

Communication on Progress
2008-2009

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1. Executive statement

I am pleased to express continued support for the ten principles of the Global Compact initiative on behalf of Axis Communications. This means that Axis will continue to support and advance the ten principles of the Global Compact within our sphere of influence.

As a global company, Axis is very much aware of the need to conduct all parts of our business in a sustainable and ethical way in order to gain the long-term support of employees, partners, customers and society at large. We also realize that conducting our business in a transparent way is an essential part of our efforts to develop beneficial relations with our stakeholders.

I would also like to mention that an important benefit with the use of Axis' products compared to traditional analog surveillance cameras is that they have a lower environmental impact as the company offers remote monitoring of the image material, meaning that users' journeys can be minimized and carbon dioxide emissions reduced. The use of network video also reduces energy spills and cables.

This Communication On Progress is the first one posted by Axis Communications since the company joined the Global Compact in 2008. The years 2008 and 2009 have been an initial period in which we focused our efforts on increasing awareness of corporate responsibility in the organization, formulating policies and creating the organizational framework for our efforts. The most important actions to structure Axis work and progress relating to the ten principles are the following:

- > Appointment of a Steering Committee for corporate social responsibility issues.
- > Implementation of Axis' Code of Conduct and related policies with follow-up of company activities.
- > Formalization of processes and tools for supplier evaluation, agreements and control.
- > Gradual increase of stakeholder dialogue and development of a statement regarding ethical implications of security surveillance equipment.
- > Environmental efforts have been increased through, among other things, the appointment of a corporate environmental engineer and the initiation of our first product Life Cycle Analysis (LCA).

Axis products are being produced by external suppliers and the company works with an indirect distribution model with some 27 000 partners worldwide. Therefore the implementation of the Global Compact principles in the areas of production and distribution is to a great extent a matter of Axis working closely with business partners. This we do through a supplier selection process with follow-ups and a Channel Partner Program for resellers and system integrators, which covers privacy versus security issues, among other things.

I am pleased to mention that a representative of Axis participated as one of the speakers at a recent conference on CO2-Innovation – Climate innovations by companies as a part of urban development, which also was supported by the Global Compact.

Lund, Sweden, 22 December 2009

AXIS COMMUNICATIONS AB


Ray Mauritsson
Chief Executive Officer

2. Introduction

This is Axis Communication AB's ("Axis") first Communication On Progress in line with the Global Compact. The report covers efforts from 2008, when Axis joined the Global Compact, and throughout 2009. In addition to being posted on the Global Compact website, it has been made public on the Axis Corporate website.

2.1 Axis Communications in brief

Axis is an IT company offering network video solutions for professional installations. The company is the global market leader in network video, driving the ongoing shift from analog to digital video surveillance. Axis products and solutions focus on security surveillance and remote monitoring, and are based on innovative, open technology platforms.

In 2008, which is the most recent full year reported by the company, net sales amounted to 1 974.8 MSEK.

Axis is a Sweden-based company, operating worldwide with offices in more than 20 countries and co-operating with partners in more than 70 countries. Founded in 1984, Axis is listed on the NASDAQ OMX Nordic, under the ticker AXIS.

2.2 Sphere of influence

EMPLOYEES: The majority of Axis' employees are employed in Sweden; in 2008 this corresponded to an average number of 419 out of a total of 663. At the end of the third quarter 2009, the total number of employees was 716. Although corporate policies apply to the Group as a whole, specific practices may vary between different countries due to national legislation and other local conditions.

PRODUCTION: All production of Axis' products is carried out by contract manufacturer. Axis designs and develops the products; selects, contracts and qualifies component suppliers; supports the contract manufacturers in establishing capable production processes and monitors the performance of all suppliers. Axis also works with product configuration and handles shipping at four Configuration & Logistics Centers (CLC). Axis can directly influence the first chain of subcontractors through a careful supplier selection process and supplier contracts. Further back in the supplier chain – i.e. supply of bulk components – it becomes increasingly difficult to exercise control apart from component specifications.

DISTRIBUTION: Products are being sold via an indirect distribution model, whereby Axis' sales take place in the first stage to the distributors. They stock the products and supply them to the system integrators and resellers who are the partners that meet the end customers. In all Axis has some 27 000 partners worldwide.

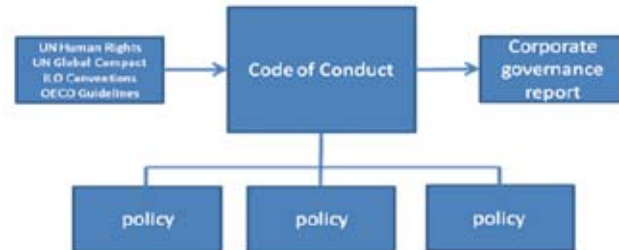


As a consequence of the business model, a great deal of the responsibility for production, distribution and specific installations of Axis' products rests with the company's business partners. However, as is being described below, Axis works closely with its partners through the Channel Partner Program, training programs, inspections and more in order to ensure that its Code of Conduct is being understood and followed.

3. Description of Actions

3.1 Human rights

Axis' most important guidelines and policies relate to financial control, communications, human relations, business ethics, quality and environmental matters.



The company's Code of Conduct sets out the approach, values and guidelines that Axis' personnel shall apply in matters of business principles, business relations, human rights, workplace practices and environmental principles. Axis supports and respects the protection of internationally proclaimed human rights and ensures that the company is not involved in human rights abuses. The following international principles form the basis of Axis' Code of Conduct: UN's Universal Declaration of Human Rights, UN's Global Compact initiative and the ILO Declaration on Fundamental Principles and Rights at Work. The Code of Conduct was formulated in 2007 and several activities have been carried out during 2008 and 2009 in order to implement the code in the Group and in our business relations.

Axis' network video products are used extensively for the safeguarding of property and for security purposes. In pace with the increasing number of surveillance cameras in society, a discussion has arisen regarding how surveillance systems affect personal integrity. We believe that our products help to improve security for people and businesses, thereby improving safety and profitability. Surveys also show that surveillance cameras contribute to crime prevention and to solving criminal actions and that a majority of the public is positive towards surveillance cameras.

As a measure to ensure that our products are not misused, Axis places great emphasis on selecting and training partners and resellers. Through the combination of technological innovation, compliance with international guidelines and voluntary best practices; we are sending the message that security does not have to come at the expense of privacy.

3.2 Labor

Axis' Code of Conduct states that all employees are to be treated with respect and dignity. Furthermore the code states that the company shall promote diversity and not engage in or support discrimination in hiring, compensation, access to training, promotion, or termination based on ethnic or national origin, caste, religion, sex, age, sexual orientation, physical disability, union affiliation or political opinion.

In 2008 the company signed a collective bargaining agreement with unions encompassing the Swedish part of the Group.

During 2009, the human resource function has been developed into a global organization with regional human resource departments. A corporate human resource plan has been successfully implemented in order to safeguard that all parts of the organization is handling human resource matters including recruitment, training and core values in a structured and uniform way.

The Code of Conduct also states that a safe and healthy environment shall be provided for all employees in compliance with international and national laws. There is also a Working Environment Policy that outlines the main responsibilities in the area. Efforts in the area of work environment and job safety have been increased during 2009. A work environment council with company and employee representatives was formed and safety representatives appointed among employees in the Swedish part of operations.

3.3 Environment

The objective of Axis' Environmental Policy is to ensure that the company supplies products and solutions in an efficient and environmentally low-impact way, and that legal obligations and environmental regulations are complied with.

Axis' Environmental Council is composed of representatives from R&D, Product Management and Operation as well as from the Management team. The Council works with general environmental issues and initiates projects aimed at minimizing Axis' environmental impact. On an annual basis the council establishes specific environmental targets which are communicated to the proper departments and managers in charge. The council convenes a minimum of six times a year.

In order to further develop Axis environmental effort, a corporate environmental engineer was employed during 2008.

A Travel Policy outlines rules and recommendations aimed at achieving safe and cost efficient travels with a minimum impact on the environment. In line with this, Axis' offers its staff low environmental impact alternatives and travel planning for reduced environmental impact.

Environmental impact

Axis' ambition is that environmental considerations must be applied to the entire value chain, from the selection of materials for components to and the use of the final product. The latest available technology is to be used in the development of new products in order to minimize energy consumption in the use of the company's products and solutions.

Axis requires that suppliers and contract manufacturers have knowledge of environmental legislation and applicable regulations, and can show that they are in compliance. All suppliers must provide information about the raw materials used in the products supplied to Axis and make recommendations regarding end-of-life treatment of the products.

Axis collaborates with its component suppliers to ensure that all existing and future products meet the requirements for elimination of environmentally hazardous components and substances. The company meets the demands in the EU RoHS directive on restriction of certain hazardous substances in electrical and electronic equipment, as well as the requirements in the EU directive on the collection and recycling of electrical and electronic equipment (WEEE). Axis also meets the requirements in the EU REACH directive on Registration, Evaluation, Authorization and Restriction of Chemicals.

In addition to the legal requirements, Axis has its own list of prohibited and banned substances in order to further eliminate the number of dangerous and undesired substances in our products. The list, which was thoroughly updated during 2009, helps Axis to remain at the cutting edge and be well-prepared ahead of stricter requirements on the market.

Axis continually evaluates and constantly increases its knowledge regarding the environmental impact caused by the company and its products. A clear result of the environmental work may be seen in the fact that the products' energy consumption has been reduced sharply. Cameras have also been designed in a more compact way, which reduces material as well as transport volumes.

Axis aims to use environmentally certified transportation and bulk transportation, i.e. that more products are carried per transportation in order to reduce the impact on the environment. In the logistics process, transport is the area that has the greatest environmental impact.

During 2009 Axis has initiated its first product Life Cycle Analysis (LCA) in order to develop a clear understanding of the environmental impact of one of its new products during its entire life cycle. The study is a pilot project aiming to establish a feasible method for use in Axis' product development process.

Environmental benefits from using AXIS products

An important benefit with the use of Axis' products is that they have a lower environmental impact as the company offers remote monitoring of the image material, meaning that users' journeys can be minimized and carbon dioxide emissions reduced. This means that a customer, who for example, has responsibility for a number of stores spread over a geographical area, has the possibility to monitor these units without having to travel to the different stores. Compared to traditional cameras, network video also reduce energy spills and cables.

3.4 Anti-corruption

Axis' Code of Conduct states that the company shall compete fairly and in full accordance with applicable laws. Corruption, bribery and un-fair anti-competitive actions etc. are not accepted.

All employees are expected to promote, contribute to and uphold the company's values, integrity and responsibility. Axis also encourages its suppliers, distributors, system integrators, consultants and other business partners to follow these principles.

In addition to the Code of Conduct, Axis has during 2009 initiated development of internal guidelines and a training program about anti-corruption.

Axis also works with a continuous supplier evaluation process which often takes the form of either a questionnaire or interview and includes appraisals of various aspects of a supplier's business including capacity, financial details, quality assurance, environmental and ethical responsibility, organizational structure and processes and performance. Based on the information obtained suppliers are scored and either accepted or rejected. Once approved, suppliers may be reevaluated on a periodic, often annual, basis.

4. Measurements of outcomes

4.1 Measurements of current outcomes

As mentioned in the Executive Statement, a number of steps have been taken since Axis joined Global Compact in order to structure Axis' work and progress relating to the ten principles:

- > Appointment of a Steering Committee for corporate social responsibility issues.
- > Implementation of Axis' Code of Conduct and related policies with follow-up of company activities.
- > Formalization of processes and tools for supplier evaluation, agreements and control.
- > Gradual increase of stakeholder dialogue and development of a statement regarding ethical implications of security surveillance equipment.
- > Environmental efforts have been increased through, among other things, the appointment of a corporate environmental engineer and the initiation of our first product Life Cycle Analysis (LCA).

There were no quantitative targets set for 2009.

4.2 Targets for 2010 and expected outcomes

During 2010, Axis will continue its efforts in the areas covered by the Global Compact: Human Rights, Labor, Environment and Anti-Corruption. Focus will continue to be on the implementation of Axis' Code of Conduct and related policies with a follow-up of company activities in the different areas. Axis will also start to structure its Corporate Social Responsibility work as much as possible using indicators or metrics, such as those developed by the Global Reporting Initiative, GRI, in order to be able to report performance in a way which can be measured.

Among other things, a business ethics training program for all employees will be launched during 2010. Based on its core values and in order to increase transparency, the company will also start to introduce new systematic processes for organizational assessment, performance management and succession planning. Initially, these measures will focus on managers and key personnel and gradually be extended to include all employees.

In the environmental area, Axis will develop a baseline for its CO2 emissions as a basis for setting targets for future reductions. During the year, Axis expects to complete its first product Life Cycle Analysis (LCA), which will develop the understanding of the environmental impact of one of the company's new products during its entire life cycle.

In order to further develop its environmental work, Axis has formulated internal targets for its environmental efforts in 2010. These targets cover areas such as a minimization of the use of certain substances and a reduction of CO2 emissions from inbound and outbound transports. Targets have also been set regarding the supervision of environmental work by suppliers. This is expected to strengthen Axis' environmental efforts and the dialogue with business partners as well as provide useful experience of how to use targets as a tool for accelerating environmental work. This is expected to result in Axis being able to formulate targets which can be communicated externally and followed up in future Communications On Progress.

About Axis Communications

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