

	<b>Scheme: Ericsson Employee Benefits Scheme</b>
<b>To:</b>	Ericsson Employee Benefits Scheme Ltd - Corporate trustee
<b>Of:</b>	c/o Ericsson Ltd Midleton Gate Guildford Business Park Guildford GU2 8SG
<b>To:</b>	Ericsson Ltd
<b>Of:</b>	Midleton Gate Guildford Business Park Guildford GU2 8SG
<b>To:</b>	Law Debenture Pension Trust Corporation plc
<b>Of:</b>	Fifth floor, 100 Wood Street London EC2V 7EX
<b>To:</b>	Mr A G McLean
<b>Of:</b>	United Benefits Services Mill Reef House Cheap Street Newbury RG14 5DD
<b>Date:</b>	8 July 2005

**TAKE NOTICE that the Pensions Regulator of Napier House, Trafalgar Place,**

<b>1.</b>	<b>Determination</b>
	1.1 The Pensions Regulator is to determine whether an order should be made to appoint an independent trustee to the Ericsson Employee Benefits Scheme 1.2 An independent trustee was appointed: Law Debenture Pension Trust Corporation plc.
<b>2.</b>	<b>Procedure Followed: Special</b>
<b>2.1</b>	The Regulator considered it necessary to exercise a regulatory function immediately under section 98 of the Pensions Act 2004 (“the Act”) because there is, or the Regulator considers it likely that if a warning notice were to be

	given or the function were not exercised immediately there would be an immediate risk to the assets of such scheme.
<b>2.2</b>	The Regulator therefore decided to dispense with the giving of a warning notice and the opportunity to make representations as described in section 96(2)(a) & (b) of the Act and exercise its function immediately, details of which are given below.
<b>2.3</b>	The Regulator determined that the following parties are directly affected by this determination: <ol style="list-style-type: none"> <li>1. Ericsson Employee Benefits Scheme Ltd in its role as corporate trustee</li> <li>2. Law Debenture Pension Trust Corporation plc in its role as Independent Trustee appointed by the Pensions Regulator</li> <li>3. Ericsson Ltd in its role as sponsoring employer</li> <li>4. Mr McLean on behalf of UBS in their role as scheme administrators (collectively referred to as “the directly affected parties”)</li> </ol>

<b>3.</b>	<b>Relevant Statutory Provisions/Legislation</b>
	Section 97(2) of the Pensions Act 2004 Section 7(3)(c) of the Pensions Act 1995 as amended by section 35 of the Pensions Act 2004. Section 8 of the Pensions Act 1995

<b>4.</b>	<b>Background to the Application</b>
	<ol style="list-style-type: none"> <li>1. On the 1st July 2005 a report was received from Alastair McLean (F.I.A.), a director of United Benefit Services (UBS) under section 70 (1)(b) of the Pensions Act 2004. UBS are the Administrators of the Ericsson Employee Benefit Scheme. A number of serious allegations were made in his report that concern XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX and conflicts of interests involving other named individuals.</li> <li>2. Mr McLean has stressed the urgent nature of his report due to UBS having been served with termination papers by XXXXXX and the XXXXXXXXXX which attempt to bring UBS’s role as Administrator to an end. UBS believe that the termination is invalid.</li> <li>3. It is alleged by Mr McLean that XXXXXX and XXXXXX have conspired to remove UBS as Administrators because Mr McLean in his capacity as a signatory to the scheme bank account -held with HSBC -will not authorise transfer payments for members of the executive section of the scheme without written legal opinion justifying the size of the transfers.</li> <li>4. Mr McLean alleges that executive transfer payments are being</li> </ol>

engineered without the knowledge of three of the five trustee directors and that augmentations to these benefits have occurred in a way that he alleges could possibly be fraudulent. In particular he mentions his concerns about additional payments of £2 million for XXXXXX and about £1.8 million to a XXXXXX as well as an augmentation to the pension of XXXXXX worth £130,000+. Mr McLean estimates the financial impact on the scheme of these augmented executive buy-outs, obtained under *allegedly false pretences*, as about £10 million. A letter from Mr McLean to the President and CEO of Ericsson in Sweden dated 4<sup>th</sup> July 2005 outlines these costs in more detail.

5. Since the first report dated 30th June 2005 was received Mr McLean has provided the Regulator with further evidence to support his allegations that the executive buy-outs have been calculated on the basis of inaccurate information provided by XXXXXX and XXXXXX. The letter is dated 4th July 2005 and it clarifies the amounts at risk.
6. If any executive transfer payments go ahead Mr McLean believes it will lead to an unfavourable movement in the funded status of the scheme, as the sponsoring employer does not intend to pay sufficient additional contributions to fund these executive enhancements. Mr McLean believes that the wheels for getting these transfers approved have already been set in motion, as XXXXXX has already attempted to remove Mr McLean as a signatory to the HSBC account before the 12<sup>th</sup> July, so that new signatories from Punter Southall can be added, who would agree to the intended payments.
7. Mr McLean has informed the Pensions Regulator that there are large cash deposits held by the scheme, which XXXXXX can potentially access regardless of whether or not Mr McLean is removed as a signatory. He has provided written confirmation that a valuation carried out as at 31 March 2005 shows about £15 million held in cash account held by PSolve (the investment advisory division of Punter Southall) and £21 million in cash held by HSBC. Therefore, a significant risk appears to exist in relation to the security of certain scheme funds.
8. In addition to the irregularities with regard to the executive pension buy-out outlined by Mr McLean, he believes his immediate concerns about fund security are compounded by various conflicts of interest. XXXXXX left Ericsson in April 2005 and joined PSolve. PSolve are the investment managers and advisers to the scheme and hold £15 million in cash belonging to the scheme. PSolve stand to benefit in total, if all the executives and deferred pensioners decide to transfer their benefits, by approximately £5 million. XXXXXX appears to have continued in his role as XXXXXX. Mr McLean alleges that the conflicts extend to XXXXXX and XXXXXX agreeing to augment each other's pension funds. The last conflict of concern identified at this stage is in relation to Robert Sweet, who is the Scheme Actuary. He undertakes work for both the trustees and sponsoring employer, and has allegedly failed to make the whole of the trustee body aware of the proposed executive buy-out.

5.	Facts and Matters Relied Upon
	<p>1. The Panel considered that the appointment of an independent trustee (IT) was necessary in order to secure:</p> <ul style="list-style-type: none"> <li>• the proper use or application of the assets of the scheme.</li> </ul> <p>2. The Panel decided that, although their decision could only be based on the allegations made by Alistair McLean of UBS (the scheme administrator) an IT appointment should be made urgently. This was in view of the seriousness of the following allegations:</p> <ul style="list-style-type: none"> <li>• the Scheme being at risk of the loss of approximately £10 million in the very near future owing to proposed executive payment transfers (buy-outs) from the Scheme to personal pension schemes without the sponsoring employer being prepared to fund the executive pension enhancements</li> <li>• the Scheme being at risk of monies being removed by XXXXXXXXXXXXXXXX and XXXXXXXXXXXXXXXXXXXXXXXX from the large cash deposit owned by the Scheme. UBS informed the Regulator that these monies could easily be accessed, even without the signature of UBS.</li> </ul> <p>3. XXXXXX left Ericsson in April 2005 and joined the investment advisory division of Punter Southall (PSolve), who are the investment managers and advisers to the Scheme. Allegedly, XXXXXX and XXXXXXXXXXXXXXXXXXXXXXXX, have conflicts of interest in that they would be due to gain financially from any commission earned from:</p> <ol style="list-style-type: none"> <li>a. Advice provided to deferred pensioners from PSFM (the IFA division of Punter Southall)</li> <li>b. If the executive or deferred members should proceed to take the transfer using PSFM – the commission will also be taken by PSFM. If all were to decide to transfer their benefits the commission would amount to approximately £5 million</li> </ol> <p>4. Allegedly, XXXXXX and XXXXXX have failed to make 3 of the other directors of the corporate trustee aware of their plans in relation to the executive pension enhancements</p> <p>5. UBS reported that XXXXXX and XXXXXX had requested UBS's removal as the scheme administrator. UBS allege that this is because they have refused to authorise transfer payments for members of the executive section of the scheme without written legal opinion justifying the size of the transfers</p> <p>6. XXXXXX was the payroll manager for Ericsson prior to joining PSolve, and allegedly failed to provide accurate and timely administrative information</p> <p>7. Allegedly XXXXXX has claimed personal expenses from the Scheme authorised by XXXXXX.</p>

	<p>8. It is alleged that the Scheme Actuary has had a conflict of interest in undertaking work on behalf of both the trustees and the employer:</p> <p>9. The Panel decided that the newly appointed trustee's powers should be exercisable to the exclusion of the other trustees (pursuant to Section 8(4)(b) of the Pensions Act 2004), because the allegations seriously implicate the chairman of the directors of the corporate trustee, and it appears that other directors of the corporate trustee are not aware of decisions made.</p>
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<b>6.</b>	<b>Conclusion: Details of Determination</b>
	<p>1. Law Debenture Pension Trust Corporation plc of Fifth floor, 100 Wood Street, London EC2V 7EX is hereby appointed as trustee of the Ericsson Employee Benefits Scheme with effect on and from 7 July 2005.</p> <p>2. This order is made because the Pensions Regulator is satisfied that it is necessary to do so in order to secure the proper use or application of the assets of the scheme pursuant to Section 7(3)(c) of the Pensions Act 1995.</p> <p>3. The powers and duties exercisable by Law Debenture Pension Trust Corporation plc shall be to the exclusion of all other trustees of the scheme pursuant to section 8(4)(b) of the Pensions Act 1995.</p> <p>4. The appointed trustee's fees and expenses shall be paid by the employer pursuant to section 8(1)(a) of the Pensions Act 1995 as amended by section 35 of the Pensions Act 2004.</p> <p>4. This order:</p>
	a. will take immediate effect on the date of this order
	b. may be terminated at the expiration of 28 days notice from the Pensions Regulator to the trustees, pursuant to section 7(5)(c) of the Pensions Act 1995.

<b>7.</b>	<b>Decision Maker</b>
	<p>The determination which gave rise to the obligation to give this Determination Notice was made by the Determinations Panel.</p> <p>After disclosing a potential conflict of interest one member of the Determinations Panel withdrew from consideration of the selection of the independent trustee to be appointed.</p>

8. Scheme details	
Type of scheme	Defined benefit
Status of scheme	Open
Membership	Total membership is 4841 (901 active, 3405 deferred, 535 pensioner)
Size of fund	£188 million
Contracted in/out	Contracted out

9. Scheme trustees			
	Name	Period of office	Status of trustee
1.	Ericsson Employee Benefits Scheme Ltd	Unknown	Corporate

10. Scheme advisers				
	Type	Name	Period of office	Company
1.	Scheme actuary	Robert Sweet	Appointed 11 August 2004	Cartwright Consulting Ltd
2.	Investment managers		Capital International appointed on 23 April 2003	Schroder Investment Management (UK) Ltd & Capital International Ltd
3.	Custodian			Schroder Investment Management (UK) Ltd
4.	Investment Advisers			PSolve Asset Solutions
5.	Administrator		Appointed 1 November 2004 and currently in the process of being terminated	United Benefits Services
6.	Independent Auditor			Pricewaterhouse Coopers LLP
7.	Money Purchase Investment Managers			The Equitable Life Assurance Society Ltd The Prudential Assurance Co Ltd MGM Assurance
8.	Legal Adviser			Baker & MacKenzie
9.	Bankers			Barclays Bank Plc HSBC

11. Employer	
Name	Ericsson Ltd
Address	Midleton Gate Guildford Business Park Guildford Surrey GU2 8SG

<b>11.</b>	<b>Employer</b>	
	<b>Nature of business</b>	Telecommunications

<b>12.</b>	<b>Important Notices</b>	
	This Determination Notice is given to you under sections 98(2)(a) of the Act. The following statutory rights are important.	

<b>13.1</b>	<b>Representations to the Pensions Regulator</b>	
	Take notice that you have the opportunity to make representations to the Pensions Regulator which will make up your defence.	
	In your reply to this notice, please say whether you accept that the Determination Notice is accurate and if you intend to oppose it. You may believe that:	
	<ul style="list-style-type: none"> <li>• the determination is wrong in some particular detail; or</li> </ul>	
	<ul style="list-style-type: none"> <li>• the Regulator should not have used its power in this case;</li> </ul>	
	In any of these circumstances you will need to provide evidence to support your argument.	

<b>13.2</b>	<b>Compulsory review</b>	
	<p>This determination is subject to a compulsory review by the Regulator under section 99 of the Act. Any representations received will be considered by the Regulator before a determination is made on review. This review must be determined as soon as reasonably possible.</p> <p>The Regulator's powers on a review under this section include power to:</p> <ol style="list-style-type: none"> <li>a) confirm, vary or revoke the determination,</li> <li>b) confirm, vary or revoke any order, notice or direction made, issued or given as a result of the determination,</li> <li>c) substitute a different determination, order, notice or direction,</li> <li>d) deal with the matters arising on the review as if they had arisen on the original determination, and</li> <li>e) make savings and transitional provision.</li> </ol> <p>You will be informed of the outcome of the review by way of a "Final Notice"</p>	

<b>13.3</b>	<b>Referral to the Pensions Regulator Tribunal</b>	
	After the compulsory review, you will have the right to refer the matter, to	

	which this Determination Notice relates, to the Pensions Regulator Tribunal ("The Tribunal") under section 99(7) of the Act. The Final Notice will give more details regarding referrals to the Tribunal.
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Signed: <b>Daniel Taylor</b> .....
Chairman: <b>Daniel Taylor</b> .....
Date:        12 July 2005.....