Annual review & sustainability report 2018



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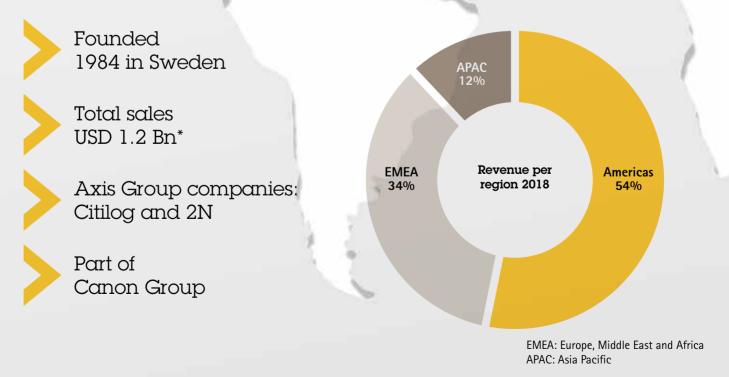
# The year In brief

- > Turnover of SEK 10.3 billion
- > Operating margin of 13.1 percent
- > Continued growth and global expansion
- > New development office in Linköping
- > Investments in R&D corresponding to 18 percent of sales
- > Several new PVC-free models were developed
- > Proactive and systematic work for strong IT security, which is aimed at effectively protecting products, solutions and systems
- > Initiatives for greater equality and diversity such as an increased awareness in the recruitment process, and the launch of a comprehensive program for diversity and inclusion in North America
- > Launch of many new products and solutions, for example:
  - Award-winning AXIS P3717-PLE with four camera heads in one camera, which results in 360 degree panoramic view combined with zoomed image details
  - Extension of AXIS Q17 Series that meets the market's increased demand for powerful zoom
  - Complementing AXIS Q35 Series for challenging lighting conditions in outdoor environments
  - New models of thermal cameras and advanced cameras for harsh environments
  - AXIS Audio Manager for handling large and advanced audio systems

AXIS

# Axis in one minute

Axis enables a smarter and safer world by creating networked solutions that provide insights for improving security and optimizing business performance. As the industry leader in network video, Axis offers products and services for video surveillance, access control and audio systems, as well as video analytics, distributed throughout the world in a global partner network.





Local presence around the world via an extensive partner network



in 50 countries

highly satisfied partners\*\*

15 years of steady growth

\*\* Q4 2018 \*\*\* Partner satisfaction survey

# Increased demands relating to responsibility and trust

The market for the Internet of Things is developing at a fast pace, where Axis is today a leading global player with millions of network cameras installed. Meanwhile, the interest in matters relating to privacy, IT security and sustainability is growing. For us at Axis, it has been crucial that we have taken our responsibility. With the trust of employees, end customers, partners and society, we have been able to conduct a successful business, built on innovation and technological know-how. And this is the way it will continue to be.

#### Innovation drives growth

2018 was another good year for Axis. Growth exceeded the goal of 15 percent while we continued to show good profitability. The successes are due to stable growth in our base offering within network cameras, which is growing faster than the global market growth of 5-10 percent. In addition to this, our innovative new camera concepts and New Business initiatives are growing much faster. Overall, Axis through a high innovation rate, has succeeded in taking a new step in line with the gradual maturing of the market for our base products.

Examples of successful offerings include our multisensor fixed camera featuring four varifocal camera heads, which can provide a 360° panoramic overview without image-distorting "fisheye" effects. Within network audio, audio for security has proved to be an offering that delivers significant gains in efficiency to our customers.

#### Skilled employees

Naturally, our skilled employees are crucial to this success. And we are quickly growing in terms of numbers. During 2018, we passed the 3,000-employee mark and at year-end we had 3,253 employees. Axis is growing today by approximately one employee per day. The expanding organization is the result of a proactive recruitment strategy. The more employees we have within both sales and R&D, the more long-term customer relationships and the more solutions we can develop. This is a strategy that has worked well to date and that is based on the fact that Axis is an attractive workplace, which offers exciting opportunities in a labor market where there is intense competition for the best talent.

Axis' base for product development is in Lund, but during the year we established an R&D center in Linköping where we expect to employ about 100 people in a few years. Product development also occurs within our subsidiaries 2N in Prague and Citilog in Paris. In addition to this, we also have a development office in Shanghai. Our strong global presence with employees in 50 countries also strengthens our attractiveness as an employer.

#### We are developing well within the Canon Group

Axis is continuing to develop within the Canon Group, which during the year initiated a compulsory acquisition procedure to acquire all the remaining shares, which meant that Axis was delisted from Nasdaq Stockholm. In terms of ownership, this represents a milestone that marks a new phase. When I look back on the 18 years that Axis was listed, I can state that it has been an amazing journey. Since 2004, when Axis focused fully on network cameras, we have changed an entire industry and gone from being a new challenger to being one of the leading players that is continuing to drive the global development. Our growth rate has averaged 21 percent per year over a 14-year period. All of us at Axis should be very proud of this.

#### Focus on responsibility and trust

The position as global market leader is associated with great responsibility since the development within public security is complex. While our products protect and create security in public environments, they are also subject to the debate on personal integrity. Privacy and IT security are currently central issues in the public debate and in our industry. The introduction of GDPR is one example of regulatory measures that safeguard the individual's privacy. For me, legislation like this is only a hygiene factor, however. We must look beyond this in every part of our business. This includes financial principles, our use and storage of data, codes of conduct and other sustainability-related issues. If some link in the value chain does not meet the standard we have set, it will damage the trust we have built up since the start.

#### Technological development gives rise to new ethical issues

Naturally, Axis' offering shall never be perceived as a security risk. Several global companies are competing to take control of large quantities of data and over the infrastructure between devices and data storage. For Axis, it is of the utmost importance that we protect our customers' data in a world where criminality on the Internet is well-organized and where even nation states are suspected of cyber attacks. In addition, the rapid developments within artificial intelligence and machine learning give rise to many ethical questions. We consider these issues on a daily basis and place a strong focus on privacy and ethical questions in our expanding organization.

## We work continuously to take sustainability into account in our business.

#### Sustainability in the entire value chain

Sustainability is an integrated part of our operations and is critical for our continued growth and successful development. We want to act as a role model and as a leading market player we have good opportunities to influence those around us.

We work in a systematic and focused way to handle sustainability risks, and on increasing awareness of them, not just in our own operations but also among other players in the value chain: at suppliers, distributors, partners, and end customers. Axis takes long-term economic, social and environmental responsibility for how our operations impact our stakeholders and we act according to our values, in an ethical, responsible and transparent way in our business relationships.

Axis strives to be a good corporate citizen and to make a positive contibution through social initiatives. Our proactive approach is appreciated and positively received by our stakeholders. During the year, we initiated work to draw up a new environmental strategy, among other things. The aim of the new environmental strategy is to clarify Axis' environmental work and connect it to the change the company wants to achieve.

There is a genuine commitment to drive the operations in a sustainable way in all parts of the organization. We are continuing to advance our positions for improved equality and increased diversity, both internally and through external initiatives. It is gratifying that our employee surveys once again indicated a very good result, where Axis was ranked as an excellent workplace and received high marks in areas such as comradeship, pride and satisfaction.

#### Making a difference

Our sustainability work and our sustainability strategy are based on the UN Global Compact's ten principles, which we signed in 2007. Since then, the principles have provided guidance for how we conduct our sustainability work. Through our work, we are contributing to Agenda 2030 and the UN's Global Sustainable Development Goals. In 2018, I signed The Copenhagen Letter, a manifesto where representatives of European and American technology and design companies undertake to work for a sustainable world.

#### A smarter and safer world

In summary, I look forward to changing, but simultaneously very exciting world, full of technological possibilities, where we continue to take our responsibility.

During the year, Axis landed safely in terms of ownership in the Canon Group, which gives us great opportunities and support for further independent development. Protectionism in the world is increasing which is creating challenges, but also commercial opportunities depending on which countries' products receive preferential treatment in different contexts. Here, Axis has an advantage from the independence and trust we have built up in combination with our innovative capability.

Our agenda is long-term and ambitious. We are working continuously to take sustainability into account in our business, in order to create innovative and long-term sustainable and safe products and solutions for a smarter and safer world.



## Vision

Innovating for a smarter, safer world.

## Mission

Together, we pioneer intelligent network technology creating unique possibilities for partners, end users and employees.



# A smarter, safer world

Axis challenges conventions and re-imagines security and business optimization. This is a natural part of the company's DNA. With curiosity and open minds, Axis develops connected solutions based on sight, sound and analytics to unlock hidden potential. As the industry leader in network video, Axis' portfolio of today extends far beyond cameras, covering a whole new world of application areas, and there is much more to come. By combining intelligent technology and human imagination, Axis adds new dimensions of insight, empowering people to interpret, predict and respond. Together with partners, Axis strives to shape the future, making it smarter and safer than it was before and is today.

# Business model based on innovation and collaboration

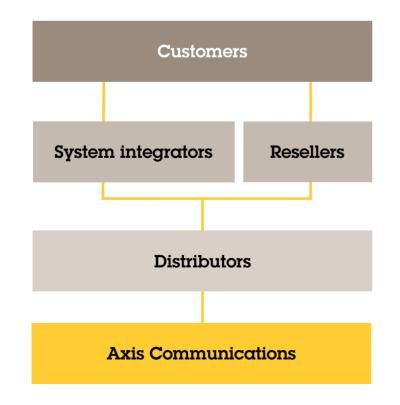
Axis is driving the development of network security solutions. The basis for this is a global market presence with a local base, long-term collaboration and continual development of innovative products, services and solutions. Thanks to Axis market knowledge, world-leading products can find the right customer and the right use. A broad partner network and the company's own local presence make it possible for end users all over the world to take advantage of solutions for increased security and new business opportunities.

Axis strategy is based on three key cornerstones – a global presence, sales via partners that are experts in their local markets as well as continual renewal and broadening of the offering in the form of products and solutions. Axis identifies needs and requests through dialogue with partners and end customers and turns this into new innovation. In this way, the overall offering can meet the needs of both large and small customers that can have different preferences depending on local variations in different markets.

The development of the software that runs and connects the security products is an important part of Axis innovation strategy. For Axis, it is of great importance that its software is robust against hacking and a lot of effort goes into training partners and customers so that Axis solutions are used safely. Axis has built up a market presence with its own representatives in 50 countries and resellers in 179 countries. As a global market player, Axis shall have a strong position in each market where the company operates. There is a strong focus on strengthening the company's presence in emerging markets. Meanwhile, continued investments are being made in order to get closer to end customers in more mature markets with the aim of creating innovative products and solutions that meet changing customer needs.

Long-term and loyal partnerships enable mutual exchange of competencies and combined development of the market while creating a strong market presence. This collaboration is growing stronger in line with Axis' expanding offering, while new partners are being added. New customer segments, trends and business opportunities are rapidly identified through open and close dialogue in the partner network.

Axis' ambition as a market leader and innovative force is to drive the rapid global development of network security solutions. The offering is continually broadened with new products, accessories and overall solutions for customer needs. As the market grows and matures, investments are continually being made to strengthen the overall offering and to assume greater responsibility for IT security.



# Customer stories

### New opportunities in retail

From network cameras to IP speakers to video analytics, Kappy's Fine Wine & Spirits embraces an IoT world for stronger security and new opportunities.

## Integrated cameras make New Orleans a safer city

The New Orleans Real Time Crime Center integrates Axis cameras, playing a critical role in providing immediate incident awareness.



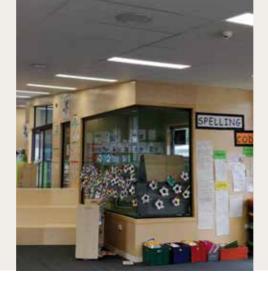


Since we partnered with Axis Communications, we have definitely increased the quality of our cameras, their capabilities and offsite viewing quite a bit. The entire Axis security solution is very intuitive and is an instrumental business tool. Scott Moore, Owner, Kappys Fine Wine & Spirits

Using the Axis cameras to corroborate and validate what the calls for service are, allows the police department to be more efficient and more effective. This gives them more time to interact with the community, build a better rapport, which ultimately will have a positive impact on crime. Ross Bourgeois, Office of Homeland Security and Emergency Preparedness, New Orleans.

### Ringing the bell at Thorndon Primary School

How Axis network audio helped improve communication between pupils and staff.



The Axis system gives us so much flexibility. Instead of using the same sound throughout the day, I was able to pick appropriate samples for different times. I edited 20-second samples, for each of our three daily bells. Tim Kong, Deputy Principal, Thorndon Primary School

#### Mission

As a prominent beverage retailer with 12 stores throughout Massachusetts, Kappy's Fine Wine & Spirits takes pride in its pristine stores in upscale environments. To monitor inventory and reduce shrink, Kappy's needed a modern surveillance system. Dedicated to expanding the business, Kappy's sought a scalable solution that would provide safety and security for its customers, employees and the company's assets while gathering critical business data.

#### Solution

After consulting RGBS/ALSI, an Axis partner, Kappy's was advised to use an Axis surveillance system. With high-resolution Axis network cameras, AXIS Camera Station video management software and a custom-built network video recorder (NVR) Kappy's can efficiently view, record, store and manage video across multiple locations. RGBS/ALSI also selected Axis network speakers for easy management of background music with less hardware than a traditional audio solution. Kappy's is currently integrating AXIS People Counter and AXIS Queue Monitor with specific cameras in order to explore the business opportunities with video analytics.

#### Result

One of the most notable advantages of the installation is the feeling of security it has created. The system provides crystal-clear video quality to answer a wide range of business questions: How was a product display knocked down overnight? What customers are coming in? When are customers coming in? Where are the high traffic areas in the store? The list is endless, but the answers are there for Kappy's with its 24/7 intelligent surveillance solution.

#### Mission

When New Orleans announced its Citywide Public Safety Project, city officials planned for video cameras to play a key role in helping its police department and partner agencies prevent, detect and investigate crimes. They proposed the solution that would coordinate 911 dispatch center calls with video cameras in the vicinity of incidents and transmit real-time information to appropriate responders.

#### Solution

New Orleans built a Real Time Crime Center where staff monitor video streams from a mix

of panoramic, fixed and pan/tilt/zoom (PTZ) Axis cameras deployed throughout the city. The 24/7 operation uses Motorola's Command Central Aware software to integrate the geolocation data, provided through the city's computer-aided 911 dispatch center, with the GPS coordinates of the Axis cameras managed by Security Center and Stratocast, video management systems from Genetec. When the dispatch center receives a call, the appropriate camera views appear on the monitors at the Crime Center. Crime Center Technicians are then able to track activity in the vicinity and share that situational awareness with police and other responders.

#### Result

Since its launch, the Crime Center has proven to be a powerful tool, helping law enforcement monitor the size of crowds, track motor vehicle and pedestrian traffic, as well as focus on any incidents that might occur along parade routes. During the 2018 Mardi Gras season, the Real Time Crime Center helped expedite more than 50 cases, including several violent crimes and a suspected drunk driving situation. Civilian staff use the Axis cameras to effectively corroborate and validate hundreds of calls for service, saving police and other agencies valuable time in chasing false alarms or tracking down witnesses.

#### Mission

As part of its renovations, Thorndon Primary School had the opportunity to modernize its existing communication system by installing a network audio system with increased functionalities and flexibility. It needed a futureproof solution that would meet the needs of the school today and for many years to come.

#### Solution

The school engaged Pure Tech, which suggested a network audio system from Axis Communications, consisting of internal speakers flush-mounted in the ceiling, an external horn speaker, providing coverage of the whole outdoor play area, a programmable microphone system at reception and a centralized console with easy-to-use, browser-based, Axis audio management software.

#### Result

The network audio system, which was installed has changed the way Thorndon Primary School communicates with its students, allowing for tailored messages and sounds that have created a more positive environment for students and teachers.

# **Axis** worldwide



#### Americas

Americas – USA, Canada and Latin America – is Axis' largest market. 2018 was a strong year generally with good demand from many customers that impose strict requirements in terms of reliability and security. Customers are found in all parts of society – retail, schools, transportation, public authorities, banking, finance and large commercial companies. Axis has a market-leading position in the Americas.

USA and Canada displayed good growth during the year. Video surveillance is still a growing and attractive market, of which Axis captured an increased market share during the year. There are clear growth trends in new product areas such as Audio Solutions and Door Solutions where the latter also includes Intercom and Access Control. There is interest from players within retail, education, smart city and commercial, among other segments. Within the commercial segment, several Fortune 500 companies carried out large global implementations during the year, and they see the value in Axis' offering in the form of quality, security and power of innovation. Otherwise, Axis continued to focus on developing solutions in cybersecurity, where the company's long-term investments in the area are becoming increasingly important and are starting to deliver results.

The Latin American market, which extends from Mexico to Argentina, has been challenging with weaker growth generally compared with recent years and a noticeable downward pressure on prices. During the year, there was a change of government in many countries, including in Mexico, Colombia, Brazil and Argentina, which itself contributes to uncertainty and a wait-and-see approach to new technology investments. Despite this market situation, Axis showed reasonable growth in the region.

Axis completed an extensive expansion plan during the year, which involved getting closer to customers and continuing to improve sales activities through a number of newly constructed experience centers. During the year, new centers were opened in Washington DC and Buenos Aires.

#### Europe, Middle East and Africa

Axis has a leading position in the EMEA region, a fragmented market with considerable differences in demand between Central Europe and the Middle East as well as parts of Eastern Europe. Overall, 2018 was a positive year with strong demand across segments and customer groups. Digital conversion and cybersecurity are very high on customers' agendas, which is favorable for Axis considering its strong position in these areas. Axis is expanding its sales teams across the region as a foundation for continued growth.

During the year, Axis maintained its market position from the previous year and overall conditions in the region were favorable. From an Axis perspective, growth has been very evident in the focus areas Retail, Critical Infrastructure and Transportation.

A number of product releases had a positive impact on sales, which combined with the Axis end-to-end offering for small and mediumsized customers, proved to be a successful strategy. The strongest foothold is in the enterprise segment, where Axis introduced a new Audio offering for retail customers. In the critical infrastructure segment, growth was fueled by a solution for perimeter protection, often bundled with thermal cameras. Axis' goal is to further develop its portfolio beyond camera products to offer more and more end-toend solutions.

Axis continued to invest strongly in its regional sales teams during the year to expand the base for future growth. Axis Experience Centers, which are established in a number of countries provide important support with sales activities, in order to demonstrate the potential of the Axis offering to both existing and potential customers.

#### Asia Pacific

China is the world's largest market for sales of network cameras and has great potential along with the rest of Asia. A clear trend in the region is strong interest in intelligent city surveillance solutions. Due to the region's dynamic climate, it is a competitive market. Axis is continuing to create new business opportunities by investing in a greater local presence, further strengthening its partner network and is continuing to increase focus on end-to-end solutions.

In Southeast Asia, government is the largest customer group and an area where demand is constantly increasing, mainly from Oceania. During the year, Axis took the strategic decision to merge the two previous Southeast Asian sub regions into one, in order to further strengthen local ownership of the established sales team in the region. Axis is now working actively to get closer to end customers and to meet demand in the local markets. Australia stood out during the year by showing very strong growth and new market opportunities.

In the northern part of Asia there is intensive price-based competition from several well-established local competitors. Despite this, Axis performed strongly. During the year, Axis won several major customer projects by pursuing a solution-oriented strategy in the enterprise segment with strong support from key partners.

# Innovation is a fundamental part of Axis culture

More than 1,000 people work at Axis headquarters in Lund – about one third of the total number of employees – with development of new products and solutions in areas such as network video, access control systems, audio systems and video analytics.

Innovation is an important and fundamental part of Axis culture – employees should want to develop and should be curious. This mainly involves curiosity about what Axis can offer the market in the form of new products and offerings, but also about being innovative in other areas, ranging from internal processes to how the products are distributed and delivered to customers.

Continual development is a challenge and in recent years, Axis has encouraged internal working methods in order to create more flexible and innovative work approaches. A lot of inspiration comes from the world around us. Axis takes an active part in various collaborative initiatives to develop and change the company's working methods, and even looks at how companies in other industries work to reinvent themselves.

#### Innovation based on market needs

Innovation occurs both from the outside in and from the inside out. Market needs and demands are the basis for Axis innovation and product development. Axis must naturally understand the company's markets, how customers think and act, and what value various types of technologies, products or services create for the customers. Not just here and now, but first and foremost how needs will change in the future.

Meanwhile, innovation and renewal must come from the inside in order to develop completely new products and services that distinguish Axis from its competitors. Axis shall develop unique ideas that the market needs to become even more efficient – a need that can be hard for customers to see since they do not have the deep insights into technological possibilies that Axis has.

#### New and unexpected ideas are noticed most

The innovations that attract the most attention are those that involve something new and unexpected. One example is the AXIS Q6000-E network camera, an integrated device featuring both a PTZ camera and a camera that provides a 360° field of view over an area. The overview image enables overall monitoring of the surroundings, while the PTZ camera can zoom in on the object to show details.

A large part of the product development occurs in dialogue with customers and partners. Internally at Axis, a lot has happened to streamline this type of development. When designing a new type of product, a dialogue takes places with customers. It is important for Axis to understand the basic challenges, how the product will be used and in what environment it will be installed in order to develop a relevant solution.

Axis innovations also aim to make the products easier to use, install and integrate, which in the end should deliver lower costs for customers and partners. One innovation that continued to be improved during the year is Axis Zipstream technology – which compresses video data, lowering bandwidth and storage requirements without compromising important image details. This generates large cost savings and means lower energy consumption for customers. Clearer visions streamline development Axis innovation and development is based on visions and objectives that the company shall strive towards. In the past year, Axis has worked with these objectives in order to more clearly focus its energy on selected areas. Meanwhile, it is important not to stifle the power of innovation, but to maintain a broad approach to stimulate continual and bold development. "We have already tested that" is not an expression that should be heard in Axis corridors.

**Continued development in the camera field** Creating completely new products and advancing existing ones is a balancing act. For instance, there is really a lot going on in the camera field seemingly small adjustments or changes can mean a lot for users. Axis believes that it is possible to continue to develop the camera itself significantly, in order to use it as an intelligent node in the system. The hardware is important and there is still a lot to improve within image quality, security and coding standards.

The camera is also excellent for intelligent video management. Axis is continuing to work on making the cameras smarter, which also does not stop making systems or parts of systems smarter.

For several years, Axis has worked a lot with Al (Artificial Intelligence), an area that made a huge impact in the industry during the year. Al will give Axis the possibility of solving customer needs in a more effective and better way. Cybersecurity is, to a great extent, about training Another area that remained in focus is cybersecurity. Technological development is a very important part of this area, but to a large degree, it is also about making existing products safer and educating the market in how to build secure systems. Additionally, Axis works with tools that make it possible to administer and handle systems effectively. This is not a guarantee to create a totally secure system, but by working diligently in these areas Axis strives to make it as secure as possible.

A concrete example that shows how Axis is making it easier for customers is LTS, Long term Support, for updates of different devices' software. The updates now occur in two parts – one for security and one for functionality. This means that customers do not run the risk of having new functionality they do not recognise just because they perform security updates. This reduces the risk that customers use the products in the wrong way.

#### Collaboration contributes to new ideas

Axis supports a variety of research collaboration projects, both to support different types of development and to be involved in and identify new ideas and concepts. One of these collaborations is WASP, a major research program financed by the Wallenberg Foundation. Axis has an PhD candidate in the program and provides support with defining the WARA-PS research arena focused on public safety.

Another collaboration is EASE, a ten-year research program in software quality and development of embedded software financed by Vinnova. The program was formally completed in 2018, but some funds remained and therefore a new agreement was signed for 2019 in order to take advantage of new results. Axis is represented on the board and provides support with membership fees and in-kind contributions. A third collaboration is Software Center, a research center together with several different companies at Chalmers University of Technology in Gothenburg. Axis provides support with membership fees and in-kind contributions.

In large parts of its development operations, Axis works together with different partners, in order to supplement Axis offerings and make them better and more attractive. Axis has many solutions that the company develops entirely by itself, but the solutions created with partners are just as important and are advanced just as actively.

## New office in Linköping provides right competencies

To continually develop, Axis must constantly employ new people with innovation in focus. It is a challenge every year to find the right competencies and with the right quality to help Axis grow and be creative. To maintain its growth rate, Axis opened an office in Linköping in 2018 with software development in focus. In a few years, the company expects the office to have about 100 employees.

Linköping offers a good combination of a wellreputed university and a well-functioning business community. This provides a good base for finding the right competencies and for successful development operations. The first employees at the Linköping office started in late May 2018.

# Risk management

Axis is an international group with operations and customers all over the world and is thus exposed to many different risks. The group's risk management aims to minimize the risks but also to ensure that opportunities are utilized in the best way, in order to facilitate continued strong growth and business expansion.

Axis continued to formalize its risk management work during 2018, where the risk framework's connection with the internal control and follow up was clarified.

Axis has an internal control framework based on COSO (Committee of Sponsoring Organisations of the Treadway Commission) with well-documented controls, which are tested annually. During 2019, a risk assessment will continue to be performed in relevant parts of the organization.

#### Axis risk management framework

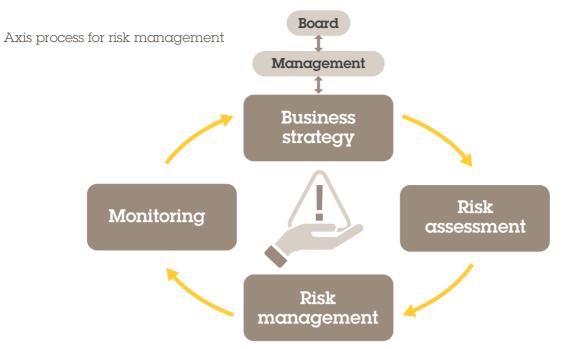
Axis' risk management framework based on its corporate strategy, aims to identify, evaluate and prioritize risks related to Axis reaching its commercial goals. Both a top-down and a bottom-up approach are employed. The owners of the various risks are identified in this process. Axis' department for governance and internal control compiles, follows up and evaluates the risks, in consultation with other departments and functions. Annual follow-up and risk updates are performed by group management, which takes decisions regarding measures and actions. Annual reporting occurs to the board.

#### Risks

Risks are identified based on Axis' overriding strategy, and this process incorporates both a business and a sustainability perspective.

The work on identifying, handling, following up and evaluating the risk exposure that the group is subject to is continually ongoing, at a group-, regional- and local level. Management and coordination of financial and insurable risks is mainly carried out by the group's finance department. Function-specific risks in the company-wide functions, Finance, IT, HR and Operations are handled and coordinated within each function. The company's legal risks are handled by Legal in cooperation with external lawyers. The exposure to intellectual property risk in the patents area is managed by Axis specialists, in collaboration with external lawyers and advisors.

The list on the following pages shows identified risks, in no particular order of importance. The list does not claim to be exhaustive.



Risk	Description of risk	Management of the risk
Natural disasters and accidents	Natural disasters or accidents, which affect Axis, Axis suppliers, distributors or partners can impact Axis negatively.	Axis is well-insured and has effective processes in place and agreements with suppliers in different regions for diversification of risks.
Market development and competitive situation	Market development As a leading player in the network camera market, Axis is benefiting from continued global market growth. A global market downturn would impact Axis negatively.	<b>Market development</b> Axis is broadening its customer offering through acquisitions and innovative product development and is strengthening its presence in already established markets and establishing a presence in new geographical markets. Axis carefully monitors global trends in order to take necessary measures when conditions change.
	<b>Competitive situation</b> Greater competition due to the market attracting additional players increases the risk that Axis will lose market shares.	<b>Competitive situation</b> Market shares and market leadership can be maintained through careful competitive intelligence, a capable global sales force, close collaboration with partners as well as vigorous and rapid product development.
Political risks	<b>Political instability</b> Political instability in countries where Axis operates can impact Axis' global expansion negatively.	<b>Political instability</b> Axis follows developments closely in the countries where the company operates.
	Acceptance of camera surveillance Less acceptance of camera surveillance and more privacy questions linked to this can have a negative impact on Axis.	Acceptance of camera surveillance There are currently no known plans to Axis for significant changes with regard to laws or restrictions in the markets where Axis operates. Axis continually strives to monitor legislation in the area and to communicate the benefits of camera surveillance for a safer and more secure world.
Customer satisfaction risk	Axis' continued success depends on customers being satisfied with Axis products, solutions and support. If customer satisfaction falls, it would impact Axis negatively.	Axis regularly conducts satisfaction surveys among distributors, partners and end customers in order to listen to customers and implement improvements in accordance with customer expectations and needs.
Reputation risk	If Axis is not perceived as a reliable business partner or employer due to the fact that Axis as a company, the company's employees, suppliers or partners do not act ethically and sustainably in all respects, it could impact Axis and its stake- holders negatively.	Axis works actively with business ethics, IT security and compliance. Axis evaluates and continually updates internal processes and controls, performs supplier audits and informs and trains its employees and partners.
Risks in the supply chain related to environmental impacts, working conditions, human rights and corruption	<b>Environmental impact, working conditions, human rights and corruption</b> Environmental impacts occur in all manufacturing processes, including energy consumption, hazardous waste and carbon emissions. Risks for the employees include the working environment and working conditions. Overtime implies a risk to employee health and a product risk in respect of quality. Risks in the supply chain also include the occurrence of bribes and other types of corruption and of unlawful or unethical behavior. In addition, if human rights are violated, this may also impact Axis and the company's stakeholders negatively.	Environmental impact, working conditions, human rights and corruption All Axis suppliers shall comply with laws, regulations and Axis' Supplier Code of Conduct. This includes having control of environmental impacts, fighting bribery, other types of corruption and fraud and ensuring ethical conduct in every respect. The Supplier Code of Conduct shall also ensure good working conditions and that no form of child or compulsory labor occurs. Suppliers should be ISO 14001 certified or have a management system in accordance with ISO 14001. Suppliers are initially evaluated using a self-assessment form and Axis conducts regular audits to ensure that suppliers meet the requirements in the Supplier Code of Conduct. In Axis Supplier Academy, suppliers are trained in relation to sustainability matters.
	<b>Conflict minerals</b> If conflict minerals, in other words gold, tantalum, tin or tungsten, which finance armed conflicts, are found in components for Axis products, it can impact Axis and its stakeholders negatively.	<b>Conflict minerals</b> Axis has a structured process for ensuring that the minerals used by suppliers and subcontractors are not conflict minerals. All suppliers have undertaken to have a process in place for ensuring that conflict minerals are not used. Suppliers shall also control their own supply chains and inform Axis if conflict minerals are found.

Risk	Description of risk	Management of the risk
Environmental risks	The operations' environmental impact Transports, energy consumption in the operations and business trips give rise to environmental impacts and emissions run the risk of damaging water, air and land. Unless Axis helps to reduce the operations' environmental impact it can impact Axis and the company's stakeholders negatively.	The operations' environmental impact Axis' environmental policy prescribes that Axis shall minimize environmental impacts in its product lifecycles and throughout the entire value chain. Awareness is raised among employees through environmental training. Axis is streamlining logistics flows and has clear goals for reducing carbon emissions from transports and reducing energy consumption from the operations. Axis uses carbon offsets for business trips by air and encourages less travel.
	<b>Product environmental impact</b> The risk of overutilization of finite resources is affected by the design and choice of materials. Unless Axis helps to reduce the products' environmental impact, it can impact Axis and the company's stakeholders negatively.	<b>Product environmental impact</b> Axis strives to increase the proportion of recycled material in its products. Design regulations encourage environmentally friendly design.
	Hazardous material If Axis products contain substances, which are hazardous to health and the environment or Axis' environmental performance is poorer than the competitors or Axis does not meet customer requirements concerning materials, it would impact Axis and the company's stakeholders negatively.	Hazardous material Axis lists hazardous substances, which are not permitted and substances where use shall be restricted. Axis checks the material content in its products in order to ensure that requirements are met. Axis is working proactively on phasing out hazardous materials from its products. Axis also has a goal of offering products free from brominated and chlorinated flame retardants (BFR and CFR).
	Energy consumption Product use implies energy consumption that gives rise to environmental impacts and emissions that run the risk of damaging water, air and land. Unless Axis helps to reduce energy consumption, it can impact Axis and the company's stakeholders negatively.	Energy consumption Axis is working to develop more energy-efficient products and solutions, while maintaining functionality.
Material	Shortages of component and input materials can have a negative impact on Axis.	In order to minimize risks in the supply chain, Axis works with several sub- contractors that are equally important from a capability and capacity perspective. Through agreements, Axis works with production partners and subcontractors in order to ensure safety stocks of critical components. Axis also works close to large end customers and partners in order to obtain an early insight into their product needs.
Quality and product safety	Product quality helps to ensure continued satisfied customers and safe handling and use of the products. Defective product quality, which can cause injuries to people, the environment or property, can impact Axis and the company's stake- holders negatively.	Axis works to ensure the highest possible quality in its products and has a well- developed process for handling product defects.
Technical risks	Defects in Axis IT and business systems could impact Axis operations negatively.	Axis has a proactive and systematic approach for a strong IT security, which aims to effectively protect products, solutions and systems. This includes good and rapid incident preparedness and to reduce the risks through increased knowledge in vulnerability management and measures at incidents.
IT security	Ensuring good IT security in products and solutions is crucial in protecting customer privacy during incidents. If Axis products are not perceived as safe, it can impact Axis and the company's stakeholders negatively.	In Axis research and development operations, great importance is attached to producing very safe products and solutions. In addition, Axis works continually with training of partners and end customers in relation to how products, solutions and services should be installed and used safely. When defects are discovered, Axis has an organization and routines in place to immediately take corrective measures.
Personal integrity	If Axis cameras are used in a way that violates personal integrity and human rights, it can impact Axis and the company's stakeholders negatively.	End users are responsible for how surveillance cameras are utilized and for how video material is stored. Axis is careful with its choice of partners and informs its partners to ensure as far as possible that network cameras and solutions are installed and used correctly, that video material is protected and stored securely, and that personal integrity is safeguarded. Technological functions enable anonymization and functionality restrictions.

Risk	Description of risk	Management of the risk
Legislation connected to export control	During international trade and exports, mandatory export control rules may be applicable and can impose requirements to hold permits for exports of some products to specific countries. In addition, there are economic sanctions and embargos in relation to some parties and countries. Failure to comply with applicable export control legislation can - in addition to sanctions such as an export ban, penalties and financial restrictions - also affect Axis negatively by giving the company a poor reputation in the market.	According to Axis' Export Control Compliance Policy, Axis shall follow all applicable export control laws that apply to the company's operations. Axis has an internal Export Control Compliance program, which sets the framework for Axis' internal work with export control. The program is updated and adapted regularly. Some of the program concerns training within export control for Axis employees. Axis has internal resources with competencies within export control and also engages external advice when needed.
Intellectual property risks	Axis is party to various disputes as part of its day-to-day business operations, including in the patent field. Costly and protracted disputes can impact Axis negatively.	The exposure to intellectual property risk in the patents area is managed by Axis specialists, in collaboration with external lawyers and advisors. Axis conducts an active patent strategy in order to safeguard investments in core technology and intellectual capital.
Business ethics	<b>Corruption</b> If Axis personnel, suppliers, distributors and partners involve themselves with bribes or another type of corruption, or in another way act unethically, as well as potentially constituting a violation of the law, it may impact Axis and the company's stakeholders negatively.	<b>Corruption</b> All employees and the board shall comply with Axis Code of Conduct and anti-corruption policy. Employees shall sign the anti-corruption policy and participate in anti-corruption training. Axis also has a whistleblower and inquiry function, an e-mail address which employees can write to and address questions relating to corruption and report suspected cases of irregularities. Through training, information campaigns and sharing of knowledge, Axis collaborates with its suppliers, distributors and partners.
	Unethical context If Axis cameras are used in an unethical context, it may impact Axis and the company's stakeholders negatively.	Unethical context Axis personnel participate in training. Axis informs its partners, in order to ensure as far as possible that its products and solutions are installed and used properly.
Risks connected to the workplace, employees and supply of talent	<b>Corporate culture</b> The corporate culture is an important factor behind Axis' successful performance. If Axis does not succeed in retaining its unique corporate culture, it can adversely affect the company's future success.	<b>Corporate culture</b> Axis works systematically on strengthening its corporate culture and on reinforc- ing its core values, for example through training, during kickoffs, meetings, recruitments, etc.
	<b>Talent supply</b> Axis is growing strongly. If Axis does not manage to attract and retain talented personnel to reach its goals, it would impact Axis negatively.	Talent supply Axis has a very careful recruitment process, including recruitment training for all managers. Axis offers good career and training opportunities and competitive working conditions.
	Lack of diversity, equality and discrimination A lack of diversity and a too homogenous workforce can mean that personnel are not quite as innovative or dynamic as they could be. If employees or jobseekers cannot be afforded the same opportunities due to gender, ethnicity, religion, sexual orientation, age or other factor, apart from possibly constituting a violation of the law, it may impact Axis and the company's stakeholders negatively.	Lack of diversity, equality and discrimination Axis conducts activities and initiatives in order to promote increased diversity and equality and to fight discrimination. The grandparent principle applies during recruitment and in the salary process. An equality analysis of salaries in Sweden is performed. All employees and the board shall follow the company's diversity policy and Code of Conduct.
Occupational health and safety	If occupational accidents or other types of ill health occur at the workplace, besides being negative for the individuals concerned and potentially constituting a violation of the law, it may affect Axis negatively.	Axis works systematically on creating a safe and pleasant working environment. There are safety committees in Sweden and regular safety committee meetings are held. Axis carries out safety and fire prevention training, work environment training for managers and offers occupational healthcare. All employees follow policies such as Axis' global work environment policy, etc.

# Sustaina allow report 2018

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# Significant events during the year

- Proactive and systematic work for strong IT security, which is aimed at effectively protecting products, solutions and systems. This includes good and rapid incident preparedness and reducing risks through increased knowledge about handling vulnerabilities and measures in the event of incidents.
- > GDPR Awareness training for all employees, with the aim of increasing understanding of and compliance with the new data protection regulation.
- > Continual work on fighting corruption in the company's own operations and in the relationships with suppliers, distributors and other partners, by identifying, describing and handling risks relating to conflicts of interest, bribes and other forms of corruption.
- > Completed a project to develop products, which are BFR- and CFR-free, in other words, that do not contain brominated or chlorinated flame retardants.
- > Several new PVC-free models were developed.
- > Initiated a new carbon offset project for tree planting, aimed at building a resilient ecosystem in northern Nicaragua.
- > Follow up of suppliers' compliance with the updated and stricter Supplier Code of Conduct.
- > A number of initiatives for an improved working environment such as stress management training for employees in Sweden, a stress management course for employees in Japan, a new working hours policy with increased flexibility in Middle Europe and health initiatives in the Middle East and Africa.
- > Initiatives for greater equality and diversity such as an increased awareness in the recruitment process in a number of countries, in order to fight discrimination.
- > Launch of a comprehensive program for diversity and inclusion in North America, which includes a committee for diversity and inclusion, employee training, Women in Security conference and collaboration with the Security Industry Association (SIA).

## Sustainability strategy

Sustainability is an important and natural part of Axis operations, where the company's innovative solutions contribute to a smarter and safer world. Axis takes long-term economic, environmental and social responsibility and works to promote responsible business conduct.

Taking long-term responsibility means that Axis takes responsibility in a broader perspective and looks beyond the direct impact. Axis creates value for suppliers, distributors, partners, end customers, employees, and owners and works proactively and participates in social initiatives in order to make a positive contribution to society.

Axis strives to be the driving force in the industry when it comes to technological innovations and acting sustainably, which contributes to increased competitiveness and good long-term growth. As a leading market player, Axis acts from a position of strength and has good opportunities to influence those around it in sustainability matters.

Axis' goal is to promote sustainable conduct in the entire value chain and to take sustainability into consideration in all business processes, where sustainability should be an integrated and natural part of the strategy, business model and business.

The company takes long-term environmental, social and economic responsibility and acts in an ethical, transparent and responsible way in relation to its stakeholders. This work is conducted through sound corporate governance.

Axis' sustainability work is divided into the focus areas: economic responsibility, responsible business conduct, environmental responsibility and social responsibility.

#### Economic responsibility

Reaching financial goals and strong and enduring profitability are of central importance for Axis and for the company's stakeholder groups and constitute the basis for the long-term sustainability efforts.

Enduring profitability and financial stability ensure that Axis can continue to be a long-term and stable business partner for its distributors, partners and suppliers and that the company can pay salaries to employees, materials and services to suppliers and tax to society. Read more on page 76.

#### Responsible business conduct

All business relationships should be handled in a responsible, transparent, credible and consistent way. Axis works close to its suppliers, distributors and other partners. Continual and long-term cooperation helps to ensure transparency and responsible business conduct along the entire value chain.

Axis has a policy of zero tolerance against all types of bribery and other forms of corruption and works preventively and systematically to fight this problem both in its own operations and in its relationships with suppliers, distributors and other partners. Axis continually works with and invests in different measures to ensure the best possible IT security in its products, solutions and IT systems, in order to be a credible business partner and to protect partners and end customer privacy.

#### **Environmental responsibility**

Axis strives to minimize the environmental impacts from its own operations and in the company's products and solutions.

Most of Axis' environmental impacts occur indirectly and are related to manufacturing, transport and energy consumption when the products and solutions are used. Axis' environmental responsibility means that Axis strives for improvements along the entire value chain and throughout the entire lifecycle of the products and solutions.

#### Social responsibility

Axis has a great impact on many people's lives and wellbeing, creates job opportunities and is an important employer in local markets. Axis' social responsibility means good working conditions, a safe and secure workplace characterized by equality and diversity, and human rights for employees in the company's own operations and at suppliers. Axis' long-term responsibility means making a positive contribution to society and investing in social initiatives.



#### UN Sustainable Development Goals

Axis supports Agenda 2030 and the UN's 17 Sustainable Development Goals and is striving to contribute to these goals. Axis has analyzed these goals and has identified the following goals that the company is actively contributing to most through its sustainability work: 1, 3, 4, 5, 6, 7, 8, 10, 11, 12, 13, 14, 15, 16 and 17. For more information, see pages 64-65.



Long-term responsibility and impact along the entire value chain

Axis is actively engaged in all parts of the value chain. The value chain extends from suppliers of components, and contract manufacturers and sales through distributors and partners, such as resellers and system integrators, to end users of the company's products.

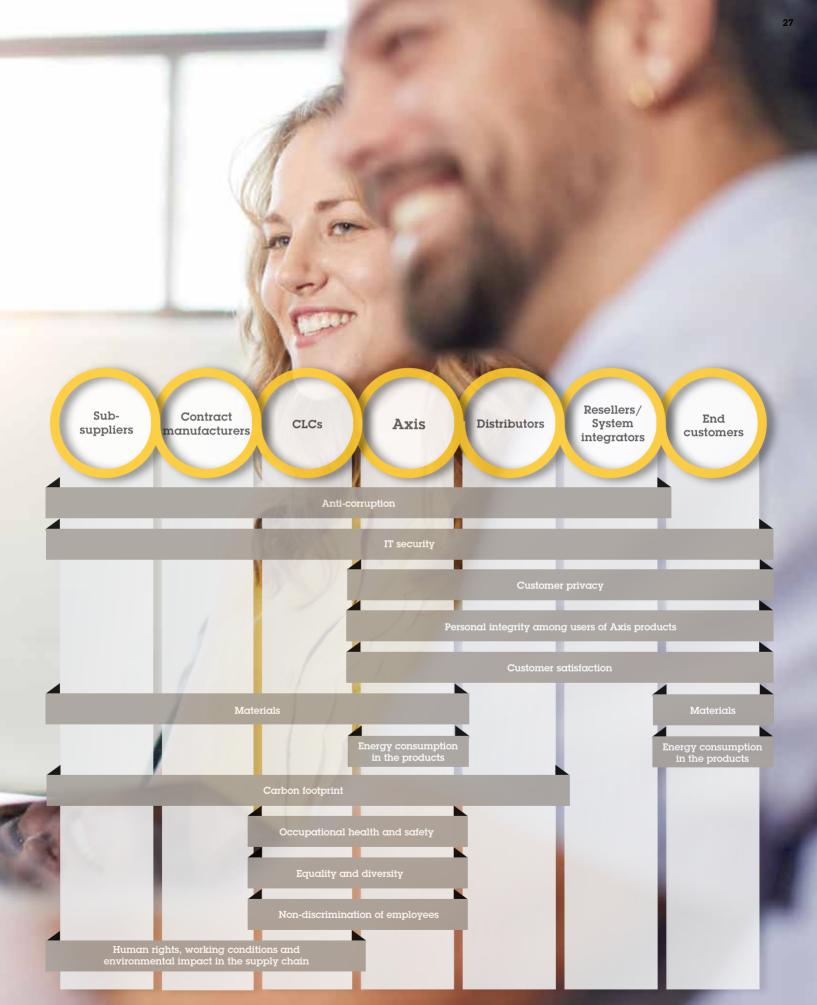
Axis has seven contract manufacturers, a large number of strategic component suppliers all over the world and about 90,000 partners in 179 countries. Axis' indirect business model constitutes a core part of the company's strategy and is – and has been – very important for the company's successful growth. Sales of Axis products and solutions take place via distributors that sell on to resellers and system integrators, which in turn sell to end customers. This indirect business model means that the direct responsibility for manufacturing, sales, distribution and installation largely rests with suppliers, distributors and partners.

Axis has long-lasting and close relationships with its partners and is actively engaged in all parts of the value chain. Axis works actively to ensure that suppliers, distributors and partners shall take an environmental, economic and social responsibility including working for responsible business conduct. Axis strives to create a positive impact while minimizing negative impacts.

Risks shall be handled at all stages in the value chain. For a description of how sustainability risks are managed, see pages 18–21.

Though supplier audits, training, information campaigns and sharing of knowledge, Axis collaborates with its suppliers, distributors and partners in order to ensure that manufacturing, distribution, installation, processing and use of the company's products and solutions occur in as responsible a way as possible. In this way, risks can be minimized and Axis can focus on taking advantage of opportunities, for continued innovation and development, global expansion and long-term sustainable growth. The topics, which are most important from a sustainability perspective impact all or parts of the value chain.

The adjacent illustration shows where the impacts occur in the value chain.



The image illustrates where the impacts occur in the value chain for the topics, which are most important from a sustainability perspective. For more information about the materiality analysis, see page 68.

## Customer stories Smart solutions for a safer and more sustainable world

# Working together to increase citywide security



The Atlanta Police Department (APD) draws on private and public cameras to combat crime and improve emergency preparedness.

The Police Department in Atlanta, which is the capital and largest city in the state of Georgia, USA, needed a way to augment its citywide surveillance efforts to better protect its citizens, companies and visiting tourists. The APD launched Operation Shield, a video integration initiative that combines video resources from private and public entities into a single command center, to provide law enforcement with a more holistic real-time view of situations across the entire city.

"From our perspective, the more cameras we have in an area the better," said Major Neil Klotzer, Atlanta Police Department "Operation Shield demonstrates that working together we can build a safer, more secure city for everyone. And we can do it while respecting the right to individual privacy"

The challenge was to devise a robust platform that could potentially scale to 10,000+ cameras employing a mix of camera brands, networks and video management systems.

The APD initially deployed 17 surveillance cameras across the downtown area. That number has since grown to over 400 of which nearly 90 percent are network cameras from Axis. Other city organizations like MARTA (Atlanta's rapid transit authority), Atlanta Public School System, as well as the departments of Public Works contributed another 4,000 cameras to the surveillance network. A combination of wireless mesh, fiber and 4G connections were used. The APD uses two different systems to connect and integrate image material from the different camera networks.

APD now has access to 24/7 surveillance throughout the city without the cost of owning and maintaining all the cameras. Private businesses, shopping malls and housing complexes that share their live video with the police department get the benefit of a more rapid, better-prepared emergency response.

#### Smart solution improves traffic flows

Atlanta has also introduced an intelligent video solution in order to handle the city's traffic flows better. More than 29,000 vehicles per day pass through a traffic corridor in the middle of Atlanta. Atlanta wanted to understand, optimize and improve traffic flows, in order to reduce emissions and pollution and thereby raise the quality of life for the city's residents.

A solution with 360ns and Citilog's SmartTraffic-td application was installed on existing network cameras. The application provides traffic information and statistics and enables adjustments of traffic lights in realtime. Traffic flows are optimized, which results in shorter travel times and reduced waiting times at intersections.

# Optimization of photovoltaic energy production



Axis network cameras help visualize local cloud cover in real-time and predict drops in photovoltaic energy production. CNR (Compagnie Nationale du Rhône) is France's number-one producer of certified 100 percent renewable electricity. Part of its production comes from photovoltaic parks whose production may be randomly interrupted by cloud cover. However, by law each photovoltaic park must provide the most accurate possible production estimates. CNR wanted to anticipate cloud cover and meet this legal obligation.

Tenevia is a specialist in developing innovative environmental measurement solutions through image analysis and it developed a solution equipped with an Axis network camera featuring a 360° fisheye lens and image analysis software which can predict approaching clouds.

#### Intelligent solution

It allows CNR to intelligently manage its storage resources and additional production.

"This solution helps fine tune shortterm production forecasting for our photovoltaic parks. It delivers intelligent management of storage resources and ensures additional production to compensate for irregularities in photovoltaic production. This means that we can provide a smoother energy supply over time and improve our forecasts. It will help balance out the electrical distribution network." Guillaume Bontron, manager of CNR's Management Center for Intermittent Production.

Note: Photovoltaic energy means that solar cells generate electricity from the sunlight.

#### Better fuel efficiency and increased security thanks to network solution in vehicles



Innovative use of video surveillance from Axis increases safety and reduces the environmental impact of Elis' fleet.

Elis is one of the largest operators of leasing and maintenance of linen, textiles and sanitation products in Europe.

Elis' vehicle fleet managers wanted to reduce the company's environmental footprint while also improving its road safety record, which it hoped would result in a lower number of false insurance claims against its employees. It planned to achieve this by utilizing intelligent video and telematics data to enhance driver training, providing personalized feedback on driver behavior such as excessive acceleration and braking, as well as road incidents.

"When it comes to helping improve driver behavior, managers can review footage with drivers to discuss exactly what caused the need for hard braking or acceleration, helping to address issues in a positive manner," says Gavin Urtel, Managing Director at ICanProve.IT.

Working with Axis partner ICanProve.IT, Elis combined an award-winning telematics system with Axis network cameras, providing a full 360 degree view of the exterior and interior of vehicles at all times.

This solution has enabled Elis to give feedbank to drivers around braking and acceleration, to increase safety and enhance the fuel efficiency of its fleet.

#### "No more sketches, no more chasing people for written accounts. We know what happened, can prove what happened, can close the case and move on," says Peter Kelly, Group Transport Compliance and

Optimization Manager, Elis.

This has improved fuel efficiency and safety, resulting in an almost 13 percent increase in fuel efficiency and a decrease in driving related incidents of 58 percent.

Drivers, meanwhile, welcome the new system because they can rely on the intelligence it provides to prove who was at fault in the case of accidents or if items are stolen during the loading or unloading of their vehicle. Both drivers and Elis are positive.

## Unique streaming solution saves lives



Network camera solution from Axis has streamlined the work of Copenhagen's emergency services and therefore contributes to saving lives.

The emergency services in Copenhagen, Denmark, wanted to be more efficient and improve their rescue operations to ensure victims get a better and faster response. A streaming solution using Axis network cameras together with a loudspeaker and microphone were installed in selected fire engines, where images are streamed in real-time to the internal operations center of the emergency services.

The operations center can then assess whether reinforcements need to be sent to the fire or to the scene of the accident, can call in experts when needed, and analyze the risk of the fire spreading and if people need to be evacuated from nearby buildings.

Fitting cameras to vehicles that move quickly and that are exposed to difficult weather conditions places great demands on the cameras, such as withstanding vibrations, and large temperature variations between cold and heat. The cameras are very sensitive to light, which is necessary when filming fires at night.

"Using video images has made a fantastic difference. The solution has provided huge benefits and has given us completely new opportunities to streamline our work so that we can save more lives," says Magnus Mattsson, Operation Commander, Emergency Services in Copenhagen.

The solution has streamlined the emergency services' work. The internal operations management can communicate with the rapid intervention team more rapidly and efficiently. In addition, the emergency services can communicate externally more rapidly with the people affected and provide better public service information by quickly alerting via social media in the event of fire.

# Responsible business conduct

All business relationships should be handled in a responsible, transparent, credible and consistent way. Axis works close to its suppliers, distributors and other partners and this cooperation helps to ensure transparency and ethical business conduct in the entire value chain.

Axis works in a systematic and focused way to handle sustainability risks, to prioritize sustainability issues and to increase awareness of them, not just in its own operations but also among the other players in the value chain: at suppliers, distributors and partners such as resellers and system integrators. Axis' proactive approach in sustainability matters is appreciated and positively received by the company's stakeholders.

#### **Responsible enterprise**

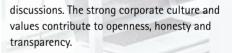
All business transactions involving Axis shall be conducted in a responsible way. Axis shall meet all requirements under applicable legislation such as anti-corruption laws and sanctions-related legislation, and also comply with other rules and regulations, which are followed by the company. Axis also has its own ethical guidelines such as the Code of Conduct and an anti-corruption policy. Axis continually follows up changes in laws and regulations and regularly reviews its policies, to ensure that they are up-to-date and reflect developments in the sustainability field in the global market where Axis operates. Dialogues, information campaigns, training initiatives and surveys are regularly conducted in order to ensure responsible and ethical conduct in all business relationships.

#### **Code of Conduct**

Axis' Code of Conduct establishes the values and guidelines on which Axis conducts its business and how the employees should act in business-related situations, internally and externally. The Code of Conduct is based on the UN Global Compact's ten principles, the UN's Universal Declaration of Human Rights and the International Labor Organization's Declaration on Fundamental Principles and Rights at Work.

#### Employees

All employees, as well as board members, are expected to follow the Code of Conduct and work on the basis of ethical business methods and according to Axis values. Information about what is implied by our Code of Conduct is part of the introduction program for new employees. Compliance is ensured through internal controls, policies and guidelines, employee surveys and



#### Suppliers, distributors and other partners

Axis' purchasing organization follows careful routines and strictly imposed requirements. All Axis suppliers shall sign an undertaking that they will follow Axis' Supplier Code of Conduct, which is based on Axis' Code of Conduct and the UN Global Compact's ten principles. This includes requirements prohibiting any form of child or compulsory labor, ensuring good working conditions, keeping tabs on environmental impacts and fighting corruption. In those cases where suppliers do not sign Axis' Code of Conduct, but instead refer to their own Code of Conduct, Axis reviews it to verify that the requirements are met. Compliance is ensured through information, training, self-assessment and inspections. Axis distributors and partners shall comply with applicable anti-corruption legislation.

## Special export restrictions, sanctions and embargoes

Special export restrictions apply to products, which are intended for civilian use but that have such properties that they may also be used for non-civilian purposes. In addition to this, there may also be restrictions on trading with certain countries through special sanctions and embargoes. Axis is covered by the rules on special export restrictions, sanctions and embargoes and monitors the development and application of these rules.

## Anti-corruption

Axis has a policy of zero tolerance against all types of bribery and other forms of corruption and works preventively and systematically to fight this problem. Axis should be a standard-bearer and continually strive to advance its positions in its work on fighting corruption, both in its own operations and in its relationships with suppliers, distributors and other partners.

All employees shall maintain the very highest standards when it comes to correct ethical and moral conduct, in all business relationships. The board, as well as consultants and other persons who work on behalf of Axis are included in the policy of zero tolerance against bribes and other forms of corruption. As Axis is a leading market player, the company's stakeholders also expect Axis to lead the fight against corruption.

In the business environment where Axis operates, it is not possible to rule out that Axis employees can come into contact with corruption, both in the company's own operations and in relationships with suppliers, distributors and partners and with their customers. Axis has an anti-corruption program and works actively to handle risks relating to conflicts of interest, bribes, and other forms of corruption, in order to protect both the individual and the company.

#### Policy and training

Axis' anti-corruption policy stipulates that all business relationships shall occur in a responsible, transparent, consistent and credible way and that employees should not offer, accept or participate in any activity that includes any form of corruption. Nor does the policy allow employees to make contributions to political campaigns. Donations to charity and sponsorship shall be documented carefully and be in line with the company's sponsorship policy. The anti-corruption policy helps to clarify Axis' standpoint. The policy covers all employees and board members, as well as consultants and other persons who work on behalf of Axis.

Recurring anti-corruption training is compulsory for all employees. All new employees participate in training about what is implied by Axis' anticorruption policy and sign a document where they undertake not to accept bribes or participate in any other form of corruption. All employees and other persons who work on behalf of Axis participate in training and sign the undertaking again recurrently. The board members have also signed this undertaking. HR is responsible for ensuring that training is available.

Managers are responsible for ensuring that their respective employees complete the training.

#### Whisteblower and inquiry function

Axis also has an e-mail address that employees can contact to report suspected cases of irregularities concerning Axis and suspected violations of the Code of Conduct. Employees can also get support and ask questions relating to corruption, ethical dilemmas and challenges and also share information about how they solved problems.

The whistleblower and inquiry function is part of how Axis works systematically for transparency, openness and good business practice. It also helps to identify irregularities, obtain information if something happens that can contravene the Code of Conduct and to improve the exchange of knowledge and provide further training in ethical issues. A description of the function and how it works is available on the Intranet. The e-mail address goes to representatives from Human Resources, Legal and the company management.

#### Suppliers, distributors and partners

Axis informs, trains and follows up its suppliers to ensure that they act in accordance with the anti-corruption policy, which is stated in the Code of Conduct for suppliers.

If a supplier should breach the Supplier Code of Conduct, the supplier, when considered appropriate, gets the chance to implement improvements. If the measures are not taken, the supplier is phased out and replaced. So far this has not occurred.



Axis has zero tolerance against all types of bribery and other forms of corruption. All employees, including the company management, shall sign an undertaking that they will comply with Axis' anticorruption policy and participate in training in these issues recurrently.

In 2017, practically all employees received training in the anti-corruption policy and signed an undertaking that they are following the anticorruption policy. New employees undergo training and sign the undertaking in connection with commencing their employment.

No cases of bribery or other corruption were identified during the year. Nor did the company become aware of any cases of corruption during 2017 or 2016.

It is included in the distributor agreement that the distributors shall comply with applicable anti-corruption laws. Almost all distributors have signed the distributor agreement. For a distributor agreement to be renewed, the distributor must have signed the agreement.

Other partners are also expected to comply with applicable anti-corruption legislation. All new gold and silver level partners and all new Application Development and Technology partners undertake in an agreement to comply with applicable anticorruption legislation. If a partner should breach the agreement, the partner agreement is not renewed. This has not happened to date.

Axis continuously informs its partners, for example, at different partner conferences, through web seminars and in newsletters in order to increase knowledge about anti-corruption and Axis requirements. Axis' business model, local market presence and long-term customer relations make it possible to have a continuous dialogue with the company's partners regarding compliance with Axis requirements.

Axis' contribution to the Sustainable Development Goal



# IT security and protection of customer privacy

Axis continually works with and invests in different measures to ensure the best possible IT security in its products, solutions and IT systems, in order to be a reliable business partner and to safeguard partners and end customer privacy.

As a leading market player, Axis should also act as a model when it comes to IT security, and be a reliable and credible business partner. Protecting users' privacy is also an important part of Axis' responsibility as a corporate citizen. In addition, high IT security in products and solutions is a competitive advantage, and is crucial for Axis' long-term competitiveness.

#### IT security

IT security is becoming an ever more important matter as devices are increasingly becoming interconnected and are collecting and transferring data via the Internet, all our lives are becoming more digital. This is creating many benefits and business opportunities but also implies increased security risks. This is imposing ever stricter demands to maintain and safeguard the integrity of IT systems, processes, products, solutions and the information created, while the risk for undesirable attacks is increasing.

Matters relating to IT security have also gained an increasingly prominent role in the dialogue with distributors and partners. Axis customers are also imposing stricter demands on IT security and solutions that information is well protected, in particular to ensure continuity in their operations. It is of the utmost importance for Axis to ensure that its products and solutions are not vulnerable. A successful security strategy means that even if attacks occur, that Axis has a strategy to minimize the vulnerability of cameras, software and the information created.

Axis works proactively and systematically with IT security and has a focused strategy with a structured approach to protect products and

solutions against intrusion and harmful impacts. Issues relating to IT security are taken extremely seriously and any incidents are dealt with immediately, in a transparent way. During the year, Axis initiated work on becoming certified according to the ISO 27001 information security standard. The certification is expected to be completed in 2019.

Axis has very high product quality as well as good and rapid incident preparedness when it comes to the application of security in different applications, products, solutions and systems. Axis strives to be transparent and works to reduce the risk through protective measures, vulnerability management as well as training and cooperation.

#### Security management

Axis works continually to strengthen the protection of products and solutions, so that the products are protected against existing threats and risks in the environments where the products are installed and used, and are protected during their respective life cycles. Axis has processes and systems in place for secure password management, updates of software and configurations. Axis keeps itself continually updated with external developments in order to maintain the highest possible preparedness.

#### Vulnerability management

Axis works to reduce the risk that the products and solutions have vulnerabilities that may be exploited. Axis has well-developed, thorough systems and comprehensive processes in place to detect vulnerabilities and resolve incidents, if a vulnerability is discovered or an incident should occur. Learning and collaboration Through training, cooperation and knowledge transfer, Axis works to reduce the risks. Axis informs and trains its distributors and partners in identifying threats, making risk assessments and shares knowledge about specific protective measures to best reduce the identified risks, in order to promote good IT security.

Axis communicates regularly and conducts a dialogue with end customers, in order to prevent and stop intrusions. Knowledge sharing and training occur as online training and in webinars, among other ways. Information sharing also occurs through workshops and communication via the Axis website, and Axis provides information material such as guides and tests, and articles.

All employees shall follow Axis policies such as the Axis IT security policy, Axis Vulnerability Policy, which governs how Axis handles and responds to security issues and the Axis Responsive Support policy, which is Axis' commitment to offer security patches as soon as possible. Axis' Software Security Group is responsible for ensuring that the policy for IT security in the products is continually updated and followed.

#### **Customer privacy**

It is extremely important for Axis and the company's partners to respect and protect customer information and customer privacy. Information and customer data shall be protected technically and managed and stored securely and in an ethically correct manner. Axis works proactively and preventively to protect information and counteract all types of vulnerabilities. Security to protect customer data has the very highest priority and Axis continually works to ensure that software and interfaces are robust and maintain a high level of security. Axis products and solutions support encryption, IP address filtering and also enable user authorization protection and multi-stage logins.

**Evaluation, legal requirements and training** Axis conducts regular checks and evaluations to ensure that customer information is handled and stored securely.

Axis trains its partners, for example in the form of seminars and workshops, and has produced instructional material. Axis also offers targeted training to its installers to ensure that installations of video surveillance systems are performed as safely as possible. At Axis partner meetings, questions relating to customer privacy and IT security in the company's products and solutions are continually discussed.

## GDPR (The General Data Protection Regulation) and training

Axis has conducted activities in order to meet the requirements in the EU's General Data Protection Regulation, GDPR, which entered into force on May 25, 2018, which means stricter requirements regarding the processing of personal data. Axis has performed a comprehensive analysis and mapping of how customer information is processed and stored, has updated its processes, systems and solutions and has informed partners and customers to ensure that the company meets the requirements.

During the year, Axis initiated GDPR Awareness training for all employees, with the aim of increasing understanding of and compliance with the new data protection regulation. Apart from compliance with GDPR, Axis follows other applicable international and local laws and guidelines. In addition, the ISO 27001 information security standard governs protection, processing and secure storage of customer data.

Goals and target fulfilment

Axis' contribution to the Sustainable Development Goal

Axis shall handle customer privacy in a correct and<br/>secure manner. Incidents are dealt with immediately by<br/>the company and are taken extremely seriously. During<br/>2018, one incident occurred that related to a number of<br/>products and that risked impacting customer privacy.soon as it was discovered, Axis immediately corrected the<br/>problem. Axis supplied updates and promptly informed<br/>all distributors, partners and customers that could have<br/>been affected, and the incident was resolved and closed.<br/>During 2017, one product-related incident also occurred,<br/>like in 2016.

Development Goal



# Personal integrity among users of Axis products

Axis products and solutions contribute to increased safety and security and enable smart and intelligent solutions, for example traffic monitoring and various types of analytics. Axis works to ensure that its products and solutions are used and handled in a way that always safeguards personal integrity.

Use of camera surveillance is increasing, as well as acceptance of it in society, as safety is highly valued. Use of cameras for increased safety and security gives rise to discussions about a potential impact on personal integrity and personal rights. Axis is extremely careful about protecting customer information and about respecting and safeguarding personal integrity and aims to prevent improper use that can violate personal integrity.

## Smart functionality safeguards personal integrity

End users are responsible for how surveillance cameras are utilized and for how video material is stored, which are the two most important aspects of personal integrity. Axis works close to its distributors and partners and is careful with its choice of partners. Axis works actively to inform its distributors and partners in order to ensure as far as possible that the company's network cameras and solutions are installed and used in a proper way, and that video material is protected and stored correctly. When distributors, partners and end users act in accordance with Axis recommendations and guidelines and with national and international laws, the risk of improper camera use and of violating personal integrity is reduced.

Axis is developing functions that help to protect personal integrity when the products are used, such as functionality to enable anonymization and other forms of personal data protection. Advanced software solutions can be used to protect data and ensure that the cameras only record what is necessary. For example, so-called privacy masking may be used, which automatically blurs faces and hides some parts of the images and also includes time restrictions for recording.

#### Information and training

Axis has guidelines relating to personal integrity that all employees shall follow. Representatives from IT Governance and Legal are responsible for ensuring that the guidelines are followed and updated regularly. Axis informs and conducts a dialogue with its distributors and partners and with trade associations about the need to safeguard the protection of personal data and personal integrity when video surveillance solutions are used.

By carefully following national and international laws, applying sector-specific best practice and using technical innovations, the least possible impact on personal integrity is ensured. Meanwhile, customers can still obtain the security and protection offered by video surveillance solutions.

#### Prevent and solve crime

Use of security cameras can prevent and solve crimes, which is viewed as positive by the general public. A survey coordinated by LUSAX at Lund University and commissioned by Securitas, showed a very positive attitude to security cameras: 90 percent of the general public in Sweden are positive about the use of security cameras on streets and squares (KANTAR SIFO, August 2017). 83 percent of respondents stated that the presence of security cameras in public places does not violate their personal integrity. An overview of research from seven different studies shows that monitoring with security cameras can reduce the number of crimes by between 24 and 28 percent in public places and metro stations in the inner city (*Alexandrie, G.* (2017) Surveillance cameras and crime: a review of randomized and natural experiments. Journal of Scandinavian in Criminology and Crime Prevention).



# Customer satisfaction

Axis' ambition is to continually develop and improve its offering in order to continue having satisfied and loyal customers. Axis maintains a regular dialogue with its customers in order to meet their expectations and needs.

### Increased interest in sustainability

Axis distributors and other partners are showing an increasing interest in sustainable products and solutions.

Customers are demanding products and solutions, which are environmentally-friendly such as PVC free network cameras with low power consumption and recycling programs for worn out products. Even social and ethical questions, for example IT security, customer privacy and anti-corruption are of increasing interest to distributors and partners.

Axis has close cooperation with its distributors and conducts a regular dialogue in order to be receptive to developments and offer sustainable solutions that meet customer needs. Axis informs and trains its distributors, other partners and end customers by means of meetings, seminars and newsletters.

# **Regular surveys**

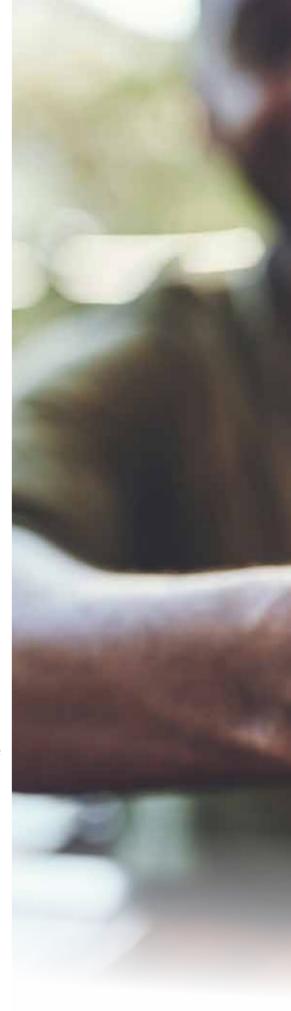
Axis conducts satisfaction surveys at distributors, partners and end customers in order to understand their dynamics and expectations and also to measure their view of the company's different business areas.

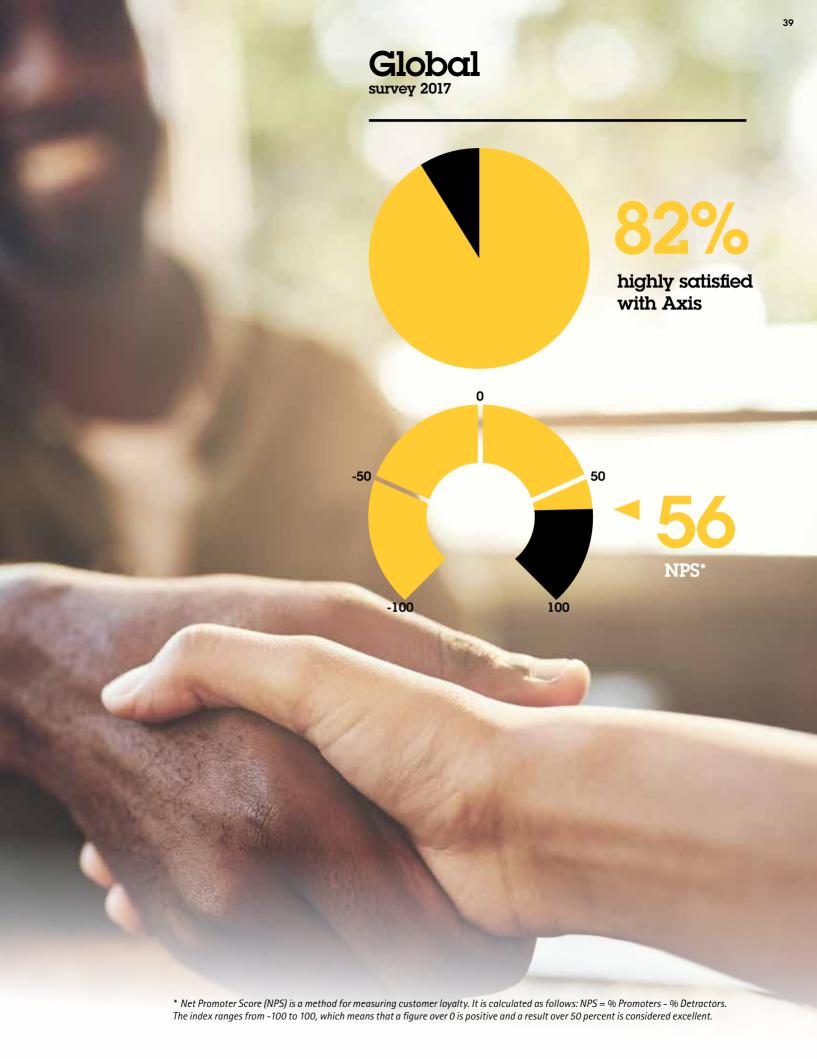
These surveys measure how satisfied the stakeholders are with Axis and how they think that Axis can improve its products, solutions and working methods. The results are evaluated and the information is then taken back to the relevant departments in the organization, so that Axis can make improvements.

### Continued satisfied customers

In 2017, a global survey was conducted in 51 countries, where about 12,000 partners responded. 82 percent were highly satisfied with Axis. Among other things, Axis received good scores for high product quality, efficient solutions, knowledgeable support and honest, skilled and customer-focused personnel. Axis is also highly regarded for its leadership within IP technology, its professionalism and understanding of the market.

Users of Axis customer support also have the opportunity to provide feedback after cases are closed. Survey responses are compiled every quarter. The questions relate to whether the issue was resolved, if it was resolved reasonably quickly and if the customer was satisfied with the service. If the product, documentation or handling of a case has not been satisfactory in some respect, the information is relayed to the relevant department for further action. Continual contacts between Axis employees and customers help to identify improvement measures and result in increased customer satisfaction.





# Environmental responsibility

Axis strives to minimize the environmental impact from its own operations and in the company's products and solutions. Most of Axis' environmental impact occurs indirectly and is related to manufacturing, transports and energy consumption when the products and solutions are used. This means that Axis aims for improvements along the entire value chain and throughout the life cycle of the products.

## Long-term environmental responsibility

Axis works with suppliers, distributors and other partners in order to minimize direct and indirect environmental impacts. This involves systematic work to ensure that product development, material choice, material origin, components and packaging meet quality and functionality requirements, while minimizing environmental impacts.

Axis has performed life cycle analysis on various products, in order to see where the greatest environmental impact lies in the products' life cycle. Measures to reduce environmental impacts include using recycled material, reducing the number of product parts, choosing low-weight components, minimizing material waste, optimizing packaging, improving energy consumption efficiency in the company's operations and products, streamlining logistics flows and choosing environmentally friendly transports as far as possible.

### New environmental strategy

The aim of the new environmental strategy is to clarify Axis' environmental work and connect it with the change the company wants to achieve.

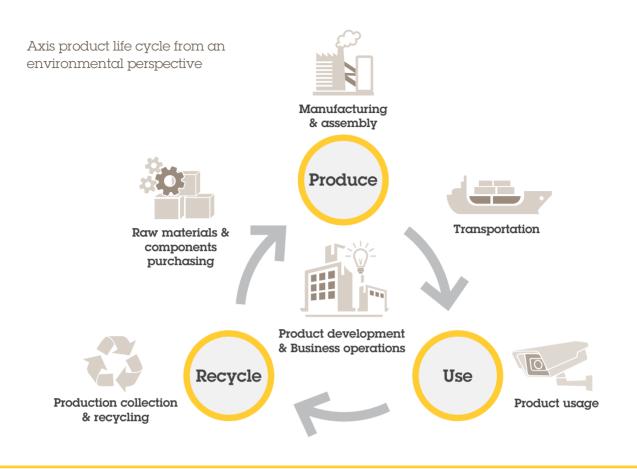
The three focus areas are *Beat climate change*, *Protect natural resources* and *Protect ecosystems*. These three areas incorporate the topics that are most important to Axis from an environmental perspective, and where the impact is greatest: energy use in products; emissions from transports, the company's own operations and suppliers; use of natural resources; use of water; use of hazardous substances in the products and emissions of hazardous substances at suppliers.

The new strategy will be implemented during 2019. The environmental strategy is based on Axis' Environmental policy, Axis' significant environmental aspects and the UN Sustainable Development Goals.

# **Environmental initiatives 2018**

During the year, Axis carried out a number of measures to reduce its environmental impact. These included:

- > continuing to phase out PVC from products
- > continuing to work on developing products that are BFR/CFR-free, in other words that do not contain brominated or chlorinated flame retardants
- > using a higher proportion of recycled plastics in products
- > identifying improvements regarding energy consumption in the product use phase
- > conducting environmental training of personnel in the units Operations, Research & Development, Marketing, Sales, Logistics and of other persons who, in their roles, can contribute to reducing the company's environmental impact
- > initiating work on drawing up a new environmental strategy



# Smart material choice

Axis products contain different materials such as aluminum, zinc, steel, stainless steel, polycarbonate/acrylonitrile-butadienestyrene, polycarbonate, polyamide, polymethylmethacrylate, polyurethane, silicone, thermoplastic elastomer and rubber.

Axis works systematically to ensure that its material choice meets quality and functionality requirements while minimizing environmental impacts. This includes using recycled instead of newly produced plastic, minimizing waste of materials, ensuring that only conflict-free minerals are used, ensuring that products do not contain any substances that are hazardous for people or the environment and phasing out health-impairing material.

Furthermore, about 95 percent of the material in Axis products is recyclable or combustible in accordance with Swedish recycling standards. Recycling can occur either in the form of energy or reuse of material.

# Material free from brominated and chlorinated flame retardants

During the year, Axis carried out a project to develop two products that are BFR/CFR-free, in other words that do not contain brominated or chlorinated flame retardants.

### **PVC**

PVC can emit toxic substances, is harmful to both human health and the environment and is difficult to recycle. PVC is found in outdoor cables for Axis cameras, among other things. Axis aims to phaseout PVC from its products and has been successful in these efforts. During the year, several new PVCfree camera models were developed, such as AXIS Q1785-LE, AXIS Q1786-LE, AXIS P3235-LV and AXIS P32 Series.

In 2018, 95 percent of network camera and encoder sales were PVC-free. In total, about 80 percent of Axis network cameras and encoders are PVC-free.

### **Recycled material**

Recycled material conserves natural resources and reduces environmental impacts. Axis works continually to phase in new recycled material into its material library, in order to increase the use and proportion of recycled material in its products. Axis has also continued to develop products with recycled plastic. In 2018, Axis released AXIS M3015 and AXIS M3016 models, which contain 70 percent recycled plastic. Axis has also launched its two first outdoor cameras containing recycled plastic, AXIS Q1785-LE and AXIS Q1786-LE.

The packaging material for the products is composed of recycled material to some extent.

### Energy consumption in products and solutions

The cameras' energy consumption is a significant part of their total environmental impact. Life cycle analyses performed by Axis, show that between 60 and 80 percent of the total environmental impact of network cameras is related to energy consumption by end users.

During the year, Axis continued its efforts to identify improvements for how energy consumption can be reduced when the products are used.

Axis continually works to further improve energy efficiency in surveillance systems, while retaining functionality, which can present a challenge. Some of the technologies developed by Axis, help to reduce energy consumption in the product use phase.

These include Axis Lightfinder technology, which enables cameras to reproduce sharp color images even when it is dark, at 0.18 lux and even lower. This eliminates the need for external illumination.

## Axis' carbon footprint

Several activities related to Axis operations generate carbon dioxide emissions, which have an impact on the climate. Axis' ambition is to take responsibility in these areas, to reduce the overall carbon footprint and impose clear demands on the company's suppliers, to the same extent as Axis takes responsibility for the manufacturing and design of the company's products.

Through annual monitoring and reporting of the company's carbon dioxide emissions, Axis gains an insight into which processes generate the most emissions and where Axis needs to focus its efforts to reduce its climate impact.

The 2018 Carbon Footprint report focuses on emissions related to transports, energy consumption of premises, leased vehicles, business travel and paper consumption.

The carbon footprint report also includes emissions from all inbound transports, in other words transports from contract manufacturers to Axis Configuration and Logistics Centers (CLC) and emissions from all outbound transports, in other words transports from CLCs to distributors.

Ton CO<sub>2</sub>e per sales<sup>3</sup>

# 5 3 Ton CO<sub>2</sub>e per SEK 100 M 2 0 2016 2018 2017 3,5 4,1 3,6 Ton CO2e/FTE4 Ton CO<sub>2</sub>e per

Total carbon footprint

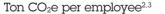
Axis' carbon emissions increased during the year from 35,068 to 36,704 tons CO<sub>2</sub>e<sup>1</sup>, an increase of about 5 percent compared to 2017. The increase was mainly related to a marginal increase in emissions related to inbound transports and business trips. The company displayed strong growth during 2018, with increased sales and more employees. Updates in calculation tools can occur in the future when new emission factors, for calculating emissions, are added.

Emissions due to third party deliveries accounted for 74 percent of total CO<sub>2</sub>e emissions. Total CO<sub>2</sub> emissions from inbound and outbound transports decreased by 4.4 percent to 4.09 kg CO<sub>2</sub> per sold unit (read more under Transports). Emissions related to employees, due to energy consumption in the operations, paper use, leased vehicles, business travel etc., increased by 4 percent<sup>2</sup>. Emissions related to sales decreased from 4.1 tons CO<sub>2</sub>e to 3.6 tons CO<sub>2</sub>e per SEK 100 M (see diagram).

### Energy consumption in the operations

Total energy consumption in the operations increased globally due to increased growth both in terms of sales and the number of employees. Energy consumption is the fourth largest source of Axis' total emissions, accounting for around eleven percent of all emissions.

In terms of energy intensity, the energy consumption per employee has fallen, thanks to our energy saving measures.

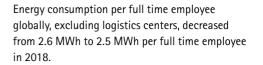


Ton CO2e per employee

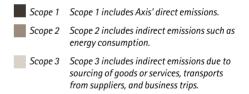
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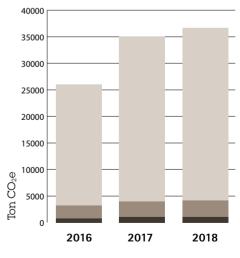
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At the Lund headquarters, where 58 percent of all the employees are based, the goal is to reduce electricity consumption by 5 percent per employee annually. During the year, the electricity consumption per employee at the headquarters fell from 2.5 MWh to 2.3, in other words a decrease of 8 percent. This was due to increased awareness among employees and to energy-saving measures.





Ton CO<sub>2</sub>e per scope<sup>3</sup>

<sup>1</sup> Carbon dioxide equivalents or CO<sub>2</sub>e is a metric for describing how different greenhouse gases, of a given quantity, contribute to the greenhouse effect and impact global warming, measured in the equivalent amount of CO

2016

2.2

2017

2,3

2018

2,4

<sup>2</sup> Inbound and outbound transports are excluded.

SEK 100 M

<sup>3</sup> 2N and Citilog are included in the numbers for 2017 and 2018, but not for 2016.

<sup>4</sup> FTE (Full-Time Equivalents) also include employees at Axis CLCs.

initiated carbon offsets in 2015 for all business travel by air. In 2018, the offset was 3,779 tons of  $CO_2e$  from business trips. If this figure is deducted from Axis' total  $CO_2e$ , the emissions per employee would be lower and total 1.4 tons  $CO_2e$  per employee. To read more about carbon offsetting at Axis, please see page 46.

Axis' travel policy encourages less travel, whenever possible. During the year, Axis conducted tens of thousands of hours of webinars and virtual meetings around the world, which helped to reduce business trips.

# Green lease

Axis has a green lease with one of its property owners for the headquarters in Lund. The lease means that Axis and the property owner work actively together to reduce the environmental impact of the premises and property. The measures include changing to more energy-efficient white goods, which also reduces water use (see below), continual maintenance of equipment in order to minimize energy waste and increased employee awareness through environmental training.

# Water use

Axis has initiated several activities in Lund aimed at reducing and streamlining water use. Test water is recycled in Axis' water lab. When the products are tested in a water environment large quantity of water are required. Previously, the water used in testing was released into the public sewage system. Now the water is recycled and is only replaced once per quarter. This provides a saving of about 1 m<sup>3</sup> of water per day.

Additionally, the oldest weather testing unit (a unit that generates different types of weather conditions: snow, rain, wind etc. for testing cameras) in the climate lab was replaced with new equipment that requires less electricity and water. Another completed measure was to replace dishwashers with more water- and energyefficient machines.



# Transports

Axis aims to keep down transport costs and carbon emissions, caused by product transports. Customer needs should be met while reaching environmental targets.

Axis continually reviews and streamlines its logistics chain, including transports from contract manufacturers to the company's Configuration and Logistics Centers (CLC) and transports from CLCs to distributors.

Axis uses sea and road transports rather than air freight for inbound transports as far as possible, in other words, transports to CLCs, and road transports for outbound transports, in order words transports from CLCs.

Manufacturing and configuration of the products at various CLCs should occur as close to each market as possible, in order to ensure good flexibility as well as short transport times and lead times. Axis's six CLCs are located in China, Sweden, Czech Republic, Hungary and USA.

## Focus during 2018

During the year, Axis initiated work on starting a CLC in Thailand, for products that are manufactured for the Asian market. Axis also started to use rail freight for transports of larger products that are manufactured in Asia to CLCs in Europe. Some logistics changes also occurred in the US market. A larger proportion of the products sold in South America are now transported from the CLC in the US instead of CLCs in Europe. This has been made possible by an increase in production volumes at manufacturers closer to the USA.

## **Optimization of packaging**

Cardboard manufacturing machines have been gradually introduced at Axis CLCs and are now installed at all CLCs. This means that Axis is sourcing less cardboard packaging as transport packaging is manufactured locally at each CLC. Packaging for outbound transports is becoming optimized and leaner when manufactured for specific transports. In addition, inflatable packaging material is increasingly used in packaging and for more product families. The inflatable packaging material is lighter than other packaging material and takes up less space during transports, and this material is reused when the products are repackaged for transports to customers.

# **Reduced** emissions

Overall,  $CO_2$  emissions from transports decreased by about 4.4 percent to 4.09 kg  $CO_2$  per sold unit<sup>1</sup>. Axis displayed a sharp increase in sales during the year and the strong growth put pressure on the logistics chain, which meant that carbon emissions continued to be higher than planned. There was a continued capacity shortage in the market for certain components, which are manufactured in Asia, and demand for camera models, which include these components, was strong in Europe and the US. For this reason, Axis needed to use air freight in order to meet customer demand.

Axis continually invests in order to boost production capacity at its existing suppliers and initiated cooperation with new suppliers during the year. This meant that Axis was able to increase sea transports from Asian suppliers to the American and European markets, which led to a decrease in  $CO_2$  emissions measured per sold unit. Read more about Axis cooperation with its suppliers on page 48.

# Carbon offsetting

Axis carbon offsets for all courier freight, which occurs by air. Carbon offsetting occurs in accordance with the independent international standard the CarbonNeutral Protocol. For each ton of  $CO_2$  that Axis offsets, the company pays for the reduction of a ton of  $CO_2$  equivalents in a carbon offset project.

CommuniTree, Nicaragua

# Carbon offsets for business trips

Axis uses carbon offsets for all business trips by air. In 2018, Axis offset 3,779 tons of CO<sub>2</sub> equivalents from business trips in the projects CommuniTree in Nicaragua and Trees for Global Benefits in Uganda. These projects are certified according to Plan Vivo.

# CommuniTree, Nicaragua

In this project, which is run by Taking Root, different species of native trees are being planted, using varying methods of cultivation, in order to build a resilient ecosystem in northern Nicaragua. The local farmers receive money for planting and taking care of the trees. The trees also offer protection during extreme weather conditions as they capture water, prevent landslides and provide shade for animals, crops and for the families that live in the area.

Since 2010, more than 120 unique species have been planted.

# Trees for Global Benefits, Uganda

By developing agroforestry at a local level, the families in this project in western Uganda can get timber and fuel as well as fruit and vegetables. The project is run by EcoTrust. Since 2003, more than 1 million tons of carbon sequestration has been documented through improved agricultural techniques, expanded forest areas and reduced deforestation.

Trees for Global Benefits, 80

Training is also conducted regarding HIV and AIDS, entrepreneurship and global warming as part of the project.

# Improving the products' environmental performance.

# Material

# Launching at least one product which is BFR/CFR-free before July 2019.

During the year, Axis carried out a project to develop two products, which are BFR/CFR-free, in other words, that do not contain brominated or chlorinated flame retardants. This work will be completed during 2019.

# Energy consumption in products and solutions

**Minimizing energy consumption throughout the product's entire life cycle, from product development to use by end users.** Axis continually works to further improve energy efficiency in the products and solutions, while optimizing functionality.

# Reducing CO<sub>2</sub> emissions from the operations<sup>1</sup> by 20 percent per sold unit from 2016 to 2021, measured in kg CO<sub>2</sub> per sold unit.

In 2018,  $CO_2$  emissions from operations were 2.7 percent higher than the emissions in 2016 (measured per kg  $CO_2$  per unit sold). However, this is an improvement compared to 2017, which ended up 6 percent higher than in 2016<sup>1</sup>.

Reducing  $CO_2$  emissions from transports by 20 percent per sold unit from 2016 to 2021, measured in kg  $CO_2$  per sold unit. In 2018,  $CO_2$  emissions from transports decreased by 4.4 percent, measured in kg  $CO_2$  per sold unit per sold unit, compared to 2017. In 2017,  $CO_2$  emissions from transports increased by 5.2 percent, measured in kg  $CO_2$  per sold unit.

**65 percent of inbound transports, in terms of the total weight of the products sold, should consist of sea and road freight.** 61 percent of all inbound transports measured in terms of the total weight of the products sold were sea or road transports and 39 percent were air transports in 2018. In 2017, 62 percent of all inbound transports were sea or road transports and 38 percent were air transports. In 2016, 63 percent of all inbound transports were sea or road transports.

Reducing electricity consumption by five percent per employee at the headquarters in Lund per year.

In 2018, Axis reduced electricity consumption per employee at the headquarters from 2.5 MWh to 2.3, i.e. a reduction of 8 percent. In 2017, Axis' electricity consumption per employee at the headquarters decreased by 13.8 percent compared to 2016.

# Ensuring effective environmental management within Axis.

# Axis shall work in accordance with ISO 14001.

During the year, Axis initiated work on meeting the ISO 14001 standard. Based on a gap analysis performed during 2017, Axis developed new processes and carried out internal reviews to rectify deviations.

More than 80 new Axis employees will be trained in Axis' sustainability work and in environmental issues generally. During the year, 62 people participated in training.

The Environmental function will take over responsibility from Research & Development in relation to chemical substances in electronic and mechanical standard components.

Work is in progress so that the Environmental function can take over this responsibility.

# Improving customer communication.

# Identifying and establishing communication channels within marketing and sales.

During the year, the Environmental function initiated cooperation with the Marketing, Communication and Sales departments and developed material and supporting documentation regarding Axis' sustainability work. This was used in communication with the customers.

<sup>1</sup>Operations run by Axis. The acquired companies 2N and Citilog and CLCs that are not owned by Axis have their own emission targets.

Axis' contribution to the Sustainable Development Goals















# Responsible supply chain

Axis has long-term collaboration with its suppliers. Suppliers are regularly audited to ensure that they meet Axis requirements and that they take social and environmental responsibility in their operations and that they fight corruption.

Axis' ambition is that all product manufacturing should occur in an environmentally, socially and ethically responsible way. The company aims to have long-term collaboration and partnership with its suppliers.

Axis customers also impose requirements on how the company works with its suppliers; for instance control by Axis that suppliers work with social and environmental matters and that manufacturing occurs in a responsible way.

Axis has a total of 238 suppliers. Seven of these are contract manufacturers, which are located in China, Korea, Mexico, Thailand, Japan as well as two in Poland.

Contract manufacturers produce printed circuit boards and assemble the products. Axis' strategic component suppliers, which cast chassis and manufacture cameras lenses and electronic components, among other things, are found all over the world.

117 of the 238 suppliers are considered to have a major impact on Axis from a sustainability perspective. 91 of these are located in Asia, 20 in Europe and 6 in North America. During the year, Axis initiated cooperation with 13 new suppliers<sup>1</sup>.

Axis carefully selects its suppliers for manufacturing and assembly of the company's products. This selection is made according to the criteria quality, price, ethics, environmental impact, working environment, flexibility, employee working conditions such as the right to sign collective agreements and freedom to join a trade union, and respect of human rights, in no particular order of importance. When selecting suppliers, selection criteria include closeness to a contract manufacturer, a Configuration and Logistics Center (CLC), or a purchasing office.

<sup>1</sup>New suppliers include suppliers that have been phased in and where collaboration began during 2018.



# Impacts and risks

Environmental impacts in the supply chain include consumption of energy, water, materials, minerals and chemicals. For information about environmental risks, risks relating to working conditions, human rights and corruption, see the separate text about risks, page 18-21. All Axis suppliers are expected, besides complying with laws and regulations, to follow Axis' Supplier Code of Conduct.

## Focus 2018

During the year, Axis worked intensively on verifying compliance with the new requirements in the Supplier Code of Conduct, which was updated in 2017. This tightened the requirements for control of overtime. Extensive overtime is a commonly occurring problem among suppliers in Asia. Axis' goal is to take care of employees' health and safety, and Axis imposes stricter demands in some countries than required by law. Axis' view is that too much overtime is connected with risks to employees' health and safety and with risks related to work performance. The new requirements are based on the Responsible Business Alliance's code of conduct regarding working hours.

Verification of compliance occurred through collection and review of action plans, onsite audits of suppliers and training.

# **Supplier Code of Conduct**

Suppliers are expected to sign and comply with Axis' Supplier Code of Conduct, which is based on Axis' Code of Conduct and the UN Global Compact's ten principles in the areas of human rights, labor, environment and anti-corruption. This includes requirements prohibiting any form of child or compulsory labor, ensuring good working conditions, having control of environmental impacts such as energy and water consumption, management of waste, chemicals and emissions and having a well-functioning water purification system when required.

Other requirements also include good business ethics and responsible sourcing of minerals in order to avoid conflict minerals. In addition, suppliers should be either ISO 14001 certified or have a management system in accordance with ISO 14001. In some cases, suppliers do not sign Axis' Supplier of Code of Conduct, but instead refer to their own code of conduct. This is reviewed by Axis in order to verify that it corresponds with the requirements stated in Axis' Supplier Conduct of Conduct.

Axis introduced its Supplier Code of Conduct in 2011 in order to increase and clarify supplier requirements. The introduction has meant that most suppliers collaborating with Axis have improved their sustainability work.

# Initial evaluation

All new suppliers are initially evaluated using a self-assessment questionnaire, before collaboration begins. The questionnaire, which suppliers should fill in, contains information about the company's environmental impacts including material environmental topics, chemical management, emissions and social responsibility, including working conditions such as working hours and employee health and safety.

Existing contract manufacturers and strategic component suppliers to be audited also need to fill in a self-assessment questionnaire regarding how they meet Axis requirements relating to the environment, quality and employee safety.

### Thorough supplier audits

The supplier audits aim to follow up and ensure that suppliers meet the requirements in the Supplier Code of Conduct. Both first-tier suppliers and contract manufacturers are screened as well as second-tier component suppliers. Suppliers are classified based on risk level, taking account of country, credibility and previous evaluations. Of Axis' total of 13 new suppliers during the year, 6 have a material impact on Axis operations from a sustainability perspective, and all of them were screened locally and/or via self-assessment questionnaires in respect of environmental impacts, labor conditions, human rights and anticorruption.

The audits are followed up regularly. This ensures that the supplier meets Axis requirements and in those cases where measures are needed that they are also implemented.

During the actual inspection, environmental and quality engineers from Axis visit the factory. The inspections usually take one or two days. Axis examines the supplier's entire production process right up to final delivery. The audit covers the factory's environmental impact and employee working conditions. This includes working hours and routines, if child labor or compulsory labor occurs, noise levels, fire safety, waste and chemical management as well as identifying and measuring different types of emissions. Axis also ensures that only conflict-free minerals are used. For more information about how Axis works to fight the use of conflict minerals, see page 51.

### **UK Modern Slavery Act**

Axis has operations in the UK and is thus subject to the UK Modern Slavery Act. Axis works actively to counteract all forms of modern slavery, child labor, forced labor and trafficking in its business and imposes demands on suppliers that it should not exist in their operations. Suppliers are expected to demand that modern slavery, child labor, forced labor and trafficking do not exist in their suppliers' operations. For information regarding how Axis works with these challenges, see www.axis.com.

Furthermore, Axis reviews that processes and systems are in place to ensure that the operations are conducted in an ethical way in every respect and that corruption does not occur. Interviews are conducted with the management and employees.

If it should become apparent that a supplier does not meet Axis requirements, then the supplier has three months to implement corrective actions. If the measures are not carried out after further discussions with Axis, then the supplier will not get any new business. In the next stage, the supplier is phased out.

Positive effects from Axis audits include reduced chemical emissions in waste water and better safety for the employees in their workplaces, with reduced risk of accidents and an improved working environment generally. Axis ensures that suppliers address and handle the environmental and working enviroment risks, which are considered to be significant, resulting in lower risks in these areas.

### Audits during 2018

During an audit of several different Chinese suppliers, it was discovered at random inspections that some employees worked more overtime than permitted under Chinese law (i.e. 36 hours of overtime per month). However, the audited suppliers kept within the guidelines established by the Responsible Business Alliance. Axis has demanded an action plan from the suppliers where breaches of the law have occurred.

Foreign workers in Malaysia and Thailand have been identified as special risk groups when it comes to forced labor. "Axis is actively engaged in all parts of the value chain. Axis strives to ensure that suppliers, distributors and partners shall take environmental, economic and social responsibility, including working for good business ethics, and that negative impacts shall be minimized and risks handled at all stages in the value chain. The long-term environmental responsibility is most important for Axis to work

with, because environmental issues concern all humans. As a leading market player, Axis has good opportunities to influence those around it in sustainability matters. We are happy to work with Axis because Axis stands for responsible business conduct and we want to follow and study Axis in order to improve our own sustainability awareness. We believe that Axis' sustainability work can contribute to Axis being perceived as a great and respected company throughout the world." Yip Stanley, Executive Director, Goodway Plastic

Axis therefore performs more frequently supplier reviews and training in these countries, to ensure that there are no violations of human rights. During 2017, it was discovered that a strategic component supplier in Malaysia seized passports from foreign workers, which is regarded as forced labor by the UN. The supplier in question took the necessary measures during 2018. Checks have been carried out at all suppliers in Malaysia except one; the checks showed that the employees' passports had not been seized. However, some work remains regarding the examination of employment contracts. This work will continue during 2019.

The supplier in Thailand has been reviewed and trained during 2018. Random checks showed that there was no forced labor.

No collaboration with suppliers was terminated during the year due to suppliers failing to meet Axis sustainability requirements. Apart from the audits, Axis conducts supplier training in order to inform them about the company's values and requirements, including within the Axis Supplier Academy framework.

# Supplier Academy

Axis Supplier Academy is a program where Axis trains suppliers locally in environmental, working environment and other sustainability matters. The training program aims to increase awareness about and understanding of the requirements Axis imposes and is particularly addressed towards the suppliers that are most critical to Axis from a sustainability perspective.

During the year, Axis trained seven component suppliers in China and three contract manufacturers within the Supplier Academy framework.

# Goals and target fulfilment

# At least 95 percent of new suppliers should be screened in respect of the environment, working conditions and human rights.

During the year, all new suppliers were screened in respect of these criteria.

# Six suppliers, which are critical from an environmental and sustainability perspective, were to be trained in 2018.

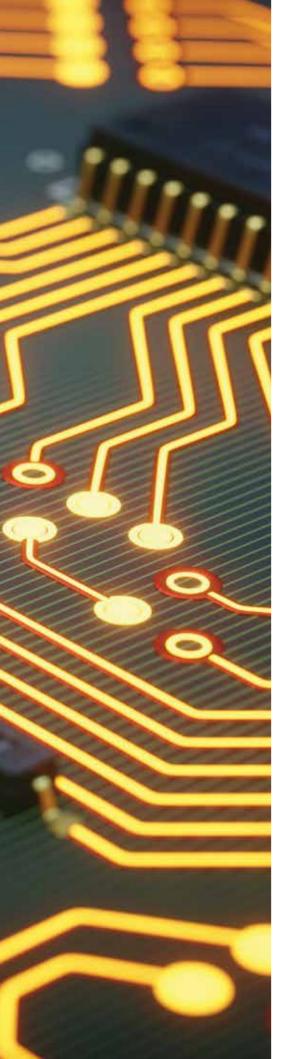
During the year, ten suppliers were trained that are critical from an environmental and sustainability perspective.

# Ensure that suppliers comply with the Responsible Business Alliance's requirements on working hours.

Follow-up has been carried out on site at a number of suppliers in 2018 and will continue in 2019.

# Axis' contribution to the Sustainable Development Goals





# Conflict minerals

Axis works systematically and proactively to ensure that the company's products do not contain any conflict minerals, in other words gold, tantalum, tin, or tungsten that derives from areas in the world and where the sales contribute to finance armed conflicts.

Conflict minerals are a very important social and ethical question. Their extraction creates disputes and trading in the minerals finances armed conflicts and can result in child and compulsory labor.

Axis does not accept, tolerate or engage in any sourcing activities, which may finance conflicts or involve any form of violation of human rights or compulsory labor.

### **Documented process**

Axis has a well-documented process for ensuring that the minerals used by suppliers and subcontractors are conflict free. In accordance with Axis' Supplier Code of Conduct, all first and second tier suppliers have undertaken to have a process in place for mapping their supply chain in order to ensure that conflict minerals are not used.

Suppliers must report the origin of the minerals and describe how they are working to ensure that their components and products only contain conflict-free minerals. This means that suppliers must identify and inform Axis about all smelters in the value chain that supply gold, tantalum, tin and tungsten.

Furthermore, Axis expects all suppliers to act in accordance with Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, when applicable, for an increased traceability of minerals. Suppliers must also have policies and measures of due diligence in place, enabling Axis to ensure that the products and components supplied to Axis only contain conflict-free minerals.

Suppliers are expected to report where the minerals in the products and the various components come from and any measures taken, by using the Responsible Minerals Initiative's (RMI) reporting tool – Conflict Minerals Reporting Template. More than 90 percent of Axis suppliers have reported via this reporting tool, or via a corresponding tool. During the year Axis' largest shareholder Canon, in collaboration with KPMG AZSA Sustainability Co., has perform a third part audit for U.S. Securities and Exchange Commission (SEC) filing. The audit focused on conflict mineral management process and the results of 2017. During the audit, no non-conformities were identified. One of the conclusions was that Axis' management of conflict minerals is very robust. One of the highlights was that Axis' conflict mineral survey also includes a periodic follow-up of those suppliers that have declared that they do not have minerals from conflict sources, since suppliers may change the way they source their materials over time.

Axis did not find any case during 2018 where conflict minerals were used in the components or the products supplied to the company. If Axis would discover that conflict minerals are used by any supplier, the supplier should provide details and an action plan to end this practice. If the measures are not implemented, Axis will suspend collaboration with the supplier in question.

## **Guidelines and policy**

Axis follows recommendations and guidelines from the Responsible Business Alliance and the Global e-Sustainability Initiative regarding taking social responsibility in the entire supply chain.

During the year, Axis updated and clarified its conflict minerals policy and actively communicated the policy to its suppliers: via training, via the Axis website and in its Supplier Code of Conduct.

# Social responsibility

Axis is a leading player in network video and the company's products and solutions are helping to create a smarter and safer world. Axis should have a positive social impact and aim to be a model for the industry. The employees are found in 50 countries and Axis has a great impact on many people's lives and wellbeing. Axis creates job opportunities and is an important employer in local markets. Axis should offer an attractive and safe workplace, defined by equality and diversity, where people are happy and feel good. Axis takes long-term social responsibility and invests in social initiatives that positively impact the company's own operations and surroundings.

# Employees

Axis should be an attractive workplace and have a safe, healthy and sustainable working environment where all employees have good opportunities to develop.

Axis offers good career development opportunities, competitive terms of employment in each local market, and attractive job opportunities in an industry with a high degree of technical innovation.

The corporate culture is defined by an entrepreneurial spirit, openness and taking of responsibility. This unique corporate culture with dedicated and well-qualified employees and strong leadership has contributed to Axis' success and is crucial for continued strong global growth and for ensuring that Axis meets its goals.

Recruitment occurs regularly in all markets. During the year, Axis' number of employees increased by 388 people. The total number of employees amounted to 3,253 (2,865) at year-end, of which 28 percent were women and 72 percent men.

# A good and safe workplace

Axis wants to be an employer where people feel happy and remain for a long time, and feel pride in their workplace and performance. Axis' view is that healthy employees do a better job and that a good physical and psychosocial working environment leads to greater creativity, more innovation and better results for the company.

Axis works in a strategic and proactive way on continually improving its working environment:

- > An occupational health service and health checks are offered at many offices
- > HR managers ensure that all offices respect the working hours and that employees receive marked-related salaries, which follow agreements and local legislation at a minimum
- > Regular safety and fire prevention trainings are conducted at all offices
- Annual safety inspections and safety committee meetings are held in Sweden
- All employees are offered annual career development discussions and individual action plans
- > All managers in Sweden are offered regular working environment training
- > Bike rental is offered at the office in Germany, to encourage people to cycle to and from the workplace

During the year, there was a strong focus on working towards the goal of maintaining a good overall psychosocial working environment for all employees. These initiatives included:

- > A 2-year training program in stress management and inspiration, which 100 people in Sweden have applied for
- > A stress management course for employees in Japan
- A new working hours policy with greater flexibility in respect of working hours in Middle Europe, in order to promote a better work-life balance
- > A health initiative in the Middle East that addresses physical and mental health

Employee surveys are conducted regularly in order to gain an insight into and knowledge of the employees' view of the leadership and other workplace-related questions. During the year, several local employee surveys were carried out, including in Middle Europe and in North America. Axis received very good results in the areas of camaraderie, pride and wellbeing. Areas for improvement included activities related to support good health.

The ambition is to conduct the next employee survey in Sweden in 2019.

# Collective agreements and freedom to join a trade union

All employees in Sweden and 63 percent of the total number of employees are covered by collective agreements. All employees have the right to join trade unions and to negotiate collective agreements, in accordance with local legislation and what is applicable in each country.

## Engaging corporate culture

Axis corporate culture, with strong values, represents the basis for all operations and is constantly present in the day-to-day work and leadership. All employees and the board should observe the Code of Conduct and act according to it and take responsibility for upholding the company's values.

The corporate culture is defined by an entrepreneurial spirit, openness and taking of responsibility, and is and has been crucial for maintaining innovation and dynamism in a rapidly growing organization like Axis.

All employees are expected to be involved, engaged and take responsibility for what they do. Employees with the same values, means that irrespective of where you meet an Axis employee in the world, that you will find competence, humility and dedication. The employees have considerable freedom based on responsibility, which helps to promote innovation and creativity.

Axis works systematically to strengthen the corporate culture as it is of critical importance that the employees share the company's values. This cultural matching during recruitments is extremely important and the recruitment process is very careful and thorough. The corporate culture and values are important parts of the introduction program for new employees, and also in other training and employee programs, during kickoffs, setting of salaries and career development discussions.

Clear leadership is extremely important and managers contribute to the culture work as models and by conducting regular training and having continual discussions with their teams and departments.

# Core values

The core values *Always open*, *Act as one* and *Think big* serve as the foundation for the culture work. These values mean being open to the ideas of colleagues and customer needs, working together to reach Axis' goals, remaining at the leading edge and creating the best products and solutions. The company's policies are also based on the core values.

Good career and development opportunities Axis offers good career and training opportunities as well as competitive salaries and terms of employment in order to attract and retain committed and skilled employees. The company's bonus program covers all employees. Salaries for all employees are reviewed annually.

There is a strong focus on internal mobility and internal career paths.

# Training and development

As a globally expanding company, Axis operates a broad range of training and development programs. These include:

> An introduction program at the headquarters in Lund for all new employees, so that they learn about Axis corporate culture, core values, business strategy and gain an insight into the various operational areas

- > Axis Axchange programs, various job rotation programs, which aim to help employees learn from each other and exchange ideas and experience to become even more effective, gain new perspectives, as well as personal and career development, including
  - IP@Axis (International Projects at Axis), an international exchange program where employees get the chance to work in another Axis office globally during a limited period, as part of a project or to learn something specific
  - Live my day, which means that one person for a period of up to two weeks accompanies an employee during his/her working day to gain an insight into different kinds of work assignments and/or offices
  - Jobswap, which means that two people who have similar work but in different regions swap with each other during a fixed period of time

Further training and initiatives are conducted in all regions and are adapted to the needs of the various regions and countries. Training adapted to individual needs is also offered to employees, in consultation with their respective managers.

In addition, Axis operates a number of different training programs in order to strengthen leadership, such as the *International Program for Leaders*, a 10-month management training program, leadership training for managers at many offices around the world, *Axis Leadership Program* and a mentorship program.

Non-discrimination, equality and diversity Axis' starting point is that all people have equal value, which is something natural in all operational areas. Equality and diversity promote creativity and new thinking and also contribute to a better performance.

Axis has zero tolerance towards discrimination and harassment. Axis does not tolerate any form of discrimination or harassment whatsoever, based on gender, sexual orientation, ethnicity, national origins, religious belief, age, civil status or functional impairment or due to other statutory reasons. The company works actively to promote increased diversity and equality and to fight discrimination. At Axis, 57 languages are spoken, which reflects the diversity among the employees' backgrounds.

Axis' view is that an inclusive working environment with equality and diversity in respect of background, competencies and other attributes fosters innovation and dynamism as well as employee wellbeing. An even gender distribution and teams with mixed backgrounds, experience and knowledge contributes to a positive working environment and creates commercial benefits. This is a competitive advantage, helps the employees to feel proud about Axis and creates engagement.

"We are one of the few companies in the industry that has signed the UN Global Compact. The work on phasing out PVC from our products and our culture and values-related work is going well. This is also a strong competitive advantage. I expect that we will continue to deliver on our commitment and that we will be the first in the industry, e.g. to completely phase out PVC from the cameras. It is important that we work to make more space for sustainability in the security industry as we are well ahead in this area." Jens Strinsjö, Business Development Manager, Northern Europe, Axis Communications.

All employees should have good career development opportunities, irrespective of gender or background, and it should be just as easy for women and men to make a career. A work-life balance should be facilitated.

Axis aims to ensure that employees with equal qualifications should have the same salary for identical performance and responsibility.

# Local and regional initiatives

During the year, the Council for Social Responsibility worked to implement the new social goals, which were drawn up in 2017. All offices work and set goals based on their local conditions.

Several initiatives were implemented during the year in order to promote greater equality and diversity. These included:

- Recruitment training in diversity in a number of regions, including Sweden
- > An initiative in the Middle East and Africa to ensure that 50 percent of the final candidates in a recruitment process are women and 50 percent are men
- Several activities and training efforts in North America for increased diversity and equality (read more on page 58)
- > A conscious recruitment process in Southern Europe to boost the proportion of women, which meant that 66 percent of the positions filled in France were taken up by women
- > A conscious recruitment process in North Asia, which resulted in a gender distribution of 45 percent women and 55 percent men and a local management team consisting of 40 percent women
- > Collaboration and a workshop in Sweden with the diversity network MINE (Mentorship, Inspiration, Networking and Education), which strives for increased diversity and inclusion in working life, including in the recruitment process
- > The Axis Q Network, where female employees in Sweden meet to network, get inspiration and exchange experience and ideas with other women outside their own department, which also aims to facilitate career development

Axis ensures that the annual salary reviews are carried out in an impartial way. If Axis would detect salary review differentials, this would be adjusted according to Axis processes and policies. For external initiatives and collaboration in the markets where Axis operates, see Social responsibility and social initiatives on page 60.

# Always open

# Act as one

55

# Think big

# **Employees**

	2018	2017	2016
Number of employees	3,253	2,865	2,646
Proportion women/men, %	28/72	27/73	26/74
Group Management	2 women, 8 men	2 women, 8 men	2 women, 8 men
Board of directors	3 women, 7 men, of whom 2 women and 3 men are employee representatives (incl. 2 deputies)	2 women, 8 men, of whom 2 women and 3 men are employee representatives (incl. 2 deputies)	2 women, 8 men, of whom 2 women and 3 men are employee representatives (incl. 2 deputies)
Employee turnover, %	6.5	9.4	8.6
Workplace accidents*	23, of which 0 fatal accidents	17, of which 0 fatal accidents	17, of which 0 fatal accidents
Absence due to illness, in Sweden, %	3	2.9	2.5
Number of accidents resulting in lost workdays	3	1	8
Number of lost workdays	74	40	61
Average age	40	39	39
Employees with university education, %	n/a	79	79

Note: Including the companies acquired during 2016 Citilog, 2N and Cognimatics.

\*The main reason for the increase in the number of accidents is accidents during travel, that is, accidents occuring going to and from the workplace, but it is also due to the fact that employees have generally become better at reporting accidents and incidents. The increase has occurred in Sweden.

# Goals and target fulfilment

# Health and safety.

# Maintain good overall psychosocial working environment for all employees.

# One health-promoting psychosocial measure per country/region during the year.

Many regions have reached their goals and have focused heavily on psychosocial issues and taken action during the year to promote this goal. The work of focusing on maintaining the good psychosocial working environment will continue in 2019.

# Non-discrimination of employees.

# Zero tolerance against discrimination and harassment. All reported cases shall be handled promptly and in accordance with Axis processes and policies.

During the year, two cases of sexual harassment were reported, where Axis employees were subjected to harassment at the workplace, by third parties. These cases are closed. One case of discrimination in the recruitment process was reported. This case is closed. Two further cases of discrimination were reported. The investigations are expected to be completed during 2019. In 2017, one case of sexual harassment was reported, which was handled according to Axis routines and action plans and the investigation was completed. In 2016, there was no such incidents.

# Ensure that the recruitment process, including advertising, doesn't discriminate.

# An educational initiative during the year to raise awareness of discrimination among Axis managers globally.

During year, the HR department in Sweden held a workshop on anti-discrimination. All recruitment training at the headquarters in Lund includes how to fight discrimination in the recruitment process.

HR departments throughout the world continually review recruitment strategies and adverts to ensure that they are inclusive, encourage diversity and do not discriminate. For example in Middle Europe, training was also conducted to ensure that recruitment adverts do not discriminate, and training to combat prejudice was carried out in the US.

# Equality and diversity.

# Aim for a more balanced gender distribution in all teams and functions within Axis.

Ensure that the recruitment process, including advertising, contributes to increased diversity.

A number of activities were conducted at both a local and regional level, which are described above and in the text.

Axis' contribution to the Sustainable Development Goals



# Leading the way toward increased diversity and inclusion

During 2018, Axis North America launched a comprehensive Diversity and Inclusion Program which includes a dedicated committee, employee training, a Women in Security Summit and a collaboration with the Security Industry Association (SIA).

In January 2018, Axis North America convened for its annual kick-off meeting which included a diversity and inclusion workshop. All North American employees participated in the workshop. The activities and dialogue generated during the event resulted in the formation of a Diversity and Inclusion Committee as well as a concrete action plan that was implemented during the year.

"While the Axis culture is inherently welcoming and inclusive, it's important for us to always evaluate and improve upon ourselves. With our Diversity and Inclusion Program we have increased awareness and put a solid plan in place," said Elaine Palome, Director of Human Resources, North America, Axis Communications.

# The Women in Security Summit

Axis' first ever Women in Security Summit was another initiative inspired by the kickoff workshop. The goal of the summit was to recognize and support women in the industry, to put a spotlight on their challenges, spark discussions about equality and explore future opportunities. All Axis employees — women and men alike — were invited to participate, and more than 100 employees attended. As a result of its success, the event will be held on an annual basis and will be open to employees, partners and customers.

"We are thrilled with the participation and excitement generated during this summit and look forward to future events," said Elaine Palome. Security Industry Associations' forum

On March 8, 2018, International Women's Day, the Security Industry Association announced the establishment of its Women in Security Forum. The forum's goal is to encourage the participation of women in the security industry through programs, professional development and networking events and is chaired by a committee, including Ms. Palome.

"We are pleased to take part in this joint initiative with SIA. Their forum creates great opportunity for women in the security industry and offers everyone a chance for open discussion," said Palome.

# Scholarships, leadership programs and other initiatives

Furthermore, Axis North America has established an Axis Communications Academy scholarship program for women. The goal is to encourage more women to apply for training programs, certifications and advancement in the field. In addition, Axis North America is in the process of developing a leadership program for women through a partnership with the Security Industry Association. Axis North America is also focused on improving its recruitment efforts – posting job openings on diversity-related websites and engaging with professional women's groups.



"Axis has always been at the forefront of innovation in the security industry, so I'm excited that we're taking the lead when it comes to diversity. It takes continued efforts to move the needle, but I believe we're taking the right steps to make a difference," said Elaine Palome.

# Social responsibility and social initiatives

Axis' social responsibility includes being a good corporate citizen. Axis contributes through training initiatives and collaboration with schools, sponsorship of sports associations, non-profit environmental initiatives and gives donations to and works for charitable organizations.

Taking social responsibility and having a social commitment are an important part of Axis' sustainability strategy. Training initiatives, charitable initiatives, sponsorship and collaboration are usually initiated and conducted at a local level. This contributes to the local community and also benefits Axis and the company's employees.

## **Cooperation with schools**

Axis collaborates with schools, colleges and universities and offers internships for thesis work and also contributes to research projects at Lund University. Axis employees provide instruction at schools in order to inspire and explain how it is to work as an engineer and about technology.

### Increase interest in technology

Axis is working to increase interest in technology among girls and is involved in Sweden for example in Her tech future, Introducing girls to engineering, Female Engineering Day, Datatjej, Female Engineering Network and Pink Programming, which aims to train women in how to code. In the UK, Axis participated in the Big Bang Fair South East, with the aim of attracting young people to work with technology, science and mathematics.

# Diversity initiative and integration of new arrivals in Sweden

Axis collaborates with Foo Café, where new arrivals can learn to code, and contributed in terms of computers. Axis is also involved in MatchIT, a collaboration between Lund University and the research village Ideon for training and work experience for new arrivals, and Hackademy, a development project where new arrivals receive training both in programming and in the "soft values" around how the Swedish society operates.

In addition, Axis participates in Copenhagen Capacity, an initiative aimed at attracting personnel outside of the region's borders, which contributes to the diversity of companies in the Copenhagen region, including Lund.

# Social initiatives

Some examples follow of Axis' commitment and social initiatives around the world.

### **United States**

Several Axis offices in North America collected funds for the cancer association Relay for Life by selling shirts, and sponsored dresses for girls so that they can go to their senior high school dance, which the girls would otherwise have not been able to afford. Axis also contributed to the non-profit organization Mission 500, which helps poor children. Axis employees also assisted needy families in Puerto Rico, who were affected by the hurricane Maria.

### **Czech Republic**

Initiatives carried out in the Czech Republic during the year included participation in TeriBear, a sports event where funds were collected for the needy. Through a run, Axis employees collected funds for children so that they have the means to study at university. In Engagement Days, Axis volunteers assisted by working at Mental Institute Bohnice and Axis sponsored a book for blind children.

### South Africa

Axis donated network cameras to the charitable organization Give a Child a Family, which mainly works in KwaZulu-Natal in South Africa, but also in several other countries in east and southern Africa. Give a Child a Family works to ensure that children are protected, feel good and develop and they also manage a children's home in South Africa. The children's home needed help with monitoring of a playground, nursery room, kitchen, dining area and several other environments, in order to ensure that the children could have a safe environment. Axis network cameras are helping to provide increased security.

### Tanzania

An initiative for improved education for girls is being conducted in Tanzania, where Axis has assisted Hekima school for several years. Axis contributes IT equipment, trains teachers and works to ensure that the IT infrastructure and IT support are working. This improves the quality of the education for the girls in the school.

### Sweden

Axis contributes financially to Musikhjälpen, which collects money for various disasters and for aid and assistance projects, and also supports non-profit organizations such as the Swedish Cancer Society. Axis sponsors sports associations, sporting and cultural events such as the Lundaloppet run and various educational initiatives. Through Svenska Kunskapsförlaget, Axis sponsors educational materials relating to science and the environment for grade 4–6 pupils in Lund.

### The Netherlands

In Nuenen in the southwest of the Netherlands, Axis donated used network cameras to Nuenen kijkjesamen, which works to involve older people in the day-to-day social life. The cameras contribute to increased social participation for older persons, as Axis supplies streamed video from local events to people at home. Thanks to Axis cameras, the elderly and other persons that are not so mobile can watch sporting events, parades and other events that take place in their neighborhood. In this way, they can participate in the local social life even if they cannot see the different events in person and have a sense of social participation which contributes to a higher quality of life.

### Singapore

The charitable organization Foodbank takes care of surplus food, mainly from companies such as hotels and restaurants and donates the food to the needy via other non-profit organizations. Axis employees participated in Foodbanks' work by helping to pack the food.



Axis' contribution to the Sustainable Development Goals





# Sustainability notes

# About Axis' Sustainability report

This sustainability report has been prepared in accordance with the GRI Standards Core option. The sustainability report also constitutes Axis' Communication on Progress report to UN Global Compact and describes how Axis works with the UN Global Compact's ten principles within human rights, labor, environment and anti-corruption.

Axis has produced sustainability reports according to GRI's (Global Reporting Initiative) guidelines since 2010.

The report has been drawn up in accordance with GRI's reporting principles about inclusion of stakeholders, sustainability context, materiality and to provide a complete view of Axis' economic, environmental and social impacts during the period. The sustainability report contains the economic, business ethics, environmental and social topics, which are most important for Axis and the company's stakeholders and where the impacts are greatest, the topics' boundaries and a description of the Management Approach.

The sustainability report covers the 2018 fiscal year. The entire group is covered, including wholly owned subsidiaries, unless otherwise stated. The sustainability report is not externally audited. Axis publishes its sustainability report annually. The date of the most recent sustainability report is March 27, 2018.



# Governance and organization of the sustainability work

The sustainability work and strategy are based on the UN Global Compact's ten principles in the areas of human rights, labor, environment and anti-corruption. Axis signed the UN Global Compact in 2007 and its principles have provided guidance for how Axis conducts its sustainability work ever since.

Axis follows all applicable national and international laws and guidelines such as the Swedish Corporate Governance Code. Axis has a number of company-wide policies, including a code of conduct, which all employees and the board shall follow. Axis' Code of Conduct defines the values and guidelines upon which Axis conducts its business. For more information about the guidelines and rules upon which Axis conducts its operations, see *Responsible business conduct* on page 30.

The group management ensures that business in the group is conducted according to good business practice and in accordance with the Code of Conduct, existing policies and management systems.

The sustainability work between companies and departments in the group is coordinated by the Environmental Council and the Council for Social Responsibility together with the Sustainability Project Group.

The steering group for sustainability has overall responsibility for the sustainability strategy and the sustainability work, in dialogue with the board.

# The sustainability organization

### Sustainability steering group

The sustainability steering group has overall responsibility for sustainability matters. This includes monitoring that Axis' Code of Conduct and other policies are implemented in the organization as well as monitoring and follow-up of the work and activities conducted. The sustainability steering group is mainly composed of representatives from Axis group management, including the President.

### Sustainability project group

The sustainability project group is responsible for the development of sustainability initiatives and activities in various areas and has operational responsibility for the sustainability reporting. The group is composed of representatives from the following functions: Human Resources, Sales, Quality and environment and Communication. The sustainability project group is led by the Corporate Communications Manager.

# **Environmental council**

Axis' Environmental Council works with environmental questions and initiates projects aimed at minimizing Axis' environmental impacts and integrating environmental topics into the product development process. The Environmental Council is composed of representatives from the following functions: R&D, Global sales, Communication, Quality and environment, Operations and Product management, and representatives from the group management.

# Social responsibility council

The social responsibility council drives sustainability efforts in the social responsibility area. It sets goals, is responsible for following up targets, has an advisory and decision-making role and also promotes cooperation between various departments on questions such as working environment, diversity, anti-corruption and sponsorship, etc.

The functions included in the council are representatives from the group management, Global sales, Human Resources, R&D, Communication and Legal.

## Health and Safety committees

Axis has two health and safety committees in Sweden. One safety committee is composed of the managers of each CLC (Configuration and Logistics Center), a safety representative and a representative from Human Resources. The other safety committee is composed of representatives from Facilities, Human Resources and a safety representative.

# UN Sustainable Development Goals

Axis supports Agenda 2030 and the UN's 17 Sustainable Development Goals and is striving to contribute to these goals. See what goals Axis actively contributes to the most, below.



# Goal 1: No poverty

Axis participates, among other things, in projects to develop local forestry and tree cultivation and contributes to improving living conditions for small farmers. (Targets: 1.1, 1.5)



# Goal 3: Good health and well-being

Axis smart surveillance solutions can handle traffic flows and improve traffic safety, send alarms in emergency situations and detect accidents faster. Axis strives to be a workplace where people feel good and are happy, with a good physical and psychosocial working environment and occupational healthcare at many offices globally. Axis is phasing out hazardous material such as PVC from its products, is working proactively to reduce carbon emissions from the company's own operations and is imposing equivalent demands on its suppliers. (Targets: 3.6, 3.8, 3.9)



# Goal 4: Quality education

Axis promotes initiatives for access to technical education for young people and to raise the status of women in technology in society and to get more women to work in IT and technology. (Targets: 4.4, 4.5)



# Goal 5: Gender equality

Active work is being carried out to promote increased equality and diversity and Axis does not tolerate any form of discrimination whatsoever. Employees with equal qualifications should have the same salary for identical performance and responsibility and Axis conducts salary surveys in Sweden and the US. Axis has, among other things, a conscious recruitment process to increase the proportion of women, and a network for female employees in Sweden. (Targets: 5.1, 5.5)



# Goal 6: Clean water and sanitation

Activities have been initiated with the aim of reducing and streamlining water use. (Target: 6.4)



# Goal 7: Affordable and clean energy

Axis is working to streamline the energy consumption in its own operations. Some of the technologies developed by Axis, help to reduce the energy consumption in the product use phase. (Target: 7.3)



# Goal 8: Decent work and economic growth

All manufacturing, distribution and sales of the products shall occur in a sustainable way. During manufacturing of products, environmental impacts shall be minimized and working conditions and working environments shall be good. No form of slavery, child and compulsory labor or trafficking shall exist in suppliers' businesses or at their suppliers. Axis has good working conditions and competitive terms of employment with the freedom to join a trade union and the right to collective bargaining, and works to counteract all types of discrimination in the workplace and during recruitments. (Targets: 8.4, 8.5, 8.7, 8.8)



# Goal 10: Reduced inequalities

As a part of Axis' work to counter discrimination and promote increased diversity and equality, Axis, among other things, has adopted a targeted program for diversity and inclusion in the US and participates in external initiatives for diversity and inclusion in working life. The non-discrimination requirement is included in both Axis' Code of Conduct and in the Suppler Code of Conduct. (Targets: 10.2, 10.3)



# Goal 11: Sustainable cities and communities

Axis smart solutions contribute to increased security in cities and communities, safer public transport, improved traffic monitoring, prevention of traffic incidents and protection of critical infrastructure. (Target: 11.2)



# Goal 12: Responsible production and consumption

Systematic work is conducted to ensure that product development, material choice, material origin, components and packaging shall meet quality and functionality requirements, while minimizing environmental impacts and use of natural resources. Axis is working, among other ways, to use recycled materials and streamline energy consumption in its own operations and in the products and a precautionary approach is applied. About 95 percent of the material in Axis products is recyclable or combustible. Axis provides information on an annual basis about its sustainability work as part of its annual report and annual review. (Targets: 12.2, 12.4, 12.6)



# Goal 13: Climate action

Reducing the company's carbon footprint is a priority and Axis also imposes demands on its suppliers to reduce their carbon emissions. Axis reviews and streamlines its logistics chain, implements measures to improve energy efficiency, trains employees, uses carbon offsets for business trips by air, etc. Axis has adopted new environmental goals for clearer control and follow-up. (Target: 13.1)



# Goal 14: Life below water

Axis imposes requirements and follows up that suppliers prevent emissions into land, air and water. (Target: 14.1)



# Goal 15: Life on land

Axis uses carbon offsets for business trips by air, in projects aimed at developing forestry at a local level. This improves farming, increases forested areas, reduces deforestation and improves living conditions for families. Biological diversity is safeguarded, vulnerability to extreme weather conditions and soil erosion is reduced and the land is protected. (Target: 15.2)



# Goal 16: Peace, justice and strong institutions

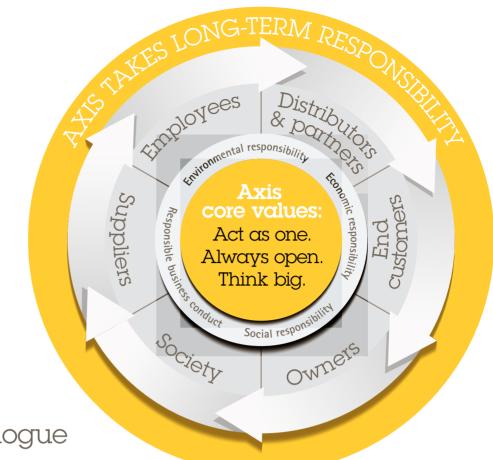
Axis has zero tolerance against all types of bribery and other forms of corruption and works to identify and manage risks and conducts training efforts to fight corruption in its own operations and in its relationships with suppliers, distributors and partners. Employees participate in training recurrently. (Target: 16.5)



# Goal 17: Partnerships for the Goals

Axis collaborates with its suppliers, distributors and other partners in order to ensure transparency, responsible business contact and sustainable action in the entire value chain. Axis signed the UN's Global Compact 2007 and works according to its ten principles in the company's sustainability work. Axis participates in industry initiatives for collaboration, dialogue and to promote sustainability issues in the industry. (Target: 17.16)





Stakeholder dialogue

Axis conducts a continual dialogue with its stakeholders in order to increase understanding of what is important for them, to find out what expectations stakeholders have of the company's sustainability work and what questions they think are most important for Axis to focus on from a sustainability perspective. These dialogues help Axis to work with the topics that create most value and to continually improve its sustainability efforts and develop in the right way.

Axis takes a long-term responsibility for how its operations affect employees, distributors and partners, end customers, suppliers and owners as well as trade associations and the local community in the markets where the company operates. Axis aims to conduct a regular and open dialogue with its stakeholders.

The stakeholder dialogues provide Axis with information about what economic, environmental and social topics are most important for the company's different stakeholder groups and what expectations the stakeholders have of Axis.

Axis is working to implement improvements in the areas prioritized by its stakeholders and where there is the greatest impact, in order to create value and meet stakeholder expectations, for long-term sustainable entrepreneurship.

Stakeholders are the groups that affect Axis decisions, strategies and the possibility of reaching its goals and that impact the company economically, environmentally and socially.

The stakeholders have been defined for a long time and are reviewed every year before the stakeholder dialogues take place. Cooperation is of the greatest importance.

Axis' impact on its stakeholders occurs both indirectly and directly; economically, environmentally and socially.

During 2018, Axis' Sustainability Project Group held an internal workshop to evaluate and plan the dialogue with the various stakeholder groups.

As a basis for the stakeholder dialogues during the year, Axis drew on the stakeholder dialogues, which were conducted in previous years, including web surveys that Axis carried out with all stakeholders during 2016-2017. The web surveys dealt with what expectations the stakeholders have of Axis' sustainability work and what sustainability topics are most relevant for them.

Axis also conducted in-depth interviews during the year with representatives of the

stakeholder groups, and in this way confirmed what topics are important for the stakeholders. This provided Axis with valuable input for the company's materiality analysis.

Axis is a member of trade associations, including the Security Industry in Sweden, SIA (Security Industry Association) in the US, BHE Bundesverband Sicherheitstechnik e.V. in Germany, ASIS International, the Security Institute in the UK and ONVIF, which are good platforms for conducting dialogue, collaborating and discussing important questions for the industry.

See the table *Stakeholder Dialogue* for more information about the dialogue with each stakeholder group and the key topics for each stakeholder group.

# Stakeholder dialogue 2018

Stakeholder group	Dialogue	Key topics
Employees	Web survey with all employees in 2016-2017, local employee surveys, personal development reviews, dialogue with trade unions, internal training, in-depth interviews about Axis' sustainability work, Intranet, meetings, etc.	<ul> <li>Occupational health and safety</li> <li>Equality and diversity</li> <li>Non-discrimination of employees</li> <li>Child labor and compulsory labor</li> <li>Suppliers' environmental impact</li> <li>IT security</li> <li>Products' environmental impact</li> <li>Customer satisfaction</li> <li>Social responsibility</li> </ul>
Distributors and partners	Web-based survey with distributors and partners in all regions where Axis has operations (2017), training, webinars, workshops, meetings, trade exhibitions, in-depth interview about Axis' sustainability work, social media channels, Axis website, newsletters, etc.	<ul> <li>&gt; Customer satisfaction</li> <li>&gt; Market presence</li> <li>&gt; Protection of customer privacy</li> <li>&gt; IT security</li> <li>&gt; Anti-corruption</li> <li>&gt; Child labor and compulsory labor</li> <li>&gt; Environmental impact from products and production</li> </ul>
End customers	Surveys in connection with support cases, social media channels, continuous evaluations, newsletters.	<ul> <li>Energy consumption in the products</li> <li>Non-discrimination of employees</li> <li>Direct and indirect greenhouse gas emissions</li> <li>Personal integrity among users of Axis products</li> <li>IT security</li> </ul>
Suppliers	In-depth interview about Axis' sustainability work, training, webinars, Axis website, supplier audits.	<ul> <li>Environmental impacts, human rights and labor law and labor conditions in the supply chain</li> <li>Child labor and compulsory labor</li> <li>Customer satisfaction</li> <li>Anti-corruption</li> <li>Compliance with laws and regulations</li> </ul>
Owners	Meetings, board meetings, interim reports, annual and sustainability report, annual general meeting, in-depth interviews about Axis' sustainability work.	<ul> <li>&gt; Customer satisfaction</li> <li>&gt; Compliance with laws and regulations</li> <li>&gt; Products' environmental impact</li> <li>&gt; Energy consumption in products</li> <li>&gt; Direct and indirect greenhouse gas emissions</li> <li>&gt; Energy consumption in own operations</li> <li>&gt; Social responsibility</li> </ul>
Society	In-depth interview about Axis' sustainability work with trade association, trade exhibitions, membership of and collaboration with local and international trade associations, social media channels, Axis website, collaboration with universities, exhibitions and other activities for students.	<ul> <li>&gt; Anti-corruption and ethics</li> <li>&gt; Personal integrity</li> <li>&gt; Standards</li> <li>&gt; IT security</li> <li>&gt; Environmental impact from products regarding product development and production</li> <li>&gt; Equality</li> <li>&gt; Compliance with laws and regulations</li> </ul>

# Materiality analysis

The materiality analysis is validated every year and is based on the outcome of the dialogues with the stakeholders. The materiality analysis shows the most important topics for Axis stakeholders and for the company, and which have the greatest economic, environmental and social impact.

The results from the stakeholder dialogues have been analyzed and weighed up against the topics that are most important for Axis and where Axis' economic, environmental and social impact is greatest.

Here the focus lies on the company's sustainability efforts and forms the basis for the company's sustainability reporting.

The materiality analysis also reflects what is most important in order for Axis to maintain strong competitiveness and profitable growth, for a long-term sustainable development. Axis also describes other areas in the sustainability report, which are of importance for the operations. For Axis, as a matter of course it is a minimum requirement to comply with applicable laws and regulations.

The starting point for highlighting important topics is based on rules such as GRI Standards, the UN's Global Compact, external trends and challenges as well as Axis strategy, risks and goals and Axis' contribution to the UN Sustainable Development Goals. The materiality analysis was conducted by the Sustainability Project Group and was then discussed in the Sustainability Steering Group, which is mainly composed of representatives from Axis group management.

The materiality analysis is validated every year. Axis' sustainability work is divided into the following the focus areas: economic responsibility, responsible business conduct, environmental responsibility and social responsibility.

# Economic responsibility

Strong economic profitability is a requirement for long-term sustainability efforts and is not treated as a material topic in the materiality analysis. Tax is an important part of Axis taking responsibility and contributes to the development of the countries where Axis has operations. Axis pays tax in accordance with applicable laws and regulations.

# Environmental responsibility

he material topics are:

- > Materials
- > Energy
  - Energy consumption in own operations
  - Energy consumption in the product
- > Carbon footprir
- Environmental impact in the supply chain

# Responsible business conduct

The material topics are:

- > Anti-corruption
- > IT security
- > Customer privacy
- > Personal integrity among users of Axis products
- > Customer satisfaction

# Social responsibility

The material topics are:

- > Equality and diversit
- > Non-discrimination of employees
- > Occupational health and safety
- Human rights and working conditions in the supply chain





# **Environmental data**

# Definitions

# Material free from brominated and chlorinated flame retardants

Halogen-free material is defined as material that does not contain brominated or chlorinated flame retardants (BFR and CFR). Axis has now chosen to use the terminology BFR/CFR-free products, as these substances are in focus. This means that so-called homogeneous material in all parts (excl. printed circuit boards) contains <1,000 ppm of bromine if the bromine source is from brominated flame retardants and <1,000 ppm of chlorine if the chlorine source is from chlorinated flame retardants. All printed circuit boards meet the following threshold values for homogeneous material: bromine <900 ppm and chlorine <900 ppm or in total (bromine and chlorine) <1,500 ppm.

# Governance

# Legislation and guidelines

Axis complies with applicable legislation and rules, such as the EU's ROHS directive (Restriction of Hazardous Substances) and the EU's REACH regulation (Registration, Evaluation, Authorization and restriction of Chemicals). Axis also applies the precautionary principle, for example when it comes to choice of material. In addition, Axis limits the use of other substances, such as phthalates and beryllium. The list of substances where use should be restricted is updated regularly and was updated during the year.

# **Environmental policy**

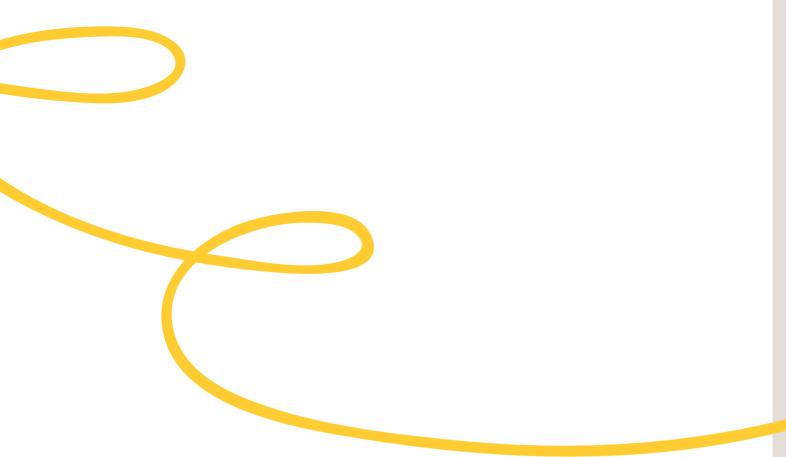
Axis' environmental policy prescribes that Axis shall minimize environmental impacts throughout its product and solution life cycles and along the entire value chain. Axis shall be an industry leader when it comes to promoting an environmentally sustainable development.

# Green Design Evaluation Form

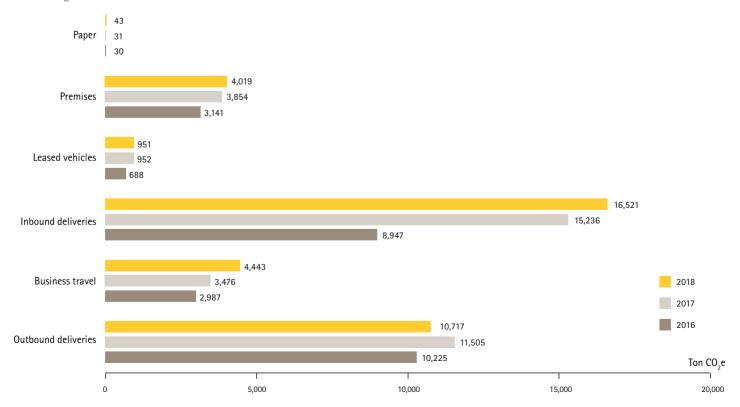
The Green Design Evaluation Form is Axis' scorecard for evaluation of the products' environmental impact. The aim is to establish even clearer goals, requirements and guidelines in Axis' product specifications. The scorecard makes it easier to evaluate different aspects, for example, use of recycled material, optimization of product weight and volume and reduced material waste. The scorecard is used in all development projects. In this way, environmental considerations are integrated in an even better way into the product development process.

# Greensoft

*Greensoft* makes it possible for Axis to more systematically collect and validate data relating to product content. Axis thereby gains a better overview of the content in various materials, which helps to increase the use of materials, which have lesser environmental impacts.



# Ton CO<sub>2</sub>e per activity



# Social data

# Definitions

# **Employees**

Permanent employees and fixed term employees for at least six months. Employees are expressed as head counts as of December 31, 2018. Citilog, 2N and Cognimatics, which were acquired in 2016, are included in the statistics for 2016, 2017 and 2018.

# Permanent employees

Permanent employees are expressed as head counts as of December 31, 2018. Substitutes who replace e.g. persons that are on parental leave or on a leave of absence are not included.

# Part-time employees

Only part-time employees in Sweden are included in the statistics. Summer substitutes, hourly-paid employees and substitutes are excluded.

# Employees who are not employed by Axis (contracted)

These account for a small proportion of the overall workforce and consist of consultants, primarily within research and development, among others.

# Absence due to illness

Permanent employees and fixed term employees for at least six months are included.

# Injuries

Work-related injuries. Minor injuries, which can be remedied solely with first aid are not included.

# Data collection

All data is collected in a global system and is compiled centrally.

# Governance

# Policies and Code of Conduct

Axis values and view of how employees should act are laid down in the company's Code of Conduct. Other policies followed by all employees, managers and the board include the anti-corruption policy, the working environment policy, the alcohol and drugs policy, the policy against harassment, the diversity policy and the policy for security during trips, where Axis collaborates with International SOS/Control Risks. There are also local policies. The policies clearly lay down the responsibilities of each person.

# Employees

The total number of employees amounted to 3,253 (2,865) as of December 31, 2018.

		2018			2017	
Type of employment per region and gender	Men	Women	Total	Men	Women	Total
EMEA						
Full time	73%	25%	98%	74%	24%	98%
Part time	0.6%	1.2%	2%	1%	1%	2%
APAC						
Full time	61%	39%	100%	59%	41%	100%
Part time	0%	0%	0%	0%	0%	0%
Americas						
Full time	72%	28%	100%	72%	28%	100%
Part time	0%	0%	0%	0%	0%	0%
Axis total						
Full time	72%	27%	99%	73%	26%	99%
Part time	0.4%	0.9%	1%	0.6%	0.7%	1%

Note: Data for 2016 is not available.

# Gender and age distribution (%)

			Board of directors	Management	Employees
	Gender	Women	30% (3 women, of which 2 are employee representatives)	20%	28%
	distribution	Men	70% (7 men, of which 3 are employee representatives)	80%	72%
2018		Under 30 years	0%	0%	14%
	Age distribution	30-50 years	30% (including employee representatives)	40%	72%
	distribution	Over 50 years	70% (including employee representatives)	60%	14%
	Gender	Women	20% (2 women, both employee representatives)	20%	27%
	distribution Men	Men	80% (8 men, of which 3 are employee representatives)	80%	73%
2017	Age distribution	Under 30 years	0%	0%	15%
		30-50 years	30% (including employee representatives)	40%	70%
		Over 50 years	70% (including employee representatives)	60%	15%
	Gender	Women	20% (2 women, both employee representatives)	20%	27%
	distribution	Men	80% (8 men, of which 3 are employee representatives)	80%	73%
2016		Under 30 years	0%	0%	16%
	Age distribution	30-50 years	50% (including employee representatives)	60%	73%
		Over 50 years	50% (including employee representatives)	40%	11%

Note: In 2017 and 2018, two deputies (one woman and one man) for the employee representatives were included in the numbers for the board of directors. In 2016, two deputies (two men) for the employee representatives were included in the numbers for the board of directors.

# **GRI Content Index**

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	102-8			Further data not available. Axis is in the proce	ss of implementing a new
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# The UN Global Compact Ten Principles

Principle

HUMAN RIGH	HTS
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights; and
Principle 2	make sure that they are not complicit in human rights abuses.
LABOR	
Principle 3	Businesses should uphold the freedom of association and the effective recogni- tion of the right to collective bargaining;
Principle 4	the elimination of all forms of forced and compulsory labor;
Principle 5	the effective abolition of child labor; and
Principle 6	the elimination of discrimination in respect of employment and occupation.
ENVIRONME	NTAL
Principle 7	Businesses should support a precautionary approach to environmental challenges;
Principle 8	undertake initiatives to promote greater environmental responsibility; and
Principle 9	encourage the development and diffusion of environmentally friendly technologies.
ANTI-CORRU	PTION
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.

# **GRI Content Index**

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Environmental Assessment 2016	308-2	Negative environmental impacts in the supply chain and actions taken	49-51		
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GRI 103: Management	103-1	Explanation of the material topic and its boundary	27, 52-53		
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GRI 403: Occupational Health and Safety 2016	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism and number of work-related fatalities	55, 57	Further data not a	available.
Health and Safety 2016	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	55, 57	Further data not a	
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Health and Safety 2016 DIVERSITY AND EQUAL OPPO GRI 103: Management Approach 2016	403-2 DRTUNITY 103-1 103-2 103-3	absenteeism, and number of work-related fatalities Explanation of the material topic and its boundary The management approach and its components Evaluation of the management approach	27, 54 54-59, 72 54-57	Further data not a	
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# **Financial Summary** 2018

2018 was yet another successful year for Axis. Despite many challenges such as trade restrictions and a global component shortage, the currency-adjusted growth amounted to 17 percent combined with continued strong profitability. The core offerings within network video grew faster than the 5-10 percent global market growth estimated by market analysts. On top of that, sales of new innovative camera concepts and complementary products grew even faster and made a significant contribution to the overall growth. All in all, based on its high innovation rate, Axis has managed to take a new step forward as its core product offerings develop gradually.

Net sales amounted to SEK 10,278 M (8,603), which corresponds to growth of 19 percent yearon-year. Foreign currency effects impacted sales positively by SEK 225 M. The Video category, representing 93 percent of total sales, increased by 18 percent from SEK 8,075 M to SEK 9,537 M, while Other sales increased to SEK 740 M.

Net sales in the EMEA region amounted to SEK 3,518 M (3,087) during 2018, corresponding to growth of 14 percent. Growth was 8 percent in local currencies.

Net sales in the Americas region amounted to SEK 5,581 M (4,495) during 2018, corresponding to growth of 24 percent. Growth was 23 percent in local currencies.

Net sales in the APAC region amounted to SEK 1,178 M (1,020) during 2018, corresponding to growth of 16 percent. Growth was 14 percent in local currencies.

The group's operating profit during 2018 amounted to SEK 1,349 M (1,014), which is equivalent to an operating margin of 13.1 percent (11.8). Gross margin amounted to 52.2 percent (51.8). Operating expenses rose by SEK 625 M, corresponding to an increase of 18 percent, due to continued investments in expanding the business. In 2018, corporate tax amounted to SEK 331 M.

Axis' global team of employees grew by more than one person per day. The 3,000-employee mark was passed, and at year-end there were 3,253 employees.

The expansion of the sales organization continued and during 2018, Axis opened a new R&D center in Linköping, Sweden, complementing the main R&D hub at Axis headquarters and the smaller R&D facilities in Prague and Shanghai. During 2018, 17.6 percent (18.2) of sales were invested in R&D within both software and hardware. R&D expenditure increased by SEK 229 M (253) compared to the previous year and amounted to SEK 1,715 M (1,486).

The strong EBIT combined with well-managed working capital generated cash flow from operating activities of SEK 1,124 M (1,364). Due to the global component shortage, inventory levels heading into 2018 were relatively low.

During the year, the total inventory increased from SEK 803 M to SEK 1,493 M. Total investments amounted to SEK 521 M (624), of which SEK 64 M (79) were recognized as capitalized product development. The main part of the remainder related to investments in the new headquarters building in Lund. With liquid assets of SEK 2,036 M, Axis is well-equipped for future investments to drive continued growth.

The financial information presented in this report is consolidated financial information for the entire group, and has been approved by the Board of Axis AB.

# **Consolidated comprehensive income**

SEK M

	2018	2017
Net sales	10,277.7	8,602.6
Cost of goods and services sold	-4,916.0	-4,143.8
Gross profit	5,361.7	4,458.8
Other income and changes of value	-19.3	-59.7
Selling and marketing expenses	-1,832.4	-1,547.1
Administrative expenses	-445.4	-351.7
Research and development expenses	-1,715.3	-1,486.4
Operating profit	1,349.3	1,013.9
Financial items - net	-0.5	-2.9
Profit before tax	1,348.8	1,011.0
Income tax	-331.2	-275.2
Net profit for the period	1,017.6	735.8
Other comprehensive income		
Items that later could be transferred to the income statement		
Exchange differences	-34.9	51.3
Other comprehensive income for the period, net after tax	-34.9	51.3
Total comprehensive income for the period	982.7	787.1

# Consolidated balance sheet SEK M

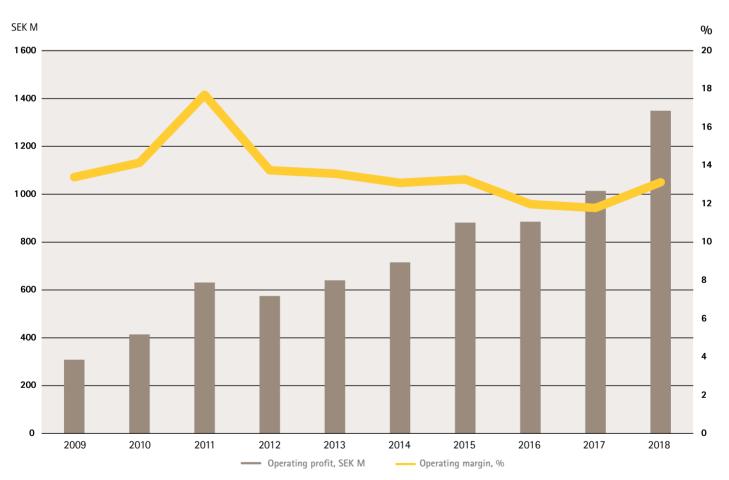
	Dec 31, 2018	Dec 31, 2017
Non-current assets	1,913.1	1,562.1
Inventories	1,492.9	803.3
Trade receivables	561.5	780.7
Other receivables	319.6	239.2
Current investments	89.3	93.2
Cash and cash equivalents	2,035.5	1,533.5
Total	6,411.9	5,012.0
Equity	3,958.1	3,075.5
Non-current liabilities	325.2	357.7
Trade payables	905.3	633.2
Other current liabilities	1,223.3	945.6
Total	6,411.9	5,012.0

# **Consolidated cash flow statement**

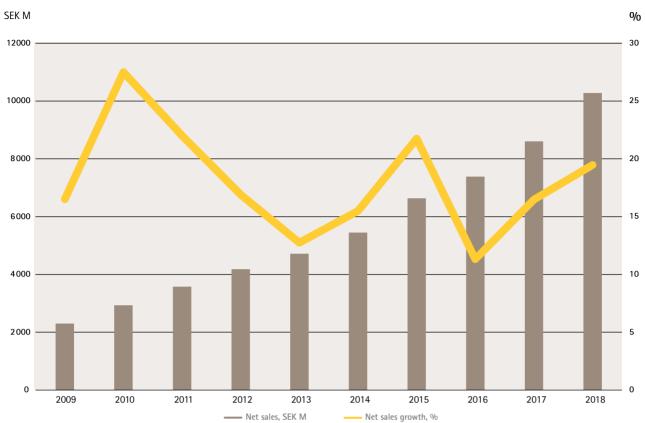
SEK M

	2018	2017
Cash flow from operating activities before change in working capital	1,098.3	983.7
Change in working capital	25.5	380.3
Cash flow from operating activities	1,123.8	1,364.0
Cash flow from investing activities	-520.5	-623.7
Cash flow from financing activities	-101.3	-65.1
Cash flow for the period	502.0	675.2
Cash and cash equivalents at the beginning of the period	1,533.5	858.3
Cash and cash equivalents at the end of the period	2,035.5	1,533.5

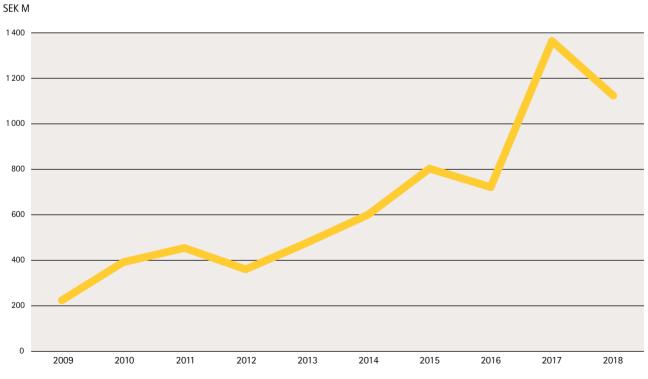
# **Operating profit**



# Net sales

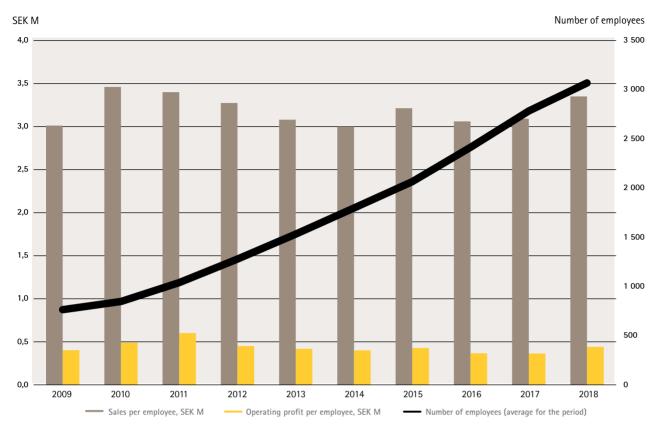


# Cash flow

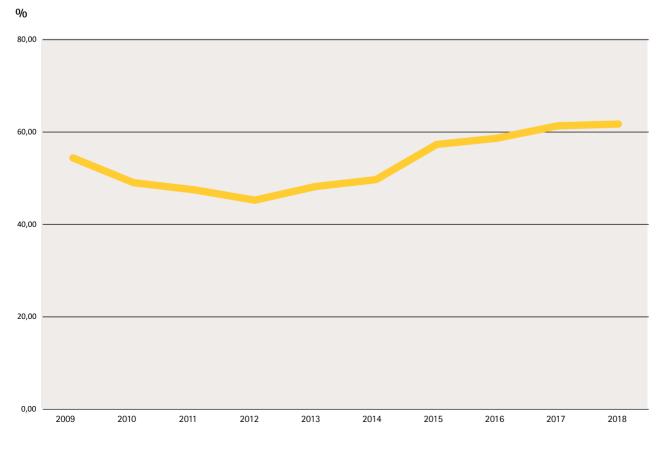


----- Cash flow from operating activities, SEK M

# **Employees**

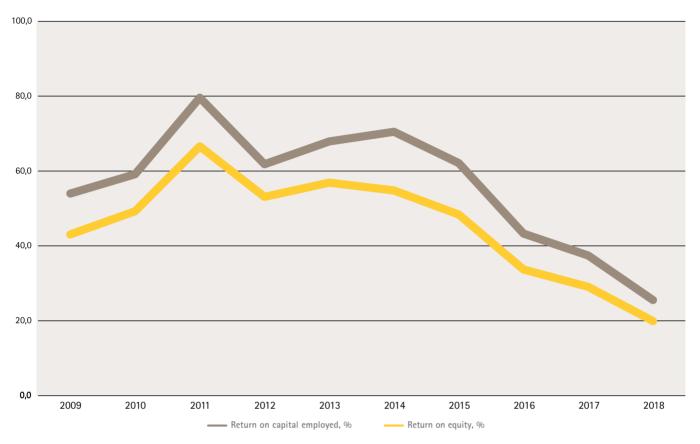


# Equity/assets ratio



# Equity

## %



# Multi-year summary

INCOME STATEMENT (SEK M)	2014	2015	2016	2017	2018
Net sales	5,449.7	6,634.7	7,385.7	8,602.6	10,277.7
Cost of goods and services sold	-2,627.7	-3,262.2	-3,678.9	-4,143.8	-4,916.0
Gross profit	2,822.0	3,372.5	3,706.8	4,458.8	5,361.7
Other income and changes in value	-1.6	-32.6	63.5	-59.7	-19.3
Selling and marketing expenses	-1,019.6	-1,180.8	-1,353.0	-1,547.1	-1,832.4
Administrative expenses	-226.7	-292.2	-298.9	-351.7	-445.4
Research and development expenses	-858.7	-985.7	-1,233.4	-1,486.4	-1,715.3
Operating profit	715.4	881.2	885.0	1,013.9	1,349.3
Net financial items	-1.5	-0.7	-0.8	-2.9	-0.5
Profit after financial items	713.9	880.5	884.2	1,011.0	1,348.8
Tax on net profit	-174.6	-228.4	-245.5	-275.2	-331.2
Net profit for the period	539.3	652.1	638.7	735.8	1,017.6

BALANCE SHEET (SEK M)	Dec 31, 2014	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017	Dec 31, 2018
Non-current assets	338.3	452.9	1,167.9	1,562.1	1,913.1
Inventories	722.3	1,022.2	1,106.5	803.3	1,492.9
Trade receivables	636.5	423.0	656.5	780.7	561.5
Other receivables	95.0	124.4	220.1	239.2	319.6
Current investments	0.0	0.0	0.0	93.2	89.3
Cash and cash equivalents	414.6	1,015.8	858.3	1,533.5	2,035.5
Total	2,206.7	3,038.3	4,009.4	5,012.0	6,411.9
Equity	1,097.1	1,741.5	2,352.3	3,075.5	3,958.1
Non-current liabilities	187.4	282.2	391.0	357.7	325.2
Current liabilities	922.2	1,014.6	1,266.1	1,578.9	2,128.6
Total	2,206.7	3,038.3	4,009.4	5,012.0	6,411.9

CASH FLOW STATEMENT (SEK M)					
	2014	2015	2016	2017	2018
Cash flow from operating activities before change in working capital	689.2	860.1	772.1	983.7	1,098.3
Change in working capital	-88.7	-56.9	-50.7	380.3	25.5
Cash flow from operating activities	600.5	803.2	721.4	1,364.0	1,123.8
Cash flow from investing activities	-141.6	-180.5	-831.6	-623.7	-520.5
Cash flow from financing activities	-382.0	-21.5	-47.2	-65.1	-101.3
Cash flow for the period	76.9	601.2	-157.4	675.2	502.0
Cash and cash equivalents at the beginning of the period	337.7	414.6	1,015.8	858.3	1,533.5
Cash and cash equivalents at the end of the period	414.6	1,015.8	858.3	1,533.5	2,035.5

OPERATING CASH FLOW (SEK M)	2014	2015	2016	2017	2018
Profit after financial items	713.9	880.5	884.2	1,011.0	1,348.8
Depriciation	72.1	103.6	135.8	175.9	198.6
Тах	-103.8	-191.5	-209.4	-273.0	-410.6
Total	682.2	792.6	810.6	913.9	1,136.8
Change in working capital	-88.7	-56.9	-50.7	380.3	25.5
Net investments	-141.6	-180.5	-831.6	-623.7	-520.5
Operating cash flow	451.9	555.2	-71.7	670.5	641.8

# Corporate governance

Axis is a Swedish corporation with its registered office in Lund, Sweden. Canon Inc. is the majority shareholder. In October 2018, after having received control of more than 90 percent of the shares in Axis AB, Canon Inc. requested compulsory acquisition of the outstanding shares from the remaining shareholders.

In November 2018, Axis was delisted from Nasdaq Stockholm. Axis will continue to operate as an independent company within the Canon Group.

## Annual General Meeting

The annual general meeting, AGM, is Axis' highest decision-making body. At the AGM, resolutions are passed on important questions such as the appropriation of the company's profit or loss, discharge from liability for the members of the board of directors and for the president, election of board members, chairman of the board and auditor, and possible amendments of the articles of association.

## Board of directors

During the period between AGMs, the board of directors of Axis constitutes the highest decision-making body in the company. The duties of the board are governed by the Swedish Companies Act and by the articles of association.

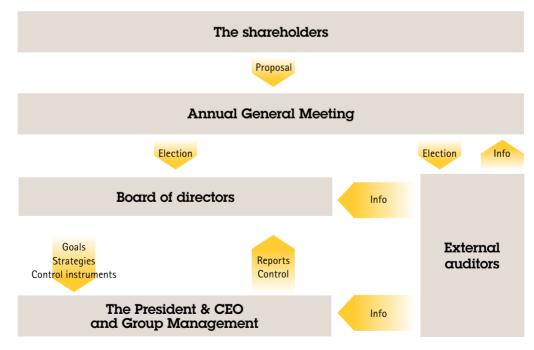
## The President & CEO and Group Management

Axis group management consists of ten members, and is led by the president and CEO, Ray Mauritsson. The president and CEO manages the day-to-day work, is responsible for keeping the board informed of the performance of the operations and for ensuring that the business is conducted in accordance with the board's guidelines and instructions.

## Audit

Axis' auditors are elected by the AGM. At the AGM 2018, Ernst & Young Aktiebolag was elected as auditor with Johan Thuresson as auditor in charge for the period until the end of the next AGM.

## Governance model



# **Board of directors**



**Biörn Riese** Chairman of the Board since 2015

Born: 1953

Board member since: 2015 Board member of: American Chamber of Commerce, Institutet mot mutor (IMM), Stiftelsen Mercuri Urval, Stiftelsen Min Stora Dag, Jurie Advokat AB and Arvid Nordquist H.A.B.

Education: Master of Laws (LLM) and a Graduate degree in Economic/Business administration, Stockholm Univeristy, Sweden Work experience: Mannheimer Swartling Advokatbyrå AB, Carl Swartling Advokatbyrå, tingstjänstgöring

Principal employment: Senior Adviser and lawyer, Jurie Advokat AB



Martin Gren

Born: 1962 Board member since: 1984 Chairman of: AB Grenspecialisten, Grenspecialisten Förvaltning AB Board member of: Askero Sagoboks Förlag AB, Eikos Aktiebolag , H. Lundén Holding Aktiebolag, Proact IT Group AB Education: Lund University, Sweden; Honorary Doctor HC, Lund University Work experience: Founder of Axis Principal employment: Employed by Axis Communications AB



## Marianne Brismar Born: 1961

Board member since: 2018 Chairman of: Fam. Knut & Ragnvi Jacobssons Stiftelse and Almi FöretagsPartner Väst Board member of: Semcon AB, Concentric AB, Creades AB, Axel Johnson International AB, JOAB AB and GreenCarriers AB Education: M.Sc. in Economics, Gothenburg

University and Master of Science in Pharmacy, Uppsala University

Work experience: Roussel Nordiska AB, Atlet Group, Special Advisor to Vice President for Nissan Motor

**Principal employment:** Senior Partner Intercept AB, various board positions



#### Toshizo Tanaka

Born: 1940 Board member since: 2015 Education: Degree in Economics from Keio University, Japan Work experience: Various executive positions in the Canon group Principal employment: Representative Director & Executive Vice President, Canon Inc. and Chief Financial Officer, Canon Inc. and several

executive positions in the Canon group

Håkan Kirstein Born: 1969 Board member since: 2015 Board member of: Cherrystone AB Education: M.Sc. in Economics, Stockholm University, Sweden Work experience: CEO Eltel Group AB, CEO Niscayah Group, CEO StatoilHydro Sweden Principal employment: Self-employed



Mcts Friberg Born: 1967 Board member since: 2015 Employed at Axis since: 2000 Employee representative



Maite Lennerstedt Born: 1970 Board member since: 2017 Employed at Axis since: 2013 Employee representative



Eva Svensson

Born: 1964 Board member since: 2017 Employed at Axis since: 2012 Employee representative

## Deputies

#### Marie Nässlind

Born: 1984 Employed at Axis since: 2014 Employee representative

## Farzin Akbar Zadeh

Born: 1961 Employed at Axis since: 1998 Employee representative

# Management team



#### Ray Mauritsson President and Chief Executive Officer

Born: 1962 Employed by Axis since: 1995 Education: Master of Science, Engineering Physics, Lund University, Sweden and Executive MBA from the Institute of Economics, Lund University Previous employment: TAC Directorships: HMS Networks AB



## **Per Ädelroth** Vice President, Operations

Born: 1966 Employed by Axis since: 1994 Education: Master of Science, Industrial Engineering and Management, Chalmers Gothenburg, Sweden Previous employment: Accenture AB Directorships: Color your life by Elisabet Ädelroth AB, JLT Mobile Computers AB (publ) and JLT Mobile Computers Sweden AB





**Fredrik Sjöstrand** Vice President, Finance and Chief Financial Officer

Born: 1969 Employed by Axis since: 1998 Education: Master of Business Administration, Lund University, Sweden Previous employment: E.ON, PriceWaterhouse-Coopers



Verena Rathjen Vice President, EMEA, acting VP APAC

Born: 1980 Employed by Axis since: 2017 Education: Master of Business Administration, University of Applied Sciences Berlin, Germany Previous employment: Siemens Business Services, Siemens Management Consulting, OSRAM, LEDVANCE

Jonas Hansson Chief Information Officer

Born: 1967 Employed by Axis since: 2000 Education: Master of Science, Chemical Engineering, Lund University, Sweden and Degree in Journalism, Lund University Previous employment: Netch Technologies Directorships: Creofant AB och Ortelius AB



## **Fredrik Nilsson** Vice President, Americas

Born: 1967 Employed by Axis since: 1996 Education: Master of Science, Electrical Engineering, Lund University, Sweden; Economics studies at Lund Univerity and Uppsala University Previous employment: ABB



## Johan Paulsson Chief Technology Officer

#### Born: 1963

Employed by Axis since: 2008 Education: Master of Science, Electrical Engineering, Lund University, Sweden Previous employment: Ericsson, Anoto Directorships: poLight AS, SaFP and Winplantan AB



### Peter Lindström Vice President, New Business

Born: 1970 Employed by Axis since: 2003 Education: Technical Engineer, Lund University, Sweden; degree in Electro science, Executive MBA, EFL Lund University School of Economics and Management Previous employment: Sony, BPE Broadcast Professional Europe, GoPoint, Gandalf Data

Professional Europe, GoPoint, Gandalf Da Directorships: Formpipe Software AB

### Malin Svensson Chief People Officer

Born: 1968 Employed by Axis since: 2011 Education: BSc Human Resources Development and Labour Relations/Employment Law, Lund University, Sweden Previous employment: Trelleborg, Adecco, Scandlines

## Lars Åberg Vice President, Marketing

Born: 1966 Employed by Axis since: 2008 Education: Master of Business Administration, Lund University, Sweden; IFL Executive General Management Program, Stockholm School of Economics Previous employment: Unilever, Ericsson Mobile Communications, Bona Kemi

# Signatures

The Board of directors has approved this Annual review and Sustainability report on March 20, 2019.

Biörn Riese Chairman

Martin Gren Board member Ray Mauritsson President and CEO

Toshizo Tanaka Board member

Marianne Brismar Board member Håkan Kirstein Board member

Mats Friberg Board member, employee representative Eva Svensson Board member, employee representative

Malte Lennerstedt Board member, employee representative

## Contact for Annual review and Sustainability report:

Björn Hallerborn, PR & Corporate Communications Manager Tel: +46 46 272 1800 E-post: pressoffice@axis.com

Advisor and copywriter, Sustainability report: Lof Group Sustainability and Communications Copywriter, Annual review: Aspekta Graphic design: Axis Communications Translation: Word of Mouth Communications Photos and illustrations: Axis Communications / Navigator Communications / Lars Owesson / Glenn Strid / Clarity CPH / Pizzuti Photography / Getty Images / iStockphoto / Shutterstock Printing: Exakta Print









# About Axis Communications

Axis enables a smarter and safer world by creating network solutions that provide insights for improving security and new ways of doing business. As the industry leader in network video, Axis offers products and services for video surveillance and analytics, access control, and addio systems. Axis has more than 3,000 dedicated employees in over 50 countries and collaborates with partners worldwide to deliver customer solutions. Axis was founded in 1984 and has its headquarters in Lund, Sweden. For more information about Axis, please visit our website www.axis.com.

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