

# Modern slavery and human trafficking statement 2017



## 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 continually 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.

In March 2017 Ericsson published its first statement on Modern Slavery under the UK Modern Slavery Act. This statement provides an update of progress and covers the financial year 2017.

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 and business practices and plans for future improvements.

Below is a summary of Ericsson's key achievements in 2017, the planned activities for 2018, and Ericsson's long-term objectives when it comes to the prevention of modern slavery and human trafficking.

### Key achievements 2017

Code of Conduct updated to enhance focus on modern slavery and human trafficking

Risk mapped per sourcing category group

Specific aspects of modern slavery and human trafficking integrated into Ericsson Code of Conduct auditor checklist

### Planned activities 2018

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

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

Supplier workers' survey in selected risk areas and countries

### Long-term objectives

Improved supply chain awareness

Improved supply chain transparency



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## Business and supply chain

Ericsson provides high-performing solutions to enable Ericsson's customers, mainly service providers (i.e. 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 100,000 employees and serves customers in more than 180 countries. Ericsson's headquarters are located in Stockholm, Sweden.

Ericsson's highly diverse supply chain comprises over 20,000 global, local and regional 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 a top priority 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.

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.

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 parent company 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 on Business and Human Rights throughout its business operations. In 2017 the Code of Conduct was updated to reinforce responsibilities and to clearly state that 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

Reporting Framework of the UN Guiding Principles on Business and Human Rights. 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. An Ethics and Compliance Board, comprised of several executive members, was established in 2017 for overall governance of compliance and ethics within the Group.

## Training and awareness

Training and awareness-raising are core to deepening employees' understanding of the importance of respect for human rights, as an integral part of conducting business responsibly. 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.

Ericsson seeks opportunities to raise awareness among employees and suppliers on all aspects of responsible business, including human rights; for instance, in seminars with suppliers. Information about modern slavery and human trafficking has been communicated internally within the Ericsson sourcing organization and externally to suppliers to specifically raise awareness on modern slavery and human trafficking.

To further raise awareness within Ericsson, an internal information package including a definition of modern slavery, potential risks and its relevance for Ericsson has been developed. In 2018 the sourcing organization plans to perform modern-slavery focused trainings in selected market areas and for specific functions. Ericsson has also initiated an update of its Code of Conduct training for suppliers



to include issues around modern slavery and human trafficking. The training is planned to be published online in several languages and made freely available to external stakeholders in 2018.

## Due diligence

Within Ericsson, human rights due diligence covers processes within sales, sourcing and operations. Ericsson works with a systematic, risk-based approach to strengthen consideration for human rights, to identify potential human rights risks and impacts and to capture findings. In order to further strengthening the awareness about modern slavery and human

trafficking, this was a focus area during 2017 for the Ericsson's Responsible Sourcing program.

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. During 2017, Ericsson reviewed the questionnaire from the perspective of modern slavery and human trafficking and added questions relating to suppliers' policies and processes within this area.

Ericsson uses a risk-based approach to identify relevant suppliers for Code of Conduct audits. Prioritized risk areas in Eric-

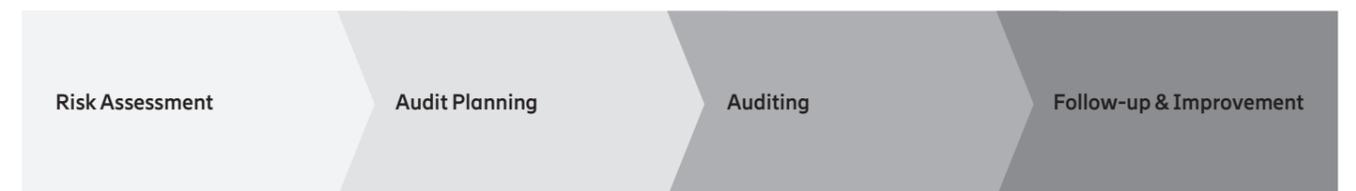
son's supply chain include working at heights, road and vehicle safety, anti-corruption, labor rights, environmental management, and communication of requirements further down the supply chain.

To understand the geographical risk for modern slavery, Ericsson is using Verisk Maplecroft's Modern Slavery Index. Ericsson sources a large amount of products and services from China and India, identified as high-risk countries.

In 2018 Ericsson therefore plans to focus on increasing internal and external awareness in these countries.

In 2016 Ericsson held a workshop with

## Supplier Code of Conduct audit process



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. The outcome of the workshop formed the basis of Ericsson's continued analysis in 2017 of Ericsson's activities from a modern slavery and human trafficking perspective. To further understand the sourcing category groups that have a higher perceived modern slavery risk, Ericsson has reviewed the activities performed in each sourcing category based on workforce skill level and risk of informal employment. Risk has been mapped per sourcing category group. This exercise has 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.

#### Conflict minerals and requirements on suppliers

Social and environmental risks, including issues related to forced labor, exist in the sour-

cing 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.

#### Findings in audits

Supplier Code of Conduct auditors follow up on actions to ensure continual improvement in the supply chain. In 2017 Ericsson strengthened the focus on modern slavery and human trafficking in supplier Code of Conduct audits. This includes requesting Ericsson's third-party auditing firm to integrate specific aspects of modern slavery and human trafficking in the audit scope. Ericsson acknowledges that modern slavery and human trafficking is not easily detected through audits. Therefore, Ericsson plans to complement its audits with targeted supplier workers' surveys in selected risk areas and countries.

Following the pilot in 2016, in 2017, Eric-

son started the roll out of an automated screening tool for suppliers and other third parties to help ensure that suppliers meet Ericsson's business integrity standards. The screening tool is among other things aimed at identifying possible social labor issues, such as for example modern slavery. Ericsson is screening suppliers on a regular basis and can screen new suppliers before onboarding. Global roll-out is planned to be completed in 2018.

#### 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 via phone or a secure website in 188 countries and

in more than 75 languages. Violations reported in Ericsson Compliance Line are reported to the Audit 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.

#### Measuring performance

Ericsson tracks its business practices in several ways as regards responsible business. Under the Global Assessment Program, an external assurance provider audits the implementation of relevant policies and directives (including the Code of Business Ethics and Code of Conduct), management of risks and achievement of objectives. Supplier Code of Conduct auditors follow up on high-risk suppliers' adherence to the Code of Conduct requirements which includes 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 Sustainability and Corporate Responsibility Report, which includes an annual summary of the company's performance in the areas of responsible business; energy, environment and climate change; and communication for all. The report can be found at [www.ericsson.com/sustainability](http://www.ericsson.com/sustainability). In accordance with the Swedish Annual Accounts Act, Ericsson also publishes a Sustainability and Performance Risk Report in its Annual Report 2017, which can be found at [www.ericsson.com/en/investors/financial-reports](http://www.ericsson.com/en/investors/financial-reports).

#### Sourcing category risks group outcomes

Sourcing category group	Risk	Sourcing category group	Risk	Sourcing category group	Risk
<b>El &amp; ElMech Components</b>		<b>Network &amp; Managed Services</b>		<b>IT Products &amp; Services</b>	
Digital Semiconductor	High	Site Services	High	IT Hardware	High
Radio Frequency Signal Chain	High	After Market Services	High	IT Software	Low
Standard Electronics	High	External Workforce	Mid	IT Services	Low
Connectivity	High	Buy back	Low		
Filters & Mechanics	High	Cars	Low		
Enclosures & Energy	High				
<b>Site, Test, EMS &amp; Logistics</b>		<b>Business Support Services</b>		<b>Technical Consultancy</b>	
Electronic Manufacturing Services	High	Professional Support Services	Low	Technical Consultancy	Low
Test, Manufacturing & Industrial Equipment	Mid	Real Estate	High		
		Facility Management	High		
		HR & Education Services	Mid		
Site Products	High	Travel	High		
Logistics	High	Market Communication	Low		

This statement covers the financial year 2017 and has been approved by the Board of Directors.

Stockholm, February 27, 2018

#### Börje Ekholm

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

Original signature available on file

#### 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 our 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 is a world leader in communications technology and services with headquarters in Stockholm, Sweden. Our organization consists of more than 111,000 experts who provide customers in 180 countries with innovative solutions and services. Together we are building a more connected future where anyone and any industry is empowered to reach their full potential. Net sales in 2016 were SEK 222.6 billion (USD 24.5 billion). The Ericsson stock is listed on Nasdaq Stockholm and on NASDAQ in New York.

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