



ERICSSON

# Modern slavery and human trafficking statement 2021

# Introduction

Ericsson does not tolerate modern slavery or human trafficking and works with business partners with the aim to eliminate such practices from Ericsson's value chain.

Conducting business responsibly is the foundation of Ericsson's commitment to sustainability and corporate responsibility. At the core of this responsibility is ensuring that Ericsson operations, products, services and business engagements do not adversely impact human rights. 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. While Ericsson's commitment to human rights remains clear, the company continuously works to evaluate and strengthen its responsible business practices, with a focus on building and maintaining trust, transparency and integrity regardless of where in the world it operates. This approach enables Ericsson both to be proactive and to work to respond to issues as they arise.

This statement covers the financial year 2021 and 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. This statement covers the entire Ericsson Group, including subsidiaries consolidated in Ericsson's financial statements, and is prepared in accordance with the reporting requirements of the UK Modern Slavery Act and the Australian Modern Slavery Act.

Below is a summary of Ericsson's key activities in 2021, the planned activities for 2022, and Ericsson's long-term ambition when it comes to the prevention of modern slavery and human trafficking.

## Key activities 2021

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Released an updated Ericsson Code of Business Ethics, with additional clarification and guidance on issues such as forced labor.

Conducted an updated review of all supplier categories to determine level of forced labor risk.

Held several seminars and workshops for 1st and 2nd tier suppliers.

Improved visibility of human rights in the sourcing process.

## Planned activities 2022

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Increased focus on training and awareness raising for suppliers and Ericsson employees.

Continue supportive and collaborative approaches with suppliers to improve labor standards.

Promote increased transparency of human rights due diligence processes and results.

Initiate focused human rights audits.

## Continuous efforts

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Continue engagement with key suppliers in high-risk countries and categories, creating and implementing action plans to identify and mitigate modern slavery risks, in order to reach further upstream in the supply chain.

Implement improvements of Ericsson's responsible sourcing framework based on best practice and learnings from benchmarks and rankings.

## Long-term ambition

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Ericsson has no tolerance for modern slavery and human trafficking, and the long-term ambition is to eliminate such practices throughout the company's value chain.

## Reporting entities

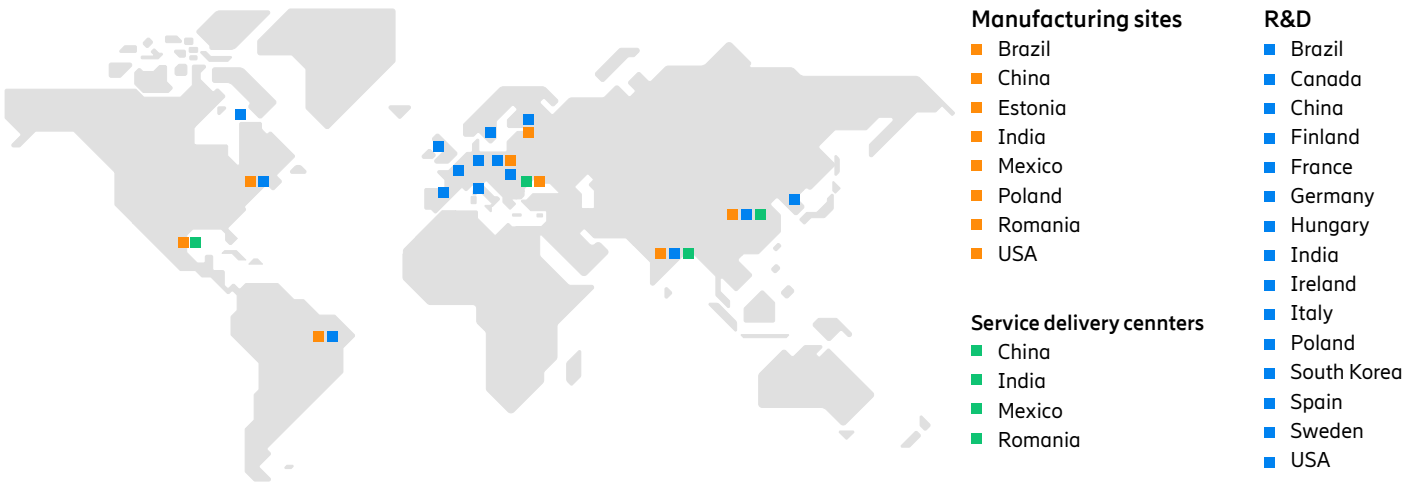
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## Structure and operations

Ericsson is a company providing high-performing solutions to enable its customers to capture the full value of connectivity. The company provides communication infrastructure, services and software, especially in networks, digital services and managed services.

Ericsson's global operations are organized in business areas and market areas and there are more than 200 legal entities within the Group with approximately 80 branch offices

with representation (via legal entities, branch and representative offices) in approximately 150 countries. Ericsson is headquartered in Stockholm, Sweden and has approximately 100,000 employees across the Group. Ericsson Australia Pty Ltd, employs approximately 980 employees across its operations in Australia and is administered by its head office in Docklands, Victoria. See picture 1 for an overview of Ericsson's Manufacturing sites, Service delivery centers and R&D sites.



Picture 1. Ericsson's Manufacturing sites, Service delivery centers and R&D sites.

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

Taking a strong stance against modern slavery and human trafficking, as well as working to ensure high labor rights standards in general, are core aspects of conducting business responsibly at Ericsson. Ericsson does not tolerate the use of forced, bonded or compulsory labor, or child labor, which is reflected in the Code of Business Ethics and the Code of Conduct for Business Partners (henceforth Code of Conduct). In both these codes, 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.

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 Business Ethics includes the prohibition of any form of forced, bonded or compulsory labor and human trafficking. The Code of Business Ethics was updated during 2021. The update included clarifications on Ericsson's commitment to prevent forced labor.

The Code of Conduct, which applies to all suppliers, is based on the UN Global Compact principles and is approved by the CEO. It covers human rights, labor rights, environmental management

and anti-corruption. The Code of Conduct requirements are available in multiple languages on Ericsson's website and form part of Ericsson's supplier contracts.

Under Ericsson's Code of Conduct, modern slavery, including forced, bonded or compulsory labor and human trafficking, is strictly prohibited. Employees shall be free to leave their employment after reasonable notice as required by applicable law or contract and employees shall not be required to lodge deposits of money or identity papers with any entity during the hiring process.

Ericsson also prohibits the payment of recruitment fees by prospective employees and respects the right to equal opportunity, freedom of association and collective bargaining. Ericsson requires suppliers to live by the same rules. Moreover, under the Code of Conduct, suppliers are required to demonstrate effective management systems, aimed at ensuring compliance with the provisions of the Code of Conduct, as well as demonstrate that sub suppliers adhere to the same standards.

Ericsson was an early adopter of the UNGPs and related UNGPs Reporting Framework. 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.

## Ericsson's Supply Chain

Responsible management of suppliers is an important part of Ericsson's procurement process. Ericsson's supply chain comprises approximately 19,000 first tier global, regional and local suppliers in more than 150 countries which provide a wide range of products and services, please see the supply chain category structure in

table on page 5. Ericsson's supply chain consists of several tiers of suppliers, including sourcing of raw materials such as minerals and metals in equipment and components. Suppliers are generally managed through the centralized sourcing group function but, depending on function and delivery, the responsibility for various aspects of supplier management is also distributed to market areas or Group functions.

Due to the complex and multi-tiered nature of the company's supply chain, Ericsson adopts a risk-based approach to identify high-risk suppliers. The company's approach is to work collaboratively with suppliers towards continual improvement. Ericsson has a dedicated responsible sourcing team that supports the sourcing organization in the area of sustainability and corporate responsibility, including human rights and forced labor. The responsible sourcing team addresses all four areas (human and labor rights, health and safety, environmental management and anti-corruption) of the Ericsson Code of Conduct. Each market area and supplier category also have responsible sourcing representatives supporting the respective sourcing area.

Ericsson's responsible sourcing human rights strategy includes activities such as supplier capacity building, audits and improvement programs, risk and impacts assessments, policy implementation, stakeholder dialogue and engagement, and benchmarking. The strategy is continually evaluated and updated based on results and learnings from these activities. The strategy is managed in close collaboration with Ericsson's sustainability and corporate responsibility team. Progress and targets are regularly reviewed by management, including the Executive Team. Ericsson also collaborates with external parties such as civil society organizations, customers and suppliers, industry peers and experts in order to

work for continuous development. For more information on identified salient human rights risks in Ericsson's supply chain, see [Ericsson.com](https://www.ericsson.com).

Ericsson addresses risks further upstream in the supply chain in collaboration with its first-tier suppliers, through industry initiatives such as the Responsible Business Alliance (RBA) and the Responsible Minerals Initiative (RMI), and through other stakeholder engagements. While Ericsson does not have visibility to identify source countries of raw materials for specific products, the company publishes an

annual Conflict Minerals Report which includes a list of smelters and a country-of-origin list for relevant minerals based on Ericsson's reasonable country of origin inquiries.

### Risk assessment

During 2021 Ericsson conducted further analysis of all supplier categories to identify where the risk of forced labor is most prevalent. This was a continuation of earlier higher-level supplier risk assessments. All Ericsson supplier categories were analyzed based on factors such as geographical

location, industry, education/skill level needed to perform work and size of the workforce. A determination was also made whether the risk is most relevant for suppliers at first-tier level, or further upstream. This assessment is used as an indicator of risk, in combination with other relevant factors, in order to prioritize forced labor risks.

The mapping below provides a simplified view of Ericsson's Sourcing category structure and where forced labor risks are most prevalent.

Category group area	Category group	Modern slavery risk
Network Product HW	Digital Semiconductor	High
	Radio Frequency Signal Chain	High
	Standard Electronics	High
	Connectivity	High
	Filters & Mechanics	High
	Enclosures & Energy	High
Production Services & Test	EMS (Electronics Manufacturing Services)	High
	Test- Manufacturing & Industrial Equipment	Mid
	After Market Services	High
Site, Test, EMS & Logistics	Site Products	High
	Logistics	High
Network Product HW	IT Hardware	High
	IT Software	High
	IT Services	Low

Category group area	Category group	Modern slavery risk
External Workforce	R&D Consultancy	Low
	Temporary Workforce	Mid
Network Services & Managed Services	Site Services	High
	Buy back	Low
Business Support Services	Cars	Low
	Professional Support Services	Low
	Real Estate	High
	Facility Management	High
	HR & Education Services	Mid
	Travel	High
	Market Communication	Low

Picture 2. Modern slavery supplier category risk

The type and severity of modern slavery risks depend on the supplier category. Modern slavery and human trafficking risks in hardware and component manufacturing are often related to migrant labor and issues such as recruitment fees, debt bondage, withholding of identification papers and low wages. Modern slavery and human trafficking risks are also present further upstream in these supply chains, in the extractive sector, where child labor and forced labor can be linked to ongoing armed conflicts and instability in source countries.

For logistics suppliers, issues such as low wages, excessive overtime and migrant labor are known to be connected to potential forced labor. Moreover, risks of human trafficking are also linked to the logistics industry.

Business support services include risks related to hiring of cleaning, security and canteen staff, which often include vulnerable groups such as migrant workers. Additionally, business travel can include modern slavery and human trafficking risks in specific countries where such risks are prevalent in the hospitality sector.

Regarding Ericsson's own operations, the main risk of modern slavery and human trafficking is connected to the use of temporary labor through recruitment agencies. Especially when recruiting labor in high-risk countries.

In accordance with the Australian Modern Slavery Act, in addition to the risks noted above that apply across Ericsson's product supply chain, the main risks for Ericsson Australia Pty Ltd in relation to modern slavery and

human trafficking have been reviewed. Main risk areas include local business support services, and site service providers. To raise awareness, Ericsson has engaged with local suppliers in these categories by informing them of the requirements, Ericsson's approach to addressing modern slavery risks, and the importance of informing Ericsson of risks identified by the suppliers. Ericsson has also previously reached out to key local suppliers in risk categories to further discuss their modern slavery mitigation efforts and how to improve. Ericsson plans to continue to monitor performance of these suppliers and engage in capacity building where necessary.

## Due diligence

Ericsson's human rights due diligence is embedded in processes throughout business operations and functions, including within sales and sourcing. Ericsson works with a systematic, risk-based approach to respecting human rights; identifying potential human rights risks, addressing such risks to prevent adverse impacts, tracking effectiveness of measures taken and providing or enabling remediation when applicable.

Ericsson uses a risk-based approach to identify relevant suppliers for Code of Conduct audits looking at five criteria – size of business with supplier, country, business considerations, time since last audit and type of service or product provided.

Ericsson acknowledges that modern slavery and human trafficking is not easily detected through audits, however, it is still a necessary tool to understand some parts of the supplier operations related to the overall human rights area, which may be related to forced labor issues. The company is therefore currently working on an expanded due diligence and audit methodology specifically addressing forced labor indicators.

When indicators of human rights impacts in Ericsson's supply chain are identified the company aims to take prompt action by initiating an investigation and requiring corrective actions as well as remedy when applicable.

During 2021, on the side of audits, Ericsson needed to take action on two occasions to investigate whether violations had occurred and the company's connection to such findings. One case related to a report claiming that an Ericsson supplier was using forced labor. After further investigation however, Ericsson could conclude that the company in question was not an Ericsson supplier. Additionally, an Ericsson supplier raised a concern regarding a 2nd tier supplier related to unpaid wages. Appropriate corrective actions were taken by the direct supplier in order to investigate the case further. Follow-up of remediation will continue during 2022. The case was also discussed with Ericsson's customer connected to the service of the suppliers involved.

## Audit results 2021

124 Code of Conduct audits were performed during 2021 in 40 countries/ regions. The majority of findings in the area of "Under-age Labor, Forced Labor/ Modern Slavery" were related to a lack of policies, procedures, and training. These findings are classified as less severe but nevertheless need to be addressed through corrective actions such as implementing adequate policies, procedures and trainings.

There were six findings during Q4 2021 under the category "Under-age Labor, Forced Labor/ Modern Slavery" classified as major. They were all logged for one single site during the same audit. The findings are a result of denied access to records and other information needed to conduct the audit and verify compliance. While the findings are severe, no confirmed cases of modern slavery were identified. A new audit will be conducted to review all relevant documents and verify the findings.

The majority of major findings as a result of Code of Conduct audits, within the bigger area of human and labor rights, were related to "Wages and Benefits", and "Working Hours".

Total number of audits performed	Number of countries (or regions)	Top three countries where audits were performed	Findings related to Under-age Labor, Forced Labor/ Modern Slavery	
124	40	China : 35 audits USA : 8 audits Norway : 6 audits	Total number of findings 94	Major findings 6

**Comment to major findings:** There were six findings during Q4 2021 under the category "Under-age Labor, Forced Labor/ Modern Slavery" classified as major. They were all logged for one single site during the same audit. The findings are a result of denied access to records and other information needed to conduct the audit and verify compliance. While the findings are severe, no confirmed cases of modern slavery were identified. A new audit will be conducted to review all relevant documents and verify the findings.

## Actions taken and tracking performance

Through active benchmarking and dialogue with stakeholders, including suppliers, customers, peers, industry and civil society organizations, trade unions and experts, Ericsson works to continuously develop its policies and practices on human rights issues. The Responsible Business Alliance, an industry coalition dedicated to corporate responsibility in supply chains, was consulted on several occasions during the year. The learnings gained from such dialogs inform the development and implementation of human rights strategies and activities that are closely linked to forced labor indicators. For example, the importance of worker representation and worker voice.

Continuing Ericsson's focus on forced labor in the company's supply chain in Malaysia, a workshop was held in collaboration with a direct hardware supplier and the Responsible Business Alliance. The topic was identifying and preventing forced labor, with a focus on migrant workers and the prohibition of requirement fees. Participants included 2nd and 3rd tier suppliers in Malaysia and was built around several real-life cases. Due to the Covid-19 pandemic, a physical follow-up meeting was not conducted. Ericsson however plans to continue the engagement during 2022.

One key component for improving labor standards on site is to have good worker management dialog. Ericsson reached out to 250 suppliers in high-risk areas inviting them to a seminar on this topic, with the aim to share how Ericsson works in this area, and provide tools, best practice, and opportunities to improve worker management dialog within a company and on a site. The seminar promoted the use of worker voice surveys, worker training, worker representation and grievance mechanisms. Worker representatives, and management representatives were invited to and participated in the seminar, which was held in English and

Mandarin. Surveys were sent to invitees and participants before and after the seminar to collect insights on their current ways of working and provide feedback on the seminars.

The main focus of the seminar was providing the participants with tools to demonstrate compliance with the Ericsson Code of Conduct.

Furthermore, trainings on how to create and implement a code of conduct were held with selected suppliers in Market Area Oceania, Australia and India. The training included broader human rights topics, including preventing forced labor.

In addition to external trainings and seminars, Ericsson also engaged in close dialogue with its internal planning and forecasting organization to discuss impacts on suppliers and how human rights risks can be addressed through purchasing practices.

During 2021 Ericsson engaged with industry peers on qualitative benchmarking on human rights. The insights from these discussions have further informed the Ericsson's priorities and actions taken.

Facility management is one of Ericsson's high-risk supplier categories as they employ labor that often is at risk of exploitation, such as cleaning and security staff. Ericsson has a small number of large facility management providers and is following up with these suppliers discussing their human rights due diligence processes and activities.

On top of the activities mentioned above, further efforts to increase awareness of human rights internally within the sourcing organization took place during 2021. The focus was on better integration of the topic into sourcing processes, ensuring it is a regular issue raised through internal communications.

Regarding forced labor risks, linked to ethnic minorities, Ericsson continues to conduct enhanced due diligence in order to address risks across the value

chain. During 2021, further efforts with external experts were initiated to develop effective tools for further engagement. These tools will be further implemented during 2022.

The complexity of risks related to ethnic minorities and forced labor requires further, collective, action. Ericsson has therefore engaged with a wide range of stakeholders to further understand the challenges and to identify common approaches.

## Sourcing of raw materials

Human rights risks, including issues related to forced labor, exist in the sourcing and extraction of raw materials. Although these risks often occur several tiers upstream 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 conflict minerals and to reasonably verify the origin of conflict minerals contained in products sold to Ericsson. For more information see Ericsson's Conflict- Minerals Report, available on [www.ericsson.com](http://www.ericsson.com). Ericsson's focus is been on the sourcing of tin, tantalum, tungsten, gold, and cobalt.

## Consultation, training and awareness

Modern slavery and human trafficking are complex areas with impacts throughout the supply chain. Raising awareness about the issue is a key element in the work to improve working conditions, both in Ericsson's own business operations and those of Ericsson's suppliers and sub suppliers. All Ericsson suppliers are encouraged to take the free of charge online Code of Conduct training that is available on the company's website. The training provides further guidance for suppliers



on what is needed in practice in order to comply with Ericsson's Code of Conduct requirements.

All employees are offered a variety of business and human rights e-learning courses. The aim is to help employees understand human rights risks and their role in identifying and mitigating such risks, as well as to help them understand how Ericsson works within this area.

In addition to the above-mentioned trainings, Ericsson acknowledges the high value of raising awareness through closer discussions and collaborations with stakeholders, such as the examples mentioned under the section "Actions taken". Ericsson also regularly engages with customers on the topic of human rights and modern slavery.

### **Grievance mechanism**

Ericsson encourages people to speak up about any concerns regarding the company's business practices. Ericsson provides employees, suppliers and other external stakeholders a dedicated communication channel for reporting compliance concerns, such as violations of laws or breaches of Ericsson's policies, including the Code of Business Ethics (CoBE), and CoBE-related steering documents. Ericsson Compliance Line is delivered by a third party and allows anonymous reporting when permitted by applicable legislation, via phone or a secure website 24/7, 365 days per year.

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. No cases related to modern slavery or forced labor were reported through Ericsson Compliance Line during 2021.

## 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 Sustainability and Corporate Responsibility report published together with the Annual Report. The Annual Report can be found at <http://www.ericsson.com/en/investors/financial-reports>

This statement covers the financial year 2021 and has been approved by the Board of Directors.

Stockholm, March, 03, 2022

Börje Ekholm

President & CEO and member of the Board of Directors of Telefonaktiebolaget LM Ericsson  
Original signature available on file

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.

## 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.