

ERICSSON SUSTAINABILITY REPORT 2005



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ERICSSON SUSTAINABILITY REPORT 2005

SCOPE AND PURPOSE OF THE REPORT

This report summarizes the performance of the Ericsson Group with regard to corporate responsibility and follows the consolidation principles as described in the Ericsson Annual Report 2005. The terms 'Ericsson,' 'Group,' 'the Company,' 'us,' 'we' and 'our' used in this report all refer to Telefonaktiebolaget LM Ericsson and its consolidated subsidiaries and other entities. Unconsolidated companies and joint ventures such as Sony Ericsson Mobile Communications are not covered in this report.

In late 2005, Ericsson announced the acquisition of key assets of Marconi Corporation plc. As the acquired assets were consolidated into Ericsson's accounts only from the first quarter of 2006, the Marconi business does not impact this representation of our sustainability performance, and is not reflected in this year's report, with the exception of statements on integration of Marconi with the EU WEEE and RoHS directives.

Ericsson began disclosing environmental and sustainability performance in 1992, and we have since expanded our disclosures to cover corporate responsibility activities more broadly. This report provides information for the period January 1 to December 31, 2005.

In compiling this report, relevant best practice and various international guidelines, including those of the UN Global Compact and the Global Reporting Initiative (GRI), have been taken into account. We have chosen to use the GRI Draft G3 Guidelines (instead of the 2002 Guidelines). At this time, we can not express the level of accordance with these guidelines, as they are not yet finalized.

To make the report easier to read and understand, we do not present all figures and results in the printed document. Instead, we refer to various parts of our website, in particular www.ericsson.com/corporate_responsibility. A cross-reference list of GRI performance indicators is on page 40.

This report includes selected financial and non-financial information regarding Ericsson. The Ericsson Annual Report 2005, available at www.ericsson.com/investors, includes our financial statements for 2005 as well as other information.

Readers are invited to send feedback to support our efforts to make this report as informative as possible. Please contact us via e-mail at corporate_responsibility@ericsson.com.

MESSAGE FROM THE CEO

Ericsson's vision is to be the prime driver in an all-communicating world. This report recounts the opportunities and responsibilities of a prime driver in a corporate responsibility context. For us, sustainable growth is a result of Ericsson's enduring ability to improve business performance in harmony with universal values and protection of the environment. Our approach to corporate responsibility informs our vision and is intrinsically linked to our business.

SHAPING SUSTAINABLE SOCIETIES

More than a century ago, our company founder, Lars Magnus Ericsson, identified communication as a basic human need, and his insight is still the essence of Ericsson's activities today. Two key aspects of our business strategy relate directly to sustainability. 'Communication for All' makes technology accessible, affordable and scalable to users in emerging markets. "An All-Communicating World" describes how we design advanced communications technologies to help enable sustainable societies.

Examples in this report demonstrate not only that we play a constructive role in tackling economic, environmental and social challenges, but also that pursuit of sustainability presents busi-

ness opportunities for us and our customers. Behind this approach lies our belief that mobile telecommunication networks will be the key technology in bringing the benefits of communication to emerging markets.

In our Annual Report 2005, I wrote that success is attributable to building long-term relationships, technology leadership and operational excellence. Our Corporate Responsibility activities are anchored in the same criteria.

BUILDING LONG-TERM RELATIONSHIPS

We thrive on long-term customer relationships, as demonstrated by our 130 years in operation and our presence in more than 140 markets. Relationships with employees, investors, and interest groups that impact operations are of equal significance, because they build trust in our company and provide insight into the world around us. Our corporate responsibility activities are the foundation for this trust.

TECHNOLOGY LEADERSHIP

Success also hinges on a commitment to technology leadership—introducing products and solutions that reduce environmental impacts.



We have an energy-lean product portfolio that increases coverage and capacity for our customers while decreasing energy consumption and operational costs. Advanced models of 3G WCDMA base stations offer a 60 percent increase in energy efficiency compared to earlier versions, and a further 50 percent improvement is targeted for 2008 models. Moreover, our radio base station technology can reduce the number of sites a mobile operator needs by up to 50 percent, resulting in even greater environmental improvements.

Ericsson is also developing innovative solutions based on renewable energy sources.

OPERATIONAL EXCELLENCE

Operational excellence means building a company equipped to meet future challenges through a management system based on defined values, future-oriented management systems for human resources, the environment and quality; and a strong corporate culture of empowerment that inspires employees to assume responsibility. In a Corporate Responsibility context, operational excellence means putting in place the policies to deepen stakeholder trust and the necessary controls to minimize operational risks.

We continue to support the United Nations Global Compact, and our codes and policies, such as the Code of Business Ethics, Code of Conduct, and Environmental Policy reflect the UN Global Compact's ten principles covering human rights, labor standards, business ethics and environmental protection.

To be the prime driver means people working together to create solutions and ways of communicating for the benefit of all people. The commitment from our board of directors and management team is unwavering, and our systems and processes provide a robust foundation for the future. Through our approach to corporate responsibility, we aim to build lasting value for shareholders and customers at the same time we create business opportunities tailored to a changing society. We are creating initiatives of which all employees can be proud.

I hope you will find this report informative, and I welcome your feedback.

A handwritten signature in black ink, reading "Carl-Henric Svanberg". The signature is fluid and cursive, with a large, sweeping flourish at the end.

Carl-Henric Svanberg

OUR COMMITMENT TO CORPORATE RESPONSIBILITY

Our vision is to be the prime driver in an all-communicating world. It's about enabling simple, instantaneous connections between people, allowing information and ideas to flow effortlessly to anyone, anytime, anywhere.

Fulfilling this vision brings with it responsibility. In building value for our stakeholders, we see a strong link between our technology and sustainable growth, and we are committed to annually reporting our progress based on the triple-bottom-line approach covering economic prosperity, environmental performance and social equity.

APPROACH TO CORPORATE RESPONSIBILITY

ECONOMIC PROSPERITY

Pursuing sustainability based on sound economic principles: We contribute to economic growth in the communities in which we do business; we reduce our customers' operating costs with an energy-lean portfolio and by reducing the amount of equipment required to deploy and operate a network; and we help to bridge the digital divide by making communication affordable for all. These principles are described in the "Contributing to the Global Economy" and "Benefits of Technology" sections of this report.

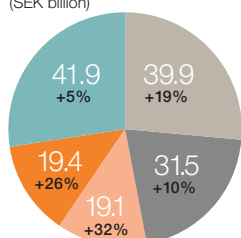
ENVIRONMENTAL PERFORMANCE

Designing products and services to minimize impacts: We use Design for Environment techniques to avoid hazardous substances, reduce product weight and size and decrease power consumption. Also, telecommunication offers the potential to reduce the need for personal transportation. These principles are described in "Energy and Environmental Performance."

SOCIAL EQUITY

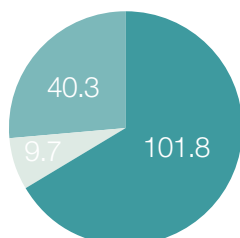
Fairness in business: Ericsson works to ensure respect for human rights, fair labor practices and sound business ethics. Our commitment to UN Global Compact is the foundation for these efforts, which are described in "Our Social Responsibilities."

SALES BY MARKET AREA
and growth (%) year-over-year.
(SEK billion)



■ Central & Eastern Europe, Middle East and Africa
■ Asia Pacific
■ Latin America
■ North America
■ Western Europe

SALES BY PRODUCT AREA
(SEK billion)



■ Network equipment
■ Services
■ Others

ABOUT ERICSSON

Ericsson is a global company headquartered in Sweden.

- Market leader in mobile telecommunication systems
- Operations in more than 140 countries
- The world's 10 largest telecom operators are our customers
- 56,000 employees (Dec 31, 2005)
- 30% of employees in R&D

OUR CORE STRATEGIES

To focus our resources on the most important business solutions required to drive the industry forward, we prioritize around five areas:

- Lead wireless in 2G, 3G and beyond.
- Drive complete end-to-end solutions using telecom-grade standards.
- Create more efficient and flexible networks using IP and IMS.
- Expand into high-potential business areas where we see strong future opportunities.
- Innovate to develop the market-leading products and services of tomorrow, defining standards, developing technologies and launching innovative products and services.

We measure our performance with three fundamental metrics:

- Customer satisfaction
- Employee satisfaction
- Financial returns

OUR ORGANIZATION

- Four centralized business units responsible for development and delivery of products and services include Business Units Access, Global Services, Systems, and Broadband Networks
- Twenty-four market units responsible for local sales and customer support
- A number of group functions responsible for tasks pertaining to Group-wide matters. The Group Function Strategy and Product Management is responsible for the coordination of all CR activities
- On June 12, 2006, Ericsson announced an agreement to sell its defense business, Ericsson Microwave Systems AB, and its 40 percent holding in Saab Ericsson Space to Saab. Ericsson will retain the National Security and Public Safety business. The transaction is expected to close in September 2006.

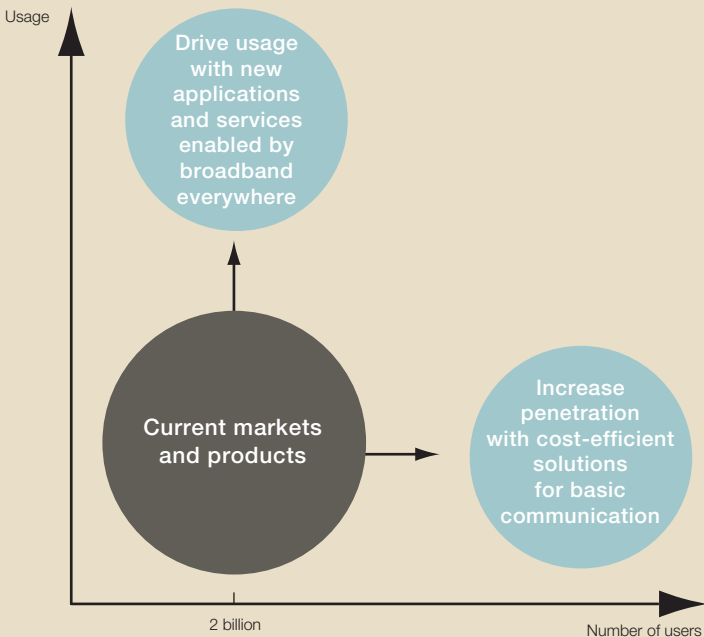
OPERATIONAL PERFORMANCE

	2005	2004
Net Sales (SEK billion)	151.8	132.0
Operating income (SEK billion)	33.1	26.7
Operating margin (as percent of sales)	21.8%	20.2%
Return on equity (percent)	26.2%	24.2%
Net cash (SEK billion)	53.4	42.9

BUSINESS DRIVERS

Ericsson's business strategy in industrialized markets is to promote traffic growth through new applications and services that are enabled through fixed and mobile broadband. In areas where 3G and broadband have taken off, sustainability can mean substituting virtual presence for physical transport – moving ideas rather than people. The vertical arrow in the diagram below indicates leveraging the existing subscriber base, becoming “all-communicating” through richer communication experiences.

In emerging markets, the main growth driver is the addition of new mobile subscribers. This often requires fresh thinking and creative business models, as the income level and purchasing power of most consumers in emerging markets is much lower than in more developed regions. Further, it has been demonstrated that access to communications leads to undisputed socio-economic benefits, such as increased GDP. In this area, Ericsson's “Communication for All” program aims at making telecommunication affordable for everyone. Read more about “Communication for All” on page 14 and “All-Communicating World” on page 16.



ERICSSON GROUP MANAGEMENT SYSTEM (EGMS)

To ensure that consistent, accurate and timely information is readily available, EGMS focuses on the ‘value flow’ of our business, including roles and responsibilities, organization, processes and other characteristics vital for Operational Excellence. EGMS also provides a practical framework for addressing new management requirements as they arise.

We use a balanced scorecard as a framework for translating strategic objectives into a set of performance indicators. We also use the balanced scorecard as a management tool to:

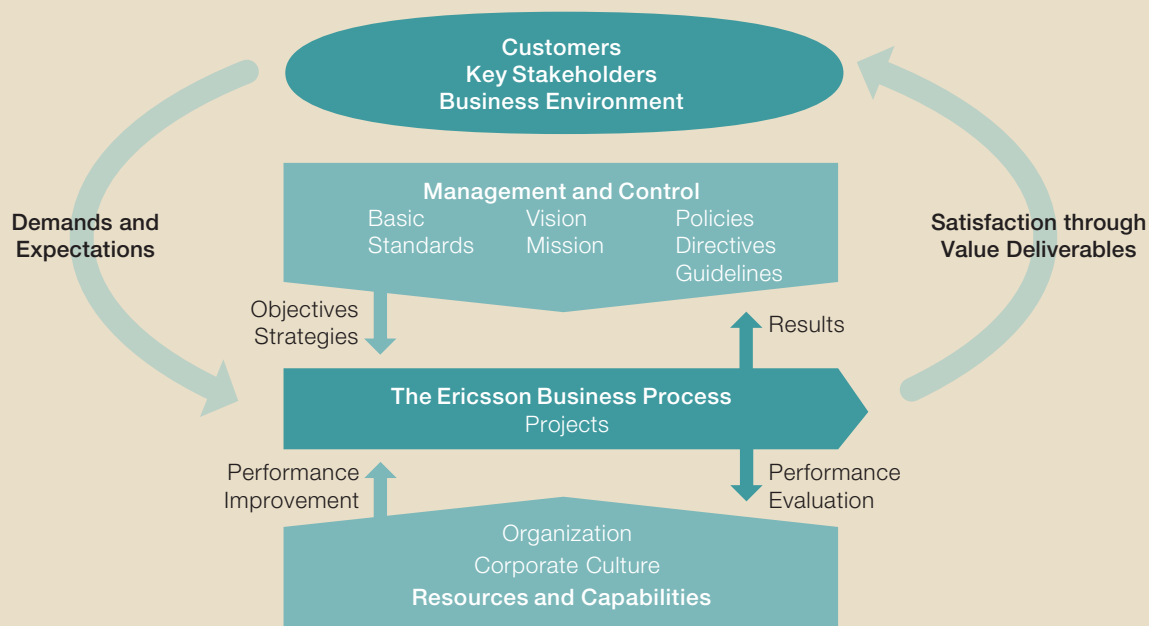
- Link short-term targets to long-term strategic objectives.
- Align departmental and personal goals to company goals.
- Clarify and track progress towards goals.

Ericsson was one of the first companies in the world to achieve global certification to the ISO 14001 environmental management standard (see page 27). An ongoing process of integrating ISO 14001 with EGMS is central to Ericsson's efforts to limit environmental impacts at all operational levels.

CORPORATE GOVERNANCE

Internal policies and directives for governance and other important rules for managing the Company's business activities have long been established. We have adapted our work procedures in line with relevant developments in the listing rules applicable to the Company, in particular the Swedish Code of Corporate Governance, regarding reporting, disclosure and other requirements for listed companies.

In accordance with the recently introduced Swedish Code of Corporate Governance, a separate Corporate Governance Report and an Internal Control Report have been prepared and were published in the Annual Report 2005. There have been no amendments or waivers to Ericsson's Code of Business Ethics for any director or member of management.



RISK MANAGEMENT

Risk taking is an inherent part of doing business. Risk management is embedded in our strategy and business processes to identify areas of concern, assess the probability of occurrence and estimate potential consequences. Actions are then taken to reduce or mitigate the risk exposures and limit potential unfavorable consequences. Risk analyses are conducted throughout the Group annually, and in conjunction with major acquisitions.

We broadly characterize risks into operational risks and financial risks. Our approach to risk management leverages the scale and diversity of our business activities and balances central coordination with well-defined risk management responsibilities within each operational unit

Risks are dealt with in the strategy process, in annual target setting and within ongoing operations by transaction (customer bid/contract, acquisition, investment, product development project, etc). Each legal unit of the company produces a risk map annually. Approval limits are clearly established with escalation according to a well-defined delegation of authority.

Risk management has been integrated within the Ericsson Group Management System and business processes, and is addressed in five dimensions: financial, customer, innovation, operational efficiency and employee.

Targets are set in the five dimensions to ensure a comprehensive approach and that all risks are addressed.

From a corporate responsibility perspective regulatory compliance and possible reputational risks as well as environmental and social responsibility risks are addressed in relevant business processes.

A central security and risk management unit coordinates management of certain risks, such as business interruption, information security/IT risks and physical security as well as insurable risks. A crisis management council deals with ad hoc events of a serious nature. Risk factors for the Ericsson Group are identified in the Annual Report. Plans for 2006 include development of assessments of potential corporate responsibility risks in relation to overall risk management for the Group, including such areas as brand reputation, operations and employees.

CONTRIBUTING TO ECONOMIC PROSPERITY

Ericsson interacts with a wide range of stakeholders to generate revenue and profits. Our direct contributions to the economy are reflected in the value that flows through our operations.

A measure of the wealth created by our activities is the amount of value added to the cost of raw materials, components and ready-made products and services that we purchase. The statement below shows the monetary flow generated by our activities and how value is distributed to Ericsson's stakeholders, including employees, investors and communities.

DIRECT AND INDIRECT ECONOMIC IMPACTS

The total economic contributions of our business activities can be divided into direct and indirect impacts. Direct impacts are traditional financial indicators measuring the monetary flows between the company and our key stakeholders. Indirect impacts are contributions that may not be visible in financial statements and measure the benefits arising from our activities within the broader economy. For example:

Employment

With an employee workforce of more than 55,000, Ericsson is one of the largest employers in our industry. We estimate that each employee has two to three dependents. This implies that

AVERAGE NUMBER OF EMPLOYEES AND REMUNERATION PER GEOGRAPHIC AREA

	Average number of employees	Remuneration	
		Total (SEK m)	Per employee
Western Europe	33,704	24,670	731,963
Central & Eastern Europe, Middle East and Africa	4,156	1,558	374,990
North America	4,121	3,831	929,573
Latin America	3,117	1,302	417,663
Asia Pacific	9,097	3,097	340,460
Total	54,195	34,458	635,821

between 150,000 and 200,000 people benefit from employment at Ericsson. In addition to our permanent employees, we also employ a varying but significant number of temporary and contract employees.

In 2005 total wages and salaries, including employee-related costs such as pension contributions and social-security expenses, amounted to 23 percent of our net sales.

Procurement

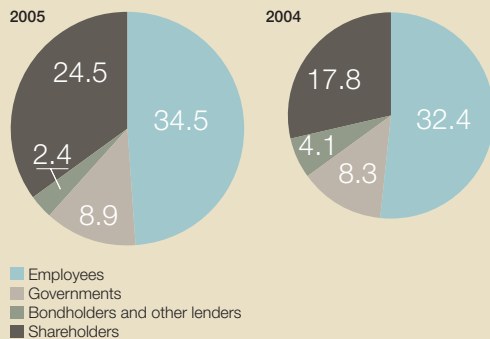
Most of our payments to suppliers and other operational expenses were for raw materials, components, ready-made products and services, of which the majority was paid to locally based companies in the regions associated with our operations.

VALUE FLOW STATEMENT (SEK million)

	2005	2004
Net Sales	151,821	131,972
Share in earnings of joint ventures and associated companies	2,395	2,323
Other operating income	2,491	2,617
Financial income	2,653	3,541
Total reported revenues	159,360	140,453
Procurements and other operational expenses	-83,363	-70,846
Amortization and depreciation	-5,802	-7,004
Value added	70,195	62,603
Of which allocated to:		
- Employees	34,458	32,356
- Government (taxes)	8,875	8,330
- Bondholders and other lenders	2,402	4,081
- Shareholders	24,460	17,836
of which paid out as cash dividend	7,260	4,033
Increase in value add	12%	

DISTRIBUTION OF VALUE 2004 AND 2005

Generated value increased by 12 percent 2005 compared to 2004 (SEK billion)



Taxes

Taxes contribute to the development and maintenance of various governmental functions, including education, healthcare and infrastructure development. Ericsson is a significant source of revenue for governments in the countries in which we operate. More than SEK 8 billion in taxes was paid to these governments in 2005.

Investments

Developing telecommunications technology requires a significant amount of time, money and human resources to be invested in R&D projects. Furthermore, network build-out ties up substantial amounts of capital during the interval between the

start of a project and final acceptance by the customer. During 2005, we invested SEK 24.5 billion in R&D and SEK 3.4 billion in capital expenditure.

Providing telecommunications infrastructure equipment has been a source of foreign direct investment (FDI) to many countries. FDI is important in that it not only creates employment and adds to the economic health of a nation, but also creates a platform for the transfer of knowledge, human capital, technology and global best practices.

Institutional investors, including large pension and retirement funds, represent more than 80 percent of the company's equity ownership. This means that Ericsson's financial performance contributes to the savings and retirement benefits of many individuals around the world.

Indirect employment

Our procurement activities contribute to the creation of employment opportunities. This in turn supports local communities and the broader economy, where an increase in consumer spending creates and supports additional jobs.

Socio-economic impacts

There is a well-established link between access to telecommunications and increased GDP. This indirect economic impact is expected to be significant in coming years, especially in emerging markets where telecom growth is surging.



STOCKHOLM CHALLENGE

Ericsson is the primary private-sector sponsor of the Stockholm Challenge, a global networking program for ICT entrepreneurs. Co-sponsors include the City of Stockholm, KTH Royal Swedish Institute of Technology and the Swedish International Development Agency (SIDA).

The aim of the Stockholm Challenge is to spotlight how creative technical thinking and applied business skills can leverage the power of ICT to improve living conditions and increase economic growth around the world. Every other year the Stockholm Challenge Award is given to organizations and companies for outstanding applications of the power of ICT in sustainability work. To date, more than 3000 projects have been submitted for consideration in the contest.

Stockholm Challenge categories include Culture, Environment, Health, Public Administration, Economic Development, and Education.

Beyond the recognition the award brings to the winners—both globally and in local community exposure—participants from around the world are invited to Stockholm to take part in workshops aimed at cross-fertilizing ideas around technology, funding and project implementation.

INTEGRATION OF CORPORATE RESPONSIBILITY ACTIVITIES

CORPORATE RESPONSIBILITY STEERING COMMITTEE

On a day-to-day level, Corporate Responsibility is managed by a CR Director. During 2005 a Corporate Responsibility Steering Committee was established to oversee the overall strategic direction of the work, and to ensure that responsibility for the various topics is well anchored in the organization. The chairman of the Ericsson Corporate Responsibility Steering Committee reports directly to the CEO, and members of the committee are drawn from senior managers.

SCOPE OF CORPORATE RESPONSIBILITY ACTIVITIES

Corporate Responsibility is a broad umbrella term describing the activities that we pursue to control risks and maximize positive social, ethical and environmental impacts.

Risks are controlled through company initiatives and policies:

- Code of Business Ethics
- Environmental Management System
- Code of Conduct
- Radio frequency exposure and health

Positive business impacts are pursued through:

- Energy-lean product portfolio
- Group and Market Unit sponsorship
- Employee volunteerism (local)
- Ericsson Response (global)

The social benefits of Information and Communication Technology (ICT) are promoted via two Ericsson themes:

- Communication for All
- An All-Communicating World



Gary Pinkham, VP Investor Relations, Mats-Olov Hedblom, Environmental Director, Elaine Weidman, CR Director and Ulf Pehrsson, VP Government Affairs and Regulation.

CORPORATE RESPONSIBILITY ACHIEVEMENTS 2005

Appointed Corporate Responsibility Director for Group and established CR Steering Committee

Anchored CR objectives within relevant functional areas. These objectives are approved by the CR Steering Committee and discussed throughout this report.

Improved stakeholder engagement with customers, investors and employees.

OBJECTIVES 2006

The following objectives apply to overall CR activities; specific environmental and social objectives are noted in relevant sections of this report.

Expand stakeholder engagement activities.

Implement an all-employee CR e-learning program.

Initiate integration of potential CR risk areas into overall Group risk management program.

Launch Group-wide guidelines on sponsorship, both commercial and philanthropic. Define appropriate types of initiatives that reflect our core business for philanthropy.

ERICSSON AND OUR STAKEHOLDERS

Stakeholder engagement is essential for Ericsson’s Corporate Responsibility program. We believe that interactions with stakeholders must be conducted with integrity and should always be regarded by participants as fair and equal. These concepts are fundamental to the way we operate as part of a larger community.

Our stakeholders are groups that affect or are affected by our operations and activities. We systematically identify relevant stakeholders, who represent a diverse set of interests.

To engage our stakeholders, Ericsson utilizes the following methods for communication and interaction:

- Company representatives play an active public role in areas affecting our operations and activities, including regulatory issues and standardization.
- Management regularly briefs employees about the company’s results and plans.
- Ericsson representatives meet regularly with non-governmental organizations and Socially Responsible Investment analysts.
- Investors, financial analysts, industry analysts, press and other media are regularly informed of our performance, prospects and strategies.
- Shareholders have the opportunity to raise questions regarding the development of the company at the annual general meeting. The Board of Directors, the executive management team and the external auditors are present to answer such questions.
- Shareholders and other interested parties may communicate directly with the Board of Directors or executive management independent of the annual general meeting.
- In addition to regular meetings, briefings, presentations, advertising and other communications with our various stakeholders, information is available on our website at www.ericsson.com.



Investor interest in environmental and social performance as well as corporate governance in general is steadily increasing. By measuring our impacts, we develop the tools we need to make positive changes. By reporting our results and soliciting feedback, we open communication channels that help us continuously improve.”

Gary Pinkham
VP Investor Relations

CR STAKEHOLDER ACTIVITIES 2005

Numerous meetings with investors, as well as CR investor roadshows.
Participation in and sponsorship of GSM Association study “Regulation and the Digital Divide.”
Regulatory workshop and training on Communication for All, Corporate Responsibility and environment for approximately 30 regulators from 20 countries.
Proactive engagement in risk-based projects to work with selected suppliers on challenging issues.
Launched internal employee communication activities on CR.
Announced partnership project with the UNDP Growing Sustainable Business (GSB) initiative and the Swedish International Development Cooperation Agency (Sida) to launch a new business model in Tanzania, optimized for providing mobile coverage to rural users.
Launched a new generation of radio base stations to meet customers’ needs for smooth capacity growth, fewer sites and improved power efficiency

CONFIDENCE BUILDS SUSTAINABLE RELATIONSHIPS

Establishing understanding and trust with our stakeholders is essential for developing mutually beneficial and sustainable relationships. We believe that investors, analysts and others who make use of our public disclosures must have confidence that the information we provide is timely, complete, relevant and accurate.

Stakeholders must also trust that information from Ericsson is provided on a fair and equal basis. Our aim is to communicate our strategy and results in such a way that stakeholders and other interested parties can gain sufficient understanding of how our company works, our operational performance, our prospects and associated risks.

CR STAKEHOLDER DIALOGUE

A number of common interest areas have been identified in consultation with stakeholders. In broad terms, these include:

- Improving energy efficiency. See “Energy and Environmental Performance.”
- Maintaining high standards for ethical sourcing. See “Social Responsibility.”
- Inclusion of environmental, social and ethical considerations in risk management. Planned for 2006.
- Implementation of Code of Business Ethics. See “Employer of Choice.”
- Pursuit of business opportunities in emerging markets. See “Benefits of Technology.”
- Handling of content regulation. See page 38.

THE GLOBAL E-SUSTAINABILITY INITIATIVE

Ericsson is a founding member of GeSI, the Global e-Sustainability Initiative, a cooperative venture involving global ICT companies, the UN Environment Program and the International Telecommunication Union.

GeSi works to coordinate ICT industry responses to mutual concerns, influence the sustainability debate and provide public information. Ericsson has served on the board of GeSI since its launch in 2001. During 2005, we engaged in two core projects:

- Supply Chain Management: building a common framework for assessing suppliers, developing tools to streamline data collection, defining data to be reported, and aligning policies.

Ericsson is recognized by a number of socially responsible investment analysts and rating companies, including:

DOW JONES SUSTAINABILITY INDEXES

DJSI tracks the financial performance of the leading sustainability-driven companies worldwide, providing asset managers with reliable and objective benchmarks to manage sustainability portfolios.



FTSE4GOOD

The FTSE4Good Index Series is designed to measure the performance of companies that meet globally recognized corporate responsibility standards, and to facilitate investment in those companies.



THE GLOBAL 100 MOST SUSTAINABLE CORPORATIONS IN THE WORLD

The Global 100 investigates companies' performance on social, environmental and strategic governance issues. Launched in 2005, the annual Global 100 is announced at the World Economic Forum in Davos, Switzerland.



GeSi provides a common framework for the industry to address supply chain issues.

- Climate Change: assessing potential means to cut CO₂ emissions.

Plans for 2006 include participation in a GeSI project to understand which sustainability issues are most material to the industry and its stakeholders.

For more information, see www.gesi.org.

TANZANIA: RURAL BUSINESS MODEL

The first phase of implementing Ericsson's Rural Business Model was completed in 2005 in the Tanzanian provinces of Lindi and Mtwara, an area spanning 50,000 square kilometers and 270 villages. Together with our partners, we're laying the groundwork to make the benefits of mobile communication available to the 1.2 million residents of the target area.

The Tanzania project involves neither charity nor development assistance, but rather aims to encourage sustainable economic growth through application of sound business principles. In 2005 Ericsson incorporated Rural Netco Ltd., a special purpose company created to take on the role of operator during network rollout. A number of local and international investors are committed to the project. Following a feasibility study produced together with the UN Development Program—Growing Sustainable Business, the implementation phase was set in motion by securing investors, opening operations and applying for the spectrum license to run radio traffic.

The network plan calls for approximately 40 sites, with end-user applications tailored to local needs. Selected products and services designed to increase coverage with less equipment lie at the heart of the business model, which calls for rapid return on investment. Rural Netco's aim to run at a profit even as rollout begins in 2006 is made feasible through specialized solutions developed to reduce total cost of ownership, along with a financing structure that spreads financial and operational risks among several investors.

Providing communication services is central to economic development in the area, a coastal region on the border with Mozambique where infrastructure such as healthcare services and electricity grids are underdeveloped. With the aim of providing locally produced, renewable power supplies, bio-fuels will substitute for at least half of the expensive diesel commonly used in the area.

The region's political stability enables fruitful partnerships with local governments' efforts to increase literacy, especially among the rural poor and women. Voice communication is an especially powerful force for economic empowerment in a region where less than 75 percent of the population is able to read and write.

Improving access to health care is another crucial development



goal for Tanzania, a country hard-hit by the HIV/AIDS crisis and persistently high levels of child mortality. The mobile phone has an important role to play in making health services more widely available, for example in transferring medical records, summoning emergency treatment or consulting with distant doctors and nurses.

Four-fifths of the local population is involved in livestock farming and fishing. Mobile banking supports the agricultural sector by enabling electronic money transfers, allowing farmers and fishers to receive payment without handling large amounts of cash that can attract the attention of criminals. And mobile communication boosts local trading by increasing transparency on commodity prices and potential markets.

This business model challenges the community, our company and stakeholders to work together to deliver the benefits of telecommunication to local people, and also to investors and Ericsson. It has already attracted the interest of other emerging-market communities in Africa and India.

Though market conditions may vary, the importance of a sound business case remains consistent. Ericsson establishes the infrastructure, forms partnerships and tailors solutions to help people choose the path toward sustainable economic self-determination.

BENEFITS OF TECHNOLOGY

In emerging markets, basic services such as voice calling and text messaging bring undisputed social and economic benefits. At the same time, information networks are making concrete contributions to sustainability in the form of applications for telemedicine, e-government and distance education, as well as enabling basic Internet access.

Delivering these benefits is the essence of Ericsson's vision to be the prime driver in an all-communicating world.

COMMUNICATION FOR ALL

Mobile communication helps create value and increase quality of life for people in every part of the world. Ericsson believes that the creation of local, sustainable businesses is the proven mainstay of economic growth and will have a much greater impact on poverty reduction than charity alone. Everyone benefits from the opportunity to take part in the global information society—individuals, industry and society as a whole.

For people living in developing countries, access to low-cost telephone services translates directly into economic growth and new business opportunities. Ericsson actively works to make communication affordable for people of all income levels. To achieve this, we offer services and solutions that lower barriers to entry for telecom operators. Examples include infrastructure designed to optimize total cost of ownership of the mobile network and simple, cost-effective user applications.

Subscriber penetration continues to soar in emerging markets. There are already more than 2 billion mobile subscribers in the

world, and the best estimates suggest this number will rise to 3 billion during 2007. Taking into account shared subscriptions, as much as 80 percent of the world's population will have access to mobile services within a few years. While these new users might spend less on a per capita basis, their collective purchasing power will be enormous.

BENEFITS OF MOBILE COMMUNICATION

Access to mobile communication saves time and money, enhancing both personal lifestyles and commerce. In some areas of the world, it is necessary to travel long distances in rough terrain only to discover that the person, goods or services being sought are not available. A quick phone call or SMS could eliminate such wasted trips. As bank facilities are not accessible to everyone in developing countries, money transfers can instead be made via mobile phone.

We believe mobile phones will be the key technology in bridg-

ing the digital divide. They do not rely on a consistent electrical supply and, unlike computers, can be used by people who cannot read or write.

OUR APPROACH

Ericsson enables cost-efficient communication with cutting edge technology, large-scale efficiency and innovative business models. This approach makes our network solutions suited to almost any conceivable market situation. Our focus is to make affordable communication a reality even for those facing severe financial constraints.

Ericsson foresees a new wave of network expansion in emerging markets, and our forecasts project strong growth in our core business as a result. This view is encouraged by our partnerships with national governments and organizations such as the United Nations Development Program—Grow Sustainable Business initiative and the Swedish International Development Cooperation Agency (Sida).

MAKING COMMUNICATION AFFORDABLE

Ericsson's Communication for All program has been established specifically to address affordability of telecommunication services and to spread understanding of the socio-economic impact of these services in emerging markets.

Infrastructure Solutions

We maintain a focus on increasing coverage and capacity to minimize total cost of ownership. Examples include Ericsson Expand-er, managed services, network sharing, and site solutions optimized for conditions in emerging markets. Investments in 2G pave the way to 3G and HSPA, making the introduction of new technology a commercial decision rather than a technology issue.

Power Solutions

Availability of grid electricity is one of the greatest obstacles when extending network coverage to remote areas. To enable telecom services in these areas, Ericsson offers alternative power solutions utilizing renewable sources such as wind, solar, biofuels and fuel cells.

Business Modeling

Business models in use in developed countries are often not

transferable to markets where people make as little as a few dollars a day and infrastructure is lacking. We help operators develop innovative business models to overcome uncertainties in launching operations on unproven markets.

To achieve acceptable return on infrastructure investments, operators strive for high network utilization. Before entering into a new geographical area there are often uncertainties about predicted traffic volumes, immediately after deployment and over the long run. When operators are hesitant to expand their networks, innovative business models based on fair regulation and risk sharing can be the answer.

End-user Needs

Ericsson helps operators aiming to capture low-spending users, whether or not they reside within current coverage areas.

Services and Applications

A collaborative framework for application development and market introduction is needed to develop local solutions. Ericsson has identified a core set of some 30 services and application areas for emerging markets, including microfinance and micropayments, health services, education and business-to-business applications.

Regulatory Affairs

Ericsson works with industry associations, governments and regulators to analyze the impact of taxation and regulation on the digital divide with the ambition of influencing and accelerating market growth.

CHINA: MEIZHOU PROJECT

Located in mountainous terrain northeast of the economic dragon Guangdong Province, the Meizhou district has lagged behind the rapid economic growth of neighboring areas. Ericsson and the Guangdong Mobile Communication Co. launched the "Informatization project" to help the local government establish an e-government and public safety system. Mobile penetration in Meizhou is 35 percent, well below the 60 percent average in Guangdong province. The aim of the two-year project is to bridge the digital gap, help the government increase efficiency, improve public services, and decrease crime in rural areas. School children and local residents can also access vital information through the system.

AN ALL-COMMUNICATING WORLD

The telecommunications sector is in the early phases of a highly significant shift, as networks that once provided only voice and basic text communication evolve to allow individualized channels for personal expression. Ericsson believes these technological changes have the potential to dramatically improve peoples' lives through direct, instantaneous information flow in the form of combined voice, text, video and audio. We believe that social, economic and environmental sustainability will be served by growth in these rich, new forms of communication. For example:

- **Distance learning** gives students the obvious benefits of access to education regardless of time and place. Instructors can deliver live lectures from far-off classrooms, and students can complete self-paced courses offered in store-and-forward format.



PORTUGAL: JOINING GENERATIONS

In May 2005, the "Telecommunications – Joining Generations" seminar set out to challenge the idea that elders are technophobic and the Internet is only for the young. Sixteen senior citizens and 41 students took part in a local Portuguese community project to bridge the IT generational gap. Participants were encouraged to interact using a wide range of communications technologies, including web-cams, laptop computers and 3G mobile phones. Ericsson Portugal sponsored the event in conjunction with Telecommunications International Day.

- **e-Health and telemedicine** enable the delivery of clinical care by a practitioner in one location to a patient in another, as well as improved information flow to and from large populations, for instance in controlling infectious diseases, drug monitoring and public health research. It may be as simple as two doctors discussing a case over the telephone, or as complex as using satellite technology and video conferencing to conduct a real-time consultation with a team of specialists in different countries. e-Health can save lives in emergencies, and can help deliver basic health services to people in remote places.
- **e-Government** promises to enhance the effectiveness of legislatures, judiciaries and administrations, both improving efficiency and changing the relationship between citizens and government.
- **Bridging the digital divide:** The importance of access to basic communications is described above in Communication for All. Our experience shows that today's new users will be tomorrow's advanced users, and the uptake of data will go fast in emerging markets. With mobile broadband, cost-effective coverage can reach areas without fixed-line telephony infrastructure, or where the existing copper network cannot support broadband communication.
- **Environmental improvements** are possible through reduced traffic and congestion. It is possible for many people to work efficiently from home with a broadband connection, reducing traffic to and from offices as well as reducing stress on individuals.
- **Enterprise efficiency gains:** It has been statistically proven that broadband connections give enterprises efficiency gains. Statistics Sweden has calculated an efficiency benefit of 12 percent for enterprises with broadband connections over 2 Mbit per second. There is considerable evidence that increasing broadband capacity directly and positively impacts a country's Gross Domestic Product.

THE CENTRE FOR SUSTAINABLE COMMUNICATIONS

Ericsson is a founder of the Centre for Sustainable Communications at Sweden's KTH Royal Institute of Technology. The Centre merges the disciplines of media and communication technology with strategic environmental analysis, focusing on advanced communication technologies and their potential role in progress toward more sustainable societies.

With support from technical personnel and equipment provided by Ericsson, the Centre is investigating how the fundamental properties of ICT technologies can be applied to sustainability challenges. The aim is to develop new applications and business models enabling management of social, environmental and economic impacts for both developed and emerging markets.

The Centre coordinates leading-edge research in telecom applications aimed at replacing energy-consuming travel, for example exploring "remote presence production," a next-generation video conferencing concept that utilizes fiber-optic "superbroadband" systems to enable natural social interaction.

Another field of study for the Centre is the development of scientific metrics for measurement of sustainability impacts, tar-



The Centre for Sustainable Communications is exploring systems for natural social interaction with "remote presence production."

geting applications such as goal-setting, prediction of economic effects and balancing positive and negative consequences of activities under consideration.

Following a comprehensive international scientific evaluation of 88 applications, the Centre was selected in June 2006 by Vinnova, the Swedish Governmental Agency for Innovation Systems, as one of 15 "Centres of Excellence in Research and Innovation." Vinnova will now invest up to SEK 70 million in the Centre to guarantee stable funding over ten years, with matching funds to be provided by KTH and public and private sector partners including Ericsson.

When fully developed by 2009, the Centre for Sustainable Communications is expected to employ 10 to 15 researchers in a variety of disciplines.

CROATIA: E-HEALTH

Ericsson Nikola Tesla, Croatia, with partners in ICT and medicine, won a Croatian Ministry of Health tender for a nation-wide system to electronically manage healthcare data. In 2005, the blueprint

to build this multi-purpose and secure system was drafted. It is a platform to share knowledge among lab technicians, doctors, and pharmacists for accurate treatment and includes the speedy delivery of referrals, prescriptions, and lab results.

The system can also distribute bulletins on infectious diseases and adverse reactions to drugs throughout the country as well as monitor health trends. The program will be launched in July 2006.

ENERGY AND ENVIRONMENTAL PERFORMANCE

At Ericsson we constantly strive to cut energy consumption, reducing both costs for our customers and the carbon emissions that lead to global warming. A key to our efforts is analysing impacts throughout the life cycle of our products—from manufacturing and delivery through operation and final disposal.

THE ERICSSON ENVIRONMENTAL POLICY

We believe in an "all-communicating" world. Voice, data, images and video are conveniently communicated anywhere and any-time, increasing quality-of-life and productivity while enabling a more resource-efficient world.

With the group vision "to be the prime driver in an all-communicating world" in mind, Ericsson shall develop, produce, and offer products and services with excellent environmental performance, enabling our customers to minimize their environmental impact.

This means that we shall:

- Ensure knowledge and consciousness about environmental issues among all employees with the aim of continuous environmental improvement and pollution prevention.
- Meet or exceed legal and other requirements to protect the environment.
- Use life cycle techniques as a means for determining significant environmental aspects and as a basis for communicating environmental performance of our processes, products and services.

- Use "design for environment" strategies to control material and energy flows related to Ericsson's products and services.
- Cooperate with our supply chain to ensure environmental control of the inputs to our products and processes.
- Actively communicate this environmental work to internal as well as external stakeholders.

ENVIRONMENTAL PROFILE

Ericsson's environmental profile is the combined impact of our operations, including transportation and employee travel, product manufacturing, delivery, usage and disposal.

LIFE CYCLE APPROACH DETERMINES RELEVANCE

Ericsson's employs Life Cycle Assessment (LCA) to analyze the total potential environmental impacts associated with a product or service. LCA reveals the significance and the relevance of our impacts, and provides guidance on necessary improvement.

Carbon dioxide emission is the chosen indicator because CO₂ is directly related to fossil energy use, the environmental challenge most closely linked to Ericsson's activities and the telecom sector as a whole. Ericsson is a leader in assessing life cycle

impacts, and has perhaps the most advanced and complete data system in the telecom industry.

In describing the relevance of Ericsson’s environmental profile, it is worth noting that impacts from manufacturing and operations of telecommunications networks are relatively small compared to other industrial activities. Using the CO₂ indicator to compare telecom with physical travel, for example, one year of mobile phone use is roughly equivalent to driving a typical automobile 160 kilometers.

The graph below shows annual emissions (kg CO₂-equivalent) per average subscriber in a reference 3G network with 1.5 million subscribers. The system consists of 3G handsets, radio base stations, network control equipment and a core network with routers, switches and servers. Also included is transmission equipment such as feeders and cables, and site equipment such as antennas, climate control and equipment shelters. The scope of the LCA includes raw materials, supplier activities, transportation, handsets and operator activities, as well as end of life treatment (EoLT). Our LCA work provides the following results:

The manufacturing phase accounts for approximately 34 percent of total impact, and includes:

- Raw materials: Production of raw materials from natural resources, including all chemicals and metals required for manufacturing handsets, infrastructure and network equipment.
- Supply chain: Production of semi-manufactured products and components from raw materials.

- Ericsson activities: Factory operations, transportation and office activities.

The Operational phase is the most significant, accounting for approximately 67 percent of total impact, and includes:

- Equipment operation: Power consumption for all network equipment. The largest share of this figure is from RBS operation.
- Operator activities: Constructing the network, site maintenance visits, office activities and employee travel.
- End-of-life-treatment (EoLT): Equipment dismantling and recycling of metals in the infrastructure, batteries, cables and printed circuit boards. Recycling generates a slight net decrease in total energy consumption and CO₂ emissions.

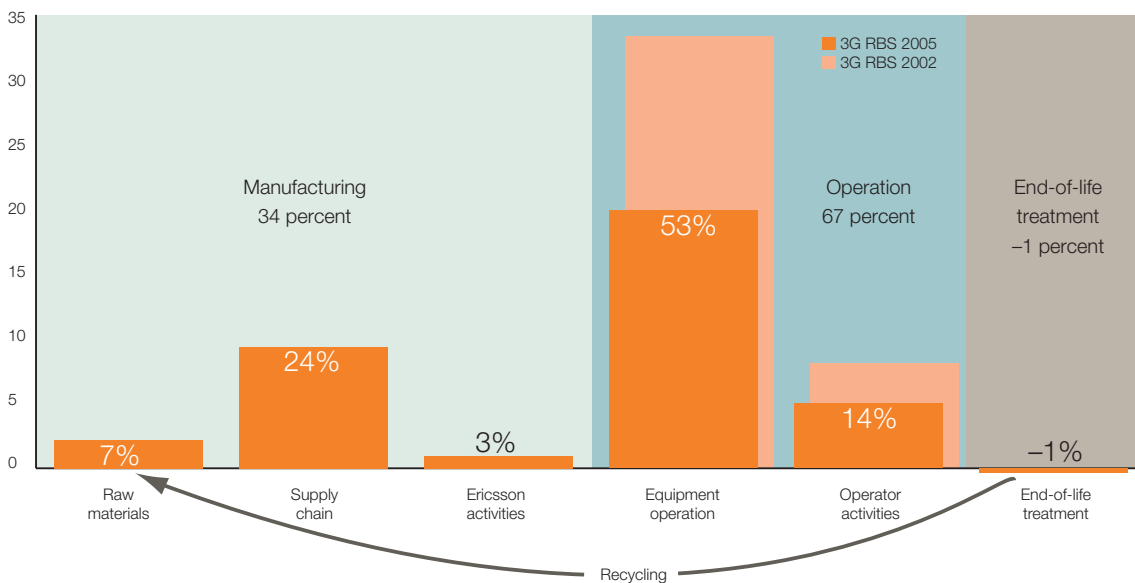
For 2005 the total CO₂ per average subscriber and year was 38 kg (equivalent to about 16 liters of gasoline).

In 2002, the total CO₂ per subscriber was 54 kg.

Emission equivalents from the manufacturing phase were unchanged between 2002 and 2005, while energy consumption and associated CO₂ emissions in the operation phase fell from 34 kg (lighter bar) to 20 kg. A decrease in the operator activities share of the operation phase was also achieved, from 7.5 kg (lighter bar) in 2002 to 5.1 kg, due to reduced need for maintenance visits, improved equipment reliability and to more efficient procedures adopted by network operators.

RESULTS: CLIMATE CHANGE

(Kg CO₂-equivalent per subscriber and year)



**ENVIRONMENTAL
ACHIEVEMENTS 2005**

Passed new environmental directives as part of the Environmental Management System to instruct the organization on a systematic approach to environmental goal setting and collecting and reporting of environmental data.

Initiated implementation of the EU RoHS Directive on hazardous substances, and a major project to phase out hazardous substances globally.

Completed implementation of the EU WEEE Directive on product take-back, and began global implementation of the Ecology Management Provision.

OBJECTIVES 2006-2007

Update our LCA study and database to measure reductions in impacts as our new energy goals for base stations are implemented and as 3G networks continue to add large numbers of subscribers.

Develop general LCA data for fixed broadband networks.

Formulate and begin implementation of new energy related environmental goals for the Business Units Systems and Broadband Networks

Utilize Ericsson's general supplier evaluation programs to gain a clearer picture of the environmental management profiles of most suppliers.

ENVIRONMENTAL IMPACTS FROM PRODUCTS

From our LCA work we recognized that energy consumption during the use phase was the most important area for us to target in 2005 for measurable environmental improvements. Toward this end, during 2005 we set energy goals for our products (described below).

By using LCA on a system level we are able to follow how the overall reduction of carbon dioxide for typical mobile telecom systems will develop over time as well as per subscriber on an annual basis. Taking a WCDMA system for 1.5 million subscribers as a reference network, our 25 percent energy reduction target for 2006 will cut carbon emissions by approximately 6,000 tons per year.

We expect that the envisioned efficiency improvements will lead to substantial decreases in energy consumption for mobile systems overall. Even greater reductions in carbon dioxide emissions from fossil fuels can be achieved by increased use of sustainable primary energy production.

We plan to update our LCA study during 2006-2007 to measure reductions in impacts as new energy goals for base stations are implemented and as more subscribers join 3G networks. Our assumption is that over time the proportion of impacts from the use phase will decrease, while the proportion from manufacturing, transportation and final disposal may increase. As mobile phones become more complex and functionality increases, their share of the total system energy profile is expected to increase. LCA is a useful tool for measuring environmental progress over time. While the relative significance of each phase changes over time, our overall net impacts continue to decrease.

The examples below show how Ericsson optimizes the eco-

2G AND 3G EXPLAINED

Ericsson designs and manufactures a wide variety of products for construction of mobile radio networks, both GSM (also known as 2nd Generation or 2G) and WCDMA (3rd Generation or 3G).

GSM enables voice calling, text messaging, and data transfers with a practical technical limitation of about 250 kilobits per second. The newer WCDMA technology enables much higher data transfer rates, making possible far richer user experiences including video, high-quality music and other multimedia.

Ericsson is delivering 3G for commercial networks based on HSPA,

an enhancement of WCDMA, providing wide area coverage and average transfer rates of 1 Mbit per second, and is now supporting up to 3.6 Mbits per second as terminals continue to improve. Already, this is significantly faster than 2G and the theoretical speed limit for future generations of WCDMA equipment is far higher still.

A number of components are common to both 2G and 3G networks, including the core network and service layer, the site locations, power supplies and transmission equipment.

nomic as well as environmental profiles of our technologies with a focus on the correlation between total cost of ownership and decreased product energy consumption.

WHAT IT MEANS TO BE ENERGY-LEAN

FROM THE INSIDE...

To decrease the environmental impacts of our products, Ericsson's main focus is on continuous optimization of energy efficiency to reduce total cost. We know that the most significant environmental impact of our business is the operation of our network equipment in the use phase by operators. This year we are highlighting the energy goals we have set as a result of our LCA work described above.

...TO THE OUTSIDE

We look at energy consumption from the perspective of our customers, finding ways to help them meet their energy reduction goals. Our environmental life-cycle assessment work is closely tied to life-cycle costing: the focus on reducing total cost of ownership for network operators while at the same time reducing environmental impact.

During 2005, we noted increased attention to energy issues from our customers – from using renewable energy sources to establishing climate change programs, network power reduction, and specific solutions such as equipment cooling strategies.

To meet growing market demand in this area, we are focused on the development of an energy-lean product portfolio.



ENERGY SAVINGS THROUGH OPTIMIZED NETWORK DESIGN

Ericsson's strategy in addressing energy consumption is to reduce it on the network level; that is, to cut energy use as measured by delivered functionality, capacity and geographic coverage. We offer a number of strategies and solutions that allow customers to optimize energy efficiency in their specific network configurations.

NEW SITE DEPLOYMENT

Based on operators' defined requirements for coverage, capacity and quality, network design may take many forms. Ericsson's recommendation is to deploy new networks using as few RBS sites as possible, as this leads to lower total cost of ownership. Applied in the design of radio networks, this strategy results in larger and more energy-efficient sites serving more subscribers. At a site with larger pools of a common resource, each resource is better utilized, giving additional efficiency improvements, including energy conservation gains.

MAIN-REMOTE

Reducing the size of the RBS and dividing it into parts allows the radio unit to be placed close to the antenna, keeping feeder cables short and reducing energy loss. Ericsson's main-remote solution makes natural convection cooling possible, cutting the energy used by about two-thirds while also extending battery life.

SMALL, EFFICIENT SITES

As a complement to large and efficient radio sites for new networks, operators also need to provide coverage in areas where large cells are impractical, for instance in hilly terrain or to serve small populations in isolated areas. For such scenarios we recommend RBS solutions featuring very low power consumption. These models deliver less capacity, coverage and flexibility, but are well suited to areas with limited numbers of subscribers.

RE-USE OF EXISTING SITES

For operators upgrading 2G networks to 3G, reuse of existing sites is a crucial cost consideration. It is also important, however, to ensure that savings in network design are not sacrificed to higher energy costs. Ericsson's broad product portfolio enables operators to balance these complex calculations.

MORE NETWORK POWER USING LESS ENERGY

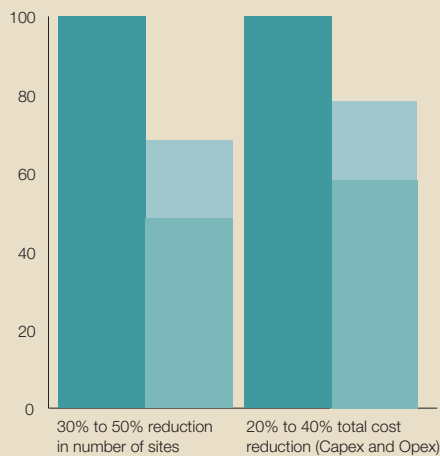
ENERGY CONSERVATION SOLUTIONS FOR GSM

Ericsson Expander allows reduction in the number of radio sites by up to half compared with traditional solutions, which results in a significant improvement in network energy efficiency. Expander solutions combine exceptionally high RBS performance with innovative high-gain antennas and tower-mounted amplifiers.

Capacity Growth provides a set of solutions aimed at generating more capacity from existing networks. Traffic capacity on existing sites can be increased by up to 100 percent with the addition of more radio units. Although power consumption per site increases, major energy savings are realized when compared to deployment of new sites.

Temperature tolerance: New products are designed to tolerate higher operating temperatures, cutting air conditioning needs in equipment rooms by some 25 percent for a typical site.

EXPANDER – COST-EFFICIENT COVERAGE



Due to more advanced radio sites we see savings on total cost of ownership, typically in the range of 20–40%, depending on radio network design.

GSM energy consumption objectives

Ericsson's Business Unit Access has set the following goals for energy consumption reduction for GSM products.

- 2006: Improve energy efficiency by 5 percent
- By 2008: Further 5 percent improvement

These reductions apply to RBS products themselves; greater reductions in power consumption on the network level are possible with the approach to optimized network design described above.

ENERGY CONSERVATION SOLUTIONS FOR WCDMA

High-Speed Packet Access (HSPA) is a new mobile telephony enhancement that greatly accelerates WCDMA. Ericsson has successfully implemented HSPA in several large commercial networks. Our experience shows that extremely high transfer speeds can be achieved with proportionally less energy input. Ericsson's HSPA implementation shares a single radio carrier with existing traffic, rather than requiring an expensive—and energy-consuming—second carrier.

Efficient RBS portfolio: During 2005, deliveries of several new, more energy-efficient WCDMA radio base station products, featuring highly integrated radio modules began. This streamlined architecture will support the introduction of new power amplification technologies, enabling a continued reduction in energy consumption for all RBS products in the Ericsson portfolio.

WCDMA energy consumption objectives

Between 2001 and 2005, the energy efficiency of delivered WCDMA radio base stations was improved by 60 percent. Future targets include:

- Improve energy efficiency by a further 25 percent by the end of 2006.
- By 2008: Achieve a total 50 percent improvement compared to 2005 levels.

RENEWABLE ENERGY FOR TELECOM NETWORKS

Ericsson believes that alternative energy has an important role to play in powering mobile networks in the near future. For off-grid installations, our studies show that solar, wind, biofuels and fuel cell technology, combined with the most energy-efficient base stations available, can deliver solutions today that beat the cost of traditional diesel generators for sites lacking access to electrical networks.

We recognize a clear trend toward smaller cost differentials between renewable energy and power generated from traditional sources. By identifying and developing economically viable applications for renewable energy systems in telecom networks, Ericsson encourages growth in the alternative energy sector and further narrowing of the price gap.

DESIGN FOR ENVIRONMENT

One of the cornerstones of Ericsson's environmental efforts is our Design for Environment (DfE) program, which gives our engineers detailed guidelines for developing products that can be manufactured, operated and disposed of with a minimum of negative impact.

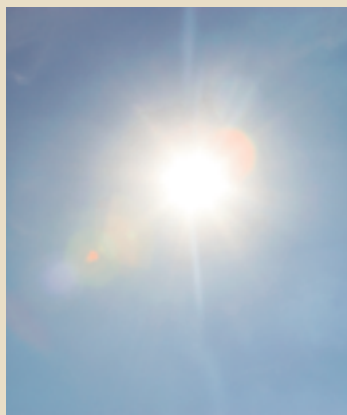


For off-grid telecom installations, biofuels produced from plant sources such as this Swedish rapeseed are often competitive with diesel to power generators. Alternative fuels have an important role to play in bringing the benefits of technology to rural areas.

DfE focuses on improving the energy efficiency of our products, as well as avoiding hazardous substances, reducing mass and volume, and simplifying end-of-life reuse, recycling or disposal.

The Ericsson DfE program, including requirements, guidelines and tools, is developed centrally based on legislation, market demands and Life Cycle Assessment (LCA) studies. The program is deployed by the various product development organizations and is integrated in the product design process along with fundamental business considerations such as quality, functionality and manufacturing cost.

Ericsson's DfE Working Group is comprised of some 15 members drawn from product development organizations throughout the company. The DfE Working Group is tasked with coordinating and developing generic rules to meet environmental performance goals defined by senior management. Senior management approves requirements developed by the DfE Working Group.



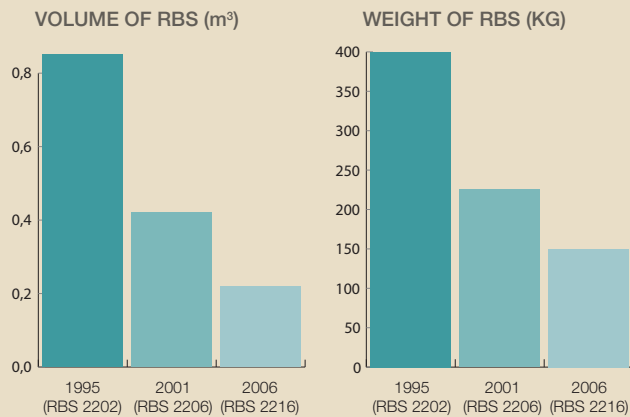
SUNSITES

In its drive to expand mobile coverage in isolated regions of the country, the mobile operator Telefónica Móviles México is harnessing the power of the sun to provide energy for its remote radio base stations. In a village northeast of the capital, Ericsson's RBS 2109 and transmission equipment were installed in 2005, equipped with a solar power solution and a back-up battery.

This energy source has real potential for growth—not only because it makes sense from an environmental perspective, but because solar power is cost competitive, reliable and requires minimal maintenance. Ericsson has identified solar technology as a viable solution for applications outside the electricity grid.

To date, Ericsson has installed more than 50 sunsites in several countries, with an additional 115 currently under construction or scheduled for deployment.

REDUCING THE VOLUME AND WEIGHT OF RADIO BASE STATIONS



REDUCING THE MASS OF PRODUCTS

By reducing the volume and weight of a product in relation to its capacity, processing power and efficiency, we achieve substantial environmental benefits throughout the life cycle.

- Less raw materials are required for manufacture.
- Less energy is consumed in transportation and network rollout.
- Recycling or disposal of retired products is simplified.



ENVIRONMENTAL IMPACTS FROM ERICSSON FACILITIES

Ericsson reports company-specific environmental data on an annual basis. From a life cycle perspective, environmental impact from facilities is relatively small (see Environmental Profile, page 18). The greatest impact from Ericsson's activities is during the use phase of our products.

ERICSSON ENVIRONMENTAL INDICATORS (TOTAL FIGURES)

	2005	2004	2003
Employees			
- Average	54,195	51,000	58,000
- Year-end	56,055	50,500	51,500
Net sales (SEK b.)	152	132	118
Electricity (GWh)	340	420	580
Other energy (GWh)	80	110	130
Indoor area (km2)	n.m.	1.5	n.m.
Land area (km2)	n.m.	3.0	n.m.
Water (Mton)	n.m.	1.0	n.m.
Air travel (Mpkkm)	650	620	650
Car travel (Mpkkm)	300	300	380
Air transports (Mtonkm)	750	500	251
Road transports (Mtonkm)	330	220	110
Waste, total (tons)	18,500	23,000	27,000
Production			
Emissions, total (tons)	<12	< 8	10
Produced weight (tons)	96,000	80,000	75,000
Produced function (Msub)	600	400	250
CO ₂ -total (tons)	795,000	635,000	550,000
CO ₂ per produced capacity/function	1.3	1.6	2.3

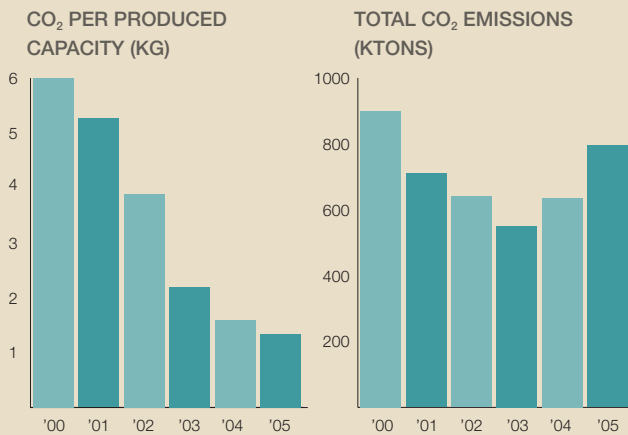
This data shows that the figures for transport, in ton-kilometers, are increasing. This is due in large part to increased sales volumes and a strategy to ensure increased delivery precision, which means that a large proportion of our products are shipped by air to avoid costly delays for our customers. To address this we actively work to reduce the volume and weight of our products, as illustrated in the example above.

Some radio base stations are small enough to be carried directly to the installation site.



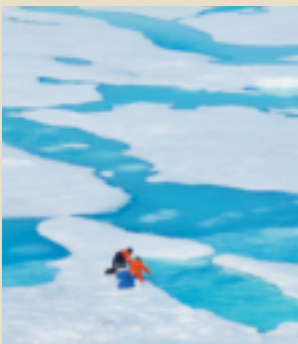
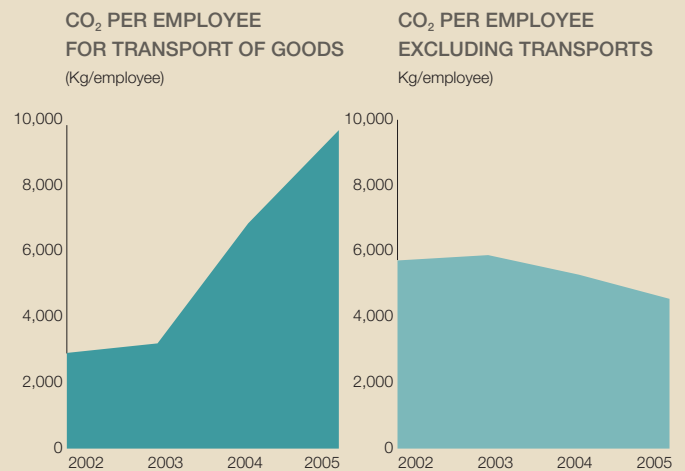
We see the biggest future gains on the environmental front in cutting product and network energy consumption and carbon emissions. This is an excellent example of how sustainability goes hand-in-hand with helping our customers control costs.”

Torbjörn Nilsson
Head of Group Function
Strategy and Product
Management



In absolute terms, total CO₂ emissions from Ericsson activities are rising, again due largely to increased transportation resulting from greater sales volumes. Emissions from electricity use, air and car travel and other energy consumption are decreasing.

The figures also show, however, that total CO₂ emissions are decreasing substantially per employee (transport excluded) and per produced capacity. During 2005 we produced 50 percent more capacity (as measured by the number of subscribers enabled by our network equipment). Emissions per subscriber have decreased during the past six years, from 6 kg CO₂ per produced capacity in 2000 down to 1.3 kg CO₂ per produced capacity in 2005.



BERINGIA EXPEDITION 2005

The Beringia Expedition, organized by the Swedish Polar Research Secretariat, studied the impacts of global warming on arctic climates in 2005. Many scientists believe the North Pole region is affected by climate change, and that conditions there are influencing weather patterns on a global scale.

Geological expeditions in the Arctic Ocean are notoriously difficult. With drifting ice and harsh conditions such as thick fog and icy winds, communication is vital both for project success and crew safety. Ericsson Response supplied the Beringia Expedition with a GSM system, and all expedition members received mobile phones. Four Ericsson volunteers onboard supported the GSM system, WLAN network, SQL database management and its e-mail system, vital for expedition members dependent on weather forecasts. Ericsson sponsored both equipment and staff hours for the expedition.

ACHIEVEMENTS 2005

Established company-wide program to increase competence, align efforts and utilize best practices for reducing or eliminating the use of hazardous substances across all product lines.

Completed RoHS compliance analysis of all Ericsson products.

Surveyed suppliers for RoHS compliance and total component availability. Developed tools to manage and monitor component status.

Secured RoHS-compliant components in volume agreements with suppliers.

Generated detailed product transformation plans.

Evaluated alternatives to hexavalent chromium and implemented substitution programs.

Evaluated processes for lead-free soldering and repair. Analyzed and upgraded production processes.

FUTURE OBJECTIVE

Successively reduce utilization of approved exemptions to RoHS requirements with a target of completely eliminating internal use of exemptions by 2008.

HAZARDOUS SUBSTANCES AND THE EU ROHS DIRECTIVE

Ericsson is in full compliance with the requirements of the European Union RoHS Directive (Restrictions on the use of certain Hazardous Substances) as of July 1, 2006. Further, Ericsson is implementing the company program for elimination of these substances to all telecom products on all markets in which Ericsson is active.

Under RoHS, manufacturers of electrical and electronic equipment must eliminate lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls (PBB) and polybrominated diphenyl ethers (PBDE) from products sold in Europe. Aware that similar legislation is under consideration in other parts of the world, including China, Japan, South Korea, Argentina, Australia and certain US states, Ericsson chose to proactively extend the restrictions to all products. This process entails verifying the entire product portfolio, based on more than 50,000 components delivered by hundreds of suppliers.

PRODUCT TAKE-BACK AND THE EU WEEE DIRECTIVE

The European Union's WEEE Directive (Waste Electrical and Electronic Equipment) is aimed at reducing waste from these products, and to encourage their recovery, reuse and recycling.

The directive sets requirements and targets for the collection,

ACQUISITION OF MARCONI CORP ASSETS

In January 2006, Ericsson acquired key assets of Marconi Corporation plc. Integration of the former Marconi business into Ericsson's Ecology Management Provision for product take-back is underway; completion is expected during 2006.

recycling, recovery and environmentally sound treatment of electrical and electronic equipment once it has reached its end of life. It requires producers of electrical and electronic equipment to finance most of these activities.

Since the WEEE Directive became operational in August 2005, Ericsson has been in compliance with its requirements in every country in which it has been transposed into national legislation. Experience with re-use and recycling gained in implementation of the WEEE Directive is now being adapted to Ericsson's non-European markets.

As early as 2000, Ericsson foresaw and began preparing for producer responsibility laws then under discussion in a number of countries. Anticipating a coming need to meet the requirements of the WEEE Directive and similar legislation, Ericsson established an Ecology Management Provision in 2002, offering customers a free-of-charge service to take back decommissioned products for recycling or final disposal. Ericsson's Ecology Management Provision has been implemented in more than 30 markets.

Ericsson plans to roll out similar processes in the Asia-Pacific region and the Americas. Although take-back services exist in these geographical regions, they have not evolved to the same level as in Europe. In these areas, the WEEE Directive will be used as the guiding regulatory document, which should ensure that Ericsson will be able to rapidly comply with other countries' 'WEEE-like' legislation as such requirements are adopted.

GLOBAL CERTIFICATION TO ISO 14001

Ericsson's Environmental Management System (EMS), certified according to ISO 14001, has been in operation worldwide since 2001.

Our EMS is overseen by an Environmental Director and an Environmental Steering Group, and is an element of the Ericsson Group Management System (EGMS), a group-wide framework covering both the operational and legal dimensions of the company.

A single global system enables us to assess our environmental impacts independently of organizational structure and changes, providing a clear and consolidated view of all our impacts and actions. This global view avoids the fragmented sub-optimization that might result from parts of our organization working independently. Ericsson uses ISO 14001 as a tool to achieve reductions in environmental impacts, most importantly cutting fossil CO₂ emissions in the phases of the product life cycle that we influence. The energy-related targets are further elaborated in "What it means to be energy-lean."

In addition to our own EMS program, during 2006 Ericsson will utilize its general supplier evaluation programs to also gain a clearer picture of the environmental management profiles of most suppliers. The results from this evaluation will be linked together with other Code of Conduct issues to further refine the environmental risk profiles from suppliers on which site audits are conducted.

Ericsson recognizes that ISO 14001 is not a performance standard, but we find it a useful tool in structuring our environmental work.

Ericsson is also closely monitoring development of the ISO 26000 series for social responsibility. We are a member of the Swedish National Committee and sponsors of the International Secretariat.

OUR SOCIAL RESPONSIBILITIES

Ericsson recognizes the close relationships between our company and the communities in which we operate. The UN Global Compact offers us guidance on how to build universally accepted governance systems that protect our social license to operate. Through our Code of Conduct, we strive to ensure that our suppliers offer the same fundamental protections to their employees and subcontractors.

Our success depends on the well-being of our employees. Management of human resources is aligned with business strategies, prioritizing the long-term competence development of personnel at all levels. By offering our expertise for the benefit of local communities and relief organizations, we demonstrate the role of communication in building a sustainable society.

ETHICAL SOURCING AND SUPPLY CHAIN MANAGEMENT

THE ERICSSON CODE OF CONDUCT

Ericsson's Code of Conduct covers human rights, labor standards, environment and anti-corruption. The specific environmental issues of concern to Ericsson are further specified in the Supplier Environmental Requirements specifications.

The Code of Conduct is based on the United Nations Global Compact's ten principles, derived from the Universal Declaration of Human Rights, the International Labor Organization's Decla-

ration of Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention against Corruption (see www.unglobalcompact.org). The Ericsson Code of Conduct applies to all employees as well as our suppliers and their subcontractors.

According to the Group Directive Code of Conduct and Environmental Requirements in the Supply Chain, sourcing person-

nel in Ericsson units and companies are responsible for informing and securing compliance for suppliers in their areas of business responsibility. Heads of Ericsson units and companies are ultimately responsible for securing suppliers' compliance to the Ericsson Code of Conduct and Environmental Requirements in their respective areas of responsibility.

An internal audit process, supported by a central Ericsson Group Sourcing function, tracks and monitors progress toward compliance.

The Code of Conduct and Environmental Requirements is included in General Agreements with our suppliers. The requirements are also included in supplier evaluation, selection and maintenance criteria. The criteria are reviewed regularly and as part of the supplier contract renewal process.

SUPPLIER SCORECARDS

During 2005, Ericsson introduced a scorecard pilot system to rank suppliers' compliance with the Code of Conduct. The scorecard comprises a set of selected criteria within which Ericsson specifies requirements placed on suppliers, covering such areas as compensation, overtime, noise levels, protective equipment, chemical handling, records of accidents, environmental management systems, health and safety training, and supply chain management.

In cases of supplier non-compliance with the Code of Conduct, Ericsson's first approach is to engage in dialogue aimed at reaching measurable improvements. The supplier is asked to follow the agreed improvement plan, and if continued non-compliance is found, the unit responsible for the sourcing process evaluates the risk. In cases of continuing violations, the business with the supplier shall be terminated.

Ericsson is a founder and a board member of GeSI (Global e-Sustainability Initiative), which provides a forum for ICT com-

panies to share resources, ideas and dialogue for handling supply chain issues (see The Global e-Sustainability Initiative, page 12).

RISK-BASED PROJECTS

Ericsson has initiated risk-based projects in two key supply areas: die casting and civil works for network rollout. Due to the particular risks involved in these areas, they have been targeted for in-depth Code of Conduct compliance and follow-up during 2006.

In the die casting process, molten metal is poured into a mold to form parts such as covers, frames and chassis for base stations. Ericsson sources aluminum components die cast in a high-pressure process.

The civil works component of network rollout refers to preparation and construction activities, including all materials required to prepare a telecom site for installation of the RBS, antennas, back-up power and other equipment. A typical radio site includes an access road, tower, equipment shelter, lightning protection and mains power connection.



Our focus on ethical sourcing and supply chain management demonstrates our commitment to corporate responsibility, and that's a crucial element in building trust with customers and all of our stakeholders."

Joakim Westh
Head of Operational Excellence

ACHIEVEMENTS 2005

SUPPLIERS:

Ensured that all general agreements with new suppliers stipulate compliance with the Code of Conduct.

Reviewed existing agreements for Code of Conduct compliance. Contracts renewed in 2005 renegotiated to include compliance requirement.

Expanded supply chain audits and follow-up activities.

Conducted Code of Conduct supplier seminars, including 39 in China.

INTERNAL EDUCATION AND PROCESSES:

Integrated Code of Conduct requirements within the Ericsson Sourcing process.

Trained Code of Conduct auditors and observers.

Held information meetings at which more than 60 percent of Ericsson sourcing employees received general information on the Code of Conduct and Environmental Requirements.

Provided education and training in prioritized areas based on audit findings. Suppliers identified as "high risk" targeted for further improvement.

Initiated risk-based projects in die casting and civil works.

ACTIVITIES 2006

In risk-based Code of Conduct projects, reduce by 60 percent the number of suppliers receiving lowest marks on the Supplier Scorecard; reach agreement on improvement plans for all suppliers to achieve highest scores.

Continue expanding Code of Conduct and Environmental Requirement supplier seminars globally.

Expand Code of Conduct and Environmental Requirement activities in the supply chain, including assessments and audits.

Continue Code of Conduct and Environmental Requirement auditor/observer education and training seminars.

Establish internal network for Code of Conduct auditors. Auditors for Sony Ericsson Mobile Communications joint venture will be included in the network.

ERICSSON RESPONSE

Through a global program that engages expertise from throughout the company, Ericsson Response is prepared to provide on-site communications technologies and support to the world's most respected humanitarian organizations.

The tsunami in Southeast Asia, the Pakistani earthquake, landslides in Guatemala. These are among the ten operations where Ericsson provided hands-on support for relief efforts during 2005.

Due to often remote, inaccessible locations and the breakdown of existing infrastructure, a major concern for relief organizations is communications at emergency sites. Ericsson Response has long-standing partnerships with the International Federation of Red Cross and Red Crescent Societies and relief organizations operating under the United Nations banner, including UN Office for the Coordination of Humanitarian Affairs, UN High Commissioner for Refugees and World Food Program. Ericsson's expertise and equipment are at their disposal when an international emergency is declared.

The program is tasked with ensuring that Ericsson equipment is applied best where needed most. It has responsibility to develop partnerships and coordinate emergency operations such as providing temporary cellular networks. Employees from around the world volunteer for duty, and Ericsson reimburses them while they participate. They are provided with comprehensive crisis training together with the UN, Swedish Rescue Services Agency and the International Red Cross.



2005 HIGHLIGHTS

Ericsson Response had 120 active volunteers in 2005, logging 4,000 staff hours. This was an increase from 100 participants the prior year. A core group of approximately 17 employees spearheaded the operation.

Also in 2005, Ericsson launched WIDER, WLAN In Disaster and Emergency Response (see below), a system designed for non-commercial use. Through WIDER, relief organizations can securely share their communication infrastructure, making it easier for them to coordinate missions and communicate with other local organizations.

Ericsson was bestowed with the GSM Association Award 2005 for 'Best use of Mobile in Emergency Situations' in recognition for our operation in Bam, Iran, in 2004.

During 2006 we intend to establish five global GSM hubs for disaster preparedness in Turkey, UAE, Spain, Panama and Sweden. WIDER Centers in Madrid, Montreal and Stockholm will also provide remote support to the field and training.

The benefits of this initiative are long-term—Ericsson gains the opportunity to put our vision into practice by maintaining an interface with humanitarian organizations and the private sector. It also allows us to demonstrate the potential of communications technologies in supporting societies in a crisis.

PAKISTAN: AT THE EPICENTER

Pakistan felt the brunt of the magnitude 7.6 South Asia earthquake of October 8, 2005. Remote areas around Muzaffarabad were severely affected. As of November, the official death toll was 87,350, more than 2 million were displaced and the need for humanitarian assistance was daunting.

Ericsson's WIDER solution was deployed for the first time to support the UN camp in Muzaffarabad. This system allowed for inter-

communication between all on-site UN organizations and NGOs. A local web server containing area status reports, contact details and security information was set up. The camp was connected via a VSAT connection to UN Children's Fund in New York.

In total, 17 Ericsson Response team members provided support to UN operations; six worked in Muzaffarabad with both WIDER and IT support. The operation continued until June 2006.

ERICSSON AS AN EMPLOYER OF CHOICE

To attract and retain motivated and competent employees, we believe in empowering individuals to excel. Our emphasis on accountability aims to build a culture of trust and personal integrity. Human Resources policies and objectives all reflect these ambitions.

Professionalism, respect and perseverance are our core values, defining how we treat each other, our customers and our business partners. These values inform our Code of Business Ethics, an umbrella summary of governance policies and directives. All employees must review the Code, acknowledge that they understand its contents and rigorously follow its spirit in their daily work.

At year-end 2005, Ericsson had approximately 56,100 employees, of which 36,500 were based in the European Union. The average period of employment is nine years. A total of 2,377 employees exited the company, while 7,898 joined, a significant number due to acquisitions. More employee data is available in the charts below and “Ericsson Employee Statistics”, p35.

We maintain an open management style that involves our employees in daily decisions that affect them. This leadership style is intended to highlight the value of individual input, encour-

age engagement and reward teamwork, which in turn enhances innovation.

Group-wide management systems guide human resource procedures, and help instill uniform standards of practice throughout our operations. Competence building is an integral aspect of business strategies, and employees on all levels have individual competence mapping to help steer their career development. Employee remuneration is determined on the local level, and both short- and long-term incentive plans are applied as a tool to achieve defined business targets. Health and safety issues are also among the labor practices that are developed at the local level. Dialog, Ericsson’s employee satisfaction survey, draws a cohesive picture of the views of our employees around the world and allows us to gauge our performance as a company.

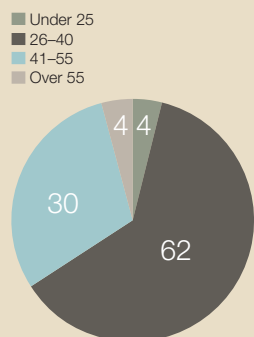
CODE OF BUSINESS ETHICS

Our Code of Business Ethics provides a foundation for trust—trust among employees that we share a universal approach to doing business and trust among customers that we are building a relationship for their long-term best interests as well as the well-being of society and our own lasting growth.

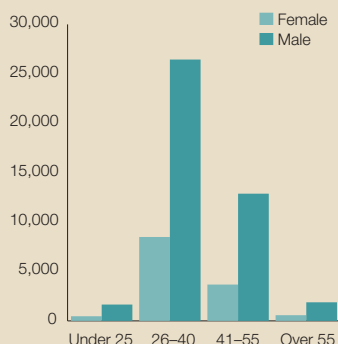
The Code encompasses all global operations. The head of Ericsson’s legal function is responsible for its content, and changes require the authorization of the CEO. Employees are required to review and acknowledge the Code on a regular basis through an internal tracking system. Compliance is monitored by managers.

The Code of Business Ethics refers to compliance with laws, rules and regulations, including insider trading laws; the protection of confidential information and proper use of company assets; handling of conflicts of interest; promotion of fair disclosure; and how to report unethical or unlawful behavior. Treating Ericsson’s employees with respect and the protection of human rights are also specifically addressed.

EMPLOYEES BY AGE
(percent)



EMPLOYEES BY AGE AND GENDER



The Code of Conduct formulates the Group's promise to employees to create a safe working environment, free from discrimination and in accordance with the UN Global Compact's ten principles. The principles of the Code of Conduct are described in "Ethical Sourcing and Supply Chain Management," p. 28.

Employees can submit notice of incidents of non-compliance through their managers. The Code of Business Ethics outlines our whistle blower procedure for anonymous reporting, which is in compliance with EU recommendations and the US Sarbanes-Oxley Act. No alleged incidents of non-compliance of the Code were reported in 2005. A committee with representatives from Group Security, Legal and Internal Audit reviews Code complaints and decides the appropriate procedure. All complaints are reported to the Ericsson Audit Committee.

Ericsson began Regional Corporate Governance workshops that encompass training on the Code of Business Ethics in 2004. During 2005, 250 senior managers and other key personnel participated in these workshops. During 2006, an employee-wide CR-awareness e-learning program is scheduled and includes a review of the Code of Business Ethics.

The Code of Business Ethics has been translated into several languages, and can be accessed at www.ericsson.com/ericsson/corpinfo/code_business_ethics.

OUR APPROACH TO HEALTH AND SAFETY

Ericsson's commitment to providing safe workplaces for employees is stated on the Group level. Our Code of Conduct is the Group policy concerning fair and safe working conditions, and it is the operational responsibility of the Managing Director at each country entity to turn this policy into practice. Our approach addresses the twin purposes of tailoring strategies to local laws as well as addressing the varying nature of our business operations—from factories and office environments to network rollout (NRO).

Production and laboratory environments require health and safety procedures unique to their working environments. The Group has 14 primary manufacturing and assembly facilities in Sweden, Brazil, China, Italy and India. Currently, employees working in manufacturing represent 6 percent of Ericsson's global workforce.

In 2005, Ericsson opened a state-of-the-art facility in Jaipur, India, for radio base station assembly.





All Ericsson premises have invested in ergonomic office assessments, and several units also have gym facilities, physical training courses and health monitoring services.

Network rollout (NRO) is a global operation, active in more than 130 countries. More than 10,000 people are affected, both Ericsson's own personnel or through subcontracting. Ericsson's legal entities ensure that regulations are followed for safe environments and for working at heights. To support local operations, we have developed global training packages especially highlighting personal safety and work procedures. In addition, the NRO unit has more than 200 certified quality auditors carrying out post-workmanship audits of the installed sites.

All aspects of working conditions, including labeling and handling of chemicals, noise levels, temperature, ventilation, lighting and quality of sanitary facilities are considered. Providing for a healthy workforce also factors into our ambition to be an employer of choice. All units focus on a range of activities to improve the well-being of their staffs.

LEARNING

Within the context of Individual Performance Management (IPM) discussions, we formulate competency development plans for employees. These discussions both reflect business strategies and identify necessary skills and training requirements. Employees are engaged in defining their own development in the context of their individual job roles.

Both short and long-term development plans are formulated for each individual. As of 2005, IPM follow-ups are conducted at least twice yearly, and involve line manager and employee. We have frameworks to ensure consistency throughout the Group that enables comparison of competence levels for specific job categories. During 2004, 55 percent of Group employees had undergone IPM evaluations. In 2005, the percentage rose to 86 percent.

To close the competence gap, our model for training is based on sourcing programs from external providers and developing our own training through Ericsson Education. The latter caters

Ericsson's most important assets are our people. We grow our company by fostering the talents and capacities of our employees. We are building innovation and trust through a foundation of empowerment and accountability. ”

Marita Hellberg
Head of Group Function
Human Resources
& Organization

to internal needs for product-related training and customers. Competence building also takes shape through investing in information sharing and knowledge networks, and building training centers. We focus on IT-based instruments such as e-learning and our Learning Portal.

In addition to technical, language, management and business-related training, we intend to launch a mandatory e-learning program for all employees to address Ericsson's work with Corporate Responsibility. This course is slated as one of three e-learning programs in the fall of 2006; the others will cover security and IT, and anti-corruption.

In 2005, Strategic Competence Assessments were made to track requirements on the local level. These defined and mapped the top focus competencies most crucial to reach our long-term targets. Ericsson's objective for 2006 is for 80 percent of the organization to have undergone Strategic Competence Assessments. To support both strategic assessment and individual planning, we have established a competence management network to ensure efficient local processes.



Students aboard a boat-based school in Bangladesh operated by Shidhulai Swanirvar Sangstha, a finalist in the 2004 Stockholm Challenge (see page 9). The award has helped Shidhulai widen a program for delivering Internet-based environmental education to thousands of families living in riverside villages.

DIVERSITY

We take pride in being a multi-cultural and highly diversified company whose employees reflect the scope of our activities. Operating in more than 140 countries, we leverage, respect and value individual differences. The company has no tolerance for discrimination. Our Code of Business Ethics ensures that this culture of diversity is safeguarded.

In a male-dominated industry, our challenge is to encourage greater female representation in all levels of the organization. Currently, 24 percent of the group's 56,000 employees are female, and 76 percent are male. Females held 17 percent of all managerial positions.

Ericsson has a tradition of providing opportunities for employees to work in other countries. This practice increases individuals' understanding of how to conduct business in cultures different from their own. In 2005, 900 employees worked on international assignments. Increasing the number of non-Swedish managers is also a priority area.

Also in 2005, the decision was taken to appoint a team to actively work with diversity issues, including representatives from various group functions and business units. Its mandate for 2006 is to formulate a Global Diversity Policy and develop a system for reporting results of local diversity activities.

ERICSSON EMPLOYEE STATISTICS 2005

	2005	2004	2003
Percent women	24	25	26
Percent men	76	75	74
Women managers (percent)	17	14	–
Women within the group of the 150 most senior executives (percent)	14	–	–
Average employment time (years)	9	10	–
Average age	38	36	–
Employees working on international assignment	900	600	–



NIGERIA: LEADING BY EXAMPLE

Clementina Saduwa, product engineer and manager at Ericsson, Nigeria, embodies our 'leadership by example' approach. She has received international recognition for her work in the Institute of Electrical and Electronics Engineers and has actively promoted the role of women in the African engineering community.

She believes that her own development has benefited from Ericsson's approach to its employees and its focus on empowerment. In working for a global company, she has been awarded opportunities otherwise difficult to access in Africa. Efforts to provide equal opportunities for women are managed locally, and Saduwa believes that the rewards of gender diversity would increase with a specific policy aimed at empowering women.

Her engagement with stakeholders in the community also influences her role as an Ericsson manager. She develops her communications skills and gains experience that improves job performance, and she is able to provide Ericsson with greater visibility.

COMPENSATION

Ericsson determines its compensation and remuneration policies on the local level in pursuit of optimal individual solutions. The group strives to design packages that are competitive, connected to business priorities, and that reflect local legislation on minimum wages and other labor laws. Two global programs complement local practice: A short-term incentive plan for all managers worldwide rewards the achievement of specific targets set at business and team levels. Long-term incentive plans are also available for all employees and are intended to unite the company into one team, focused on the same overall objective of increasing value for our shareholders. Our incentive schemes include a Stock Purchase Plan which encourages long-term commitment by making our employees co-owners of the company. The 2005 program will run from August 2005 until July 2006.

EMPLOYEE SURVEY 2005

Dialog is an internal employee survey conducted annually. Results help us gauge our performance within the organization and benchmark against industry performance. The high employee participation rate provides insight into priorities for the market, lays the groundwork for action plans and guides us in the implementation of improvements in our organization.

The response rate of more than 92 percent for the 2005 survey provides us with a reliable way to check the pulse of our employees worldwide. The survey gauges their opinions from two perspectives—the Human Capital Index and Empowerment Index, both generic indicators in the industry. It is rolled out simultaneously to all units. Survey results for 2005 indicate that Ericsson has improved performance in core areas of its operation, reflecting our commitment to operational excellence and the degree to which we are succeeding in our focus on the customer.

ACHIEVEMENTS 2005

Approximately 250 senior managers and key personnel participated in Regional Corporate Governance workshops, including Code of Business Ethics training.

A total of 86 percent of our employees participated in Individual Performance Management.

Some 95,000 of our employees' workdays were dedicated to raising their technical competency levels through Ericsson Education.

Strategic Competence Assessments were made to map the top ten focus competencies to reach long-term objectives.

Appointed a team of representatives from our global operations to actively work with diversity issues.

Achieved a 92 percent response rate from the 2005 Dialog survey.

OBJECTIVES 2006

Conduct all-employee acknowledgement process for Code of Business Ethics.

Formalize a competence management network to help ensure an efficient process on the local level to identify knowledge gaps.

Strategic Competence Assessments to be completed for 80 percent of organizational units by year-end.

Formulate a Global Diversity Policy and develop a system for reporting results of local diversity activities.

COMMUNITY INVOLVEMENT

Ericsson is committed to applying its competencies to the social, environmental and economic good of the communities where we operate. Market Units and their employees are encouraged and empowered to be positive agents in their neighborhoods.

Community initiatives are coordinated by Market Units, whose activities are shaped by local requirements and employee engagement. In 2005, projects ranged from scholarships, cultural events and environmental protection to social and humanitarian aid such as disaster relief, health care and children's welfare. Most contributions have an underlying theme of applying our core business to the common good.

Our Code of Business Ethics stipulates that Ericsson operations may not make contributions or endorsements to political parties or to individual politicians.

Both matching employee donations and providing paid time off to perform community activities is common practice. The overwhelming outpouring of support for victims of the 2005 Pakistan Earthquake is one such example. A total of USD 135,000 was donated to the president of Pakistan's Relief Fund from local employees and matched by Ericsson Pakistan.

A 2006 objective is to launch group-wide guidelines on sponsorship, both commercial and philanthropic, and to define appropriate types of initiatives that reflect our core business. In order to monitor how the guidelines are applied, data on contributions to charitable organizations will be systematically collated on group level. Visit www.ericsson.com/ericsson/corporate_responsibility/society for more examples.



ITALY: EGO PROGRAM

Ericsson Italy's Ego Program is an incubator project endorsed and supported by the Italian Ministry of Communication and Ministry of Technology, the City of Rome and three major universities. Its purpose is to promote outstanding ideas from young entrepreneurs.

Five start-up companies were awarded the opportunity to participate in the program after receiving nominations from a committee consisting of ministry and university representatives. Candidates propose winning ideas to address niche needs within the ICT sector. Ericsson helps candidates realize their potential by lending its contact network and providing offices, meeting facilities and market know-how. Participating entrepreneurs will continue to receive mentoring support after the initial two-year incubation period.

SWEDEN: EMPOWERMENT THROUGH ICT

Ericsson is headquartered in Kista, one of the world's most dynamic ICT centers and neighbor to a suburb with a large proportion of immigrant families. Together with a local chapter of Engineers without Borders, the municipal government of the town of Kista, and a local community college, Ericsson employees are volunteering to help immigrant women develop their computer and Internet skills. The project opens doors to local societies for these women and creates opportunities for them on the job market. Five Ericsson volunteers and 310 staff-hours were dedicated to the project in 2005.

FRANCE: TELECOM PASSPORT

Following a series of riots in France in 2005, Ericsson partnered with one of France's largest operators and the French Ministry of Education in a program to provide education in telecom engineering for young people from minority groups. Ericsson is helping 10 students for a four-year period by providing them with mentoring, networking and training. In 2006 EUR 25,000 will be invested, and ten Ericsson employees will participate as mentors.

CANADA: MATCHING EMPLOYEE DONATIONS

Ericsson Canada has adopted an "All Charities" approach through its Employee Donation Matching Program. The company matches staff contributions to charities selected by the donors without restrictions on political or religious affiliations. Ericsson will match contributions ranging from CAD \$50 to \$1,000 per employee and year, and will also donate CAD \$200 for every 60 hours of volunteer work outside regular hours. The company also grants community service leave, which employees can use for projects of their own choosing. Ericsson employees in Toronto are awarded up to three days of paid absence per year for volunteer service.

RADIO WAVES AND HEALTH

At Ericsson, we design and test all our products to ensure they comply with all relevant safety standards and regulations, we develop public information on radio waves and health, and we support independent research to further increase general knowledge about radio waves and health.

Ericsson has been involved in activities related to electromagnetic fields (EMF) for many years, addressing health concerns, research needs and new relevant standards. An EMF steering committee with representatives from senior management and various business units was established in 1992. Since 2000, a separate unit within Ericsson Research handles EMF.

A great deal of research on the potential effects of electromagnetic fields on people has been carried out over the past 60 years. Public health authorities and independent expert groups have reviewed this research, consistently concluding that the balance of evidence does not demonstrate any health effects associated with radio wave exposure from either mobile phones or radio base stations. During 2005 additional research updates were produced in the UK, the Netherlands and Sweden. The conclusions were in line with previous major reviews including those from the World Health Organization (WHO).

RESEARCH SUPPORT

Although Ericsson does not conduct its own medical research, we actively support additional study. We are co-sponsoring more than 40 different projects in Europe, the USA and Asia. The total cost of these multi-financed projects exceeds EUR 40 million.

Research projects that Ericsson currently supports include the WHO-coordinated international INTERPHONE project on potential links between tumors in the head and neck and the use of mobile phones. Results were published in 2005 and the final report from all 13 participating countries is expected to be published within the coming year. Another Ericsson-supported project, Perform-B, which was set up to replicate a number of previ-

ous controversial cell studies related to cancer and memory effects, has been completed and reported no adverse health effects. In 2006 results from the Perform-A project regarding carcinogenicity are expected to be published as well as results from a study examining the possible effects of radio waves on brain activity, sleep, cognition and other physiological parameters in human volunteers initiated last year.

INFORMATION INITIATIVES

Ericsson is committed to providing information about health and safety to answer questions people may have on radio waves and health. In 2005, we expanded our EMF information portfolio by publishing fact sheets in several other languages than English to allow more people to understand the issues involved. In 2006 we published a new comprehensive brochure on radio waves and health, replacing an older one from 1997. For further information: www.ericsson.com/ericsson/corporate_responsibility/health.

CONTROLLING ACCESS TO CONTENT

A number of Ericsson's stakeholders have raised concerns regarding the proliferation of inappropriate content on the Internet and telecommunications networks. Ericsson restricts the sale of content that is offensive and potentially damaging to Ericsson (e.g. is of a pornographic or discriminatory nature, or is religiously or politically extreme as perceived by local cultural norms), or any content that violates local laws or regulations.

Ericsson provides technical capabilities allowing its customers to block content that, in a specific region or country may be of illegal, offensive, pornographic or discriminatory nature, as determined locally by the customer. It is the sole decision of the customer to decide which content and services to allow on its networks and portals.

UN GLOBAL COMPACT COMMUNICATION ON PROGRESS

Ericsson continues to support the UN Global Compact, and endorses its ten principles covering human rights, fair labor, the environment and anti-corruption.



GROUP-WIDE POLICIES

The principles provide a universal framework on conducting business. To ensure the protection of human rights throughout our operations, principles one to five are addressed in the Ericsson Code of Conduct. Compliance is required for all employees and first-tier suppliers. The Ericsson Environmental Policy details our commitment to principles seven, eight and nine. The Code of Business Ethics, an umbrella code, communicates intolerance to corruption that relate to the tenth principle. Find out more about these codes in Our Social Responsibilities (p. 28).

Our commitment is also reflected in the priorities below. Page numbers refer to 2005 activities that are outlined in this report:

HUMAN RIGHTS

(Supporting human rights within sphere of influence)

- Communication is a basic human right (pp. 14, 28).
- Human rights play a central role in our values, professionalism, respect and perseverance that guide us in business (p. 28).
- Ericsson Response cooperates with humanitarian organizations in disaster relief (p. 31).

FAIR LABOR PRACTICES

(Freedom of association, prohibiting compulsory and child labor, and non-discrimination)

- We emphasize professionalism, respect and equal opportunity in our approach to human resources (p. 32).
- HR procedures ban discrimination and ensure equality and diversity in the workplace and in employment (p. 35).
- Employees report alleged incidents of non-compliance with the Code of Business Ethics (p. 33).
- Ericsson encourages union membership. In countries where workers cannot freely choose membership, work conditions are discussed with local management in a structured format.
- Discrimination reports are escalated.

- Should child labor be found within our spheres of influence, the child's best interest is our foremost priority.

ENVIRONMENT

(Precautionary principles, responsibility, and diffusion of sound technologies)

- ICT enables efficient use of resources (p. 16).
- Environmental impacts are measured with Life Cycle Assessment, and customers are provided with information to help reduce their footprint during use and disposal (p. 18).
- Our EMS is in accordance with ISO 14001, and operations are certified globally. This ensures that issues are managed consistently and at the source.
- We strive to optimize environmental aspects in product design, procurement, production and operation (p. 20).
- We continuously improve product performance.
- We cut raw material use of network nodes by a factor of 70 over the past decade. We also reduced CO₂ emissions of radio base stations by two-thirds.
- We fund independent research on health and safety issues relating to radio waves and electromagnetic fields (p. 38).
- Ericsson has issued banned and restricted substance list to all suppliers (p. 26).
- As a global company, we have stringent environmental standards to satisfy national regulations (p. 18).

ANTI-CORRUPTION

(Intolerance to corruption)

- A governance system to guide decision-making (p. 28).
- Workshops and training courses educate employees on the Code of Business Ethics (p. 33).
- A whistle blower procedure is in place for employees to report violations relating to accounting, internal controls and procedures or fraudulent practices.

GRI CROSS-REFERENCE

◐ Semi-compliance ● Compliance

AR = Annual Report

REPORTING ELEMENTS

GRI Indicator	Report page	Level of compliance
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STRATEGY AND ANALYSIS

1.1	Sustainability Report p2-3	●
1.2	Sustainability Report p7, AR p37, p119-122	◐

ORGANIZATIONAL PROFILE

2.1	Sustainability Report p1 and Back Cover	●
2.2	Annual Report p111-113	◐
2.3	Sustainability Report p5, AR p109-117	●
2.4	Sustainability Report p5, AR p1	◐
2.5	Annual Report p28-29	●
2.6	Annual Report p10-11	●
2.7	Sustainability Report p5-6, 8-9, AR p41-44	●
2.8	Sustainability Report p1, AR p114	●

REPORT PARAMETERS

3.1	Sustainability Report p1	●
3.2	Sustainability Report p1	●
3.5	Sustainability Report p10	●
3.6	Sustainability Report p1	◐
3.8	Sustainability Report p1	●
3.12	Sustainability Report p1	●
3.13	Sustainability Report p1, AR p114	◐
3.14	Sustainability Report p1	◐
3.16	Sustainability Report p40	●

COVERNANCE, COMMITMENTS & ENGAGEMENT

4.1	Corporate Governance Report p2-6	●
4.2	Corporate Governance Report p6	●
4.3	Corporate Governance Report p6-8	●
4.4	Corporate Governance Report p2-6	●
4.8	Sustainability Report p4, 6, 28-29, 32-33	●
4.11	Sustainability Report p18	●
4.12	Sustainability Report p4, 39	●
4.13	Sustainability Report p11-12	●
4.14	Sustainability Report p11-12	●
4.16	Sustainability Report p11-12	●
4.17	Sustainability Report p12	◐

ECONOMIC PERFORMANCE

GRI Indicator	Report page	Level of compliance
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ECONOMIC PERFORMANCE

EC1	Sustainability Report p8-9	●
EC3	Annual Report p49-50, 69-71, 80-81	●

ENVIRONMENTAL PERFORMANCE

GRI Indicator	Report page	Level of compliance
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ENERGY

EN1	Sustainability Report p24	◐
EN3	Sustainability Report p24	◐
EN4	Sustainability Report p24	◐
EN7	Sustainability Report p20-25	●
EN8	Sustainability Report p24-25	◐

GRI Indicator	Report page	Level of compliance
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EMISSIONS, EFFLUENTS AND WASTE

EN17	Sustainability Report p24-25	◐
EN20	Sustainability Report p24	◐
EN21	Sustainability Report p24	◐

PRODUCTS AND SERVICES

EN26	Sustainability Report p20-27	●
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SOCIAL PERFORMANCE

GRI Indicator	Report page	Level of compliance
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LABOR PRACTICES AND DECENT WORK

Employment

LA1	Annual Report p79, 116	●
LA2	Sustainability Report p35	◐
LA9	Sustainability Report p33-34	◐

Training and Education

LA12	Sustainability Report p34	◐
LA13	Sustainability Report p34	◐

Diversity and Equal Opportunities

LA14	Sustainability Report p35	◐
LA15	Sustainability Report p8, 35	◐

HUMAN RIGHTS

HR1	Sustainability Report p29-30	◐
HR2	Sustainability Report p30	◐
HR3	Sustainability Report p32, 33, 36	◐

SOCIETY

SO2	Sustainability Report p32, 33, 36	◐
SO4	Sustainability Report p12	◐

PRODUCT RESPONSIBILITY

Customer Health and Safety

PR1	Sustainability Report p38	◐
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TELECOM SUPPLEMENT

GRI Indicator	Report page	Level of compliance
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INTERNAL OPERATIONS

Health and Safety

IO3	Sustainability Report p30, 38	●
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BRIDGING THE DIGITAL DIVIDE

PA1	Sustainability Report p14-15	●
PA2	Sustainability Report p14-17	●
PA3	Sustainability Report p14-17	●
PA4	Annual Report p10-16	●
PA6	Sustainability Report p31	●
PA7	Sustainability Report p38	◐
PA8	Sustainability Report p38	◐
PA9	Sustainability Report p38	◐
PA11	Sustainability Report p21-24	●

TECHNOLOGY APPLICATIONS

Resource Efficiency

TA1	Sustainability Report p21-24	●
TA2	Sustainability Report p18-23	◐
TA4	Sustainability Report p21-24	◐

GLOSSARY

Corporate Responsibility

Ericsson's chosen term to describe the activities the company pursues to control risks and maximize positive social, ethical and environmental impacts. Broadly synonymous with "sustainability" and "Corporate Social Responsibility."

Design for Environment (DfE)

Describes techniques used to incorporate environmental considerations into products and services before they enter the production phase. DfE seeks to discover product innovations that will meet cost and performance objectives while reducing energy consumption, pollution and waste throughout the life-cycle.

EMF Electromagnetic fields; that portion of the electromagnetic spectrum in which electromagnetic waves can be generated by alternating current fed to an antenna.

Empowerment Index (EI)

Gauges how employees act on their own initiative to achieve the company's goals.

EMS Environmental Management System, part of an organizational management system in which specific competencies, behaviors and procedures for the implementation of an operational environmental policy of the organization are defined. Ericsson's EMS is based on the ISO 14000 series.

End-of-life The point when a product has come to the end of its useful purpose. One focus of Ericsson's environmental policy is on implementing environmentally responsible disposal practices for its products when they have reached their end of lives.

EoLT End-of-life treatment – how a product is taken care of after it is taken out of service.

GSM (2G) Global System for Mobile Communications, the most popular standard for mobile phones in the world, with at least 2 billion users in more than 210 countries and territories. GSM was the first all-digital mobile standard, as well as the first with built-in data communication. GSM is also known as 2nd Generation or 2G.

GSM Association Founded in 1987, The GSM Association (GSMA) is a global trade group representing more than 690 GSM mobile phone operators. The GSMA works to ensure that mobile phones and wireless services function globally and are easily accessible, for the benefit of individuals, companies and national economies. Some 160 manufacturers and suppliers, including Ericsson, support the organization's initiatives as associate members.

HSPA High-Speed Packet Access, an enhancement to WCDMA providing a smooth evolutionary path for Universal Mobile Telecommunications System (UMTS) to increase the available data rate by a factor of 5 or more.

Human Capital Index (HCI) Measures employees' contributions in adding value for customers and meeting business goals.

LCA Life Cycle Assessment, a management tool for appraising and quantifying the environmental impact of products or activities over their lifetime.

Outsourcing The transfer of a business function and its resources to a third-party supplier which then sells back the function as a service.

Radio Base Station (RBS)

A transmission and reception station in a fixed location for handling cellular traffic. Also called Base Transceiver Station, Cellular Base Station.

RoHS A European Union directive on restriction of the use of certain hazardous substances in electrical and electronic equipment.

WCDMA (3G) Wideband Code Division Multiple Access is the 3rd Generation cellular network technology evolution from GSM. WCDMA is the technology behind the UMTS standard, offering broadband data transfer speeds on mobile phone networks.

WEEE A European Union directive on waste electrical and electronic equipment.

WIDER A wireless local area network (LAN) solution developed by Ericsson to enable rapid deployment for communication in emergency situations and disaster relief.

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

Some statements in this report are forward looking for purposes of the U.S. Private Securities Litigation Reform Act of 1995. We caution that forward-looking statements are not promises or guarantees rather they are assumptions and estimates about future expectations. These expectations are subject to risks and uncertainties that the actual results could differ materially from those described or implied herein. Economic, competitive, regulatory, technological and other important factors that could affect whether and to what extent any of our forward-looking statements materialize are discussed in our Annual Report 2005 and are incorporated in this report by reference.

