



ERICSSON

# Modern slavery and human trafficking statement 2018

# Introduction

Conducting business responsibly is the foundation of Ericsson's commitment to sustainability and corporate responsibility. Ericsson believes that operating business with integrity, transparency and responsibility is critical to maintain trust and credibility with customers, partners, suppliers, employees, shareholders and other stakeholders. Ericsson works to improve and strengthen its business practices, with a focus on transparency, integrity and building trust. This approach enhances risk management and the ability to respond proactively to issues as they arise.

This statement describes how Ericsson is tackling the challenge of modern slavery and human trafficking throughout its operations and supply chain and outlines Ericsson's policies, actions and plans for future improvements and covers the financial year 2018.

Below is a summary of Ericsson's key achievements in 2018, the planned activities for 2019, and Ericsson's long-term ambition when it comes to the prevention of modern slavery and human trafficking.

## Key achievements 2018

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Modern slavery and human trafficking-focused trainings and seminars, targeted for specific employees in selected functions

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Modern slavery and human trafficking included in updated Code of Conduct free of charge online training

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Supplier workers' voice survey in selected risk areas and countries

## Planned activities 2019

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Continued work to raise awareness, both within Ericsson and among suppliers

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Continued supplier workers' voice surveys in selected risk areas and countries

## Long-term ambition

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Improved supply chain awareness

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Improved supply chain transparency

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## Business and supply chain

Ericsson provides high-performing solutions to enable Ericsson's customers, mainly telecom operators to capture the full value of connectivity. The Company provides communication infrastructure, services and software – especially in networks, digital services and managed services – to the telecom industry and other sectors. Ericsson has approximately 95,000 employees and serves customers in more than 180 countries. Ericsson's headquarters are located in Stockholm, Sweden.

Ericsson's supply chain comprises over 20,000 global, regional and local suppliers in more than 150 countries which provide a wide range of products, components and services, such as antennas, printed circuit boards, installation and consultancy services.

Responsible sourcing is an important program for Ericsson. As the supply chain is large and complex, Ericsson adopts a risk-based approach to identify high-risk suppliers and works with its suppliers towards continual improvement.

## Ericsson's position on modern slavery and human trafficking

Taking a strong stance against modern slavery and human trafficking and working to ensure high labor rights standards are core aspects of conducting business responsibly at Ericsson. Ericsson has a long-standing policy against using forced, bonded or compulsory labor, or child labor which is reflected in the Code of Business Ethics and the Code of Conduct. Ericsson's Code of Business Ethics, approved by the

Board of Directors, sets the tone for conducting business globally. It contains rules to ensure that business is conducted with integrity. Everyone working for Ericsson has an individual responsibility to ensure that business practices adhere to the Code of Business Ethics. Employees acknowledge the Code of Business Ethics at the time of employment and periodically throughout the term of employment.

The Code of Conduct, which applies to both employees and suppliers, is based on the UN Global Compact principles and is approved by the CEO. It covers human rights, labor conditions, environmental management and anti-corruption. The Code of Conduct requirements are available in 16 languages on Ericsson's website and forms part of Ericsson's supplier contracts.

In the Code of Business Ethics and the Code of Conduct, Ericsson expresses a commitment to respect all internationally proclaimed human rights including the International Bill of Human Rights and the principles concerning fundamental rights set out in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. Ericsson is also committed to implementing the United Nations Guiding Principles (UNGPs) on Business and Human Rights throughout its business operations. Under Ericsson's Code of Conduct, modern slavery, including forced, bonded or compulsory labor and human trafficking, are strictly prohibited. Employees should be free to leave their employment after reasonable notice as required by applicable law or contract and

employees should not be required to lodge deposits of money or identity papers with the company. Ericsson respects the right to equal opportunity, freedom of association and collective bargaining. Ericsson requires suppliers to live by the same rules.

Ericsson is an early adopter of the UN Guiding Principles on Business and Human Rights and related UNGPs Reporting Framework. This work has improved the understanding of Ericsson's salient human rights issues, which include labor rights. Responsible business is embedded at the highest levels of Ericsson, starting with the Board of Directors of the parent Company, the CEO and the Executive Team, who receive regular briefings on emerging issues and progress made.

## Training and awareness

Modern slavery and human trafficking is a complex area with impacts throughout the supply chain. Raising awareness about the issue is a key element in the work to improve the standards, both in Ericsson's own business operations and those of Ericsson's suppliers and sub suppliers.

All employees are offered a human rights and business e-learning course. The aim is to help employees evaluate human rights trends and relevant risks, and to help them understand how Ericsson works within this area. During 2019, the e-learning will be mandatory for employees within the sourcing organization. Ericsson seeks opportunities to raise awareness among suppliers on all aspects of responsible business,

including human rights. Suppliers are encouraged to take Ericsson's online Code of Conduct training free of charge.

To further raise awareness within Ericsson's Sourcing organization, an internal information package including a definition of modern slavery, potential risks and its relevance for Ericsson has been developed.

### Due diligence

Ericsson's human rights due diligence is embedded in processes within sales and sourcing. Ericsson works with a systematic, risk-based approach to strengthen consideration for human rights, to identify potential human rights risks, address potential adverse impacts and to track remediation.

Before selecting a supplier, a mandatory supplier self-assessment is required in the form of a questionnaire covering the Code of Conduct and other relevant areas.

The questionnaire includes questions relating to suppliers' policies and processes within the areas of modern slavery.

Ericsson uses a risk-based approach to identify relevant suppliers for Code of Conduct audits. Prioritized risk areas in Ericsson's supply chain include anti-corruption, labor rights, occupational health & safety, environmental management, and communication of requirements further down the supply chain.

### Supplier Code of Conduct audit process



To understand the geographical risk for modern slavery Ericsson is using Verisk Maplecroft's Modern Slavery Index. Ericsson sources a large amount of products, components and services from China and India, identified as high-risk countries. In 2019 Ericsson therefore plans to continue to focus on increasing internal and external awareness in these countries.

Ericsson's work to focus its activities within the areas of modern slavery are based on experiences

and learnings identified in a workshop held in 2016 with internal stakeholders together with Shift, a leading non-profit center of expertise on the UN Guiding Principles on Business and Human Rights. The aim was to gain a clear understanding of where the harm of modern slavery and human trafficking would be most severe and where the occurrence of modern slavery or human trafficking is most likely to occur. To further understand the sourcing category groups that have a higher perceived modern slavery risk, Ericsson in 2017

reviewed the activities performed in each sourcing category based on workforce skill level and risk of informal employment. Risk was mapped per sourcing category group. This exercise provided a better understanding of where the harm of modern slavery and human trafficking would be most severe and will enable a simplified view of where to direct resources to mitigate risk. A review of the category risks was made in 2018 to keep the analysis up to date.

### Supplier category modern slavery risk 2018

Sourcing category	Modern Slavery risk
Electronics and electromechanical components	High
Infrastructure services	High
Logistics	High
Manufacturing services	High
Real estate and services	High
Travel	High

Sourcing category	Modern Slavery risk
Third party (3PP) hardware and software	Mid
External workforce	Mid
IT Services	Low
Marketing and Communication	Low
Human resources and education services	Low
Cars	Low

### **Conflict minerals and requirements on suppliers**

Social and environmental risks, including issues related to forced labor, exist in the sourcing and extraction of raw materials. Even if these risks often occur several tiers down in Ericsson's supply chain, Ericsson acknowledges that this is an important risk area, also in terms of modern slavery and human trafficking. Ericsson's conflict minerals program requires suppliers to exercise due diligence in the sourcing and extraction of raw materials and to reasonably verify the origin of the conflict minerals contained in products sold to Ericsson.

### **Monitoring, audits and measuring performance**

Supplier Code of Conduct auditors follow up on actions to ensure continual improvement in the supply chain. Ericsson acknowledges that modern slavery and human

trafficking is not easily detected through audits. Therefore, Ericsson has initiated work to complement its audit program piloting targeted supplier workers' voice surveys in selected risk areas in China and India. This work is planned to continue in 2019.

Corrective actions from audit findings from the supplier Code of Conduct audits are recorded in a central tool and regularly followed up by the supplier auditors

### **Grievance mechanism**

Ericsson encourages people to speak up about any concerns regarding the Company's business practices. The Company has grievance mechanisms whereby violations of Ericsson's Code of Business Ethics and other policies and directives can be reported. Ericsson's whistleblower tool, Ericsson Compliance Line, managed by an external service provider, can be used by employees, suppliers

and others for reporting of alleged violations of laws or the Code of Business Ethics that are conducted by Group or local management and relate to for example personal health and safety. Ericsson Compliance Line is available 24/7, 365 days per year and enables persons to report confidentially via phone or a secure website in 188 countries and over 75 languages. The tool enables anonymous reporting. Significant violations reported in Ericsson Compliance Line are reported to the Audit and Compliance Committee of the parent Company.

Ericsson acknowledges that it is difficult to identify modern slavery and human trafficking via whistleblowing tools. Therefore, Ericsson focuses on awareness-raising activities as an important complementary tool to identify and prevent modern slavery and human trafficking.

### **Additional information**

Ericsson publishes information about its commitment to human rights and responsible sourcing and engagement with its suppliers and other stakeholders in its Annual Report, which include a Sustainability Performance Risk Report. The Annual Report can be found at [www.ericsson.com/en/investors/financial-reports](http://www.ericsson.com/en/investors/financial-reports)

This statement covers the financial year 2018 and has been approved by the Board of Directors.

Stockholm, February 26, 2019

### **Börje Ekholm**

Original signature available on file

President and CEO and member of the Board of Directors of Telefonaktiebolaget LM Ericsson

### **Forward looking statements**

Certain matters discussed in this document include forward-looking statements subject to risks and uncertainties. Readers of this document are cautioned that the forward-looking statements are not guarantees of Ericsson's future actions or developments, which may differ materially from those described or implied. Ericsson expressly disclaims a duty to provide updates to these forward-looking statements after the date of this report to reflect events or changes in circumstances or changes in expectations or the occurrence of anticipated events. The information included on any websites that appear in this document is not incorporated by reference in this statement.

Ericsson enables communications service providers to capture the full value of connectivity. The company's portfolio spans Networks, Digital Services, Managed Services, and Emerging Business and is designed to help our customers go digital, increase efficiency and find new revenue streams. Ericsson's investments in innovation have delivered the benefits of telephony and mobile broadband to billions of people around the world.

The Ericsson stock is listed on Nasdaq Stockholm and on Nasdaq New York.

[www.ericsson.com](http://www.ericsson.com)