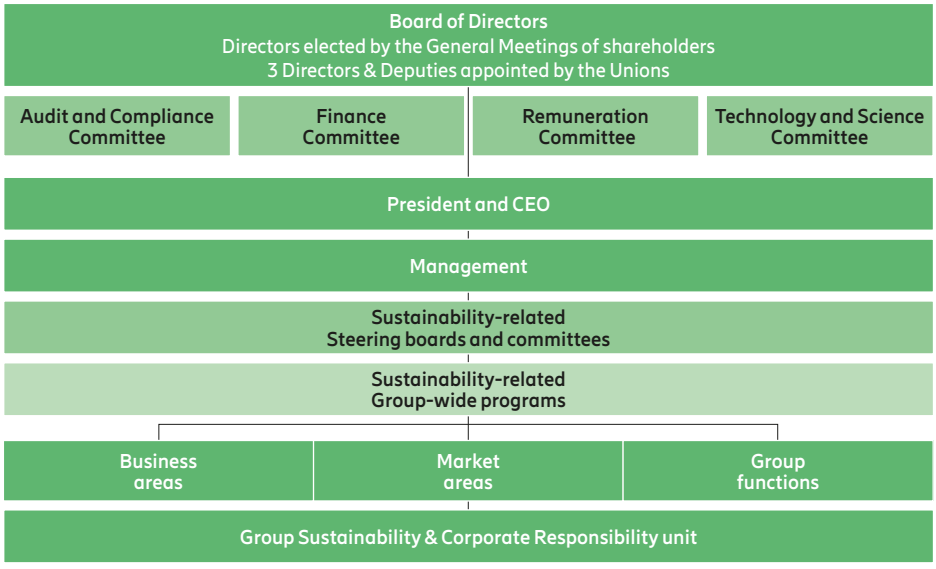
Governance of sustainability and corporate responsibility topics follow the Company's overall governance structure. The Board of Directors, Executive Team and management's respective roles and responsibilities with regards to sustainability and corporate responsibility are described below. The Board 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 Compliance Committee | SVP and Chief Legal Officer |
| Sensitive Business Board | SVP and Chief Legal Officer |
| Sustainable Business Reference Group | SVP and Chief Financial Officer |
| 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 |

| Group-wide programs |
|---|
| Ethics & Compliance Program |
| Ericsson Care Program |
| Sustainable Business Program |

| 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 months[1)]. 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.

**Figure 1: Strategy areas**




**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.

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

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.

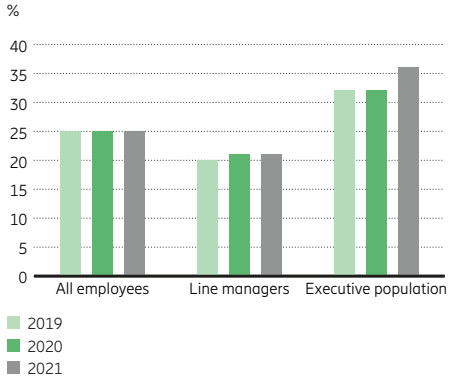
The impact of these actions is apparent in Ericsson's employee satisfaction score, which is currently at 81 and has been stable and above 80 the last two years. This is above average for the technology industry (73). After several years of steady increase in different employee engagement dimensions, 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**

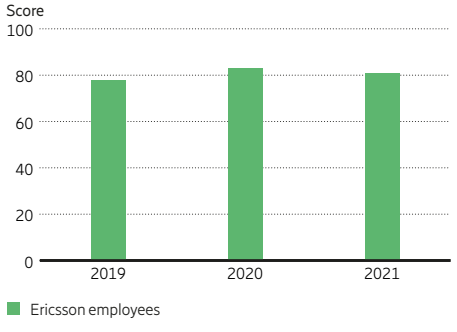
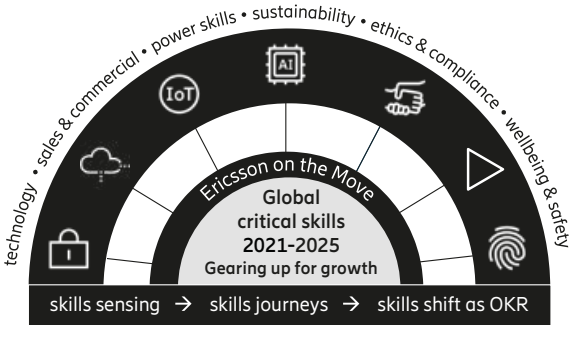



**Figure 2: Critical Skills Areas**



# 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 standard [1)] 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 standard[1)], and in 2021 Ericsson officially set a long-term ambition to be Net Zero by 2040 across its value chain.

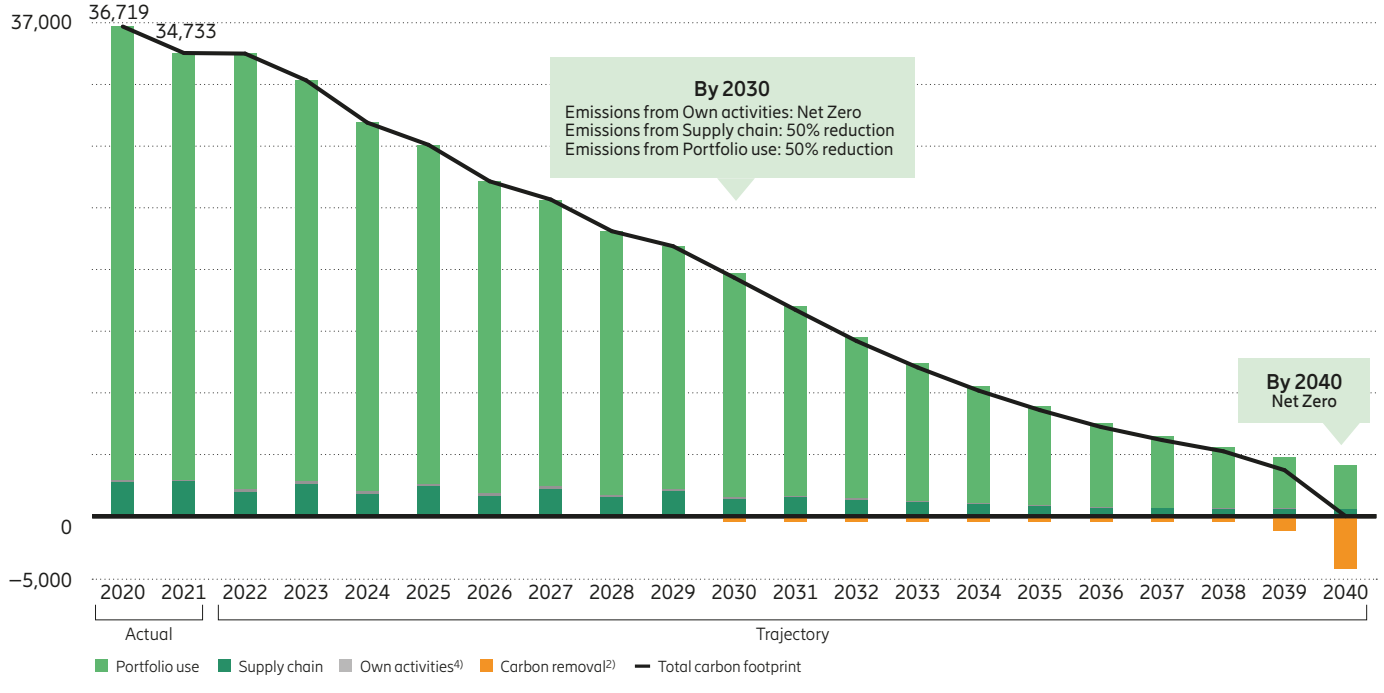
To meet this ambition, Ericsson is progressing against its set targets in line with the 1.5°C ambition set by the Paris Agreement. Ericsson has set a first major milestone to achieve Net Zero emissions from its own activities – as well as reducing emissions by 50% in its portfolio and supply chain – 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 removal [2)] 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 2030 [3)], 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 $CO_2$ emissions, is a process in which carbon dioxide ($CO_2$) 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**
Ktonnes $CO_2e$



## 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 organizations [1)] 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**

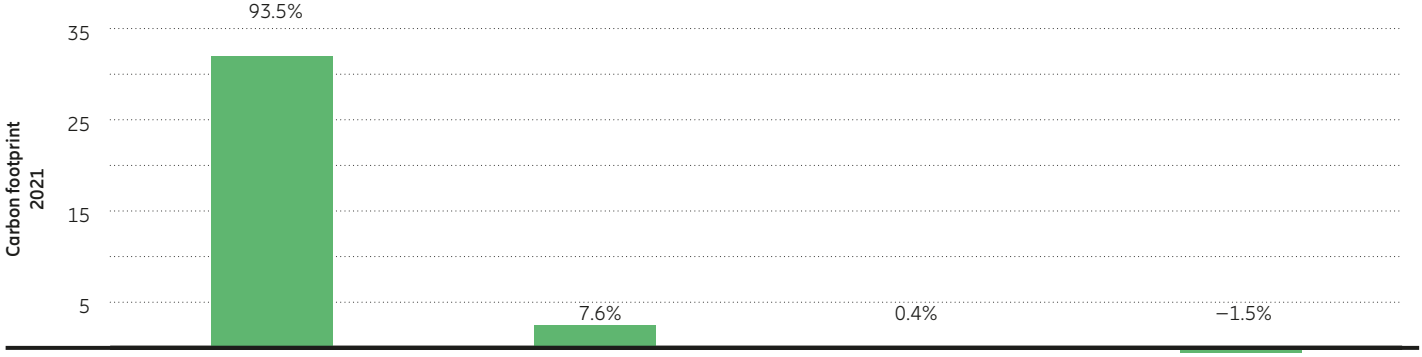
The environmental impact and carbon footprint of Ericsson's value chain are quantified based on life-cycle assessments of products and through extensive research on the impact of the ICT industry. Figure 2 shows the Company's total carbon footprint, measured in carbon dioxide equivalents ($CO_2e$). The 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**

Mtonne $CO_2e$



# 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)**

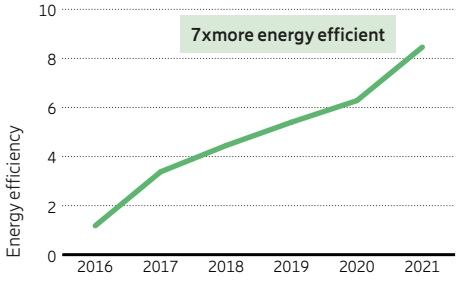



**Figure 2: 5G portfolio energy performance (compared to 4G and same amount of transferred data)**

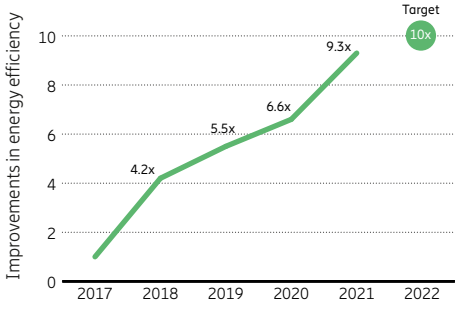



**Figure 3: Progress Science Based Target Energy savings in Ericsson Radio System**

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 $CO_2e$ 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 though 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 $CO_2e$ reporting and target tracking for product transportation.

Furthermore, in 2021, an internal shadow carbon price of 100 EUR/ton $CO_2$ 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 $CO_2e$

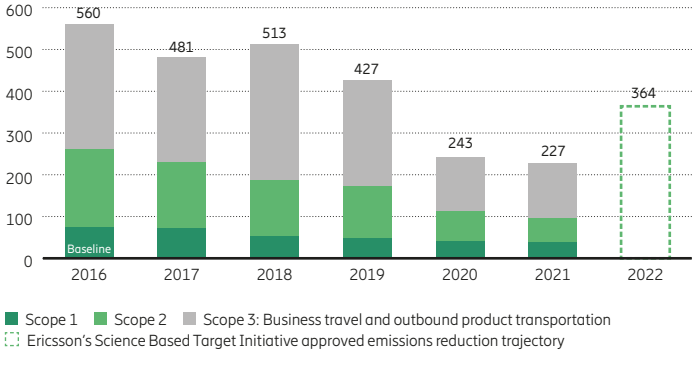
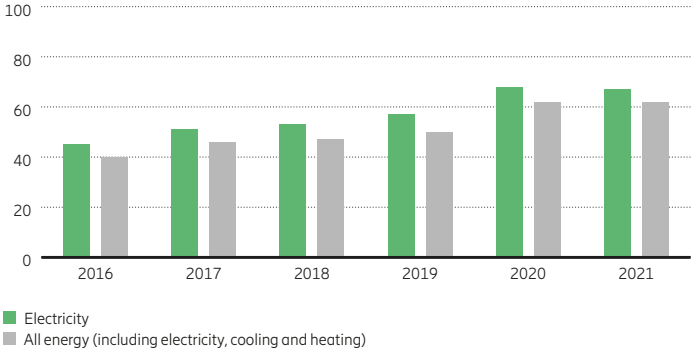



**Figure 2: Energy usage at Ericsson facilities**
Share of renewables %



# 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.

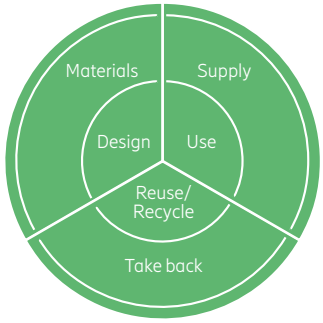
Contributing to lowering Ericsson's carbon footprint and securing environmentally sound recycling and material recovery, the Company collects equipment that has reached its end-of-life through the Company's global Product Take-Back program. As the equipment is the property of Ericsson's customers, the 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.

Ericsson refurbished product

# Digital inclusion

With around 2.9 billion people still being offline, the digital divide continues to be a key challenge to global economic development [1]. 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 multilateral 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 Report [2], 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.

### Access to digital learning and skills development

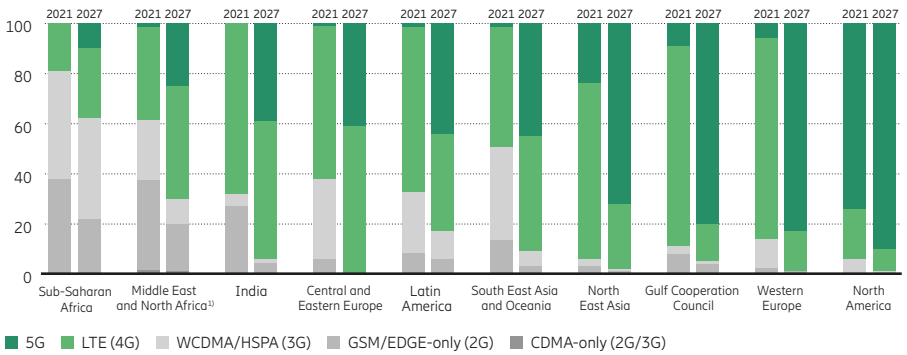
Ericsson's commitment to bridging the digital divide includes a sustained focus on access to education and digital skills. To reinforce this effort, the Company aims to positively impact 1 million children and youth by 2025 by providing access to digital learning and skill development programs. This 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.

**Mobile subscriptions by region and technology (percent)**




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

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 responsible 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.

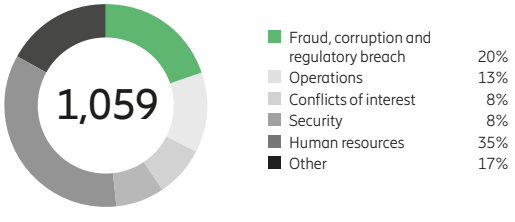
Employees are encouraged to report Compliance concerns directly to their manager, the superior of a manager or Group Functions People or Legal Affairs and Compliance. Compliance concerns can also be reported anonymously, if permitted under applicable legislation, via the Ericsson Compliance Line by phone 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.

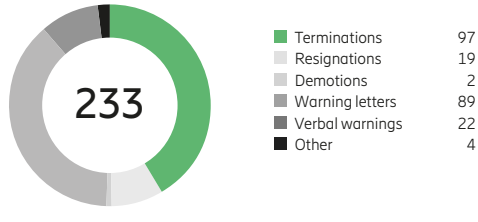
**Figure 1: Reported compliance concerns by category [1)]**




[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.

**Figure 2: Corrective or disciplinary actions [2)]**




[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 connection 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.

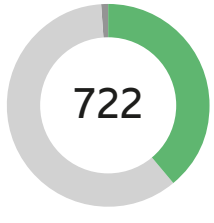
# Sensitive Business case examples

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 wherefore total does not sum to one hundred percent.

**Sensitive business risk methodology**




**Sales opportunities are evaluated according to the following criteria:**

1. **Portfolio:** Whether the sale includes technology that stores or process personally identifiable information.
2. **Purpose:** The purpose and context in which the customer intends to use the product, service or solution.
3. **Customer:** The type and ownership structure.
4. **Country:** Ericsson uses a third-party risk analytics firm to rank countries according to right to privacy and freedom of opinion and expression risks. In addition, the Company routinely follows international developments.

## 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.

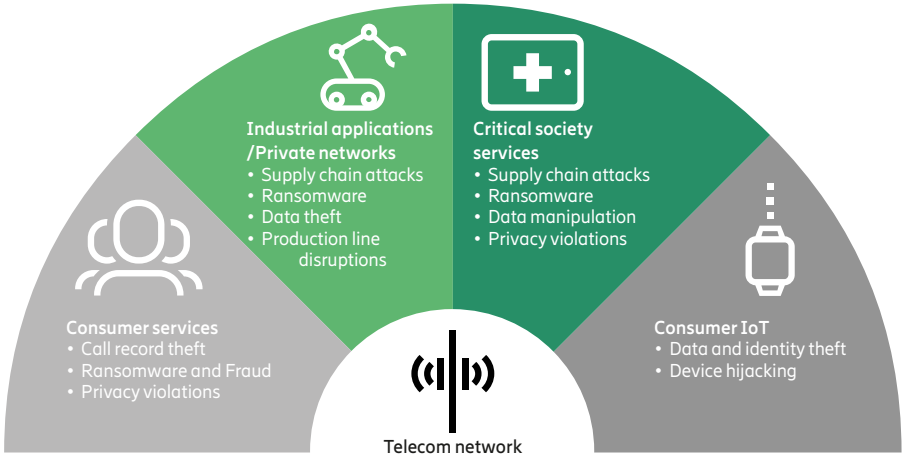
Ericsson's key security and privacy risks include, but are not limited to:

**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




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 strengthen 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

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 NESAS [1)] and NIST CSF [2)] 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 frameworks [3)], 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.

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 incidents[1)] 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 cards [2] and 165 yellow cards [2] 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**

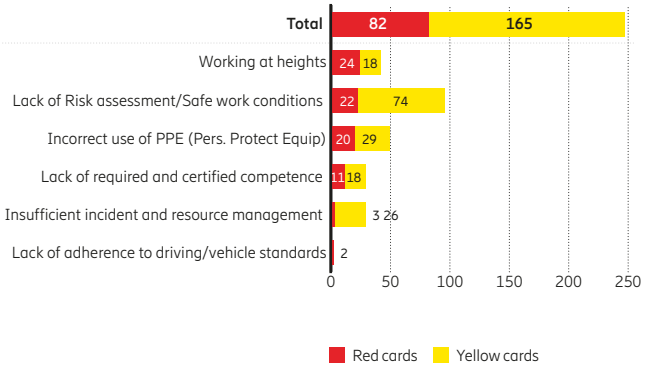
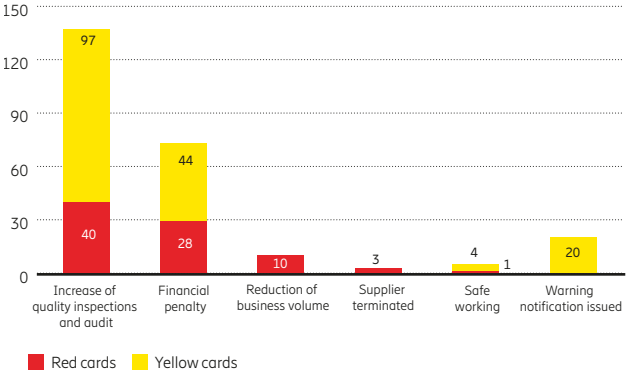



**Figure 2: Consequences applied to suppliers**



# 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.

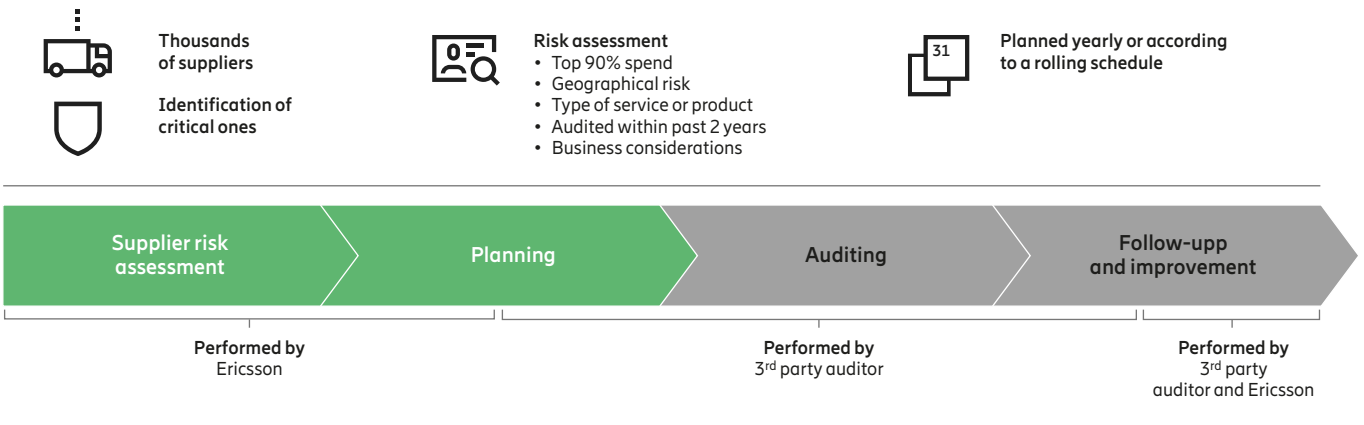
**Business ethics and anti-corruption**
In 2021, Ericsson completed the global roll out of an enhanced Third Party Management (TPM) Program, which was supported by a robust training and communications initiative. The enhanced program is designed to secure effective identification and management of potential 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

**Risk assessment and audit planning**



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**

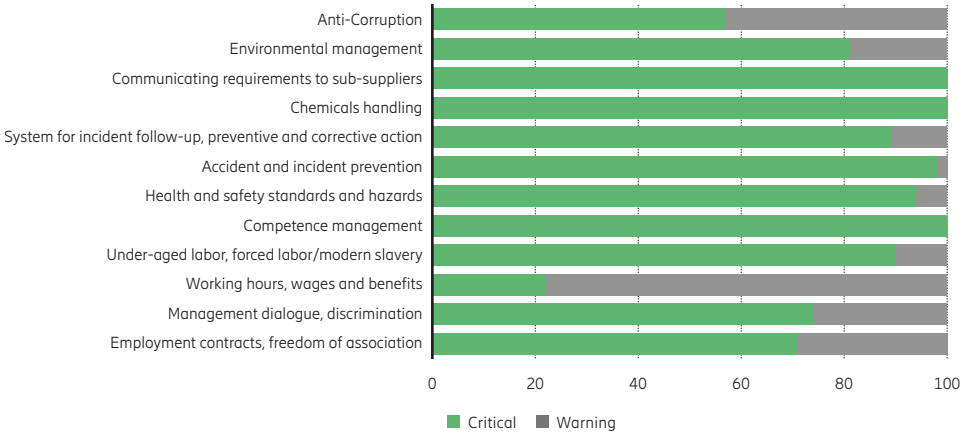
The Company believes that OHS incidents are preventable. The suppliers that are most exposed to OHS risks are field operators within the Sourcing Site Services category. To further strengthen Ericsson's sourcing process and ways of working OHS training has been implemented as a mandatory step during 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 between Ericsson and smelters or refiners of minerals, and Ericsson does not normally have a direct purchasing relationship with them. As a member of the Responsible Mineral Initiative, the Company has supported the system for certification of smelters and refiners (RMAP). To increase transparency, Ericsson is reporting reasonable country of origin of conflict minerals in its Conflict Minerals Report prepared under the US Dodd-Frank Act available on the Company website.

**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.

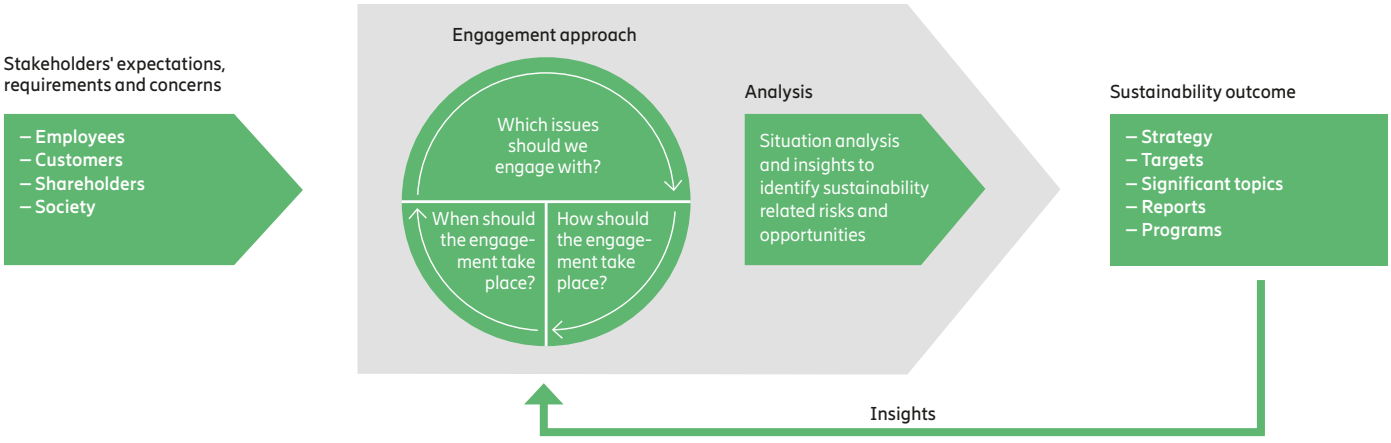
## S2 Stakeholder engagement and materiality

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** | – Employee VOICE and S&CR surveys<br>– Training<br>– Volunteering and matching donations<br>– Ericsson On the Move (cultural transformation) workshops | – Business ethics and anti-corruption<br>– Health, safety, and well-being, including response to COVID-19 pandemic.<br>– Learning and development<br>– Climate action |
| **Customers** | – Individual customer meetings and dialogues<br>– Customer ESG assessments<br>– Joint research and development | – Business ethics and anti-corruption<br>– Portfolio energy performance and circularity<br>– Product security and privacy<br>– Role of industry and digitalization in society<br>– Industry-wide supply chain requirements |
| **Shareholders** | – Investor dialogues<br>– Analyst inquiries and meetings<br>– ESG surveys and rankings | – Business ethics and anti-corruption<br>– Portfolio sustainability<br>– Transparent and comparable ESG reporting<br>– Corporate governance |
| **Society** | | |
| Suppliers | – Responsible Business Alliance<br>– 1.5°C Supply Chain Leaders<br>– Supplier assessments and audits<br>– Supplier training, seminars, and workshops | – Business ethics and anti-corruption<br>– Health, safety, and well-being of workforce<br>– Labor rights and working conditions<br>– Environmental and climate requirements<br>– Conflict minerals and material traceability |
| Regulators and international institutions | – Policy advocacy towards regulators<br>– Partnerships with:<br>UNICEF/UNHCR/UN World Food Programme<br>UN B-tech Project<br>World Health Organization<br>ITU/UNESCO Broadband Commission for Sustainable Development | – ICT impact on climate, environment, and human rights<br>– Digital inclusion and connectivity<br>– Humanitarian relief<br>– Radio waves and health |
| Academia and business | – Joint research and research funding<br>– Development of technology curriculum<br>– Participation in standardization bodies<br>– Membership of industry associations<br>– European CEO Alliance | – Environmental impacts of ICT sector<br>– Enablement effect of IT in mitigating climate change<br>– Radio waves and health |
| Civil society, NGOs and other | Participation in/partnerships with:<br>– COP26<br>– World-Wide Fund for Nature<br>– Exponential Roadmap Initiative<br>– Global Networking initiative<br>– Alliance for Affordable Internet | – Climate action<br>– Privacy and freedom of expression<br>– 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 capital[1)]
**D** Health, safety & wellbeing
**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** Water[2)]
**O** Waste[3)]
**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] | | | |
| Men | 2,321 | 1,428 | 392 |
| Women | 823 | 493 | 130 |
| **Total** | **3,144** | **1,921** | **522** |

| (SEK) | | | |
|---|---|---|---|
| Average spend on L&D per employee | 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) | 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 were 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 $CO_2e$ 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 ($CO_2e$) and includes the following gases: $CO_2$, 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 girds 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

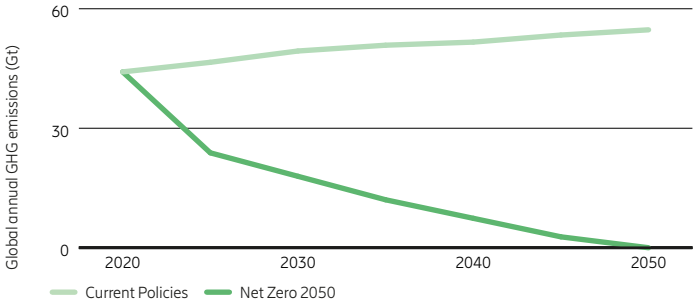
**Net Zero 2050**

- Ambitious mitigating actions introduced imminently
- Net-zero global $CO_2$ 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**

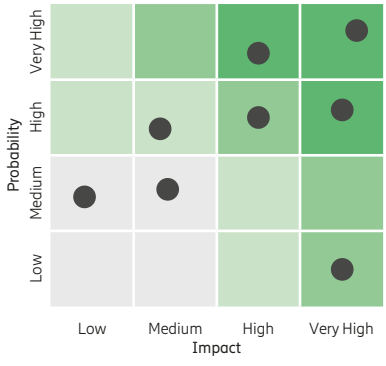
- Mitigating actions limited to currently adopted or announced policies
- Emissions grow until 2080
- Global warming of around 3 ˚C by end of century
- High physical risks but lower transitional impacts

**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 horizons[1)], 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 Polices 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-intense 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 research[1] 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 deviates 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.

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

# 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 |
| **Total [4]** | **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** |

## 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.

**$CO_2e$**
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 ($CO_2e$). $CO_2e$ 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

The terms "Ericsson", "the Company", "the Group", "us", "we", and "our" all refer to Telefonaktiebolaget LM Ericsson and its subsidiaries.

## 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.

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