

SETTLEMENT AGREEMENT

This settlement agreement (the "Agreement") is made by and between Ericsson Inc. ("EUS") and Ericsson, AB ("EAB") (collectively referred to hereinafter as "Ericsson"), and the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC).

I. PARTIES

OFAC administers and enforces economic sanctions against targeted foreign countries, regimes, terrorists, international narcotics traffickers, and proliferators of weapons of mass destruction, among others. OFAC acts under Presidential national emergency authorities, as well as authority granted by specific legislation, to impose controls on transactions and freeze assets under U.S. jurisdiction.

EAB, located in Sweden, and EUS, located in Texas, are subsidiaries of Telefonaktiebolaget LM Ericsson, an internationally active Swedish telecommunications company. At the time the transaction constituting the apparent violation described in the Agreement occurred, EAB conducted business in Sudan.

II. APPARENT VIOLATION

OFAC conducted an investigation of Ericsson. Based upon the documentation and information OFAC obtained during the course of its investigation, it appears that Ericsson violated § 538.211 of the Sudanese Sanctions Regulations, 31 C.F.R. part 538 (SSR),¹ when Ericsson employees conspired together and with employees of the Lebanese company BCom Offshore SAL ("BCom") from late 2011 to mid-2012 to: (1) export and reexport a satellite hub from the United States to Sudan; and (2) export and reexport satellite-related services from the United States to Sudan. Alternatively and independently from its actions in conspiracy to violate SSR § 538.205, EAB also appears to have violated 50 U.S.C. § 1705(a) of the International Economic Emergency Powers Act when it caused the U.S. seller of the satellite hub to violate SSR § 538.205. EUS also appears to have violated SSR § 538.206 when it facilitated the export of the satellite hub to Sudan. (Referred to hereafter as the "Apparent Violation").

OFAC determined that Ericsson voluntarily self-disclosed the Apparent Violation, and that the Apparent Violation constitutes an egregious case.

III. STATEMENT OF FACTS

On or around September 22, 2011, EAB signed a letter of intent with MTN Sudan Limited, a Sudanese subsidiary of MTN Group, to provide equipment and services to upgrade and expand network telecommunications coverage in Sudan starting with a test network. Ericsson opted to connect its test network in Sudan via satellite, as it had done in other

¹ Effective October 12, 2017, sections 1 and 2 of Executive Order (E.O.) 13067 of November 3, 1997 and all of E.O. 13412 of October 13, 2006 were revoked pursuant to E.O. 13761 of January 13, 2017, as amended by E.O. 13804 of July 11, 2017. For the sake of clarity, all references to the SSR in the Agreement shall mean the regulations in 31 C.F.R. Part 538 at the time of the activity.

underdeveloped areas. Ericsson hired BCom to assist with installing, configuring, and servicing the satellite equipment destined for Sudan.

In late 2011, the high temperatures in Sudan caused some of Ericsson's equipment to malfunction. In response, two now former EAB employees – a radio systems expert and project manager (“EAB Employee #1”), and a senior engagement director within EAB's business unit responsible for managing the implementation of the Sudanese project (“EAB Employee #2”) – contacted an EUS subject matter specialist and director of business development with EUS's Hosted Satellite Group (“EUS Employee”) to request assistance. The EUS Employee initially responded in a January 2, 2012 email to EAB Employee #1 and his manager (“EAB Manager”) among other EAB employees: “Please do not address any emails relating to this country [Sudan] to me. It is a serious matter and Ericsson can get fined and I can get fired.”

Notwithstanding the email cited above, the EAB personnel continued to discuss how to repair the damaged equipment with the EUS Employee while no longer referencing Sudan by name. For example, on January 27, 2012, EAB Employee #1 sent an email referencing Sudan by name to the EAB Manager and EUS Employee, to which the EAB Manager responded in Swedish “do not use that word ;).” Additionally, on February 22, 2012, the EUS Employee sent an email with “East Africa” in the subject line advising EAB Employee #1 and EAB Employee #2 on how to move forward with the Sudan project given the heat constraints.

On or about February 28, 2012, the EUS Employee met with EAB Employee #2 and the Chief Operating Officer (COO) of Ericsson's principal subcontractor, BCom, in Barcelona, Spain at a sales conference to specifically discuss the overheating problem in Sudan. The group decided to solve the issue by purchasing an export controlled U.S.-origin satellite hub capable of withstanding the heat.

On March 22, 2012, at the direction of Employee #1, EAB purchased a satellite hub from a U.S.-based company for delivery to BCom's office in Geneva, Switzerland.² On or about March 28, 2012, EAB Employee #1 exchanged emails with Ericsson's compliance department explaining what the satellite hub was for and why its purchase was necessary. Ericsson's compliance department informed EAB Employee #1 that the supply of such a satellite hub to Sudan would violate Ericsson's internal policy regarding sanctions compliance.

Despite the information from Ericsson's compliance department, the EUS Employee, EAB Employee #1, and BCom's COO agreed to provide the location of the customer purchasing the satellite hub as “Botswana” if future questions arose. Subsequently, on or about April 2, 2012, EAB Employee #1 structured Ericsson's purchase of the satellite hub into a multistage transaction between EAB and BCom. The multistage transaction involved transshipping the hub through Switzerland and Lebanon, and ultimately to Sudan. Every stage of the transaction except the last was invoiced. BCom did not issue an invoice to EAB for the final stage of the transaction taking the satellite hub from Lebanon to Sudan. Ericsson has since terminated its relationship with BCom.

² The satellite hub chosen was classified as 5A991 under the Export Administration Regulations, 15 C.F.R. part 730 *et seq.*

IV. TERMS OF SETTLEMENT

OFAC and Ericsson agree as follows:

1. In consideration of the undertakings of Ericsson in paragraph 2 below, OFAC agrees to release and forever discharge Ericsson, without any finding of fault, from any and all civil liability in connection with the Apparent Violation arising under the legal authorities that OFAC administers.
2. In consideration of the undertakings of OFAC in paragraph 1 above, Ericsson agrees:
 - A. Within fifteen (15) days of the date Ericsson receives the unsigned copy of this Agreement, to:
 - (i) sign, date, and mail an original signed copy of this Agreement to: [REDACTED], Office of Foreign Assets Control, U.S. Department of the Treasury, 1500 Pennsylvania Avenue, NW, Washington, DC 20220. Ericsson should retain a copy of the signed Agreement and a receipt or other evidence that shows the date that Ericsson mailed the signed Agreement to OFAC; and
 - (ii) pay or arrange for the payment to the U.S. Department of the Treasury the amount of \$145,893. Ericsson's payment must be made either by electronic funds transfer in accordance with the enclosed "Electronic Funds Transfer (EFT) Instructions," or by cashier's or certified check or money order payable to the "U.S. Treasury" and referencing ENF 43028. Unless otherwise arranged with the U.S. Department of the Treasury's Bureau of the Fiscal Service, Ericsson must either: (1) indicate payment by electronic funds transfer, by checking the box on the signature page of this Agreement; or (2) enclose with this Agreement the payment by cashier's or certified check or money order.
 - B. To waive (i) any claim by or on behalf of Ericsson, whether asserted or unasserted, against OFAC, the U.S. Department of the Treasury, and/or its officials and employees arising out of the facts giving rise to the enforcement matter that resulted in this Agreement, including but not limited to OFAC's investigation of the Apparent Violations, and (ii) any possible legal objection to this Agreement at any future date.

This Agreement shall not in any way be construed as an admission by Ericsson that Ericsson engaged in the Apparent Violation.

This Agreement has no bearing on any past, present, or future OFAC actions, including the imposition of civil penalties, with respect to any activities by Ericsson other than those set forth in the Apparent Violation.

OFAC may, in its sole discretion, post on its Web site this entire Agreement and/or issue a public statement about the facts of this Agreement, including the identity of any entity involved, the settlement amount, and a brief description of the Apparent Violation.

This Agreement consists of four pages and expresses the complete understanding of OFAC and Ericsson regarding resolution of OFAC's enforcement matter involving the Apparent Violation. No other agreements, oral or written, exist between OFAC and Ericsson regarding resolution of this matter.

This Agreement shall inure to the benefit of and be binding on each party, as well as its respective successors or assigns.

Ericsson accepts the terms of this Settlement Agreement this 2nd day of May, 2018.

Jonathan C. Poling
Signature

Jonathan C. Poling
Ericsson's Printed Name (or in the case of an entity, the name of Ericsson's Duly Authorized Representative)

Counsel to EAB/EUS
AKIN GUMP STRAUSS KAUER & FELD LLP
Printed Title of Ericsson's Duly Authorized Representative and Name of Entity (if applicable)

Please check this box if you have not enclosed payment with this Agreement and will instead be paying or have paid by electronic funds transfer (see paragraph 2(A)(ii) and the Electronic Funds Transfer Instructions enclosed with this Agreement).

Date: May 3, 2018

Andrea Gacki
Andrea Gacki
Deputy Director
Office of Foreign Assets Control