

UN Global Compact Advanced Level Communication on Progress

Ericsson's Communication on Progress is part of our <u>Sustainability and Corporate</u> <u>Responsibility report 2014 "Technology for Good"</u>, and covers the period May 2014- May 2015.

It contains:

A statement by our CEO expressing continued support for the Global Compact and renewing our company's ongoing commitment to the initiative and its principles.

A description of action and policies related to Human Rights, Labor, Environment, and Anti-Corruption.

A description of policies and practices related to the company's operations in high-risk and/or conflict areas.

Qualitative and quantitative measurement of outcomes illustrating the degree to which targets/performance indicators were met.

It is easily accessible to all interested parties on <u>www.ericsson/sustainability</u> and is actively distributed to all stakeholders.

The accuracy and completeness of information in this COP is assessed by PwC (independent assurers) against recognized assurance standards FarRevR6 and AA1000. Sustainability and Corporate Responsibility report 2014 assurance statement (link).

Sustainability and CR report 2014 has achieved a GRI G3 A+ application level. Information on the company's profile and context of operation can be found in the <u>Annual Report</u>

1 Implementing the Ten Principles into Strategies and Operations

UN Global Compact Advanced Criteria and	Where to find out more:
UNGC recommended best practices covered in Ericsson reporting are marked with bold .	 (Page references to Ericsson Sustainability & CR Report 2014: Technology for Good and our Sustainability and Corporate Responsibility website)

Criterion 1: The COP describes mainstr	eaming into corporate functions and business	units
Place responsibility for execution of	 An important part of the Ericsson Group 	Letter from the CEO (Page 2)
sustainability strategy in relevant corporate functions (procurement,	ambition is to be a responsible and relevant driver of positive societal change.	 Letter from the VP of Sustainability and CR (<u>Page 3</u>)
government affairs, human resources, legal, etc.) ensuring no function conflicts with company's	 Our Sustainability and CR strategy is focused on reducing risks and increasing positive impacts in society. The strategy is 	 Strategy to drive positive change and reduce risk (<u>Page 6</u>)
sustainability commitments and objectives.	integrated in Ericsson's business strategy, target setting and risk management	 2014 Sustainability and CR performance at a glance (<u>Page 4</u>)
 Align strategies, goals and incentive structures of all business units and subsidiaries with corporate 	process which include Regions, Business Units and Group Functions.	 On energy and climate, ICT enables transformation (<u>Page 27</u>)
subsidiaries with corporate sustainability strategy.	 In addition, specific responsibility for Sustainability & CR areas is integrated in 	<u>Sustainability policy</u>
Assign responsibility for corporate	the line organization (eg Sales, Sourcing,	<u>Code of Business Ethics</u>
sustainability implementation to an	facilities management, product	<u>Code of Conduct</u>

 individual or group within each business unit and subsidiary. Design corporate sustainability strategy to leverage synergies between and among issue areas and to deal adequately with trade-offs. Ensure that different corporate functions coordinate closely to maximize performance and avoid unintended negative impacts. Other emerging or established best practices. 	 management, legal, supply) The Ericsson Sustainability and CR Steering Group is comprised of senior executives who approve the strategy and targets that support our commitments. The cross-functional, senior-level Sales Compliance Board meets bi-monthly to review sales cases, which could have potentially negative human rights impacts. 	 Due diligence in the sales process (<u>Page 15</u>) Our most important sustainability impacts (<u>Page 8</u>) Engaging with stakeholders (<u>Page 7</u>)
Criterion 2: The COP describes value of	hain implementation	
 Analyze each segment of the value chain carefully, both upstream and downstream, when mapping risks, opportunities and impacts. Communicate policies and expectations to suppliers and other relevant business partners. Implement monitoring and assurance mechanisms (e.g. audits/screenings) for compliance within the company's sphere of influence. 		 Our most important sustainability impacts (<u>Page 9</u>) Proactive engagement on responsible sourcing (<u>Page 17</u>) On energy and climate, ICT enables transformation (<u>Page 27</u>) Handling e-waste responsibly (<u>Page 33</u>) <u>Suppliers</u> Code of Business Ethics

building with suppliers and other business partners.	 agreements, audits, and in supplier meetings, as well as in our annual Sustainability and CR Report. Through transparency and engagement, Ericsson works to build trust across the value chain from suppliers to customers. Our 'beyond monitoring' approach develops our relationship with supplier across three phases: "require" "assess" and "improve." Ericsson uses a risk-based approach to 	 Collaborating with a supplier a winwin (<u>Page 18</u>) Due diligence in the sales process (<u>Page 15</u>)
	identify relevant suppliers for Code of Conduct audits.	
	 We work with suppliers to raise awareness of Ericsson CoC requirements. As an important part of our approach, we provide free, online Code of Conduct training to suppliers, offered in 13 languages. 	
	 In addition to the supply chain, a sales compliance risk methodology is in place to monitor human rights issues in the sales process. 	

2 Robust Human Rights Management Policies and Procedures

UN Global Compact Advanced Criteria and UNGC recommended best practices covered	Where to find out more:
in Ericsson reporting are marked with bold.	(Page references to Ericsson Sustainability & CR Report 2014: Technology for Good and our Sustainability and Corporate Responsibility website)

Criterion 3: The COP describes robust	commitments, strategies or policies in the area	a of human rights
 Commitment to comply with all applicable laws and respect internationally recognized human rights, wherever the company operates (e.g., the Universal Declaration of Human Rights, Guiding Principles on Human Rights). Integrated or stand-alone statement of policy expressing commitment to respect and support human rights approved at the most senior level of the company. 	• Ericsson works actively to respect human rights throughout its operations, and our commitment to human rights is reflected in our Code of Business Ethics and Code of Conduct. We are also committed to implement the United Nations Guiding Principles on Business and Human Rights throughout our business operations. We respect all internationally proclaimed human rights including the International Bill of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. We support the United Nations Global Compact initiative	 <u>Code of Business Ethics</u> <u>Code of Conduct</u> Letter from the CEO (<u>Page 2</u>) Strategy to drive positive change and reduce risk (<u>Page 6</u>) Managing human rights challenges (<u>Page 12</u>) <u>Human rights</u> Building trust through responsibility (<u>Page 11</u>) Proactive engagement on responsible

 riterion 4: The COP describes effective management systems to integrate the human rights principles Process to ensure that internationally recognized human rights are respected. On-going due diligence process that includes an assessment of actual and potential human rights impacts. Internal awareness-raising and Ericsson's human rights policies, directives and governance are fully integrated within the Ericsson Group Management System (EGMS). The EGMS is used in all operations covering all units around the world. An external assurance provider assesses the EGMS every year and conducts audits on its effectiveness. Code of Orneduct 	 ement of policy stipulating an rights expectations of sonnel, business partners and er parties directly linked to rations, products or services. ement of policy publicly lable and communicated mally and externally to all sonnel, business partners and er relevant parties. t ICT company to report ording to the newly developed GP Reporting Framework. 	 and its ten principles. Our Code of Business Ethics is acknowledged by all employees at the time of employment and repeatedly throughout the term of employment. The Code of Business Ethics is communicated on our website and in the Sustainability and CR Report. 	sourcing (<u>Page 17</u>) Raising transparency on conflict minerals (<u>Page 19</u>)
rights are respected. On-going due diligence process that includes an assessment of actual and potential human rights impacts. the Ericsson Group Management System (EGMS). The EGMS is used in all operations covering all units around the world. An external assurance provider assesses the EGMS every year and conducts audits on its			
 Training on human rights for management and employees. Operational-level grievance <	cess to ensure that	 Ericsson's human rights policies, directives 	Building trust through responsibility

impacted by the company's activities.

- Allocation of responsibilities and accountability for addressing human rights impacts.
- Internal decision-making, budget and oversight for effective responses to human rights impacts.
- Processes to provide for or cooperate in the remediation of adverse human rights impacts that the company has caused or contributed to.
- Process and programs in place to support human rights through: core business; strategic philanthropic/social investment; public policy engagement/advocacy;

partnerships and/or other forms of collective action.

• Other emerging or established best practices.

our due diligence regarding mergers and acquisitions.

- Ericsson works actively to respect human rights throughout its operations. We consider human rights in the employment and labor conditions, in the sales process, and, in our supply chain.
- The Sustainability and CR organization is responsible for overseeing the human rights area, and has led a 2 year Business Learning Program on Human Right with the non profit Shift with a number of functional areas.
- We conduct Human Rights Impact Assessments (HRIA) in accordance with UNGP as part of our human rights due diligence and to help identify human rights issues. Work with HRIA has continued in Myanmar during 2014 and initiated in Iran.

Sales process

- Human rights considerations are an integrated part of Ericsson's sales process. The cross-functional, senior-level Sales Compliance Board governs the process. We also have a process in place on human rights considerations in trade compliance.
 - All employees receive training on Sustainability &CR and this includes human rights. In addition, specific training on human rights issues is provided for certain functions where human rights issues are especially relevant, for example Sourcing, Security and

- Assessing our human rights impact (<u>Page 14</u>)
- Consulting stakeholders (<u>Page 14</u>)
- Due diligence in the sales process (Page 15)
- Raising transparency on conflict minerals (<u>Page 19</u>)
- Technology for Good
- Human rights indicators HR1-HR9
 2014.

	 Legal Affairs. As part of enabling communications for all, and Technology for Good, we have many initiatives that enable human rights, in the areas of education, health, financial and digital inclusion, freedom of expression, the right to privacy, refugee reconnection and peace and conflict resolution, among other areas. Reporting violations Information about the Ericsson Reporting Violations process (is available on the Ericsson website. 	
 System to monitor the effectiveness of human rights policies and implementation with quantitative and qualitative metrics, including in the supply chain. Monitoring drawn from internal and external feedback, including affected stakeholders. Leadership review of monitoring and improvement results. Process to deal with incidents the 	 Since 2012 we have been active with the Business Learning Program of the non-profit center for business and human rights, Shift, to embed a human rights framework across the company. With the 2014 Sustainability and CR report, Ericsson became the first company in the ICT sector, and among the first overall, to apply the UNGP's Reporting Framework. Ericsson also uses the GRI framework to report annually on human rights externally. Our report is according to GRI G3 and has 	Managing human rights challenges

company has caused or contributed to for internal and external stakeholders

- Grievance mechanisms that are legitimate, accessible, predictable, equitable, transparent, rightscompatible, a source of continuous learning, and based on engagement and dialogue
- Outcomes of integration of the human rights principles
- Other emerging or established best practices.

an A+ assurance by PwC

- We have an internal audit function that reviews CR practice and an external auditor that reviews implementation of policies and procedures. The audit results are reviewed by appropriate management and boards and actions are followed up.
- Human rights are an integrated part of the Ericsson Group Management System (EGMS). The Global External Assessment Program is performed by an external assurance body.
- We recognize the importance of having processes in place to provide or enable remedy in the case of negative human rights impacts related to business activities or relationships. Possible violations of the Ericsson Code of Business Ethics, including human rights issues, can be reported through our whistleblower procedures publicly available on our website. A transition to a third party-managed whistleblower process is planned for 2015.
- Outcomes of integration of the human rights principles can include Human Rights Impact Assessments (HRIA), which include adverse human rights impacts that Ericsson may cause or contribute to, through our own activities, or which may be directly linked to our operations, products or services by our business relationships. We also conduct

 <u>Human rights performance indicators</u> <u>HR1-HR9, 2014</u>

Human Rights Challenges for Telecommunications Vendors: Addressing the Possible Misuse of Telecommunications Systems. IHRB Case Study - Ericsson

stakeholder consultations. In 2014 we focused on Iran and Myanmar.	
• To promote greater transparency and best practice in human rights due diligence, Ericsson was the subject of a 2014 case study on human rights by the Institute of Human Rights and Business (IHRB) in their "Digital Dangers" series. The study explored challenges facing network vendors, and how they can reduce the risk of misuse of telecommunications systems, and in particular lawful interception systems.	

3 Labor Management Policies and Procedures

UN Global Compact Advanced Criteria and UNGC recommended best practices covered in Ericsson reporting are marked with bold.		Where to find out more: (Page references to Ericsson Sustainability & CR Report 2013: Technology for Good and our Sustainability and Corporate Responsibility <u>website</u>)
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Criterion 6: The COP describes robust commitments, strategies or policies in the area of labor

- Reference to principles of relevant international labor standards (ILO Conventions) and other normative international instruments in company policies.
- Reflection on the relevance of the labor principles for the company.
- Written company policy to obey national labor law, respect principles of the relevant international labor standards in company operations worldwide, and engage in dialog with representative organization of the workers (international, sectoral, national).
- Inclusion of reference to the principles contained in the relevant international labor standards in contracts with suppliers and other relevant business partners.
- Specific commitments and Human Resources policies, in line with national development priorities or decent work priorities in the country of operation.
- Participation and leadership in wider efforts by employers' organizations (international and national levels) to jointly address challenges related to labor standards in the countries of operation, possibly in a tripartite

- We respect the principles concerning fundamental rights set out in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. These are reflected in our Code of Business Ethics. We support the United Nations Global Compact initiative and its ten principles which cover the area of labor. Our Code of Conduct is based on the Global Compact's ten principles and this includes: requirements reflecting the principles contained in international labor standards as described above.
- Ericsson supports diversity and inclusion within our global workforce and in our supply chain. Our diversity strategy and supportive framework are geared at putting the right processes in place, raising awareness and encouraging open dialogue among employees.
- A global Diversity and Inclusion Council made up of senior business leaders drives the strategy. In addition, we are working hard to embed diversity into human resource processes such as talent acquisition and talent management.
- Ericsson's objectives and achievements within the area of Labor, both short and long-term, are reported on annually in our Sustainability and CR Report.
- The Code of Conduct was strengthened with stronger labor standard protection in accordance with UN and customer

- <u>Code of Conduct</u>
- Strategy to drive positive change and reduce risk (<u>Page 6</u>)
- Building trust through responsibility (<u>Page 11</u>)
- Committed to diversity and inclusion
 (Page 23)
- Signing the UN pledge (Page 23)
- A strengthened approach to health and safety (<u>Page 20</u>)
- Radio waves and health (<u>Page 20</u>)

 approach (business – trade union – government). Structural engagement with a global union, possibly via a Global Framework Agreement. Other emerging or established best practices. 	requirements, including reference to the process for reporting violations, and requirements on suppliers to report breaches of the Code of Conduct.	
	e management systems to integrate the labor p	
 Risk and impact assessments in the area of labor. Dialogue mechanism with trade unions to regularly discuss and review company progress in addressing labor standards. Allocation of responsibilities and accountability within the 	 Ericsson's labor policies, directives and governance are fully integrated within the Ericsson Group Management System (EGMS). The EGMS is used in all operations covering all units around the world. Our Responsible Sourcing Program includes Code of Conduct audits and assessment on requirements concerning labor in our supply chain. 	Proactive engagement on responsible
 organization. Internal awareness-raising and training on the labor principles for management and employees. Active engagement with suppliers to address labor related shallonges. 	Ericsson's global operations are certified to the Occupational Health and Safety Assessment Series - OHSAS 18001 requirements to deliver better risk control and improved performance.	
 address labor-related challenges. Grievance mechanisms, communication channels and other procedures (e.g., whistleblower 	 Providing a safe and healthy workplace is of fundamental importance to Ericsson. Our ambition is zero fatalities and our long-term objective is based on continuous 	

	mechanisms) available for workers to report concerns, make suggestions or seek advice, designed and operated in agreement with the representative organization of workers	improvements over time. A program "Zero Incidents in High-Risk Environments" was established in early 2014 to reduce severe incidents in high-risk operations in both Ericsson's own activities and in the supply chain. It was launched in early 2015 and
•	Other emerging or established best practices.	global rollout will follow throughout 2015 and the first half of 2016.
		 We seek to find mutual agreements with unions and follow the standards and requirements of each company in which we operate. In countries where employee representation structures are not present, Ericson employees can express their views through annual employee surveys or in some cases, through open employee meetings.
		 Training on Code of Conduct is available for all employees. Training and awareness raising on OHS is conducted for our employees and our suppliers' employees, with specialized training for high-risk occupations.
		 Both employees and third parties can report suspected violations of the Code of Business Ethics which is available publicly on the Ericsson website.

4 Robust Environmental Management Policies and Procedures

UN Global Compact Advanced Criteria and UNGC recommended best practices covered	Where to find out more:
in Ericsson reporting are marked with bold.	(Page references to Ericsson Sustainability & CR Report 2013: Technology for Good and our Sustainability and Corporate Responsibility <u>website</u>)

Criterion 9: The COP describes robust	commitments, strategies or policies in the area	of environmental stewardship	
 Reference to relevant international conventions and other international instruments (e.g. Rio Declaration on Environment and Development). 	 Our Code of Conduct is based on the United Nation Global Compact's ten principles derived from: The Universal Declaration of Human Rights, The ILO Declaration of 	 <u>Sustainability Policy</u> <u>Supplier Environmental</u> <u>Requirements</u> 	
Reflection on the relevance of environmental stewardship for the company.	 Fundamental Principles and Rights at Work, The Rio Declaration on Environment and Development and the United Nations Convention Against Corruption. Our Sustainability Policy states our commitment to continuously reduce the environmental impact of our own operations and to use Design for Environment strategies to achieve continuous environmental improvements regarding Eviceann's products and colutions 	 The Rio Declaration on Environment and Development and the United Nations Convention Against Corruption. Our Sustainability Policy states our Whistleblower and reporting violations Climate advocacy (Page 7) 	 <u>Banned and restricted substance lists</u> <u>Whistleblower and reporting</u> <u>violations</u>
Written company policy on environmental stewardship.			 Climate advocacy (<u>Page 7</u>) Proactive engagement on responsible
 Inclusion of minimum environmental standards in contracts with suppliers and other relevant business partners. Specific commitments and goals for 		 ourcing (<u>Page 17</u>) Our most important sustainability impacts (<u>Page 8</u>) E-waste (<u>Page 33</u>) 	

 specified years. Other emerging or established best practices. 	 In 2014, we strengthened our focus on providing solutions to help other sectors of the economy, primarily utilities and transport, to offset carbon emissions. In line with this focus area, we set a target for 2015: to reduce societal carbon emissions by a factor of 2 in relation to carbon emissions from Ericsson's own activities in 2014, by implementing ICT-enabled solutions, such as smart meters and smart transport solutions. Ericsson Suppliers Environmental Requirements are included in our Code of Conduct. We set both year-on-year goals and long-term objectives to measure our environmental performance and e-waste Our environment-related strategies are: Lead is one run of the strategies are:
	Lead in energy efficiency, consumption and environmental performance for telecom networks and services; continuously improve Ericsson's own sustainability performance; Advocate the role of broadband, mobility and cloud in shaping a low-carbon economy and sustainable urbanization.
Criterion 10: The COP describes effec	ive management systems to integrate the environmental principles

assessments.

- Assessments of lifecycle impact of products, ensuring environmentally sound management policies.
- Allocation of responsibilities and accountability within the organization.
- Internal awareness-raising and training on environmental stewardship for management and employees.
- Grievance mechanisms, communication channels and other procedures (e.g. whistleblower mechanisms) for reporting concerns or seeking advice regarding environmental impacts.

and governance are fully integrated within the Ericsson Group Management System (EGMS}. The EGMS is used in all operations covering all units around the world.

- Ericsson's Environmental Management System is certified to ISO 14001 and is part of the EGMS.
- Environmental risks are assessed as part of the annual Strategy, Target Setting and Risk Management Cycle.
 - Ericsson has a 20-year history of undertaking life-cycle assessments (LCA). This has evolved from a product-based perspective in the early 1990s to broader systems thinking which today includes estimates on ICT's potential to offset CO2 emissions from other sectors such as the transport sector and energy and utilities sectors.
- To ensure sound handling of products at end of life, Ericsson has a long-established Ecology Management and Product Takeback Program made available to all Ericsson's customers globally free of charge, not only in markets required by law.
- Internal training and awareness is provided for all employees. Specialized training is available for certain functions.
- Whistleblower and reporting violations procedures exist and can be accessed by all employees and stakeholders.

reduce risk (Page 6)

- On energy and climate, ICT enables transformation (Page 27)
- Rethinking energy performance (<u>Page 30</u>)
- Assessing ICT sector carbon footprint (<u>Page 29</u>)
- Handling e-waste responsibly (<u>Page</u> <u>33</u>)
- Transport shifts gears (Page 39)
- Intelligence in the grid (<u>Page 38</u>)
- Whistleblower and reporting violations
- Objectives and achievements (<u>Page 52</u>).

Criterion 11: The COP describes effective monitoring and evaluation mechanisms for environmental stewardship

- System to track and measure performance based on standardized performance metrics.
- Leadership review of monitoring and improvement results
- Process to deal with incidents.
- Audits or other steps to monitor and improve the environmental performance of companies in the supply chain.
- Outcomes of integration of the environmental principles.

- We conduct LCA according to international standards (ISO 14040 series). We also report and follow up according to GRI Environmental KPIs. All targets are reviewed on a regular basis, usually quarterly.
- We have an internal Group Directive on Incident management including a management of incident description and responsibilities
- Internal audits and external audits are regularly conducted on our own operations as well as our suppliers'.
- Our Sustainability and Corporate Responsibility Report has been assessed by PricewaterhouseCoopers
- Our Global Assessment Program, monitored by assurance provider Intertek, audits application of policies and directives, management of risks and objectives achievement.
- Outcomes of the integration of our environmental principles are reflected in initiatives to reduce our environmental impact and enable a low-carbon economy.

- Fact and figures (<u>Page 35</u>)
- <u>Responsible Sourcing Program</u>
- Environmental performance indicators 2014 EN1-EN30.
- Sustainability and CR Report 2014, Energy, Environment and Climate (Pages 27-39)

5 Robust Anti-corruption Management Policies and Procedures

UN Global Compact Advanced Criteria and UNGC recommended best practices covered	Where to find out more:
in Ericsson reporting are marked with bold.	(Page references to Ericsson Sustainability & CR Report 2013: Technology for Good and our Sustainability and Corporate Responsibility <u>website</u>)

Criterion 12: The COP describes robu	st commitments, strategies or policies in the area	a of anti-corruption
Publicly stated formal policy of zero-tolerance of corruption.	 Reference to UN GP principles, as in other areas above. 	 <u>Code of Business Ethics</u> Building trust through responsibility (Page 11)
• Commitment to be in compliance with all relevant anti-corruption laws, including the implementation of procedures to know the law and monitor changes.	 To manage risks and meet rising stakeholder expectations for integrity, Ericsson has a publicly stated policy of zero tolerance of corruption and bribery. This is clearly communicated in our Code of Business Ethics. 	 Anti-corruption a top priority (<u>Page 16</u>) Case study: human rights challenges for telecommunications vendors (<u>Page 13</u>)
 Statement of support for international and regional legal frameworks, such as the UN Convention against Corruption. 	 Our Code of Business Ethics includes statement of support for international legal frameworks, including the UN Convention Against Corruption. 	 <u>Updated E-learning on anti-</u> <u>corruption.</u>
 Detailed policies for high-risk areas of corruption. Policy on anti-corruption regarding 	 The Ericsson Anti-Corruption Group Directive details responsibilities to be in compliance with 	

•	use agents, unless required by law or in very restricted circumstances. We are a signatory to PACI, The Partnership Against Corruption Initiative of the World Economic Forum, which includes a commitment to zero-tolerance.	
 Support by the organization's leadership for anti-corruption. Carrying out risk assessment of potential areas of corruption. Human Resources procedures supporting the anti-corruption commitment or policy, including communication to and training for all employees. Internal checks and balances to ensure consistency with the anti-corruption commitment. 	Ericsson's anti-corruption policies, directives and governance are fully integrated within the Ericsson Group Management System (EGMS). The EGMS is used in all operations covering all units around the world. Our anti-corruption compliance program is supported by top management and headed by a Chief Compliance Officer, responsible and accountable for the Program. Our Code of Business Ethics, which includes anti- corruption is signed by the CEO. Procedures supporting the anti-corruption commitment are embedded into different policies and Group directives.	 Anti-corruption a top priority (Page 16) Proactive engagement on responsible sourcing (Page 17) Objectives and achievements (Page 52) <u>GRI Social performance indicators SO1-SO8</u>

•	Management responsibility and
	accountability for implementation of
	the anti-corruption commitment or policy.

- Communications (whistleblowing) channels and follow-up mechanisms for reporting concerns or seeking advice.
- Internal accounting and auditing procedures related to anticorruption.

assessment by all business units, regions and group functions, is an integrated part of the Ericsson Group strategy process whereby compliance (including corruption) is one of the risk areas to be assessed.

- To foster individual accountability, Ericsson employees periodically acknowledge the Code of Business Ethics and undergo an anti-corruption e-learning course to raise awareness of risks, dilemmas and appropriate courses of action. By year-end 2014, more than 90,000 of current employees had completed the training.
- Throughout the year, face-to-face training and presentations are held for selected groups, e.g., for the leadership teams in several regions as part of the governance training performed through the Group regularly.
- Additional specialized training is provided to key personnel in Sourcing, Sales and other relevant functions such as regional leadership teams.
- Anti-corruption is part of the CoC, which is part of our contractual relationship with suppliers. In addition we have special clauses. Focus on anti-corruption was tightened in selfassessment questionnaires and new elearning for suppliers was launched. At year-end, more than 1,100 employees of suppliers had concluded the training.
 - Corporate Audit and external auditors assess the implementation of the Anti-Corruption

	 Group Directive to ensure consistency with the commitment. The anti-corruption compliance program is evaluated and reviewed by the Audit Committee each year. Both employees and third parties may report suspected violations of law or the Group's Code of Business Ethics, which is available publicly on the Ericsson website. Reported violations of law or the Code of Business Ethics are handled centrally by a Group Compliance Forum, supported by a Regional Compliance Forum in each region. We also initiated the transition to a third party-managed whistleblower process to be implemented in 2015. 	
Criterion 14: The COP describes effect	ctive monitoring and evaluation mechanisms for t	he integration of anti-corruption
Leadership review of monitoring and improvement results.	 Anti-corruption is part of the Global External Assessment Program and is evaluated and 	 Building trust through responsibility (<u>Page 11</u>) Anti-corruption a top priority (<u>Page</u>)
Process to deal with incidents.	reviewed each year by the Audit Committee.	<u>16</u>)
 Public legal cases regarding corruption. 	 We use external corruption indices to assess corruption risk on a country level 	<u>GRI Social performance indicators</u> <u>SO1-SO8</u>
 Use of independent external assurance of anti-corruption programs. 	 A Group Compliance Forum is responsible on a Group Level for the governance of the handling of reported violations. There are also Regional Compliance Forums in each region 	
 Outcomes of integration of the anti- corruption principl 	responsible for the handling of reported violations within the region.	

 The Group Compliance Forum is responsible to deal with incidents reported via the whistle blowing procedure or reported directly to Group Management. 	
 Ericsson was ranked #1 company in Sweden by Transparency International for transparently reporting on our anti-corruption program. 	

6 Taking Action in Support of Broader UN Goals and Issues

UN Global Compact Advanced Criteria and UNGC recommended best practices covered	Where to find out more:
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Criterion 15: The COP describes core	business contributions to UN goals and issues	
 Align core business strategy with one or more relevant UN goals/issues. Develop relevant products and 	 Millennium Development Goals Ericsson has been an active supporter for the MDGs for more than a decade. Enabling communications for all is part of our core 	 <u>Technology for good</u> Communication for all (<u>Pages 40-49</u>) Advocating for change (<u>Page 7</u>)

 services or design business models that contribute to UN goals/issues. Adopt and modify operating procedures to maximize contribution to UN goals/issues. 	 business strategy and portfolio, and is also supporting poverty alleviation and global development goals more broadly. As technology partner in the Millennium Villages Project since 2007, mobile connectivity has benefited some 500,000 people in 12 African countries. Ericsson is active in the policy discussions around the post-2015 Sustainable Development Goals. We have also long supported the UN Global Compact and its principles are closely embedded in our strategy and governance. 	 Connecting the unconnected (Page 41) Mobile money meets needs of the unbanked (Page 42) Bringing 4G to the Peruvian Amazon (Page 43) Connecting community kiosks in Africa (Page 43) Extending the reach of connect to learn (Pages 44-45) Case: Launch in Northern Ghana
	 In 2014, the Broadband Commission for Digital Development Task Force on Sustainable Development and the Post-2015 	 (Page 45) UN-Habitat (Page 36)
	Development Agenda, , chaired by Ericsson, published the report, "Means of transformation," which underlined the key role ICT and broadband can play in	 Breaking down barriers (<u>Page 49</u>) <u>M-commerce</u>
	delivering inclusive economic growth.	 Reconnecting families (<u>Page 47</u>) Reconnecting to the Ebola cricic (Page 47)
	Ericsson's CEO is on the Leadership Council of the LIN Suctainable Development	 Responding to the Ebola crisis (<u>Page</u> <u>47</u>)
	of the UN Sustainable Development Solutions Network (SDSN), a multi-	Ericsson response (<u>Page 46</u>)
	stakeholder initiative in support of new SDGs. In 2014, Ericsson contributed to ongoing work on devising ICT-related indicators, part of a monitoring framework	 Case: New partnership with International Rescue Committee (<u>Page 46</u>)
	the SDSN is developing.	 Transforming young lives on path to peace (<u>Page 48</u>)
	Climate changeWe support broader UN goals around the	BB Commission Climate Change
	environment and climate change with our energy-efficient and low energy-consuming	 <u>BB Commission report: Means of</u>

products and solutions. Also, our technology plays a prominent role to enable low-carbon solutions for other sectors of society.	transformation
 Advocacy is another important part of our approach. We support the UNFCCC and other organizations in finding solutions to climate change, and engage in public-private partnerships to leverage scale and impact of solutions. 	
• Ericsson is a member of the Advisory Board of The UN Framework Convention on Climate Change (UNFCCC) Momentum for Change inititative, in partnership with GeSI, which highlights the critical role of ICT in addressing climate change. Best practice examples were highlighted at the COP 20 in Lima, Peru.	
• Ericsson began a three-year collaboration with UN-Habitat in 2013 to conduct collaborative research and specific projects which aim to provide valuable insights for city leaders and policymakers on sustainable urbanization.	
Access to education	
 Connect to Learn is a global education initiative launched in 2010 by the Earth Institute of Columbia University, Millennium Promise and Ericsson to scale up access to quality secondary education, in particular for girls, by providing scholarships and bringing ICT to schools in remote, resource-poor parts of the world, over mobile broadband. To date, the initiative is launched in 21 	

	countries and benefiting some 50,000 students.	
	Access to Health	
	 In support of the MDGs on health, Ericsson supports the SDSN's One Million Community Health Workers (CHW) Campaign, a public- private partnership initiative. 	
	• Ericsson supplied more than 1,600 mobile phones pre-loaded with m-health apps to health workers in communities affected by Ebola, for use by the International Rescue Committee (IRC) and the UN Population Fund.	
	Support of refugees	
	 Ericsson has been the lead technology partner to the NGO Refugees United since 2010, and has developed a mobile phone platform to help refugees reconnect. 	
	Gender diversity	
	 Connect to Learn supports access to high- quality secondary education for women and girls. 	
	Financial and digital inclusion	
	 Our M-commerce platform is enabling digital, social and financial inclusion. 	
Criterion 16: The COP describes strategic social investments and philanthropy		

 Pursue social investments and philanthropic contributions that tie in with the core competencies or operating context of the company as an integrated part of its sustainability strategy. Coordinate efforts with other organizations and initiatives to amplify—and not negate or unnecessarily duplicate—the efforts of other contributors. Take responsibility for the intentional and unintentional effects of funding and have due regard for local customs, traditions, religions, and priorities of pertinent individuals and groups. 	 Philanthropy is not part of our business approach, rather working in public-private partnerships with UN and other partners, using our technology and competence to support initiatives like Connect to Learn and Refugees United are two examples. Ericsson Response has served numerous UN agencies with telecommunications services in times of disaster for 15 years. All of our initiatives fall under a broader program called Technology for Good™, which aims to use our technology and competences in order to advance social or environmental benefits to people, business, and society. 	 <u>Technology for good</u> Communication for all (<u>Pages 40-49</u>) Connecting the unconnected (<u>Page 41</u>) Mobile money meets needs of the unbanked (<u>Page 42</u>) Ericsson response (<u>Page 46</u>) Reconnecting families (<u>Page 47</u>) Responding to the Ebola crisis (<u>Page 47</u>) Transforming young lives on path to peace (<u>Page 48</u>) Case: New partnership with International Rescue Committee (<u>Page 46</u>)
Criterion 17: The COP describes advo	cacy and public policy engagement	
 Publicly advocate the importance of action in relation to one or more UN goals/issues Commit company leaders to participate in key summits, conferences, and other important public policy interactions in relation to one or more UN goals/issues. 	 In global fora such as the global climate negotiations of and the UNFCCC, the UN Broadband Commission for Digital Development, the Global e-Sustainability Initiative (GeSI), we advocate for ICT's role to address UN goals and issues. The CEO is a member of the Leadership Council of the UN Sustainable Solutions 	 Communication for all (<u>Pages 40-49</u>) Advocating for change (<u>Page 7</u>) <u>BB Commission Climate Change</u> report Greater progress through partnerships (<u>Page 46</u>)

 Advocating for change (Page 7) Engaging with stakeholders (Page 7) Engaging with stakeholders (Page 7) Ericsson response (Page 46) Breaking down barriers (Page 47) Breaking down barriers (Page 47)

Peace and Development Initiative; Broadband Commission (co-chaired by ITL and UNESCO) on climate change and digi inclusion, the UN Global Compact Caring f the Climate, UN-Habitat on sustainable urbanization and ICT. UNFCCC, Momentu for Change via the ICT industry organizatio GeSI.	al or n
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7 Corporate Sustainability Governance and Leadership

UN Global Compact Advanced Criteria and UNGC recommended best practices covered	Where to find out more:
in Ericsson reporting are marked with bold.	(Page references to Ericsson Sustainability & CR Report 2013: Technology for Good and our Sustainability and Corporate Responsibility <u>website</u>)

Criterion 19: The COP describes CEO	commitment and leadership	
 CEO publicly delivers explicit statements and demonstrates personal leadership on sustainability and commitment to the UN Global Compact 	The CEO is a member of the Leadership Council of the UN Sustainable Solutions Development Network (SDSN). The CEO is also a Commissioner of UN Broadband Commission for Digital Development and chairs the Task Force on Sustainable	 Letter from the CEO (<u>Page 2</u>) Letter from the VP of Sustainability and CR (<u>Page 3</u>) 2014 Sustainability and CR performance at a glance (<u>Page 4</u>) Strategy to drive positive change and
 CEO promotes initiatives to enhance sustainability of the company's sector and leads development of industry standards 	Development and the Post-2015 Development Agenda. He has also served as chair of the Working Group on Climate Change.	 Advocating for change (<u>Page 7</u>) Our most important sustainability impacts (<u>Page 8</u>)
 CEO leads executive management team in development of corporate sustainability strategy, defining goals and overseeing implementation 	 The CEO letter in our Sustainability & CR report always explicitly states our support for UN Global Compact Sweden has a long commitment to principles 	
Make sustainability criteria and UN	of sustainable development and Ericsson is	

Global Compact principles part of goals and incentive schemes for CEO and executive management team.	 among 20 leading businesses in the Swedish Leadership for Sustainable Development, which highlights leadership for sustainable global development by integrating social, environmental and economic sustainability in their business models and core operations. The VP of Sustainability and CR reports directly to the CEO and is part of the Global Leadership Team. Sustainability & CR is a topic that is regularly discussed. Sustainability and CR leadership target is on the Group top-level scorecard. 	
Criterion 20: The COP describes Board	d adoption and oversight	
 Board of Directors (or equivalent) assumes responsibility and oversight for long-term corporate sustainability strategy and performance 	 The Ericsson Board of Directors is briefed twice a year on sustainability and CR matters including strategy and targets. In addition to the Sustainability & CR Report, sustainability information is included in the 	 Building trust through responsibility (<u>Page 11</u>) About this report (<u>Page i</u>)
 Board establishes, where permissible, a committee or assigns an individual board member with responsibility for corporate sustainability. 	Annual Report, which is approved by the Board.	
 Board (or committee), where permissible, approves formal 		

reporting on corporate sustainability (Communication on Progress). Criterion 21: The COP describes stake	nolder engagement	
 Publicly recognize responsibility for the company's impacts on internal and external stakeholders. Define sustainability strategies, goals and policies in consultation with key stakeholders. Consult stakeholders in dealing with implementation dilemmas and challenges and invite them to take active part in reviewing performance. Establish channels to engage with employees and other stakeholders to hear their ideas and address their concerns, and protect 'whistleblowers'. 	 Our ability to positively impact on sustainability is enhanced through continuous dialogue and engagement with a wide range of groups and individuals. Through engagement, we maximize our ability to create value for society, address shared challenges and better manage risks and realize our strategic aims. We have a defined strategy and process for stakeholder engagement. Insights gained from ongoing stakeholder consultation and input are taken into account in our materiality process and inform our strategy. Specific stakeholders are consulted regarding certain issues and challenges. For example, we have engaged in the Business Learning Program of Shift, an independent, non-profit center for business and human rights, to increase internal competence; and gain an external view on how we implement our human rights commitment. Some of the main stakeholder groups we interact with on an ongoing basis : 	 Engaging with stakeholders (Page 7) Advocating for change (Page 7) Our most important sustainability impacts (Page 9) Right to privacy rising on the agenda (Page 10) Networked Society Blog Twitter and Facebook. Managing human rights challenges (Page 12) Case study: Human rights challenges for telecommunications vendors (Page 13) Viewpoint from Institute for Human Rights and Business (Page 13) Consulting stakeholders (Page 14)

customers, employees, investors, suppliers, industry partner, government, consumer and business users of telecommunications services, non-governmental organizations, standardization bodies, research institutes and media.	
 We also engage stakeholders in conversation about the Networked Society and Technology for Good[™] both through events (The Networked Society Forum and Social Good Summit) and through social media such as our blog, Facebook and Twitter. 	
• We have a whistleblower procedure that is publicly available to our employees and all stakeholders. Ericsson will not accept any discrimination or retaliation against individuals who use the reporting violation process.	
• Employees views are assessed through the annual employee survey and annual poll on the Sustainability and CR issues most important to employees.	

1 Annex: Business & Peace

UN Global Compact Advanced Criteria and UNGC recommended best practices covered	Where to find out more:
in Ericsson reporting are marked with bold .	 (Page references to Ericsson Sustainability & CR
··· -···· ····························	Report 2013: Technology for Good and our
	Sustainability and Corporate Responsibility website)

The COP describes policion areas	es and practices	s related to the company's core business or	perations in high-risk or conflict-affected
 Information on how polisistrategies and operating have been adapted to the high-risk/conflict context due diligence. Adherence to best pract where national law sets standard, including in the management of security 	g practices he specific it based on tices even a lower he •	Ericsson's Human Rights, Labor, Environmental and Anti-corruption policies, directives and governance are fully integrated within the Ericsson Group Management System (EGMS). The EGMS is used in all operations covering all units around the world. The policies apply globally to all 180 countries where we serve customers	 <u>Sustainability Policy</u> <u>Code of Conduct</u> <u>Code of Business Ethics</u> Raising transparency on conflict minerals (<u>Page 19</u>) Proactive engagement on responsible sourcing (<u>Page 17</u>)
 Management of the sup avoid contributing to co purchasing decisions and 	nflict through	Our annual strategy, target setting and risk management cycle as well as our due diligence processes take into consideration specific high-risk or conflict- affected areas. For example, we have taken further steps to increase the transparency regarding conflict minerals in our supply chain, working with our suppliers towards the aim of conflict-free sourcing.	

The COP describes policies and pra	 a risk-based approach in which high-risk portfolio areas and highest-risk markets are prioritized for assessments and monitoring. In the sales process, the Sales Compliance Board considers human rights in its decisions and proactively makes case by case risk assessments of business when deemed necessary. It uses three core criteria to evaluate human rights risks associated with unintended use of functionality: the type of product, service or know-how, the market, as well as the customer. We use external risk indices to review high risk and conflict countries. Ericsson has a Group-wide trade compliance process for managing compliance with relevant export control, customs and other trade laws and regulations including sanctions. 	elations in high-risk or conflict-affected
 Assessment of opportunities for constructive engagement with government actors in order to support peace. 	 Ericsson is the technology partner to The Whitaker Peace and Development Initiative (WPDI), founded by UNESCO Special Envoy for Peace and Reconciliation and UN Advocate for Children Affected by War, 	 Strategy to drive positive change and reduce risk (<u>Page 6</u>) Due diligence in the sales process (<u>Page 15</u>)
 Measures undertaken to avoid 	Forest Whitaker and dedicated to peace-	 Anti-corruption a top priority (<u>Page</u> 16)

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by government actors. Management practices aimed at preventing corrupt relationships with government officials.	youth in conflict-affected countries such as Uganda, Mexico and South Sudan. Ericson provides ICT technology and education solutions and training and expertise to help catalyze positive social change for youth in conflict-affected countries.	 minerals (Page 17) Transforming young lives on path to peace (Page 48) Reconnecting families (Page 47) Ericsson response (Page 46)
	• We are also committed to implement the United Nations Guiding Principles (UNGP) on Business and Human Rights throughout our business operations, reflected in our Code of Business Ethics. We are the first ICT company to report according to the UNGP on Business and Human Rights. Human Rights Impact Assessments (HRIA) are undertaken on a case-by-case basis. Our sales compliance process includes risk analysis of possible unintended use of technology by governments.	
	• We have a Group Anti-Corruption Directive and our Code of Business Ethics clearly states zero tolerance for bribery and corruption. Our Anti-Corruption Compliance Program includes mandatory training for all employees and the Program is continually monitored by Ericsson's internal audit function and evaluated annually by the Audit Committee of the Board of Directors.	

The COP describes local stakeholder engagement and strategic social investment activities of the company in high-risk or conflict-affected areas

 Assessment of opportunities for constructive engagement with government actors in order to support peace. Stakeholder engagement mechanisms across company and contractor operations. Approaches to stakeholder engagement involving civil society, international organizations, etc. Actions toward constructive and peaceful company-community engagement. Sustainable social investment projects. 	 Stakeholder engagement is occurring on many levels, continuously, including with civil society and international organizations. For example, at a stakeholder consultation conducted in 2014 in Myanmar in connection with an HRIA, one issue raised was labor conditions and safety, particularly in the supply chain. These issues were highlighted in audits, and several internal processes regarding the right to privacy were also strengthened as a result of the HRIA. 	peace (<u>Page 48</u>)