



Annual review & sustainability report



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The year **in brief**

- Comprehensive measures to ensure employee health and safety, along with keeping the business running, stemming from the challenges and impact of the COVID-19 pandemic
- Opening of six new Axis Experience Centers, and opening of new offices as well as a new head office building, which has obtained BREEAM environmental certification
- Continued focus on innovation: launch of more than 80 high-quality products, applications and accessories, including body worn cameras
- Initiatives carried out to strengthen the work with ethics, including: implementation of a new global code of conduct; setting up a group-wide Business Ethics Council; training on privacy and ethics
- Proactive, systematic efforts to strengthen the security of IT systems at Axis, as well as the level of IT security in products, all aimed at ensuring the highest possible level of protection for customer information and privacy
- Initiatives to lower the environmental impact from own operations and throughout the value chain: Increased the scope of the Axis Carbon Footprint Report to include emissions from contract manufacturers; 34 percent of all cameras that have been launched are BFR- and CFR-free
- Global online training for employees on environmental issues
- Achievements within the Social Responsibility focus area include the launch of new social goals and good results from the employee surveys, confirming that Axis is a very good workplace

Key figures

	2020	2019
Net sales, SEK M	11,564	11,806
Operating profit, SEK M	1,248	1,608
Operating margin, %	10.8	13.6
Profit for the period, SEK M	947	1,232
Cash flow from operating activities, SEK M	1,337	462
Investments in R&D, % of sales	17.3	17.9
Carbon dioxide emissions from operations, CO ₂ kg/sold unit	4.41	5.59
Number of employees	3,805	3,646
Employees' gender distribution women/men, %	28/72	28/72
Managers' gender distribution women/men, %	30/70	29/71

This is Axis

A smarter, safer world.

We enable a smarter and safer world by creating network solutions that improve security and inspire new ways of doing business. While security is still our main focus, we are gradually expanding into related markets with video surveillance, audio, and access control products and solutions. We back these with support and an extensive range of training programs.

The goal of making life better guides everything we do at Axis. For us, innovation has always been about how we can add new dimensions to society. To make a positive difference, we trust in each other's initiative and imagination, share knowledge, and build close relationships with our partners and end customers.

Vision

Innovating
for a smarter,
safer world.

Mission

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

1984 founded in Sweden

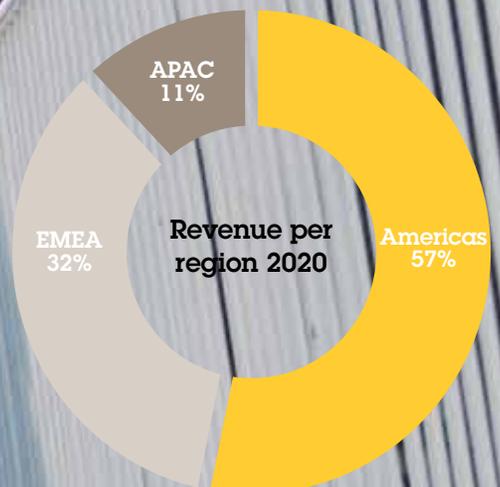
11.6 billion SEK in sales*

3,805 employees in over 50 countries

179 countries with local presence via an extensive partner network

Axis Group companies: **Citilog and 2N**

Part of **Canon Group**



EMEA: Europe, Middle East and Africa
APAC: Asia Pacific

* Sales 2020 1.2 billion USD

Continued **focus** on innovation and sustainability in a challenging year

Axis delivered a solid performance in 2020, despite the level of turbulence in the world and challenges associated with the COVID-19 pandemic. Thanks to responsible innovation and the continued trust of our stakeholders, we have been able to run the business successfully, delivering products and solutions that help make the world a smarter, safer place, while creating sustainable value for our stakeholders.

Resilient organization

As we embark upon a new year, I reflect on the past year, with all its challenges, and conclude that Axis withstood it all with resilience and stability. We successfully navigated our way through it, demonstrated our flexibility and ability to adapt the organization to these turbulent times.

Of course, the primary focus is always the health and safety of all employees, and comprehensive measures were implemented during the year to ensure that. Most of us worked from home to some extent in 2020. I have seen so many fantastic initiatives and a great engagement to stay in close contact with our customers. The strong company culture at Axis has helped in overcoming the challenges created by the COVID-19 pandemic, supporting us to keep spirits up, and continuing to work together as a team and remain innovative.

Our approach and perspective is long-term. We have continued recruiting new employees, albeit at a slower rate than we typically do.

We have also continued investing in, and strengthening, our global presence, having set up new offices and six new Axis Experience Centers during the year. Another highlight of 2020 was the opening of our new head office in Lund.

Although we have had zero overall growth, we have achieved a healthy profitability. There will always be a fundamental need for safety and security in society, even during a crisis, which means that there is an underlying stability for our business. In 2020, we also launched more than 80 high-

quality products, applications, and accessories, as well as innovating the next generation of our ARTPEC chip, which will be launched in 2021. Newer product areas, such as body worn solutions, have also contributed to our success in strengthening our market positions during the year. Going forward, we expect continued positive development for our network cameras, as well as our new fields of innovation.

Long-term responsibility and trust

In challenging times like these, being a reliable and credible business partner is essential. With that in mind, trust, openness, transparency and reliability are more important than ever and key factors for success. Likewise, trust and ethics are increasingly important factors in the buying decisions of business customers. And, in order to be able to recruit and retain employees, companies must be able to demonstrate that they are credible and ethical, as well as socially and environmentally sustainable.

Sustainability in the entire value chain

Sustainability is an integral part of our business and critical to our continued growth and success. Axis will continue serving as a role model in this area. And, as the company grows, so does the importance of acting sustainably. Axis will have a bigger impact on stakeholders and must, accordingly, take greater responsibility. This applies not only to our own organization, but also to others in the value chain, such as our suppliers, distributors, partners, and end customers.

Axis became a signatory of the UN Global Compact in 2007 and we base our sustainability work on those ten principles. Furthermore, Axis

supports the UN 2030 Agenda and actively strives to contribute to the Global Sustainable Development Goals (SDGs).

Responsible business conduct

We always work diligently to apply good business ethics and guard against corruption in our own operations and in those of our suppliers, distributors, and partners. During the year, we implemented our new groupwide code of conduct, where we have clarified the ethical cornerstones. The code of conduct serves as the foundation for how we run the business and how employees are expected to act in everyday business-related situations.

Responsible innovation and technology use

The rapid technical development enables many benefits and opens up new opportunities. At the same time, however, ethical principles and behavior must never be compromised. We only develop commercial offers for user scenarios that meet high ethical standards. We are transparent and always communicate clear intent with our innovations, solutions, and offerings. In addition, we also expect our partners to fully support the intended use of our offerings.

Privacy when products and solutions are used

We are committed to protecting privacy when Axis products and solutions are used, along with preventing any violations of human rights. During the year, we intensified our efforts to further lower the risk of human rights violations that may be associated with the use of our products and solutions. For example, we established a Business Ethics Council and held trainings in the form of workshops for our employees on the topics of

ethics and privacy. We also initiated improvements for evaluating customer use cases from a human rights perspective.

Cybersecurity

The importance of cybersecurity remains high for us and our customers, given the increased use of advanced analytics and machine learning in connected devices, along with the ongoing trend of digitalization. New types of threats and attacks require constant attention. Accordingly, protecting customer information and customer privacy has the highest priority at Axis.

Environmental responsibility and smaller climate footprint

Awareness of climate change and the need to counteract it is rising. It is a topic of concern for all of our stakeholders. We are striving to minimize the environmental impact of our own operations, as well as from the activities of our suppliers and from the products and solutions themselves. One of the ways we have gone about this is via initiatives to lower energy consumption when our products are used.

Continual improvement

During the year, we have put even more focus on environmental aspects during product development and have increased the use of recycled material in products and packaging. Step by step, we are also eliminating hazardous substances from our products.

Dedicated and competent employees

I would like to express my appreciation for all Axis colleagues throughout the world. I am both impressed by, and proud of, your efforts during the year. We continued recruiting and at year end, we were 3,805 colleagues working at Axis. Recruiting and keeping the best people in the market is an important focus for Axis. We strive to be an attractive workplace where everyone can thrive and have excellent opportunities for personal development, building new skills and a longterm career.

During the year, we have increased our efforts to further strengthen our brand by explaining what it means to work at Axis, and the advantages of doing so, all of which is aimed at continuing to attract top candidates worldwide. We welcome unique people and insights, and greatly appreciate how we together contribute to our dynamic, diverse and creative workplace. Another reason to be proud is that, once again, the results from our

annual employee satisfaction surveys in Sweden and Americas were very favorable. We were ranked as a very good workplace.

More diversity and inclusion

We continued in 2020 with a variety of activities to increase diversity and inclusion in all of the teams and functions throughout Axis. One example was our annual Women in Security Conference, which was digitally run from Singapore this year. The goal of the conference was to increase the awareness of the benefits of equality and diversity, while creating a forum for women to meet and network. We also promote the topic of diversity and inclusion via memberships in organizations, such as the Security Industry Association (SIA) in the USA.

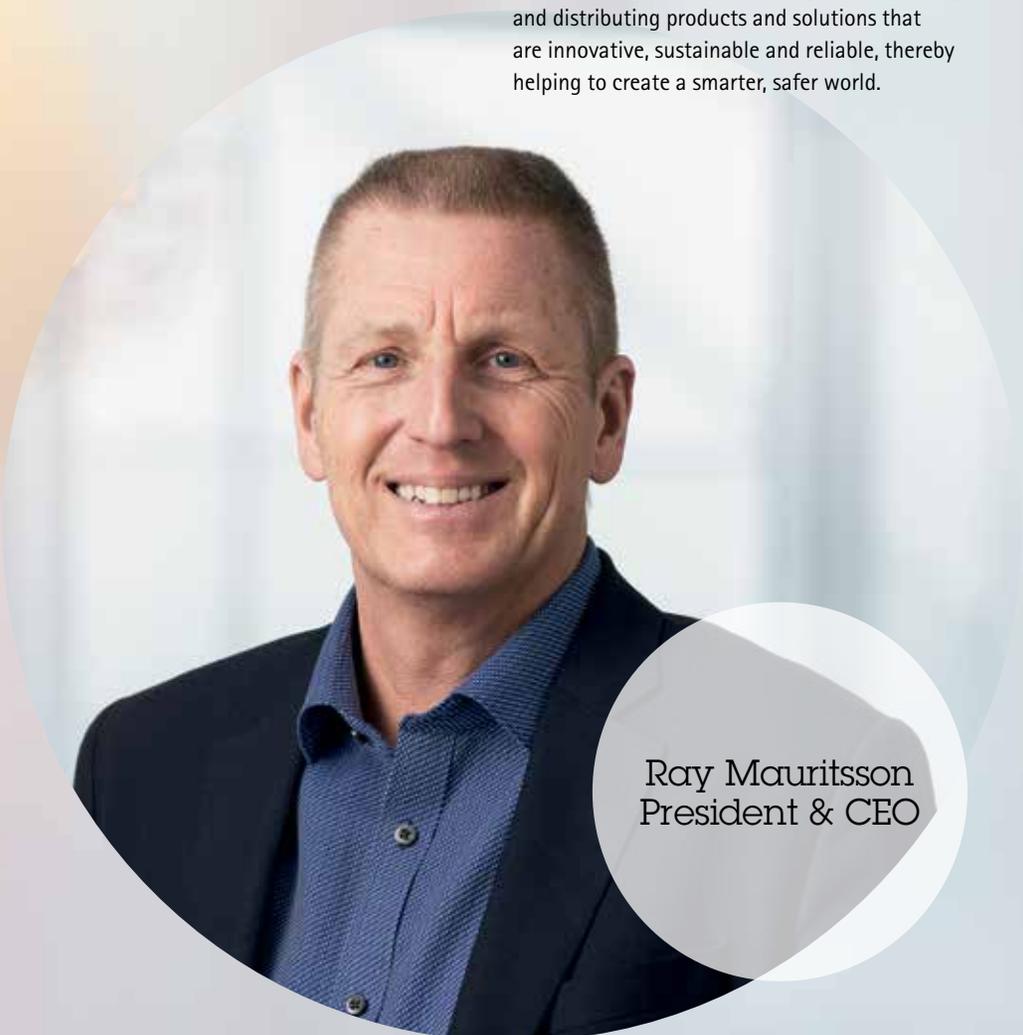
We are striving to achieve a better diversity among our senior executives by working with succession planning to ensure that there are always a good mix of candidates. During the year we have improved the gender balance among our managers from 29 percent women and 71 percent men to 30 percent women and 70 percent men.

Long-term sustainable innovation, growth and customer value

We are committed to maintaining our role as industry leader in development, with a focus on responsible innovation and sustainability. We do that by listening to our customers and partners with the aim of strengthening their offerings, generating more value, and helping them improve and streamline their operations. Together with our partners, we have a strong global presence, and our aim is to continue growing in both mature and growth markets.

Our agenda is both long-term and ambitious. We shall continue working in a goal-oriented way to ensure that every link in our value chain meets high sustainability standards.

I am pleased with how well we managed 2020. Together with our partners, we have helped keep business up and running. We are well-positioned and equipped for growth in 2021. Our competent, dedicated Axis team works together with our partners to tackle the global challenges. Each one of us is committed to developing, manufacturing, and distributing products and solutions that are innovative, sustainable and reliable, thereby helping to create a smarter, safer world.



Ray Mauritsson
President & CEO

A business model based on innovation and collaboration

Axis uses an indirect, go-to-market model that is based on long-term, close collaboration with partners, a global market presence with strong local ties, and continual development of innovative products and solutions. It provides the foundation for Axis' successful growth. Axis shall offer the best products and solutions, high-level expertise and a customer-oriented staff for service and support in order to meet the specific needs of customers, and create long-term value.

Axis is a global market leader in network video and the company's indirect business model is a key component of its strategy. Sales of Axis products and solutions occurs via distributors. They sell to resellers and system integrators who, in turn, sell to end customers. There are three important cornerstones to Axis' strategy: global presence; sales via partners who are experts in their local markets; and expansion of the offering of products and solutions to new areas.

Sustainability is an integral part of the business strategy, whereby Axis strives to have the lowest possible environmental impact, take long-term social and economic responsibility, and apply good business ethics. Axis is also striving to have a more circular business approach (see article on the next page).

Strong global and local market presence

Through its global network of partners and its own local presence, Axis offers innovative products and solutions to end users all over the world.

Expansion is occurring via a greater presence in existing markets, organic growth, stronger ties with existing partners and by establishing new partnerships.

Besides that, Axis is opening offices and entering into partnerships in new geographic markets. Axis has offices in more than 50 countries and partners in 179 countries.

Close, long-term relationships with partners

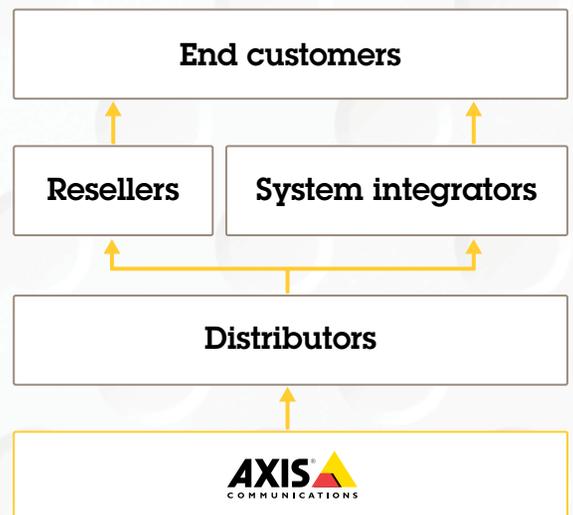
Axis works closely with its partners in relationships that are long-term, based on openness, loyalty, trust, and continual dialog.

Axis provides the best possible technical support via its highly trained and available staff, professional and knowledgeable service, flexibility, and high delivery precision. Axis also continues investing in the quality of its products and services, reliability and both easy installation and maintenance. Doing so enhances efficiency and competitiveness of partners and helps them conduct smarter business. It also creates value for partners and end customers alike.

Training and knowledge exchange

Long-term partnerships help facilitate knowledge exchange and align efforts to develop the market in a beneficial way.

Axis go-to-market model



Training of partners occurs primarily within the scope of Axis Communications Academy and the Axis Certification Program. Knowledge exchange and engagement with both partners and end customers also occurs via Axis Experience Centers.

Expanding and developing the offering

By combining smart technology with innovation, Axis is able to continuously renew and expand its offering with new products and solutions based on images, sound, and analysis. This is how Axis helps create a smarter, safer world, and the highest possible value to customers and partners alike.

Innovation and development in collaboration with partners

Many functions, products and solutions offered by Axis are created in collaboration with partners. New customer segments and business opportunities are also identified via the open, close dialog that Axis has with its partners.

Project for transitioning from a linear to circular economy

Axis has conducted a research project aimed at identifying both the obstacles to applying a circular business approach, as well as the advantages of doing so.

The research project focused on understanding how companies could make the transition to a more circular and biobased economy in an international market, identifying obstacles and opportunities and how solutions could be scaled up. The project aimed at finding solutions that could be applied to Axis in general, as well as serving as an example for other companies. It focused on the stepwise changes towards a circular way of working and on the concept for a circular product lifecycle. Axis has now documented what the company is currently doing well from a circular and biobased perspective, and what the potential development areas are, benchmarked itself against other companies, and gathered information on the relevant legal and regulatory requirements.

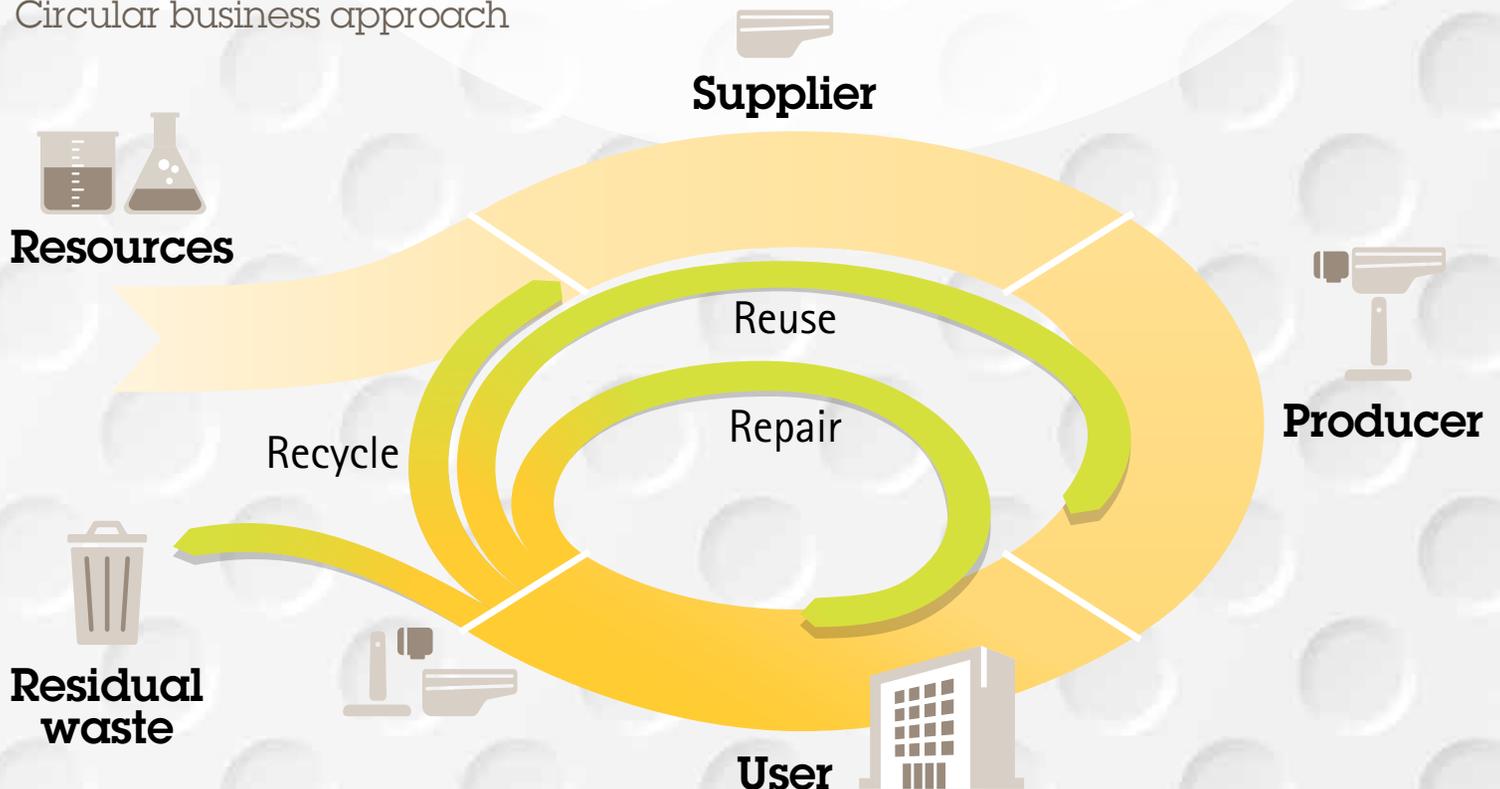
Reuse and recycle

Products are a resource that companies should take advantage of, by maintaining the potential of products and materials to create value. Having a long product lifetime is a key component of achieving a circular economy. Repairs and update possibilities help achieve this, along with reusing materials and parts.

Recycling practices vary a lot between countries today. The prerequisites need to be in place for safe recycling of end-of-life products. The process needs to involve partners and other stakeholders as well. Ownership of the products is also a key factor for successful transition to a circular approach. To make the transition, potential steps could be to ensure the origin of materials, apply modular approach when designing, set up thorough and efficient processes for reuse and recycling. As part of its efforts, Axis has, for some time, been returning the front glass and lenses used in thermal cameras to the supplier for recycling.

Further progress will involve deciding what to focus on and prioritize next. The development project has been financed by the Swedish innovation agency, Vinnova.

Circular business approach



World trends that impact Axis

Safety and security

The need for people to feel safe and secure is a constant concern, which is why companies and governments look to video surveillance as a means of protection, yet without compromising on personal privacy. Other reasons for such solutions are to protect infrastructure, healthcare facilities, shops, offices, and other types of facilities from both intrusion and theft.

The innovative, sustainable solutions that Axis provides help make surveillance more effective when it is used to fight crime, create safer work and school environments, and more.

Trust

Trust is key, regardless of whether we speak of the relationships between individuals, companies, or governments. For example, we must be able to trust that organizations collect and use data responsibly, that devices and data are protected from cybercriminals, that the data is accurate and the technology itself will work as intended. Increasingly, too, customers and end users are demanding more transparency. Organizations must, at all levels, be able to prove that they are trustworthy. In order to be able to recruit and retain employees, companies must be able to demonstrate that they are credible and ethical, as well as socially and environmentally sustainable.

Axis has clearly defined goals and strives to continually improve transparency, knowing the importance of being a responsible business partner where each relationship is based on mutual trust.

Privacy

The use of camera surveillance is on the rise, as is society's acceptance of that, in its desire to have a high level of efficiency, safety and security. An ethical and correct use of such products and solutions remains critical, since preventing misuse and protecting both human rights and privacy go hand-in-hand.

Axis innovations help create a smarter, safer world, while balancing the need for making societies more secure with the need to protect privacy. Axis respects human rights, and is vehemently opposed to all forms of discrimination and repression. Axis only develops commercial offers for user scenarios it believes in, and always communicates clear intent with its innovations, solutions and offerings. Partners are expected to fully support this, and Axis encourages companies and organizations to be aware of their responsibilities and always use data in a responsible way.

Axis offers both tools and technology for protecting privacy, examples of which are dynamic anonymization and masking.

Cybersecurity

Use of advanced analytics and machine learning in connected devices is on the rise. Likewise, devices are being used to process and analyze an ever-increasing amount of data. All of these trends therefore make cybersecurity more important than ever.

New types of risks, situations and security threats require constant attention. They also put both new and higher requirements on the IT safety of an organization's own systems, as well as the products and solutions they employ. Furthermore, cities and their networks become more vulnerable to cyberattacks with their increasing reliance on connected technologies.

Axis works proactively and systematically with IT security with a focused strategy and structured method for protecting products and solutions from both intrusion and damage.

For example, Axis uses AI to help identify, track and process threats, along with both potential and actual breaches. Axis educates and collaborates with its distributors and partners to ensure that, to the extent possible, there is a high level of IT security throughout the entire value chain.



Edge computing

There is a growing trend of processing data by a device itself, where sensors and cameras are located, rather than transmitting it to a data center, also known as edge computing.

Benefits of edge computing include speed and faster response times, making data more relevant, useful, and actionable. Milliseconds can matter, so eliminating latency, with faster response times, could be critical when incidents occur. Other advantages of moving data processing to the edge include lower bandwidth consumption, greater reliability, higher security, and cost savings. For Axis specifically, edge computing means processing data within the network video camera itself.

AI

The use of AI in surveillance technology is increasing and embedded AI in the form of machine learning and deep learning computation is expected to become even more prevalent over time.

Machine learning and deep learning have dramatically improved the ability to correctly identify, classify and process real events, actions, people, and vehicles. For example, Axis video analytics for monitoring roadway traffic is able to differentiate between actual accidents and the kinds of occurrences that generate false alarms.

Environment and climate change

Environmental catastrophes, extreme weather and air pollution are just some of the reasons behind the growing concern about climate change. The demand for products and solutions that are environmentally sustainable is also increasing.

This includes, amongst other capabilities, the choice of materials used in products, recycled material, product lifespan, energy consumption and energy efficiency. Axis is always striving to improve its own operations, and remain on the forefront of these areas via the innovative solutions that the company offers.

Smart cities

The trend of increasing urbanization goes hand-in-hand with the need to manage urban environments more efficiently with the help of technology. Today, more than half of the world's population lives in cities, with this number predicted to increase to more than 60 percent by 2030.*

Some of the biggest challenges that cities face includes public safety, urban mobility, and environmental monitoring. Public services and infrastructures need to become more efficient, improve traffic planning and being able to respond to accidents more quickly.

Axis collaborates with partners and uses innovative technology to meet these challenges, by, for example, collecting data and analyzing traffic flows to improve traffic management and road safety. Other solutions help protect vital infrastructures from costly interruptions, making them more efficient and facilitating quicker response times when there are accidents. All of it is aimed at making cities more sustainable and resilient.

* Source: United Nations, Department of Economic and Social Affairs, Population Division (2018). *The World's Cities in 2018—Data Booklet (ST/ESA/SER.A/417)*.



Atlanta PD deploys mobile, wireless surveillance trailers for crime deterrence

Axis Communications and Compass Security Solutions manufactured a set of solar-powered surveillance trailers for the Atlanta Police Department to deter crime and improve situational awareness.

The Atlanta Police Department and its strategic public safety partner the Atlanta Police Foundation continuously seek ways to deter crime by increasing their coverage of areas and events, and desired a mobile solution that could be deployed for additional and short-term coverage of large gatherings.

The agencies sought a technology solution that could capitalize on the city's Video Integration Center where they collect footage from thousands of public and private surveillance cameras.

Compass Security Solutions constructed four mobile surveillance trailers that could be deployed quickly from site to site. Each trailer was equipped with an Axis network camera atop a telescoping mast, an automatic license plate reader from Genetec™, and an outdoor speaker from Axis for safety announcements—all networked and driven by a solar-powered platform for autonomous operation for up to five days without sunlight.

The mobile surveillance trailers have positively enhanced Atlanta's safety by providing crime deterrence to areas where officers can't always be, and by offering situational awareness for officers when they respond to incidents at the camera's location. The surveillance trailers have served in an investigational role, as well.

Global market presence

Axis is a global market leader, with its own offices in more than 50 countries. It also has a global network of partners in 179 countries. Performance during the year has been good for network cameras as well as both products and solutions for audio and intercom.

During the year, Axis strengthened its global presence by establishing new sales offices and six new Axis Experience Centers, and by increasing its collaboration with existing partners.

Axis has also created a new global sales organization that better reflects the organization and is more prepared to meet the needs of its customers in the Americas, EMEA and APAC regions.

Axis has a strong position in each market where the company has operations. Focus of the expansion strategy is on developing a local presence in growth markets, along with expanding into more mature markets.

All regions have been affected by COVID-19. In many countries in the APAC region, the restrictions in place to stop the spread of COVID-19 have been quite strict compared to

the rest of the world, which is reflected in a decline in demand for Axis solutions in the Asia Pacific region. Axis has achieved an overall flat growth during the year, despite a general market slowdown. This trend is evidence that Axis has a well-functioning partner model and that its market position has strengthened.

The global video surveillance market, excluding China, is forecast to grow by a CAGR* of 7.3 percent during the period 2020-2024 (*OMDIA Video Surveillance & Analytics Intelligence Service*). Areas that are expected to grow the most are network cameras, which includes cameras with embedded analytics, and video surveillance software. Those categories were forecast to respectively represent 47 and 12 percent of the total global market in 2020 (excluding China). Analog and HD CCTV cameras are expected to decline the most, along with encoders.

* CAGR = Compound Annual Growth Rate

Americas

The biggest market for Axis is region Americas, representing 57 percent of the Group's revenue. Axis remains a market leader in video surveillance and network cameras and the company captured additional market share during the year.

In the Americas, Axis opened new Axis Experience Centers (AECs) in New York City, Silicon Valley and Sao Paulo. At the AECs, visitors can see real applications, products, and solutions up close and this has proven to be important in establishing strong partnerships with key stakeholders and forming closer ties with customers.

During the year, the demand for intercom, audio, end-to-end and other types of innovative solutions was high. Growth was also robust in the city and commercial business segments. Axis offers expertise that is tailored to each segment. The company engages in knowledge sharing with its customers and partners in all segments and verticals. Feedback on the value and benefits of that has been very positive.

Europe, Middle East and Africa (EMEA)

Axis has a leading position in the region EMEA, where overall performance was favorable despite the pandemic. The volume of business was on a par with last year.

EMEA represents 32 percent of the Group's revenue. Region EMEA is quite fragmented and has considerable variations in both demand and the types of challenges that exist in different geographic areas.

Growth has been robust in several areas, including network cameras and audio, and special types of cameras, including thermal, panoramic and body worn cameras. From a segment perspective, critical infrastructure, city surveillance and transportation showed growth.

To be even closer to the customers and use efficiencies across the region, Axis has strengthened its EMEA organization. This allows for continually developing and expanding its partnerships with distributors and system integrators and also with selected end customers.

The company has established a new AEC at the head office in Lund, opening in 2021. In Moscow, Axis set up both a new office and AEC during the year to strengthen the position in Russia, the single biggest market in Eastern Europe.

Asia Pacific (APAC)

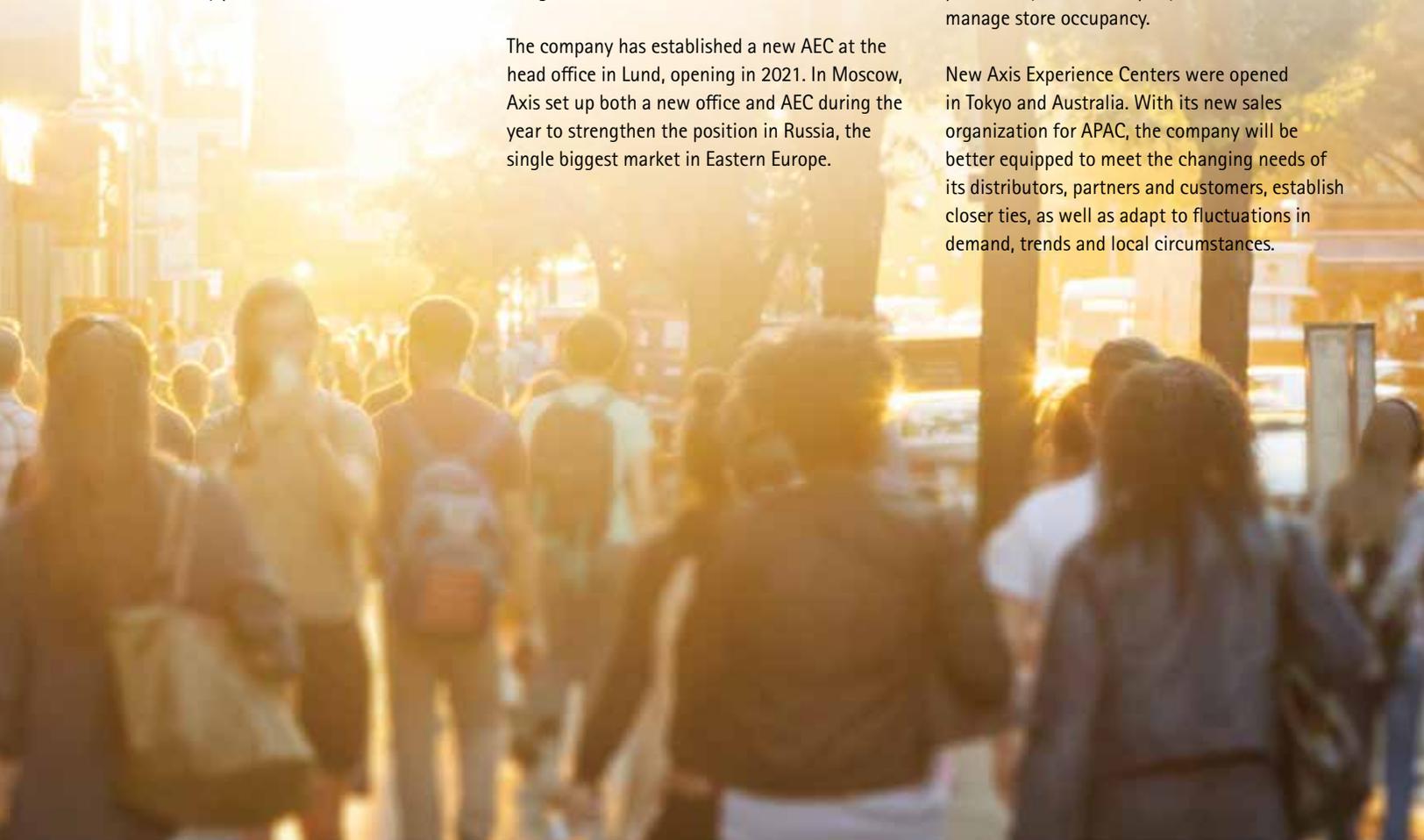
There has been a solid development in the strategic focus areas of network cameras, advanced cameras such as thermal cameras and explosion protected cameras, audio and end-to-end solutions. The demand in other areas, however, has been more suppressed.

APAC represents 11 percent of the Group's revenue. There was growth in Japan during the year and Axis was able to expand its market share, despite the overall decline in demand associated with COVID-19.

There has also been good traction with some of the company's strategic initiatives, with strong growth in Japan for the Axis end-to-end offering. In the city segment, there has been continued growth particularly in Southeast Asia and India.

Overall, conditions have been challenging for retail. However, there was robust growth for the Axis retail offering in Australia during the year, particularly for the company's solutions that manage store occupancy.

New Axis Experience Centers were opened in Tokyo and Australia. With its new sales organization for APAC, the company will be better equipped to meet the changing needs of its distributors, partners and customers, establish closer ties, as well as adapt to fluctuations in demand, trends and local circumstances.





Innovation – for better sustainability, safety, security and providing more value to customers

Axis is a leading market player in its industry, offering groundbreaking products and solutions for network video, access control, intercom, audio, and analytics. Axis collaborates with its distributors and partners to meet the needs and challenges of customers, thereby ensuring sustainable competitiveness and future growth.

Axis both designs and develops own products and offers a wide portfolio of IP-based products and solutions for security and video surveillance, based on open industry standards. The products are easily integrated with Axis video management software, or with partner solutions.

News and innovations 2020

During the year, Axis released more than 80 new products and accessories. It includes the launch of body wearables, network cameras with deep learning capabilities and network cameras with the Lightfinder 2.0 technology.

Body worn camera solutions

Body worn cameras are used by law enforcement agencies, private security companies, medical professionals, transport agencies and others as a means of capturing valuable forensic evidence. The solution includes a lightweight and robust camera, docking stations, a system controller, a video management system (VMS) or an evidence management system (EMS). However, open standards make the hardware system easy to integrate with any video management system or evidence management system, including users' existing systems.

Body worn cameras have many benefits. The camera documents actions and capture valuable evidence. They are also an effective way to deter bad behavior and positively influence the actions of camera wearers and the public alike. This makes both wearers and public feel safer. They are simple to use in the field, even in stressful situations, and it starts and stops fast – with a touch.

Wide dynamic range technology has been employed to guarantee image quality in even the most challenging light conditions, while Axis Zipstream for body worn cameras reduces the need for storage. The camera captures audio through dual microphones.

AXIS Object Analytics

AXIS Object Analytics is installed on network cameras for the purpose of detecting people and vehicles, tailored to the surveillance needs. It is ideal for various scenes including public buildings, warehouses, and parking lots.

The triggering conditions can be configured according to the need and situation. Examples are an object (e.g., person, vehicle, or both) entering an area or crossing a virtual line, which will then trigger an alarm and may further initiate an automated action. Intelligent algorithms suppress most sources of costly false alarms such as swaying vegetation, small moving objects, and fast-moving shadows on the ground.

ARTPEC

Other innovation efforts in 2020 include the work to develop the next generation of the company's own ARTPEC chip, which will be launched in 2021. The ARTPEC chip serves as the basis for the vast majority of Axis network video products and it facilitates such things as efficient image processing and compression, resulting in high image quality.

Because it is developed in-house, Axis is able to precisely adapt the chip to each camera and thereby the different needs and requirements of customers.

Lightfinder 2.0

Axis Lightfinder technology delivers high-resolution, full color video with a minimum of motion blur, even in near darkness, offering excellent image quality without the need for external light sources.

Lightfinder 2.0 has features that include increased light sensitivity and colors that are even more life-like. What makes Lightfinder so outstanding is its ability to capture true colors, which differentiates it from cameras that, for example, rely on infrared radiation (IR) or thermal imaging technology.

Sustainable innovation

Axis Zipstream technology efficiently compresses video data to significantly lower bandwidth and storage requirements, without compromising important image details. It results in substantial costs savings, lower energy consumption and a lower environmental impact. Axis Lightfinder technology, explained above, also helps lower the environmental impact and costs in that it eliminates the need for external lighting.

Innovation gives more value to customers

Axis engages in structured innovation work based on several aspects and dimensions. It always involves striking a balance between the technical possibilities, customer needs, challenges and requirements aimed at helping customers become more innovative and sustainable. Doing so creates not only value, but also new business opportunities.

Axis is increasingly expanding its use of cloud technology to further improve its end-to-end solutions and make cameras and surveillance systems better.



Doing so has several advantages, particularly as regards both surveillance systems and installations with many cameras because it simplifies central administration and various processes like security updates.

Innovation throughout all parts of the company

Innovation is a key component of the company culture at Axis. It involves employees being inquisitive and engaged, daring to think in new ways, wanting to develop, having an open attitude and challenging themselves. Innovation occurs at all levels of the company, with collaboration within and across departments, such as R&D, product development and business development. Axis also promotes methods that create more flexible, innovative ways of working, which pertains to everything from the planning and design of products to how they are distributed and delivered to customers. Axis applies a holistic approach, and its innovation work occurs at all stages of a product's life cycle.

Both time and resources are invested such that employees can generate their own ideas. Furthermore, innovation is an important component of the Axis leadership program and introduction process for new employees, which involves discussion on innovation in an open work environment.

Research and development

Research and development primarily take place at Axis' head office in Lund. Approximately 1,500 employees (corresponding to more than a third of the total number of employees) work in R&D, developing new products and solutions.

In 2020, Axis invested approximately 17.3 (17.9) percent of the group's sales in research and development of both hardware and software.

Axis pursues an active patent strategy for protecting its investments in core technology and intellectual capital.

Axis currently has 583 active patents and registered design families. During 2020, the patent portfolio grew, 242 national patents and several registered designs were being granted and additional patent applications are pending. During the year, applications for 14 new design families and 67 new patent families were filed, chiefly related to camera technology.

Cybersecurity

Much of the focus of innovation work is on security and that applies to all stages, from design to product use, aimed at making products even more reliable and safe. Considerable effort is put into ensuring that the software is robust and resilient to cyber attacks. Axis provides training to its partners and customers on how to build safe systems in order to ensure that the company's products and solutions are used safely.

Collaboration for cutting-edge innovation

Axis engages in continual dialog with its suppliers, distributors, and partners to share knowledge and exchange ideas on product development. Relevant solutions rely, for example, on an understanding of how the product will be used, the customers' challenges and the environment where it will be installed.

Knowledge exchange also occurs with companies in other sectors and there is collaboration with local authorities on making cities smarter and safer with the help of video surveillance products and solutions.

Additionally, Axis supports research collaboration so that it can both benefit from, and contribute to, progress. One example is Wallenberg Artificial Intelligence, Autonomous Systems and Software Program (WASP), which carries out research on AI and autonomous systems.

There is also collaboration with universities and colleges, primarily Lund University, by offering students the opportunity to conduct their thesis projects at Axis. Doing so helps bring both new perspectives and talent to the company. Collaboration has been initiated with Blekinge Institute of Technology as well, to investigate ways that Axis can support their work with cybersecurity.

In addition, Axis collaborates with Software Center in Gothenburg, where companies and universities are working together to accelerate the adoption of novel approaches to software engineering.



Strong focus on both customers and commitment aimed at higher customer satisfaction

Axis strives to continually develop and improve both its offering and support so that it can deliver more value to distributors, partners and customers, thereby increasing customer loyalty and satisfaction.

Axis customers can be found in practically every area of both the public and private sectors. The biggest sectors for Axis, however, are retail and cities. Axis has an indirect business model and a global network with partners all over the world.

The continuous, interactive nature of engagement between Axis and its distributors and partners helps ensure that the company is able to offer products and solutions that meet the requirements of customers and exceed their expectations.

The cornerstones of Axis success are its committed employees and ability to deliver value to its distributors, partners and customers. Axis' long-term ties with distributors, partners and customers are based on loyalty and a high level of satisfaction. These are also prerequisites for the company's long-term growth and profitability.

Supporting customers' businesses

Axis products and solutions contribute to a higher level of efficiency, safety and security in society, along with helping partners and customers make their businesses smarter. They also help distributors and partners enhance their competitiveness.

Having close, long-term partnerships also facilitates Axis' ability to solve customer challenges and problems in a way that provides them with maximum value. This is how Axis solidifies its leading market position and strengthens its ties with both partners and customers.

Growing importance of sustainability

The importance of sustainability to customers is growing. Customers expect Axis to help fight climate change and offer products, solutions and packaging that are environmentally friendly. They demand network cameras that do not contain any hazardous materials and with minimal energy consumption.

They also expect Axis to use recycled materials to the extent possible and that products can be recycled at the end of their useful life.

Axis strives to lower its carbon footprint by, for example, reducing carbon emissions from its own operations and through measures that make its operations more energy efficient.

Furthermore, Axis is phasing out hazardous material from its products, for example Axis offers network cameras that are PVC-free, and it develops products designed to consume minimal amount of energy.

Social and ethical issues are also important, which is reflected in Axis' engagement with distributors, partners and end customers, as well as the company's efforts to ensure responsible working conditions and more diversity as well as a sustainable supply chain. Axis addresses these matters and works proactively with them within the scope of its sustainability efforts.

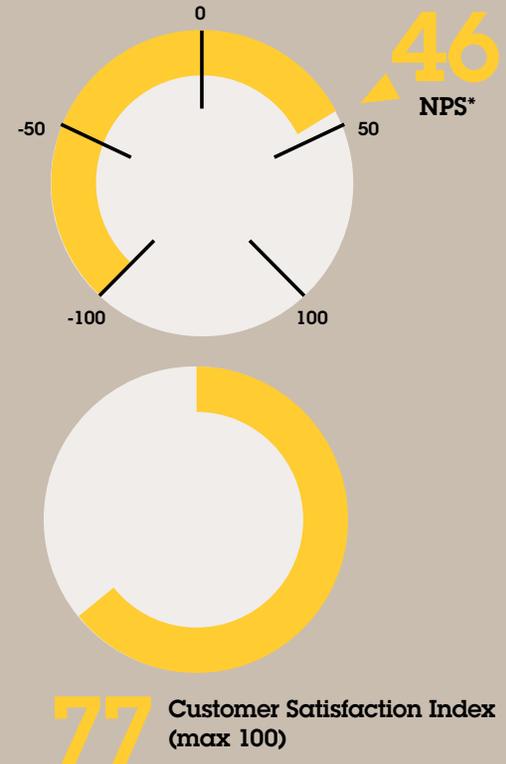
Focus on high customer satisfaction and customer loyalty

Axis conducts satisfaction surveys on a regular basis. Doing so enables Axis to assess and monitor its performance over time, while demonstrating its commitment to listening to its customers. The surveys help Axis strengthen ties with customers, by further understanding what matters to them and their satisfaction and loyalty drivers.

During the year, Axis conducted in-depth partner satisfaction surveys targeting several of its various partner programs such as application development partners and architecture & engineering partners, to better understand how Axis performs and can improve.

Axis also carries out an Order department survey each year, a specific survey to Axis' distributors about the company's order and delivery efficiency.

Satisfied customers



* Net Promoter Score (NPS) is a method for measuring customer loyalty. It is calculated as follows: $NPS = \% Promoters - \% Detractors$. The index ranges from -100 to +100, which means that anything over 0 is positive and an NPS of 50 or more is considered exceptional.

In 2019, a global survey was carried out across 56 countries and approximately 5,000 distributors and partners responded. Participants included partners in sales channels of various sizes serving Axis' different markets.

The overall Customer Satisfaction Index (CSI) was 77 (max 100), which indicates that the majority of Axis' partners were very satisfied. For these surveys, a CSI of 75 or higher indicates that the company is regarded as a leading market player.

The feedback from these surveys is carefully considered and appropriate action is taken so that Axis can continually improve. Axis also conducts direct interviews with its end customers in various areas to obtain additional feedback and qualitative information. The purpose is to identify areas of improvement and maintain a high level of satisfaction and loyalty.

Smarter, safer cities thanks to video analysis

Solutions that incorporate deep learning and video analytics can provide a wide range of benefits for communities, like helping police more quickly conduct investigations, countering crime, improving traffic flows and preventing dangerous traffic situations from arising. Briefcam is one example of a company that Axis collaborates with in the area of video analytics. During 2020, the BriefCam Video Analytics platform was also successfully used for contact tracing, social distancing, and occupancy management to help prevent the spread of COVID-19.

Cities across the world are striving to meet the challenges associated with protecting their citizens, lowering the crime rate, improving critical functions in society and seeking other ways of using technology to benefit urban societies. It covers everything from urban planning and transports to traffic flow optimization, safety, and security.

BriefCam's complete Video Analytics platform helps community police and other authorities work more efficiently by making video searchable, actionable, and quantifiable. For example, quick response is made possible with real-time alerting, so that authorities can quickly investigate unexpected behavior, like loitering and movement in restricted areas.

Another area is analyzing the movement of vehicles (cars, trains, buses, bicycles, etc.) and pedestrians so that patterns can be understood and flows optimized, as part of urban planning activities. "BriefCam's solutions can make a substantial difference in helping cities around the globe improve community living and leveraging existing surveillance investments in a whole new way," says Gili Rom, Vice President, Strategic Initiatives, BriefCam.

One example where BriefCam and Axis work together combining surveillance cameras with video analytics is for the Hartford Police Department in USA. The intelligent video solution has helped the police force to boost safety and become more effective. They have, for example, used it to find lost children at large festivals, find and arrest pickpockets, confiscate drugs and remove drug dealers from the streets as well as revitalize their city by harnessing the power of video for smart, proactive planning.

Helping to stop the spread of disease during a pandemic

Intelligent video analytics can also be used to help prevent the spread of disease during a pandemic, such as COVID-19.

"The role of intelligent video analytics has never been more critical in protecting the public and ensuring safe re-openings and compliance with industry regulations," says Gili.

BriefCam's solution has been used to help prevent the spread of COVID-19 in several countries in APAC, Europe, and the US, across verticals, including large enterprises. For example, the platform can be used for contact tracing to notify at-risk individuals and engage in safety protocols. It enables users to maintain building occupancy requirements by counting people as they enter and exit a building, even when there are multiple entry and exit points. When the threshold is met, an alert can be sent to access control solutions or the security staff. Dashboards of occupancy data and analysis are utilized to prove compliance, or augment processes to ensure mandates are met.

BriefCam, which is also part of the Canon Group, collaborates with Axis on technology and business initiatives. Below: Gili Rom, Vice President, Strategic Initiatives, BriefCam.



Axis helps recycling company meet its sustainability goals

EMR Metal Recycling, a global leader in material recovery, deployed a comprehensive range of Axis technologies to secure its site as well as monitor its operational processes in a drive towards achieving zero waste targets.

EMR recycles metal from a range of sources, including end-of-life vehicles, consumer products and construction sites. The company needed a surveillance system to protect its entire site and observe each stage of the recycling process. They also wanted to enable greater visibility into the efficiency of current processes, while helping to identify unnecessary waste. Doing so provides decision makers with better insight into how to meet EMR's zero waste targets.

Axis delivered an integrated, end-to-end solution comprised of network cameras, network door stations, a network door controller, network audio system with horn speakers, and an AXIS Camera Station with video management software for control of all the technology, even remotely.

"The image quality of the Axis cameras is excellent. Now, we can monitor all of our operational processes and we are assured a very high level of safety and security at the site," says Roger Hewitt, Head of Security at EMR, UK. The solution covers access points and perimeter security. It is also linked to the point of sale (POS) system to provide video verification of each individual waste transaction.

EMR's efforts to achieve more ethical, zero-waste operations are perfectly in sync with the values so important to Axis.

"At EMR, operating a sustainable and ethical company with a responsible working culture is very important to us. It's one of the main reasons for our close ties with Axis. We share the same visions of running the business in a socially responsible way that helps create a better world for everyone," says Roger Hewitt.

Sustainability

2020



Sustainability strategy

Sustainability is an important, integral part of Axis operations. Sustainability shall be a natural part of the strategy, business model, other activities and business processes where Axis develops and provides innovative, long-term sustainable, safe and reliable products and solutions for a smarter, safer world.

Proactive work with sustainability is a prerequisite for Axis being able to generate steady growth and profitability over time, while continuing to develop smart, safe products and solutions. It involves running the business in an efficient way, improving its innovativeness and competitiveness, and also strengthening the brand. Doing so generates value to the company and its various stakeholders.

Axis creates value for suppliers, distributors, partners, end customers, employees, and owners. It also supports and participates in various initiatives to benefit society.

Axis takes long-term responsibility in the economic, environmental, and social spheres, striving to apply good business ethics throughout the value chain. This requires the company to have a broader perspective, taking responsibility beyond its own direct impact. Axis endeavors to be a driving force in the industry when it comes to technological innovations and prioritizing sustainability. As a leading market player, Axis acts from a position of strength, with the best intentions of making a positive impact in the surrounding world as regards sustainability issues. Furthermore, as the company grows, so does the importance of sustainability in that Axis has a bigger impact on its stakeholders and must, accordingly, take greater responsibility. Axis strives to achieve sustainable behavior throughout the entire value chain.

Responsible and innovative supply chain

All manufacturing of products shall occur in an environmentally, socially, and ethically sustainable way that is both responsible and innovative. All suppliers are expected to sign the Axis' supplier code of conduct, comply with Axis requirements, take social and environmental responsibility for their operations, and counteract corruption.

Responsible and innovative business operations

Axis shall run responsible and innovative business operations aimed at achieving long-term, sustainable growth. For Axis, this means efforts to fight climate change, protect natural resources and ecosystems, provide a safe and healthy workplace where there is gender balance, diversity, and non-discrimination along with creating a company culture that promotes innovation and taking responsibility. Business shall be conducted in an ethical, responsible, and transparent way.

Trusted partner

Both internal and external business relations shall be managed in an ethical, responsible, transparent, and reliable way. Axis shall counteract corruption in its own business operations, as well as in its relationships with suppliers, distributors, and partners.

Axis shall have the best possible IT security for its products, solutions, and IT systems in order to protect the privacy of its distributors, partners and end customers.

Axis products and solutions shall meet customer needs, helping them to become more sustainable, improve their businesses, conduct smarter business and, together with partners, help make people's lives simpler and safer.

Responsible use of products and solutions

Axis shall strive to ensure that its products and solutions are used in the right way, with respect for both human rights and personal privacy. The purpose for which the solutions and the company's technology are used shall be both decent and responsible.

Focus areas

Axis has four focus areas for its sustainability work: Economic responsibility, Responsible business conduct, Environmental responsibility, and Social responsibility. The focus areas cover the sustainability issues that are most significant to Axis and where the impact is greatest. These efforts are carried out via sound corporate governance activities. For more information on the most important sustainability topics for Axis, please see page 60.

Economic responsibility

Sustainable growth and sustainable profitability are very important to Axis and its stakeholders. They provide the foundation for the company's long-term sustainability efforts.

Sustainable profitability and financial stability enable Axis to continue being a long-term stable and trusted partner to its distributors, partners and suppliers; pay wages to employees; purchase materials and services from suppliers; and pay taxes. Tax is an important component of taking responsibility in that it contributes to development in the countries where Axis operates. Axis pays taxes in accordance with applicable laws and regulations.

Responsible business conduct

All business and business relations shall be conducted in a responsible, transparent, credible, and consistent way. Axis maintains close interaction with its suppliers, distributors, and partners. Such continual, long-term collaboration helps ensure that there is transparency and good business ethics throughout the entire value chain.

Axis strives to apply the highest ethical standards in its business dealings and has zero tolerance for all forms of bribery and other forms of corruption. The company works proactively and systematically to counteract such behavior in its own operations, as well as in its relations with suppliers, distributors, and partners. Axis continually works with, and invests in, various measures to ensure that its products, solutions, and IT systems are equipped with the best possible IT security. This is a prerequisite for Axis being a trusted, responsible business partner, having satisfied customers and being able to protect its partners' and end customers' privacy when the company's products and solutions are used. Human rights must also be respected when the products and solutions are used.

Environmental responsibility

Environmentally sustainable development is crucial to the future development of our planet. Axis shall be perceived as a leader in the industry by both new and future customers, employees, partners, distributors and other stakeholders as regards the company's contribution to environmentally sustainable development.

Axis strives to minimize the environmental impact of its own operations, as well as that of its products and solutions. The majority of Axis' environmental impact is indirect, and it occurs through manufacturing, transports, and energy consumption when the company's products and solutions are used. Axis takes environmental responsibility by striving to make improvements throughout the value chain and the entire life cycle of its products and solutions.

WE SUPPORT



The UN Global Compact and the Sustainable Development Goals

Axis became a signatory of the UN Global Compact in 2007 and bases its sustainability work on those ten principles. Since then, the principles have guided Axis in its sustainability efforts.

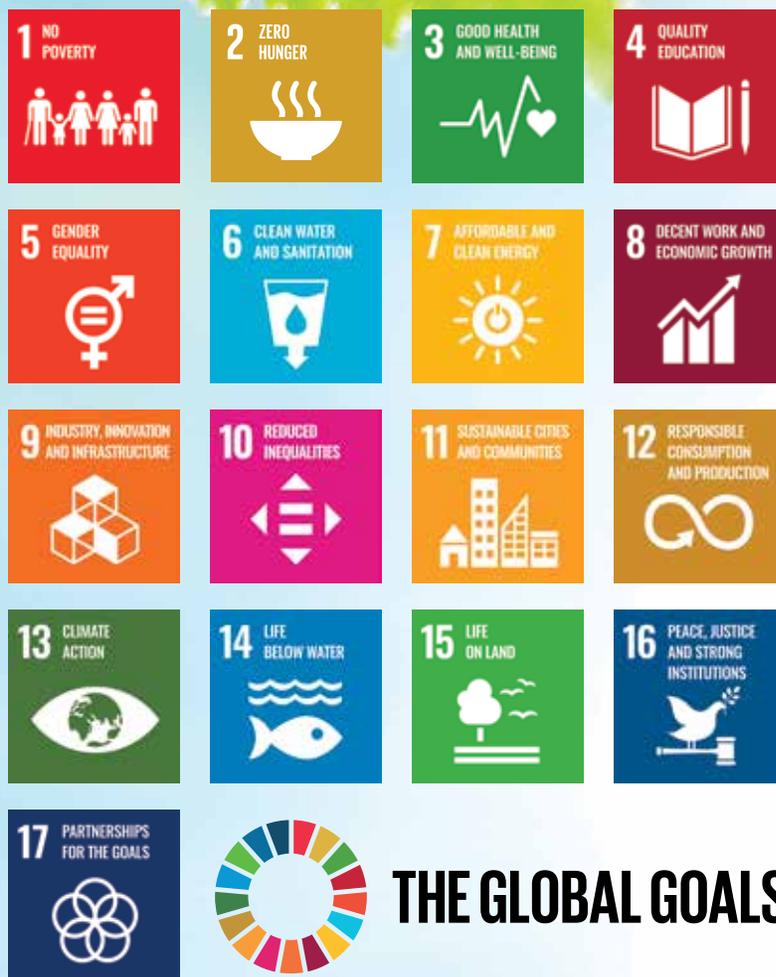
Axis supports the 17 Sustainable Development Goals and 2030 Agenda for Sustainable Development. With its strategy and business as the point of departure, Axis strives to create value and make a positive contribution towards achieving these goals via the sustainability work pursued by the organization and throughout the value chain, along with minimizing any negative impact. For more information on the direct and indirect contributions by Axis and impact on the 17 SDGs and their underlying targets, please refer to the following pages and overview provided on pages 56-57.

Social responsibility

Axis has great influence on people's lives and well-being. Axis' products and solutions contribute to a higher level of efficiency, safety and security in society.

Axis creates jobs and the social responsibility includes providing good working conditions, along with a safe and secure workplace with a healthy psychosocial work environment characterized by equality, diversity and non-discrimination and respect for human rights as regards all of the company's own employees and those employed by its suppliers.

Axis' social responsibility also includes being a good member of society and investing in social initiatives (such as education initiatives, sponsorship, and volunteering activities) thereby making a positive contribution to society.



THE GLOBAL GOALS

Ingram Micro is proud to partner with responsible companies like Axis, who prioritize sustainability in operations and the value chain. As we benchmark our own performance against the Sustainable Development Goals, we're motivated by the opportunities that digital transformation and collaboration bring to the sustainability movement.

Constanze Duke, Sr. Manager
Corporate Social Responsibility
Ingram Micro

Long-term responsibility and impact throughout the entire value chain

Axis strives to create the best possible conditions for ensuring that its products, solutions, and own operations have a positive economic, environmental, and social impact, while simultaneously minimizing the negative impact. Axis is involved in all parts of the value chain.

The company has an indirect business model, which means that the direct responsibility for manufacturing, sales, distribution and installation of Axis products and solutions primarily lies with suppliers, distributors, and partners.

Axis strives to have a resilient value chain, make a positive impact through sustainability, minimize the negative impact, and manage risks.

Axis has close ties with its suppliers and imposes requirements on them. The company also trains and informs its distributors and partners to promote change and create value.

Knowledge-sharing and continual dialog with suppliers, distributors and partners helps ensure that all manufacturing, distribution, installation, management and use of the company's products and solutions is sustainable and responsible.

This type of interaction helps Axis take advantage of new opportunities for further innovation and development of products and the business such that it can achieve long-term sustainable growth.

Topics that are most important from a sustainability perspective impact the entire value chain, or parts thereof.



Responsible business conduct

Environmental responsibility

Social responsibility

Sub-suppliers

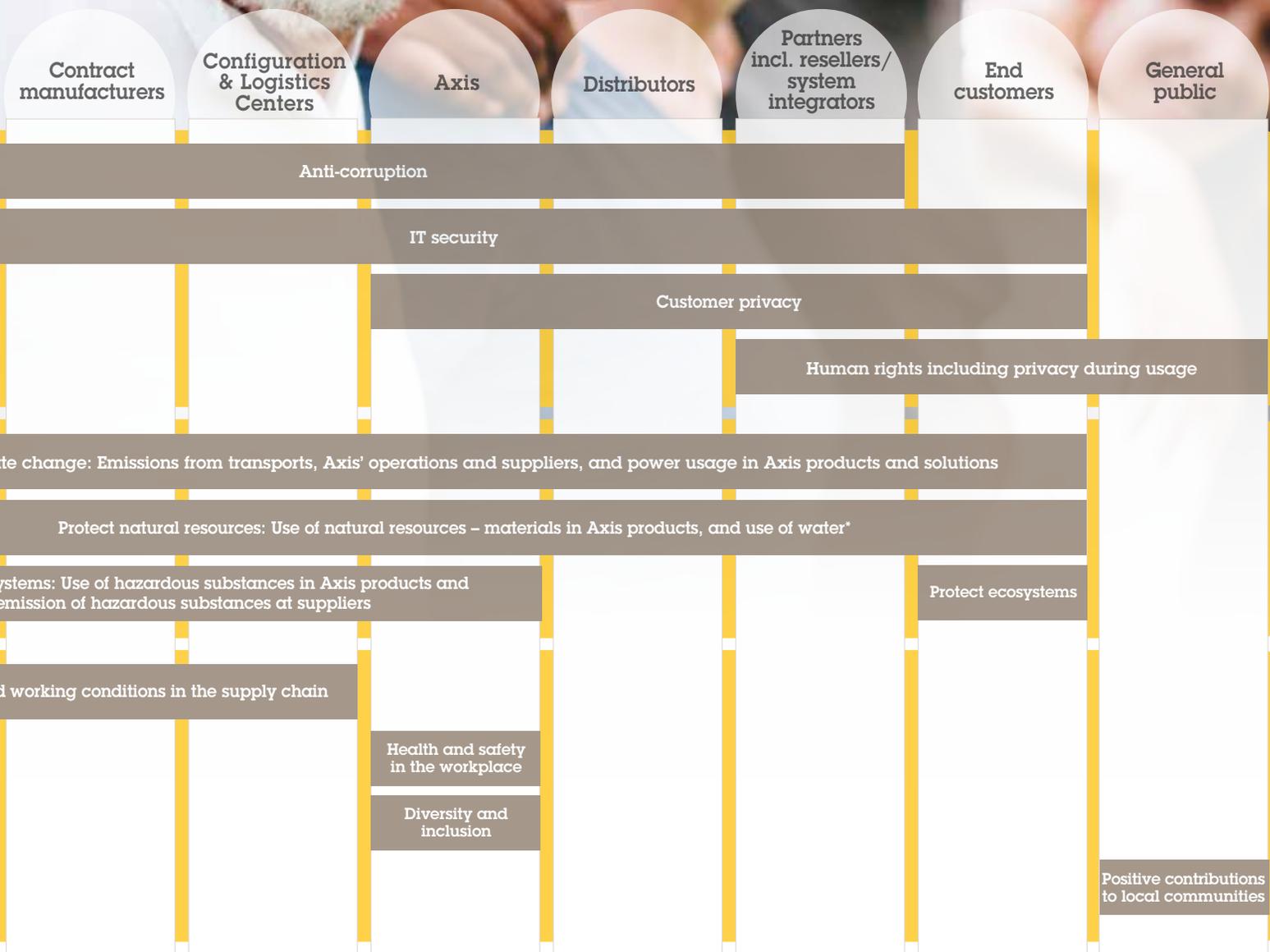
Beat climate

Protect ecosystem

Human rights and



Impact in the value chain



The illustration shows where impact occurs in the value chain. For more information on the material sustainability topics, please see page 60.

* Only applicable for suppliers and business operations.



Responsible business conduct

Axis actively engages in maintaining the very highest ethical standards within its own organization and in its business relations, working with risk prevention, counteracting corruption, protecting both customer privacy and human rights. Close collaboration with suppliers, distributors and partners helps ensure transparency and good business ethics.

Axis shall serve as a role model for ethical behavior, continually striving to raise the bar even higher. Axis has a strong company culture, and its values help ensure openness, honesty, and transparency.

In order to be regarded as a long-term, trusted partner, it is essential that Axis applies an ethical approach. Doing so also helps ensure that products are developed, manufactured, distributed, sold, and used in a responsible and sustainable way. It is also fundamental to running the business successfully in the future.

Axis applies a structured, focused approach for making risk assessments, addressing, mitigating, and managing sustainability risks, engaging in dialog, and raising awareness of good business ethics. This occurs at all levels within its own organization and with others in the value chain, i.e. suppliers, distributors, and partners. The overarching aim is for all technology in Axis products and solutions to be used correctly and responsibly.

This includes third-party technology such as facial recognition, where careful considerations must be respected to avoid any violations of human rights. Axis actively strives to ensure that its technology is not misused so that violations of human rights and personal privacy are avoided. One key aspect of that is providing information and training to Axis partners, ensuring that they share Axis values and apply the same approach to business ethics and other sustainability issues.

Responsible business practices

During the year, Axis set up a group-wide Business Ethics Council. It is responsible for sustainability issues having to do with business ethics. Read more on page 55.

Export restrictions, sanctions, and other legal requirements

Special export restrictions apply to products, which, though intended for civilian use, nevertheless have properties enabling them to be used for non-civilian purposes.

In addition to this, there may also be restrictions on trading with certain countries, entities, and individuals due to sanctions and embargoes.

The Axis export compliance program ensures that the company complies with all applicable rules on special export restrictions, sanctions, embargoes, fair competition regulations and other legal requirements. Axis carried out a comprehensive risk analysis during the year aimed at improving its compliance efforts in accordance with recommendations issued by the US Department of Justice.

At the time of sale, all of its licensed products are subjected to a screening process on export controls and international sanctions. Specific business deals are thereby identified and discussed by the group management if they have not passed the screening process. In fact, some deals have been stopped when deemed inconsistent with the company's ethical standards.

Zero tolerance for corruption

Axis works proactively to prevent and counteract corruption within its own organization, as well as in its dealings with suppliers, distributors, and partners.

All employees are expected to apply the very highest ethical standards when carrying out their daily tasks and in all of their interactions with others, both within the company and externally. The board of directors at Axis, along with third parties acting on behalf of Axis (such as on-site consultants), must also exercise zero tolerance for bribery and other types corruption, such as blackmail and embezzlement.

There is a high risk of corruption in several of the countries where Axis conducts business. Corruption can damage or have a negative impact on both specific individuals (e.g., fines, prison sentences) and the company itself (e.g., the company's reputation, brand, long-term growth, or criminal and civil penalties and other economic consequences).

As a leading market player, Axis shall set an example when it comes to transparency and take the lead in counteracting corruption. Fundamental to its work with ethics are risk prevention and structured, systematic working methods all of which help ensure that the company meets the expectations of its stakeholders. This includes employees, distributors, partners, suppliers, and all other Axis stakeholders in society.

Efforts to identify, report and manage risks having to do with conflicts of interest, bribery and other forms of corruption also raise awareness and the commitment to counteract corruption. Axis has an anti-corruption program and a variety of governance tools for ensuring compliance.

Anti-corruption program

The Axis anti-corruption policy stipulates that all business relations shall be conducted in a responsible, transparent, consistent, and credible way. Furthermore, employees are forbidden to offer, accept or participate in activities involving any form of bribery or corruption. Each and every Axis employee is personally responsible for ensuring that. The policy also states that Axis does not and no Axis representative may provide gifts to political parties or candidates in public elections.

All charitable donations and sponsoring must be thoroughly documented and in accordance with the Axis policy on sponsoring. The anti-corruption policy helps clarify Axis' standpoint, both internally and externally. All Axis employees, board members and third parties working on behalf of Axis (such as on-site consultants) must comply with the policy.

All employees are required to participate in trainings on anti-corruption. They must also confirm completion of training, stating that they pledge to never accept bribes or participate in any other form of corruption. Board members have acknowledged this pledge. A breach of the anti-corruption policy may result in criminal proceedings and/or other disciplinary action.

Suppliers, distributors, and partners

All Axis suppliers are required to comply with the Axis supplier code of conduct, which means adherence to the Axis anti-corruption policy. The distributor agreement stipulates that distributors must comply with the applicable anti-corruption legislation. Essentially, all Axis distributors have signed that agreement. Other technical development partners are also expected to comply with the applicable anti-corruption legislation, which is stated in the agreement for the company's application development and technology partners.

Axis continually reviews its agreements with partners and distributors to clarify its stance on anti-corruption. Compliance is required in order to renew a distributor or partner agreement. Neither in 2020 nor in years prior have any contracts been terminated due to corruption.

Axis provides information and training to its suppliers, distributors, partners, and end customers, which includes information about anti-corruption. Axis also informs its partners at conferences, via webinars and in newsletters to increase their knowledge of anti-corruption issues and the company's requirements. Doing so helps Axis manage the risks, and to the extent possible, ensure that its distributors and partners behave ethically.

Implementation of new global code of conduct

Axis implemented a new global code of conduct during the year, consisting of a policy framework. Axis ethical cornerstones have been clarified, including that Axis respects human rights; believes in innovation and takes responsibility to only commercialize innovations it can ethically stand behind; and is transparent and acknowledge its responsibility. The code of conduct stipulates the values and guidelines that serve as the foundation for running the business. It also explains how employees are expected to act in everyday business-related situations, both within the company and externally. It covers business ethics, equality, diversity, health and safety, working conditions and human rights. It explains the company's core values in detail and includes instructions on how to report any suspected violations of the code of conduct. All Axis employees, in all markets where Axis does business, as well as the board of directors, are required to comply with the code of conduct.

Goals and target fulfillment

Anti-corruption

Axis has zero tolerance for all types of bribery and other forms of corruption. All employees, including group management are required to acknowledge that they comply with Axis' anti-corruption policy. They must also every other year participate in training on such matters.

During the year, all new employees participated in training and confirmed completion of training, acknowledging their pledge to comply with the policy.

Nearly all of the company's other employees participated in anti-corruption training during 2019 and in the beginning of 2020, acknowledging their pledge that they comply with the anti-corruption policy.

No incidents of bribery or other forms of corruption were identified during the year.



IT security and protection of customer privacy

A host of new and evolving cybersecurity threats has the information security industry on high alert. For Axis, it means that Axis must continually raise the security requirements on its own products, solutions, processes, and IT systems to ensure best possible reliability, accessibility, and confidentiality of information.

Cybersecurity is becoming increasingly important as new types of threats and attacks against companies, organizations and individuals evolve. Besides the changing patterns, they are becoming more numerous, varied, and well-organized. Examples are ransomware, data theft and other types of security breaches.

The COVID-19 pandemic has also resulted in new and evolving cyber challenges. With more people working from home during the pandemic, new avenues have arisen for hackers to carry out their cyber attacks. Companies and organizations have had to enforce existing and set up entirely new security solutions to cope with these new circumstances.

All of it puts increasingly higher requirements on Axis, its distributors, and partners to understand and respond to the risks so that Axis can adequately protect the IT systems, processes, products and solutions, along with information created by them.

IT security throughout the value chain

The high level of IT security in Axis products and solutions has been designed to protect devices and information, while safeguarding privacy. There is also a growing demand for IT security throughout the entire value chain. Besides suppressed demand from customers, there is a trend of more stringent laws and regulations concerning privacy and cybersecurity, which both Axis and users of Axis products must take into consideration and comply with.

IT security is an important component of Axis' offering, essential to the company's long-term success, competitiveness, reputation, and various partnerships. It is all about trust, which lies at the heart of everything Axis does. Axis is a leading market player in network video and likewise, strives to be a leader at instilling confidence as well.

Axis works proactively and systematically to help its customers to protect their data. The company's strict policies, carefully designed processes and

well-educated employees are all focused on helping customers protect and manage their systems and products. Axis continually informs and trains its employees on cybersecurity and customer privacy, collaborates with partners and stipulate requirements on the security efforts of suppliers, all of which is aimed at ensuring a high level of IT security throughout the value chain. Axis strives for a consistent overall approach and security pursuits that are clear, transparent, and inclusive.

Increasing requirements on IT security

Cyber incidents are becoming increasingly common. In today's online-driven world, we are increasingly vulnerable, and companies must constantly address an array of new, complex security risks.

Axis strives to apply cybersecurity best practices in the design, development, and testing of devices. Doing so minimizes the risk of security flaws and system vulnerabilities that could be exploited.



Axis has a carefully designed, comprehensive security strategy aimed at minimizing critical vulnerabilities of software, hardware, and information. Axis takes all matters having to do with IT security very seriously. Critical vulnerabilities or flaws discovered are remedied immediately and transparently.

Business continuity

IT security and the comprehensive protection systems used by Axis cover business critical systems and processes, aimed at ensuring reliability and confidentiality, maximum access to information and business continuity. This applies to Axis own operations, along with those of its distributors, partners and customers.

Protecting data and mitigating risks

Axis works in a proactive, structured way to protect its products and solutions from intrusion and damage. High quality is key, along with rapidly responding to all incidents regarding the security of various applications, products, solutions and systems.

Axis products have a variety of security controls that helps mitigate the risk of cyber threats. Every step of the way, Axis strives to minimize the security risks associated with its devices and services. Industry best practices are employed when managing and responding to security vulnerabilities, thereby minimizing customer exposure to cyber risks.

Transparency is very important to Axis. If Axis were to discover a critical vulnerability in any of its products, Axis would as soon as possible inform its distributors, partners, and customers of the specific risks and how to manage them, as well as providing both guidance and support.

Critical deficiencies are managed in accordance with the company's vulnerability guidelines, which includes carefully designed security management routines, vulnerability management, collaboration, and knowledge-sharing.

Security management

For security management, Axis offers products that apply the necessary controls for mitigating the cybersecurity threats. Those controls are then implemented in a cost-effective way over the system lifecycle. Axis engages in dialog with its end customers aimed at increasing protection against threats and risks that exist in the environments where the products and solutions

are installed and used. Axis also provides products with additional protection for sophisticated threats.

Vulnerability management

Axis strives to minimize critical weaknesses at all stages of the process (design, implementation, testing, validation, etc.). Customers are also notified of potential risks, along with any new tools or services that can be used to lower the risks. If, however, a vulnerability is discovered or an incident occurs, Axis has thorough and precise systems and processes in place for remedying the problem as quickly as possible.

Collaboration and knowledge-sharing

Axis collaborates and shares knowledge with its distributors and partners in order to make risk assessments and identify threats. Axis offers a steady stream of information and training to its partners and distributors via such channels as Axis Communications Academy, newsletters, blogs, and websites. Axis also publishes material in the form of guides, tests, and articles. All of it is aimed at helping customers understand the threats, their potential impacts and how they can best protect themselves. Axis audits its software suppliers' IT security and assesses their cyber maturity level.

During the year, Axis created comprehensive training material for its distributors and partners in all regions. There are also continual efforts underway to further improve the built-in, automated security protection of Axis products. In addition, Axis informs and trains end customers for the purpose of preventing and counteracting security violations. Knowledge-sharing and training occur via such forums as online training and webinars.

Best possible protection of customer privacy

Axis works systematically and proactively to ensure that customer information is well protected in Axis IT systems. Protecting customer information and privacy is of utmost importance to Axis and its distributors and partners. Software, hardware, and interfaces must be robust and maintain a high level of security, to ensure that customer information is managed and stored both securely and ethically.

During the year, Axis conducted a variety of activities aimed at informing its distributors, partners, and customers about cybersecurity and applicable laws and regulations such as GDPR (The General Data Protection Regulation).

Goals and target fulfillment

IT security and customer privacy

Axis shall handle customer privacy in a correct and secure manner and minimize the risks of cyber threats and attacks, so that customers' data is well protected.

Axis works systematically and proactively to ensure that customer information is well protected in Axis' IT systems, as described in the text.

Identified product vulnerabilities shall be dealt with immediately and taken extremely seriously.

In 2020, internal software security audits twice discovered a flaw in the protection against device tampering. Axis has stringent routines in place, and actions were promptly taken. The problems were remedied.

Human rights including protecting privacy during usage

It is essential that Axis products and solutions are always used ethically and correctly. Protecting privacy and human rights is thus given high priority. Axis believes in innovation, technology and pushing boundaries, while at the same time taking responsibility and being transparent. Axis innovative products and solutions contribute to a higher level of safety and security in society. They also aid in the creation of smart, intelligent solutions that benefit individuals, government authorities, companies, and other types of organizations.

The products and solutions that Axis offers have been designed to have a positive impact on society, increasing security for individuals, companies, and organizations alike. Intelligent surveillance solutions can improve all types of infrastructure and functions, such as traffic and emergency alert systems. Business opportunities are created via network video, analytics and other uses of technology, along with higher cost efficiency and profitability.

Axis is dedicated to innovation for a smarter, safer world, balancing society's need for security with the protection of personal privacy. Respecting human rights is part of Axis' commitment to be compliant with the ten principles of the UN Global Compact. Respecting human rights and promoting ethical use of Axis products and solutions are also an essential part of the Axis code of conduct.

Risks and impact

One of the largest ethical risks associated with using Axis products is the violation of human rights and personal privacy.

Third-party technology

Facial recognition is one example of third-party technology that can be incorporated into Axis products. Axis does not sell or offer said technology.

Facial recognition may be used by third parties for such things as access control in cameras. There are many challenges associated with preventing the improper use of such applications and avoiding the risk of violating human rights and personal privacy.

Axis strives to counteract and prevent all forms of human rights violations, discrimination, and oppression. The overriding aim is for all Axis products and solutions to be used correctly and responsibly. During the year, Amnesty International criticized the surveillance sector for contributing to violations of human rights in countries that lack adequate safeguards. Axis was one of the companies specifically named.

In light of Amnesty's report and other considerations, Axis has intensified its efforts to further lower the risk of human rights violations associated with the use of its products and solutions. For example, Axis has initiated group-wide due diligence practices aimed at becoming better at revealing human rights abuses resulting from the use of its products and solutions. Training was also held in the form of workshops on ethics and privacy. It was offered on several occasions during the year to employees throughout the entire Group.

All suppliers that manufacture and assemble Axis products must sign and comply with Axis' supplier code of conduct, which is based on the ten principles of the UN Global Compact. Suppliers are also audited on various criteria, including human rights. Please read more on page 40. Other means that Axis will employ to limit the risks include export restrictions and screening of partners and end customers.

Smart functions protect personal privacy

Axis takes privacy issues very seriously and uses a variety of smart functions as a means of protection.

In Axis products there are functions for making data anonymous and protecting personal data, which thus helps protect privacy when the products are used. For example, there are software solutions for ensuring that cameras do not record or collect data that is not necessary for the specific purposes. It is also possible to put time restrictions on recordings. Technology for masking and making faces anonymous is another way of protecting an individual's privacy.

Because Axis has an indirect business model, the information it provides to its distributors and partners, along with their training, also plays a key role for ensuring privacy when Axis products and solutions are used.

Camera surveillance for higher safety and security

Camera surveillance can be used to both prevent and solve crimes. Many studies have shown that society perceives such solutions positively.

A survey conducted by KANTOR SIFO on behalf of LUSAX Security Informatics at Lund University School of Economics and Management shows that there is broad support among the general public for camera surveillance, even in care institutions and residential areas. Nearly 9 out of 10 (88 percent) of the interviewees were positive to the use of surveillance cameras in public places¹. The survey also revealed that the perceived benefits of cameras outweighed concerns about being captured on video in various types of environments.

Another research overview of seven studies showed that surveillance with security cameras resulted in crime reductions ranging from 24 to 28 percent in public streets and urban subway stations².

Indirect business model

End users are responsible for how surveillance cameras are used and how video footage is stored, both of which are important aspects of privacy protection. Axis uses an indirect sales model that relies on distributors and partners for selling the company's products and solutions to end customers. As such, Axis is not always aware of how end customers use the products and solutions. It means that Axis' insight into, and ability to prevent improper use of its products and solutions is limited. However, Axis is very careful in choosing its distributors and partners and establishing long-term collaboration with them. All is based on trust, transparency and continual dialog between Axis and its distributors, partners, employees and end customers.

Dialog and collaboration

Axis expects its distributors and partners to share the same values and approach to both sustainability and human rights issues. Axis always defines and communicates clear intent with the company's products and solutions. Axis' knowledge sharing is integrated in the partner dialog and provided in trainings and general information to ensure, to the extent possible, that its network cameras and solutions are properly installed and used, along with proper protection and storage of video footage. Examples are: blog posts, presentations and Academy courses. Special training on values and ethics is offered to system integrators as well.

¹ Lahtinen, M., *Opinion poll: The Swedish general public's attitudes towards the use of surveillance cameras (CCTV) in public spaces, December 2019.* LUSAX Security Informatics at Lund University School of Economics and Management.

² Alexandrie, Gustav (2017) *Surveillance cameras and crime: a review of randomized and natural experiments.* Journal of Scandinavian in Criminology and Crime Prevention.

Goals and target fulfillment

Human rights including privacy during usage

Axis strives to ensure that its products and solutions are always used in an ethical and correct way, while respecting human rights and protecting personal privacy. None of its products or solutions should violate human rights or personal privacy.

All employees, distributors and partners are continuously informed of Axis' standpoint, as described in the text.

Axis provided training on ethics and privacy for its managers worldwide during the year. They were then able to train their own employees on those same topics.

Informational and training sessions, mostly online, were offered to Axis distributors and partners.



Environmental responsibility

Axis works actively to minimize the environmental impact of its own operations throughout the entire value chain and life cycle of its products. Most of the company's environmental impact occurs through manufacturing and transports, along with energy consumption when Axis products and solutions are used. Axis is striving to beat climate change and take action to reduce its carbon footprint, responsibly use natural resources, and protect ecosystems.

Axis strives to minimize both its direct and indirect environmental impact, and has implemented systematic procedures for product development, selection and origin of materials, components and packaging to ensure that they simultaneously meet the requirements on quality and functionality. Axis endeavors to use recycled material, reduce the number of product parts, select low-weight components, minimize material waste, optimize packaging, and improve both energy consumption and efficiency in the company's operations and products. It is also focusing on streamlining logistics flows and to the extent possible, using sea and land transports instead of air.

During the year, even more focus has been put on the environmental aspects of product development. This has included phasing out brominated and chlorinated flame retardants (BFR and CFR) in products and testing ways of using more recycled plastic and bioplastic. Sustainability aspects have now also been included in the Road Map Directive, which is the company's 5-year plan for product development.

Axis shall be perceived as a leader in the industry by both new and future customers, employees, partners, and other stakeholders as regards the company's contribution to environmentally sustainable development.

Environmentally certified head office

The new Axis head office has been constructed using sustainable materials. The building was completed in 2020 and it has obtained BREEAM certification, with a rating of Excellent, based on a variety of sustainability factors including materials, energy, water, waste, outdoor environment, biodiversity and alternatives for sustainable commuting.

To obtain this certification, none of the building materials could contain hazardous substances. Good indoor air quality was another requirement and to achieve this, ventilation flow is controlled by the carbon dioxide content in the air. Furthermore, there are solar cell installations on the roof that enables own renewable energy production. Water consumption is also kept at a minimum thanks to the installation of low-flush toilets and automatic taps.

BREEAM is an international environmental certification system that evaluates the sustainability performance of new commercial buildings and other projects.

The new head office has nearly 1,300 workplaces.

Beat climate change

Axis strives to beat climate change and lower its carbon footprint throughout the entire value chain. This includes manufacturing and transports, the company's own operations and energy consumption when Axis products and solutions are used. Axis collaborates with suppliers, distributors, and partners to achieve this. During the year, Axis conducted a study of its climate risks. It has provided the company with valuable insights, along with raising awareness and transparency.

Power usage in Axis products and solutions

The energy consumption of a camera accounts for a significant portion of its total environmental impact. Axis innovates technologies that contributes to lower the energy consumption of its products and solutions during usage.

Life cycle analyses previously conducted by Axis show that between 60 and 80 percent of the total environmental impact of network cameras is associated with the energy consumption of end users.

One project during the year, to improve the energy efficiency of products or solutions, was the mapping of power consumption comparing an AXIS S3008 Recorder and AXIS Camera Station S2208. AXIS S3008 uses less power than more traditional equipment.

Axis has also developed various technologies that help conserve energy. For example, Axis Lightfinder technology delivers high-resolution, full color video with a minimum of motion blur, even in near darkness, offering excellent image quality without the need for external light sources. Lightfinder 2.0 was launched during the year.

Goals and target fulfillment

Power usage in Axis products and solutions

Implementation of 3-5 projects each year until 2023 to improve the energy efficiency of products or solutions, with the aim of reducing CO₂ emissions.

Three Axis departments, Base Video Products, Extended Video Products and Core Tech has worked on projects that were focused on lowering energy consumption. See example in the text.



Emissions from transports, Axis' operations and suppliers

Each year, Axis monitors, reports, and analyzes the company's CO₂ emissions, which provides insight into which processes generate the most emissions and what to focus on most in order to lower its overall carbon footprint. The 2020 Carbon Footprint report focuses on emissions related to energy consumption of premises, company cars, business travel and paper consumption. The report also includes emissions from inbound transports, which are transports from contract manufacturers to Axis configuration and logistics centers (CLC), along with emissions from outbound transports, which are transports from CLCs to distributors. Furthermore, as of this year, the carbon footprint report includes emissions from all contract manufacturers.

The majority of Axis' carbon footprint is attributable to third parties. Emissions from transports carried out by third parties account for 75 percent and Axis own operations* account for 10 percent of the total CO₂ emissions. Emissions from own operations are primarily associated with energy consumption, heating of premises, paper consumption, company cars and business travel.

Axis lowered its total CO₂ emissions during the year from 35,014 to 30,197 tons CO₂e**, which is a decrease of approximately 14 percent compared to 2019. The scope includes contract manufacturing sites that accounts for 9 percent of total emissions. Compared to 2019, emissions from Axis' own operations have decreased by 62 percent.

The decrease is primarily attributable to less business travel. Because of the COVID-19 pandemic, business travel was at a much lower level and almost non-existent during year 2020.

Axis uses carbon offsets for all business travel by air and some of its air transports. For 2020, carbon offsetting amounted to 769 tons of CO₂e. Examples of what Axis is doing to lower the carbon footprint of transports include developing products and packaging to achieve the lowest possible weight and volume, which helps increase efficiency and reduce emissions. Read more in the separate text on transports.

Axis stipulates clear requirements on its suppliers so that they will lower their own CO₂ emissions as well. See page 38 for more information on how Axis works with its suppliers to lower CO₂ emissions.

Energy consumption of own operations

The energy consumption of own operations accounts for approximately 5 percent of all emissions.

Globally, electricity consumption per full time employee, excluding logistics centers and contract manufacturing sites, decreased from 2.5 till 2.4*** MWh in 2020. At the headquarters in Lund, where 58 percent of all employees have their workplace, energy consumption increased from 2.2 to 2.5 MWh per employee.

The main reason for the increase is due to expansion of premises, by having completed Axis' new headquarters in Lund and starting to use the new building in parallel with the old premises.

Fossil-free energy

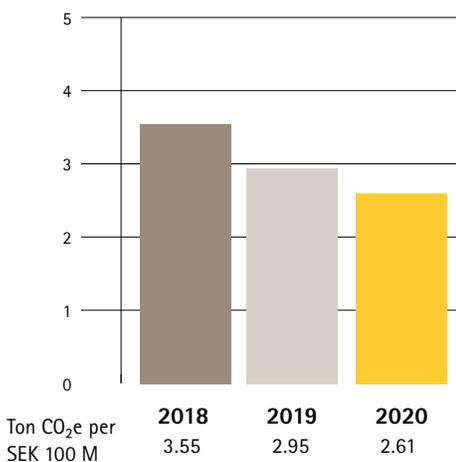
In Sweden, Axis uses renewable energy at its head office, CLC in Lund and premises in Linköping, as well as at several of its sales offices around the world. Axis encourages its local offices to review their energy mix, with the aim of increasing the percentage of renewable energy.

As regards manufacturing of the company's products, Axis has a 2030 goal of 100 percent fossil-free energy at its contract manufacturers and the configuration and logistics centers. Nuclear power is an approved alternative for achieving this goal.

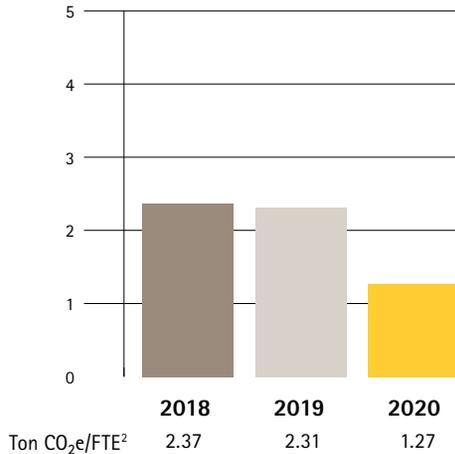
Environmental training

During the year, the environmental function arranged online training for approximately 130 employees worldwide aimed at raising awareness and knowledge of the company's environmental efforts. It also organized a variety of other trainings on such things as environmental performance and green design for employees working within the R&D function.

Ton CO₂e per sales

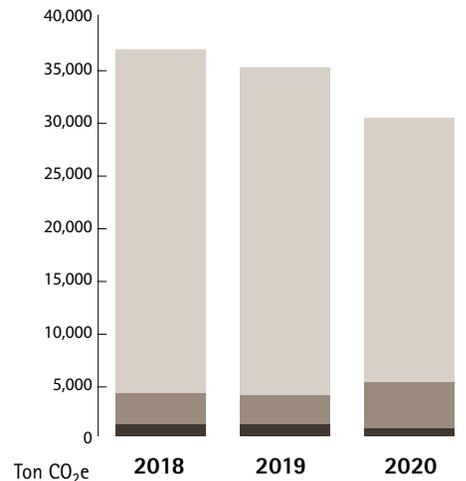


Ton CO₂e per employee¹



¹ Inbound and outbound transports are excluded.
² FTE (Full-Time Equivalents) also include employees at Axis CLCs.

Ton CO₂e per scope



- Scope 1 Scope 1 includes Axis' direct emissions.
- Scope 2 Scope 2 includes indirect emissions such as energy consumption.
- Scope 3 Scope 3 includes indirect emissions due to sourcing of goods or services, transports from suppliers, and business trips.

* Excluding 2N, Citilog, contract manufacturers and CLCs that are not owned by Axis.
 ** Carbon dioxide equivalents, or CO₂e, 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 CO₂.
 *** Electricity consumption for work completed from home has not been taken into account in these figures.

Transports

The climate impact from transports fell in 2020 compared to the prior year. In total, carbon emissions from transports fell by 1.3 percent to 3.66 kg CO₂ per sold unit compared to 3.71 kg CO₂ per sold unit in 2019. Compared to 2016, carbon emissions have fallen by 10 percent measured as kg CO₂ per sold unit.

Logistics flow impacted by the pandemic

From a logistics perspective, the lockdowns and border closures affected the air freight industry and lowered the overall capacity significantly, which in turn had a major impact on the logistics flow. Air transport lead times in general have increased and delivery precision has decreased.

Due to the pandemic the overall uncertainty in the supply chain has affected the lead times of electronics and other types of components, requiring Axis to find other delivery options in order to meet delivery requirements. Axis had to rely more on air transports rather than sea and road in order to meet the requirements on delivery precision. There has also been a shortage of containers in Asia, which is another reason why Axis has had to rely more on air freight. Another measure to secure transport capacity Axis has started using trucks rather than air transports from the CLC in Thailand to Axis' hub in Singapore.

Despite the year's challenges, Axis was able to achieve the overall goal of at most 35 percent air freight and 65 percent for sea and land freight for inbound shipments. For 2020, air freight amounted to 32 percent and the combined amount of sea and land freight was 68 percent for inbound shipments.

Manufacturing and configuration close to the end customer

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 lead times. Axis continuously investigates ways in which the manufacturing and configuration of products could occur closer to end customers. There are advantages doing so both from an environmental and cost perspective.

Optimizing packaging

Axis is continually striving to increase recycling and optimize product packaging. Doing so helps make transports more efficient and eco-friendlier. For more information on activities that were run during the year to lower the environmental impact of packaging, see page 34.

Carbon offsets

Axis uses carbon offsets for all of its air freight from suppliers in Asia to the various CLCs (except for origin Thailand), since these are the routes where more air transports occur compared to other parts of the world. It means that Axis uses carbon offsets for around 7.6 percent of the total amount of CO₂ emissions (2020) from its freight, including all courier freight. Carbon offsetting occurs in accordance with the CarbonNeutral Protocol. The use of carbon offsets to counteract CO₂ emissions is primarily in the form of projects that help communities build their infrastructures.

Goals and target fulfillment

Emissions

Reducing CO₂ emissions from operations by 20 percent per sold unit from 2016 to 2021, measured as kg CO₂ per sold unit.

In 2020, CO₂ emissions from operations* per sold unit decreased by 21 percent compared to 2019, and by 26 percent compared to 2016.

Reducing CO₂ emissions from transports by 20 percent per sold unit from 2016 to 2021, measured as kg CO₂ per sold unit.

In 2020, CO₂ emissions from transports fell by 1.3 percent, measured as kg CO₂ per sold unit, compared to 2019, and by 10 percent compared to 2016.

Reducing CO₂e emissions from business travel (Sweden) per employee by 8 percent from 2018 to 2021.

In 2020, CO₂e emissions from business travel per employee (Sweden) have decreased by 91 percent, from 0.7 ton CO₂e to 0.1 ton CO₂e, compared to 2018.

Reducing electricity consumption by 5 percent per employee per year at the headquarters in Sweden.

Electricity consumption per employee at the headquarters in Lund (MWh per employee) increased by 14 percent compared to 2019.

Emissions from suppliers' processes

- > 50 percent fossil-free energy in manufacturing and CLCs by 2024.
- > 100 percent fossil-free energy in manufacturing and CLCs by 2030.
- > 82 percent of suppliers have taken action to meet the requirements that 50 percent of energy use will be derived from fossil-free sources by 2024.
- > 55 percent of suppliers have taken action to meet the requirements that 100 percent of energy use will be derived from fossil-free sources by 2030.



*Operations run by Axis, excluding 2N, Citilog, contract manufacturers, and CLCs that are not owned by Axis..



Carbon offsets to tackle climate change

Axis uses carbon offsets for all business travel by air and some of its air transports. In 2020, Axis offset 769 tons of CO₂ equivalents via the CommuniTree project in Nicaragua and the Trees for Global Benefits project in Uganda. Trees serve as an offset because they are able to absorb carbon dioxide from the air.

CommuniTree, Nicaragua

In this project, different species of native trees are being planted 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 offer protection during extreme weather conditions as they capture water and prevent landslides. They also provide shade for animals, crops and for the families that live in the area.

In 2020, Nicaragua was hit by two severe hurricanes, causing some minor delays in the monitoring of this project. The COVID-19 pandemic also made life more difficult for local farmers and they were offered training during the year to help keep them and their families safe and healthy.



Trees for Global Benefits, Uganda

Forestry that has been developed at the local level is providing families in western Uganda with timber, fuel, fruit, and vegetables. Carbon sequestration has been documented through improved agricultural techniques, expanded forest areas, and reduced deforestation. The project also includes training in HIV, AIDS, entrepreneurship, and global warming.

Having spent nearly half the year under lockdown, the project has been relying on the existing social infrastructure to recruit and support farmers in their efforts to implement activities. In total, 3,105 farmers were recruited during the year, bringing 1,800 hectares of land under better management, and helping mitigate climate change. This was a record-high for both hectares of land, and emission reductions in any single year since the project's inception in 2003. It was also one of the years with highest payments to farmers and communities resulting from the performance-based incentives for their sustainable land use practices.



Sustainable packaging solutions

During 2020, several initiatives were carried out to identify more sustainable packaging solutions and lower the amount of plastic used for packaging of Axis products. One was an initiative that involved replacing plastic inflatable air packaging with eco-friendly corrugated cardboard. Another reason for doing so was a shortage of supply for inflatable air packaging stemming from factory closures associated with the COVID-19 pandemic.

Corrugated cardboard is now being used as packaging material for the following types of network cameras: AXIS Q6128, AXIS Q6154 and AXIS Q6155-E. For AXIS Q3515/17-LV and AXIS P3375-VE/-LVE, inflatable plastic packaging is only used to protect the camera itself. With this new packaging solution, Axis has succeeded in reducing its consumption of plastic materials, lowering carbon dioxide emissions and reducing both the weight and volume of its packaged products, which is positive from a logistics perspective.

The new box for certain camera models also offers customers easy access to the PoE port. Neither is the camera pre-mounted on the housing, which means that physical installation and set-up can be done in parallel, making the whole process of getting the camera up and running much quicker.

Protect natural resources

Axis is striving to achieve a responsible use of natural resources throughout the entire value chain. This includes promoting the use of recycled materials and responsible water consumption.

Use of natural resources – materials in Axis products

Recycled material

Use of recycled material helps conserve natural resources and lower the environmental impact. Axis is making a continual effort to phase in new, recycled material to its material library so that it increases the percentage of recycled materials in its products.

Axis is also striving to develop products with a higher content of recycled plastic. In 2020, Axis launched six new camera models where more than 50 percent of the plastic is recycled. For more information on how Axis is working to increase resource efficiency and protect natural resources during manufacturing the company's products, see *Responsible and innovative supply chain*.

Use of water

Axis is striving to both lower and optimize water usage in its own operations and that of its suppliers. This is because water is an important resource and large quantities of water are consumed during the manufacturing of Axis products. During the year, Axis documented water use at its suppliers, identifying their most water-intensive processes. Axis also contacted suppliers to obtain information about their actual water consumption and targets.

As a next step, Axis will be implementing water reduction targets for suppliers with the highest levels of water consumption.

Axis uses tap water at its offices and at the test laboratory. During the year, Axis worked to set goals for the water consumption of its own operations.

Goals and target fulfillment

Use of natural resources

20 percent recycled/biobased plastic of all Axis' plastic consumption by 2024.

In 2020, 4 percent of all plastic consumption in Axis products was recycled/biobased.



Use of water

Minimize water usage.

Axis will be documenting its water usage and setting goals for that during 2021.





Material compliance

During the year, Axis carried out a project to overview material compliance processes to control hazardous materials and substances in Axis products, and to identify a system solution that would enable for efficient compliance with regulatory as well as Axis' own requirements.

One driving force is the new requirement under the EU Waste Framework Directive, where companies that produce, import or supply articles containing Candidate List substances shall submit information to the SCIP database, starting in January 2021.

The SCIP database provides waste operators with information about the hazardous substances in the waste they process so that material streams can potentially be controlled facilitating circular economy.

The next step for Axis will involve implementation of a system solution for substance control together with updated processes and training for employees.

Protect ecosystems

Axis wants to protect ecosystems and it is constantly striving to eliminate the use of hazardous substances, which may harm ecosystems or people, in the company's products.

Materials and lowering the use of hazardous substances in Axis products

Materials that are used in Axis products must meet both quality and functional requirements, while minimizing the environmental impact. Axis products should not contain any substances that are harmful to people or the environment. Hazardous substances are being phased out and only conflict-free minerals are used.

Axis is documenting the extent to which hazardous substances may still exist in end-of-life products with the aim of facilitating recycling and promoting circularity. For more information on how Axis is working to lower both use and emissions of hazardous substances by suppliers, please see page 38.

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

Materials that are free from brominated and chlorinated flame retardants

Additional progress was made during the year in the effort to phase out brominated and chlorinated flame retardants (BFR and CFR) in products. 34 percent of all cameras launched in 2020 were BFR/CFR-free. 67 percent of all indoor cameras launched in 2020 were BFR/CFR-free and the corresponding amount for outdoor cameras was 12 percent. Axis has thus taken an important step in setting an industry standard when it comes to sustainability and green design.

Phaseout of PVC

PVC can emit toxic substances and it is harmful to both human health and the environment. It is also difficult to recycle. PVC exists, for example, in the outdoor cables for Axis cameras. Axis is striving to phase out PVC from its products and its efforts to do so have been successful. In total, approximately 80 percent of Axis network cameras and encoders are PVC-free.

Goals and target fulfillment

Use of hazardous substances

- > **All Axis network cameras shall be BFR/CFR-free in 2024.**
- > **All PCBA (Printed Circuit Board Assemblies) in Axis network cameras shall be BFR/CFR-free in 2022.**
- > **All Axis indoors network cameras launched shall be BFR/CFR-free in 2022.**
- > 34 percent of all network cameras launched in 2020 were BFR/CFR-free.
- > 34 percent of the PCBA (Printed Circuit Board Assemblies) in Axis network cameras launched in 2020 were BFR/CFR-free.
- > 67 percent of all indoor cameras launched in 2020 were BFR/CFR-free.



Responsible and innovative supply chain

All manufacturing of products shall occur in an environmentally, socially, and ethically sustainable way; being both responsible and innovative. All suppliers shall follow the Axis supplier code of conduct and comply with the company's requirements. Doing so helps minimize the risks and promote sustainable manufacturing.

Responsible manufacturing

Axis has the ability to impact the working conditions of its suppliers and their environmental impact. As such, Axis also has a responsibility for helping ensure that the products are manufactured in a sustainable and responsible way and it does not tolerate any form of discrimination, forced labor or child labor. During manufacturing, the environmental impact must also be minimized. Furthermore, it is important that none of the products contain conflict minerals. Axis has a long-term goal of 100 percent fossil-free energy at its contract manufacturers and the configuration and logistics centers.

Beyond that, Axis customers also demand that product manufacturing occurs in an environmentally, socially, and ethically responsible way and therefore, they require Axis to check that its suppliers are working with these issues. Long-term, close collaboration with suppliers helps ensure that manufacturing is efficient, responsible, and innovative.

Activities in 2020

In accordance with the EU Waste Framework Directive, companies that produce, import or supply articles containing candidate list substances must submit information about that to the SCIP (substances of concern in articles, as such or in complex objects (products)) database,

starting in 2021. During the year, Axis has thus been mapping and documenting control of the material and substances in its products. See separate article on page 36.

Axis held a digital conference for its suppliers, where one of the focus areas was sustainability: environment, substance control, fossil-free energy and working hours. During the conference, Axis honored one of its suppliers with the Axis Sustainability Award based on the supplier's own work with sustainability and active contribution to a circular economy. The award was given to Umicore based on their "strong sustainability profile corresponding to Axis' ambition, and for great efforts in facilitating a circular economy and mitigating resource depletion."

Global supplier base

Axis' suppliers manufacture and assemble the company's products. Contract manufacturers are engaged for printed circuit boards and assembly. Axis also has strategically selected component suppliers for such things as casting of chassis, manufacturing camera lenses and electronic components. Configuration of products is done at the configuration and logistics centers (CLCs).

In total, Axis has 271 suppliers. Of that number, 6 are contract manufacturers located in Mexico, Thailand, Japan and Poland (3).

From a sustainability perspective, 131 are critical suppliers and of that number, 90 percent are located in Asia, 9 percent in Europe and 1 percent in North America. During the year, Axis started collaborating with 14 new suppliers.* This includes one new contract manufacturer (Electronic Manufacturing Services (EMS)), located in Poland, and five new PCB (printed circuit board) suppliers.

Impact and risks

Environmental impact in the supply chain includes consumption of energy, water, materials, minerals, and chemicals. There is also an impact from emissions caused by transports. In Asia, significant overtime is a frequent occurrence that is associated with risks to the health and safety of employees, along with risks of it having a negative impact on work performance.

Use of water and materials in the manufacturing of Axis' products shall be done responsibly and the company is striving to increase the percentage of recycled materials in its products. Axis has detailed requirement specifications and it uses scorecards aimed at lowering the environmental impact of its products. It does this via such things as its choice of materials and by lowering material wastage.

* New suppliers are those who have been phased in and started collaborating with Axis in 2020. A supplier that was approved in the past and has gone from an inactive to active status, will not be counted as a new supplier.

Axis encourages its suppliers to be innovative and use technology for eliminating processes that are hazardous to human health. They are also encouraged to reduce waste of materials and ensure that resource extraction occurs in a responsible way.

Much of Axis' total carbon dioxide emissions are attributable to transports from contract manufacturers to the CLCs and onwards to the distributors. Axis is working proactively to make transports more efficient, which helps lower both costs and emissions. Read more on page 33.

Suppliers are selected based on the following criteria: quality, price, ethics and counteracting corruption, environmental impact, and flexibility. They must also provide their employees with a decent work environment and terms of employment. Respect for human rights is an equally important selection criterion. Furthermore, consideration is given to their proximity to a contract manufacturer, CLC and/or a purchasing office.

Supplier code of conduct

All suppliers must sign and comply with the supplier code of conduct, which is based on the Axis code of conduct and the ten principles of the UN Global Compact on human rights, labor, the environment, and anti-corruption.

The Responsible Business Alliance's code of conduct was used as the model for requirements on working hours. The supplier code of conduct covers a variety of topics, such as a ban on all forms of child and forced labor, requirements on providing decent working conditions, and the necessity of counteracting all forms of corruption.

Suppliers must also have controls in place for their environmental impact, energy and water consumption, emissions, and how both chemicals and waste are managed. Responsible purchasing of minerals is another requirement. Furthermore, suppliers must have ISO 14001 certification or an environmental management system that is in accordance with ISO 14001.

Some suppliers have not signed Axis' code of conduct for suppliers, referencing instead their own code of conduct. In such cases, Axis reviews the supplier's code of conduct to ensure that the content corresponds to what is stated in Axis' code of conduct for suppliers. All new suppliers during the year have signed the supplier code of conduct. The supplier code of conduct and the CLC code of conduct are reviewed each year.



There are many positives within Axis' sustainability work. Axis is consistent with its message and interactions, whether it be a member from the purchasing team, senior management or members of the sustainability team. Axis is clear with its message and requires actions from its suppliers on such items as labor rights and working hours. Axis requires actions, follows up on actions, thereby achieving improvement in a consistent way.

Priyesh Narsale, Global Commercial Director
Electro-Optic Materials, Umicore

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 it imposes demands on suppliers that none of this may occur in their operations. Suppliers are also expected to forbid any occurrence of modern slavery, child labor, forced labor or trafficking in their operations. For information regarding how Axis works with these challenges, see www.axis.com.

Stringent supplier audits

Initial evaluation

Prior to the start of collaboration, all new suppliers are evaluated using a self-evaluation form. The form is based on the ILO (International Labour Organization) conventions and the ten principles of the UN Global Compact. It covers a wide variety of topics including the company's environmental impact (e.g., chemicals management and emissions), social responsibility (e.g., working conditions, working hours, employee health and safety, ethical issues).

Audit and follow-up

The purpose of supplier audits is to follow up and ensure that suppliers are meeting the requirements stated in the supplier code of conduct. Audits are carried out in both the first tier (contract manufacturers) and second tier (component suppliers). Suppliers are classified according to the level of risk, where consideration has been given to the country where they are located, credibility and prior evaluations.

During the audit, Axis investigates the entire production process, through to end delivery, looking at such things as the factory's environmental impact and working conditions for employees. Axis also checks that only conflict-free minerals are being used. Axis also checks that there are processes and systems in place for ensuring that operations are run in an ethical way and that there is no corruption.

If it should be revealed that a supplier is not meeting Axis' requirements, the supplier will be given three months to implement remedial measures. Axis then follows up that the problems have been corrected, by conducting one or more additional audits. If remedial action is not taken, Axis will not award the supplier any new business. The next step would be to phase out that supplier. Audits are conducted on suppliers that are critical from a sustainability perspective. On average, audits are carried out every three years (provided that no problems requiring remedial action have been identified).

Recurring challenges with suppliers include deficiencies in how they manage both chemicals and waste, identify environmental aspects and set environmental goals. In all cases where problems were identified, the suppliers have taken action to remedy the errors.

Regular audits on the majority of Axis suppliers have led to improvements in their sustainability efforts.

Audits in 2020

Because of the ongoing pandemic, Axis was unable to carry out its supplier audits in the same way as in previous years. Except for on-site audits at the beginning 2020, Axis has therefore relied on off-site checks and remotely conducted audits.

One advantage with a remotely conducted audit is that more Axis employees, from a wider range of countries, have been able to participate and gain a better understanding of audit activities. But there are also disadvantages, like difficulty in fully understanding the context or how a certain response is linked to reality. That is because the remotely conducted audits have only been based on questionnaires that suppliers have filled in themselves and then gone over during virtual meetings with representatives from Axis.

The 2020 audit of suppliers revealed that five suppliers in Asia had not complied with the requirements on overtime stated in the supplier code of conduct. Some employees worked more overtime than what the law in that country allows. Axis has required its suppliers who have violated the laws on overtime to submit an action plan for lowering the number of working hours. Axis also discovered minor deficiencies in the environmental management systems of several of its suppliers, concerning chemical storage, fire safety and waste management, which to a large extent were later remedied. This will be further verified through audits in 2021.

New in 2020, was that Axis took over the audit of PCB suppliers, which had previously been done by the EMS suppliers. Doing so has given Axis even better control of ensuring that all requirements are being followed by these suppliers.

Foreign workers in Malaysia and Thailand were earlier identified as particularly at risk of being subjected to forced labor. Because of this, Axis is conducting more frequent supplier audits there to ensure that there are no abuses of human rights. No supplier collaborations were terminated during the year due to their failure to live up to Axis' sustainability requirements.

Goals and target fulfillment

Suppliers

All (100 percent) new suppliers in 2020 shall be audited with respect to criteria on the environment, working conditions, human rights and anti-corruption (on-site audit).

During the year, all new suppliers were screened in respect of these criteria using self-evaluation forms. Due to COVID-19, however, it was necessary to conduct both onsite and offsite audits. During 2019 and 2018, all new suppliers were screened and audited.

Ensure that all suppliers meet the Responsible Business Alliance's requirements on working hours.

There has been follow-up on this via on- and off-site audits in 2020, and via onsite audits in 2019.

Emissions from suppliers' processes

- > **50 percent fossil-free energy in manufacturing and CLCs by 2024.**
- > **100 percent fossil-free energy in manufacturing and CLCs by 2030.**
- > 82 percent of suppliers have taken action to meet the requirements that 50 percent of energy use will be derived from fossil-free sources by 2024.
- > 55 percent of suppliers have taken action to meet the requirements that 100 percent of energy use will be derived from fossil-free sources by 2030.



Conflict minerals

Axis neither tolerates, nor engages in, any purchasing of conflict minerals and it has requirements on suppliers that they may only use conflict-free minerals in the components and products they supply to Axis.

Examples of conflict minerals are gold, tantalum, tin, and tungsten mined from conflict areas in the world, where money from the sale could possibly go to armed groups or criminals, thereby perpetuating violations of human rights.

Axis works systematically and proactively to ensure that the products it sells do not contain any conflict minerals. From both a social and ethical perspective, the issue of conflict minerals is very important, since the proceeds from mineral mining and trading could possibly go to finance armed conflicts or perpetuate both child and forced labor. It could also have a detrimental environmental impact in the form of deforestation and hazardous emissions to both water and soil.

During the year, Axis updated its policy on conflict minerals. The policy has been updated based on the EU's new Conflict Minerals Regulation, which entered into force on January 1, 2021. The new regulation requires companies to put stricter controls on their suppliers to ensure that gold, tantalum, tin, and tungsten do not originate from conflict-affected areas and high-risk areas worldwide. The mining must also have the lowest possible environmental impact.

As part of its efforts to comply with the new regulation, Axis updated its mandatory questionnaires for suppliers and its structure for documentation. Within the value chain, much focus has been put on smelters, where there is a risk that the minerals they use have not been responsibly sourced. In 2020, it was discovered that eight Axis suppliers had used components containing minerals from conflict-affected areas and/or high-risk areas. These suppliers have been contacted and requested to submit detailed action plans.

Axis will continuously follow up and monitor the suppliers in question. If necessary, Axis will also conduct audits to ensure that submitted plans have been implemented and that the problems have been remedied.

Documented process

Axis has a well-documented process for ensuring that the minerals used by its suppliers and subcontractors are conflict-free. All Axis first- and second-tier suppliers have signed Axis supplier code of conduct, which obligates them to have a process in place for documenting the supply chain. Suppliers are required to report where the minerals have been sourced and account for how they ensure that their components and products only contain conflict-free minerals. This involves identifying all of the smelters in the value chain who provide gold, tantalum, tin, and tungsten. Suppliers must also have policies and due diligence practices in place for traceability, follow-up, and control.

Axis performs yearly conflict minerals surveys. In the survey conducted for 2020, more than 75 percent of Axis suppliers have reported where the minerals in their products and components have been sourced from using the conflict minerals reporting template (CMRT) developed by the Responsible Minerals Initiative, or a similar tool. This is something that Axis monitors closely. Monitoring of suppliers also includes those that previously declared that they do not use conflict minerals, since there could be changes over time in how they purchase such materials.

Governance

Axis follows the recommendations and guidelines on social responsibility in the supply chain, as stipulated in the Responsible Business Alliance and the Global e-Sustainability Initiative. All suppliers must comply with Axis' requirements regarding conflict minerals, as stated in the supplier code of conduct.



Social responsibility

For Axis, as an employer, social responsibility is about providing a good, inclusive workplace with thriving, motivated employees who are able to grow and develop. Diversity, inclusion and respect for human rights are fundamental to that.

Axis products and solutions contribute to safety and security in society and Axis employees contribute to initiatives that have a positive impact on the company, its customers and society at large, taking a long-term approach to social responsibility. New social goals address diversity and inclusion, health and safety and positive contributions to local communities.

Employees

Axis offers an attractive workplace and takes pride in its strong, team spirited and innovative company culture. Axis has 3,805 (3,646) employees in more than 50 countries. The open and collaborative work environment welcomes and embraces new perspectives, creating conditions for developing and providing industry-leading, cutting-edge products and solutions to customers and partners.

Attractive and inclusive workplace

Key factors behind Axis' success include the company culture and the ability to attract, develop and retain employees. These are also prerequisites for continued competitiveness, growth and profitability.

During 2020, the employees have worked partly or entirely from home due to the COVID-19 pandemic. The strong company culture at Axis has helped in overcoming the psychosocial and collaborative challenges created by COVID-19, ensuring that people still feel involved in the company. There is enormous commitment among employees to create a sense of inclusion and solidarity, even while working from home and only being able to meet in digital forums. A variety of digital activities, such as fikas, lunches, yoga classes and other forms of exercises have been offered to help keep employees feeling innovative, agile, and hopeful.

Management has increased communication efforts and set up digital meeting places to promote dialog, boost morale, and strengthen relationships.

Additional news 2020

During the year, Axis invested in further developing its Social Council to put more focus on, and get all regions even more involved in, the work with social engagement.

New social goals, formulated as focus areas, have been adopted as well: diversity and inclusion, employee health and safety and making a positive contribution to local communities. The purpose of the new focus areas is to create greater flexibility and become even more relevant for the different countries, ensuring that activities and initiatives are based on the local needs and priorities.

Culture for success

Axis is a value-driven company. The company culture, collaboration between employees and living the values are all critical to Axis' innovative strength, progress, and success.

Core values

Axis core values: Always open, Act as one and Think big mean, among other things, being committed, taking responsibility and pushing the boundaries. It means being open to the ideas of colleagues and customer needs.

Working as a team to achieve Axis' goals is also key, along with remaining on the cutting edge to create the best products and solutions. Furthermore, all decisions must be in the best interests of the company. Core values also serve as the foundation for the company and its strategy, along with the leadership, providing guidance in helping employees make decisions and successfully carry out their assigned tasks, each and every day. Furthermore, the core values are emphasized at salary setting meetings and during performance appraisals.

Strong company culture

The key to Axis success is its employees. Accordingly, the company culture encourages each and every employee to get involved, collaborate, share their knowledge and expertise, and contribute to an atmosphere of innovation, collaboration and creativity.

Axis works systematically to continually strengthen the company culture since it is crucial that all employees share the company's values. In recruiting, for example, much effort goes into ensuring that candidates' values are aligned with those of the company. During the introduction programs for new employees, there is emphasis on sharing and discussions about the company culture and its core values, through workshops and presentations.



**Act as
one**

**Think
big**

**Always
open**

Core values



The company culture at Axis is very much focused on how people work together and as such, it plays an important role. The strength of the company culture is also reflected in Axis' ability to build trust with its distributors, partners, and customers, which is essential not only to its reputation and brand, but also the company's future success in growing the business worldwide.

Attracting and retaining employees

During 2020, Axis hired 388 new colleagues, which means Axis had a net increase of 159 employees. Axis systematically works to attract, develop, and retain employees. Since employer branding has such a high priority, a new global employer value proposition was launched during the year, see separate article on page 46.

Axis offers good career and development opportunities, where employees can develop their full potential. Part of Axis total offer are competitive salaries that are reviewed yearly, great benefits and a bonus program that covers all employees globally.

Empowering potential

Axis offers a variety of trainings, initiatives and programs for career and skill development, both professionally and personally. During the year, Axis Graduate program was launched. It is a trainee program with a dual technology and business focus with the purpose to attract newly graduated ambitious youth who wants to develop together with Axis. The global mentorship program for all employees has continued during the year as well as some Axchange programs, which are job rotation or project opportunities. They give employees the chance to exchange experiences, gain new perspectives, learn new skills and broaden competence to support advance in their careers. In 2020, employees could primarily get involved in various types of projects digitally instead of traveling to another country.

Axis Intro Days is the introduction program held at Axis headquarters in Lund for all new Axis employees, worldwide. Not only do participants learn about the company culture, business strategy and organization, but also, it is an important opportunity for starting to build a network and getting to know their colleagues. This year, because of the pandemic, the three-day event was hosted on a digital platform instead. The new forum nevertheless created opportunities for new employees to learn about the company and meet other Axis employees in Lund and elsewhere around the world.

This year, the Axis sales methodology training was further developed and hosted on a digital platform. It is aimed at sharpening the skills and expertise of Axis employees who work closely with customers.

Axis offers a variety of leadership trainings to its employees. For example, the Axis Leadership Program (ALP) is offered in both Sweden and the Americas. During the pandemic, with so many employees working from home, a great deal of training and leadership has shifted to virtual platforms. Accordingly, Axis has engaged its HR teams worldwide to support the organization with appropriate leadership training tailored to these new circumstances.

Many other types of training programs are also offered, based on each employee's individual needs and Axis' situation in each market. All employees receive performance appraisals and individual development plans.

Healthy, friendly work environment fosters high-performing organization

Axis offers a safe and sound work environment where employees thrive and develop. The underlying belief is that a good physical and psychosocial work environment creates satisfaction and team spirit, makes employees more creative, innovative and high-achieving, all of which leads to better results for the company.

Axis works strategically and proactively to continually improve its physical and psychosocial work environment such that its employees remain motivated, committed, and healthy. At the headquarters in Lund, for example, all new employees are given a bicycle and helmet to encourage them to bike to work. In 2020, Axis was recognized by Lund Municipality with an award for this initiative (*Årets Cykelidé*).



Other initiatives for promoting a safe and healthy workplace include the following:

- > First aid trainings
- > Fire safety and other safety trainings held at most offices on a regular basis
- > Heart and lung rescue trainings
- > Health profile assessments and surveys
- > Occupational healthcare
- > Health and wellness benefits
- > Health bingo, encouraging all employees to stay active and exercise every day
- > Meditation classes in Singapore and India
- > Yoga classes
- > Stress management courses for all employees in Eastern Europe
- > Work environment training for managers in Sweden
- > Ergonomics training for work environment at the office as well as at home

Major adaptations have been made to Axis office premises aimed at making them safe and preventing the spread of COVID-19.

Goals and target fulfilment

Health and safety

At least one additional significant initiative to increase the health and safety of Axis employees.

Action was taken in all regions to promote this focus area and some of those activities are described in the text.



Employee surveys conducted regularly

Employee surveys are conducted on a regular basis, aimed at gathering employee views about teamwork, engagement, leadership and the workplace. During the year, employee surveys were conducted in several countries.

In Sweden, Axis was again ranked as being a very good workplace and had an eNPS score (Employee Net Promoter Score) of 48* and scores are high for such things as engagement, leadership, team spirit, commitment and the psychosocial work environment. In addition, the survey revealed that the employer brand is very strong. Areas that need to be developed further are feedback and follow-up between employees and managers. The response rate for the employee survey in Sweden was 89 percent.

At 2N, a motivation survey was carried out, revealing that Axis employees are highly committed, work effectively in teams and are satisfied with leadership at the company. In USA, an employee survey called *Great Place To Work* was carried out and the results there were also high. In fact, 96 percent of the employees agreed that Axis is a great place to work.

Collective agreements and freedom to join trade unions

All Axis employees in Sweden and 63.5 percent of the total number of employees worldwide are covered by collective agreements. All employees are entitled to freely join trade unions, or refrain from doing so, in accordance with local legislation and what is applicable in each specific country.

Promoting diversity and inclusion

Diversity and inclusion are business critical for Axis; diverse teams foster both creativity and innovation. Hence, diversity and inclusion are top priorities and an essential part of Axis strategy and future growth plans.

Diversity is wide-ranging, including gender, age, nationality, background, culture, skills, and other attributes. An inclusive, positive work climate, with diversity and equality, helps ensure that employees thrive, are committed, and feel proud to work at Axis. It also helps the company attract talent in its recruiting efforts.

All employees should have opportunities for developing their skills and abilities. This applies regardless of gender or background, which should never be a factor in deciding what career opportunities exist for a person working at Axis.

Axis strives to ensure that employees with equal qualifications receive equal pay for equal performance and responsibilities.

Initiatives to increase equality and diversity

Several initiatives to increase equality and diversity were carried out during the year, based on the needs and conditions in each market.

Below are some examples of activities during the year to increase diversity:

- > A global recruiting project to attract a wider range of candidates as regards gender, age, and background
- > Regular reviews of recruitment ads to ensure they have been written in an inclusive way
- > Initiatives to ensure that there is at least one woman on the short list for all available positions in Eastern Europe
- > A Women in Security Summit for APAC, held digitally, arranged from Singapore, to recognize and support women in the industry (see separate article)
- > Several digital activities and training initiatives in the Americas to increase diversity and inclusion, such as Unconscious Bias Training, and quarterly webinars on diversity and inclusion

Female employees in Sweden are able to exchange experience through Axis Q Network. In addition to that, a digital workshop was held together with *Teknikvinnor* (Sweden's largest network for women and non-binary individuals in technology).

Annual salary reviews are to be carried out in a non-discriminatory way. Action is taken to ensure compliance with the company's processes and policies if ever Axis detects any bias in the salary adjustments that have been made.

Of the total number of new employees during the year, 28 percent were women. For the company overall, 28 percent of the employees are women and 72 percent are men.

Counteracting discrimination

Axis has a variety of initiatives in place for counteracting discrimination throughout the entire company. The company policy states that Axis does not tolerate any form of discrimination or harassment based on gender, sexual orientation, ethnicity, national origin, religious beliefs, age, marital status, disability, or any other form of unlawful discrimination.

Much focus is put on counteracting discrimination during the recruitment process, in particular. Job ads, for example, are carefully written and reviewed to ensure that they are inclusive, encourage diversity and do not discriminate.

Furthermore, based on the local laws and conditions, Axis offices worldwide set specific goals and tailor their activities accordingly. All recruitment training held at Axis headquarters in Lund includes a component on how to avoid discrimination in the recruitment process.

Goals and target fulfillment

Diversity and inclusion

Educational actions to raise awareness globally regarding biases and discrimination.

A variety of trainings were held during the year to raise awareness worldwide about biases and discrimination.

A number of activities were conducted at both local and regional levels, some of which are described in the text.

Zero tolerance for discrimination and harassment. All reported cases must be handled promptly and in accordance with Axis' processes and policies.

One instance of victimization at work was reported during the year. Axis engaged an independent third party to help investigate the case and it has now been resolved.



* eNPS measures the company's loyalty brand. Net Promoter Score (NPS) is calculated as follows: $NPS = \% \text{ Promoters} - \% \text{ Detractors}$. The index ranges from -100 to +100, which means that anything over 0 is positive and an NPS of 50 or more is considered exceptional.



Axis has many good initiatives in place, such as using carbon offsets for transports. Axis also works well with sustainability as an integral part of the manufacturing of products. For example, the company is very conscientious about keeping waste at a minimum with its use of materials. Lighting of our office premises shuts off automatically when not in use and we also have an incredibly good physical work environment.

We could though, become even more proactive, ideally using the UN Sustainable Development Goals as our point of departure.

I feel proud to work with projects that help stop the spread of COVID-19, such as solutions that restrict the number of people in stores. Our products also help create safer conditions in arenas, such as the football stadiums that I visit with my kids, where Axis network cameras have been installed.

Mikael Norbäck, UX Designer, Axis Linköping, Sweden

Employees	2020	2019	2018
Number of employees	3,805	3,646	3,253
Proportion women/men, %	28/72	28/72	28/72
Managers' gender distribution, women/men, %	30/70	29/71	n/a
Group management	1 woman, 8 men	1 woman, 8 men	2 women, 8 men
Board of directors*	3 women, 7 men	3 women, 7 men	3 women, 7 men
Employee turnover, %	5.7	7.6	6.5
Absence due to illness, in Sweden, %	2.05	2.9	3.0
Average age	41	40	40

* 2 women and 3 men are employee representatives, including 2 deputies

Building an employer brand

During the year, Axis launched a new, group-wide employer value proposition (EVP), aimed at further strengthening its brand and continue attracting candidates worldwide.

"The Axis EVP reflects the essence of who we are as an employer and what we offer to both current and future employees. It provides us with a solid foundation for what we should focus on in our next steps towards becoming an even more attractive employer," says Tina Rudin Kaikkonen, Employer Branding Specialist at Axis.

The EVP explains what it means to work at Axis, and the advantages of doing so. It is also a component of the company growth strategy and business-critical to success in both recruiting and retaining employees.

"The EVP was derived from our core values and vision of innovating for a smarter, safer world. It is our strategic foundation of how we communicate about who we are, our vision and what we want to be," says Tina.

The focus areas of the EVP are as follows: embracing perspectives, stronger together and empowering potential.

"We welcome unique people and insights. Each and every person makes a valuable contribution to ensuring that we have a dynamic, diverse, and creative workplace. Our commitment towards inclusion and gender equality propels us forward. We trust our employees by allowing them a great deal of individual freedom and responsibility, while encouraging each and every person to pursue opportunities for growth," says Tina.

What qualities does Axis look for when recruiting new employees?

"As a global growth company our recruitment is important for our future success. It's a fact that without the right employees we can't grow and continue to be innovative," says Tina.

She continues: "We need people that share our values of working in teams, sharing knowledge and inclusiveness combined with a great interest

in innovation and making things better for the future. Many of us who work at Axis are driven by our purpose, I do believe that is one great thing that connects us."



Tina Rudin Kaikkonen, Employer Branding Specialist

Women in Security APAC

Promoting gender equality and cultural diversity

Axis values the opinions and contributions of people from different backgrounds. Accordingly, promoting diversity and inclusion is one of the company's top priorities.

During the year, the Asia Pacific region of Axis arranged webinar trainings as part of the Women in Security initiative. The purpose was to further strengthen the company's reputation as an employer that values employees with different backgrounds and from different cultures, and is an attractive place for them to work. It aimed to encourage more women to apply for positions at Axis, along with increasing diversity and inclusion at the company. Furthermore, Axis is always striving to take a leading role in raising awareness and increasing diversity throughout the security and surveillance sector.

"Women in Security provides an excellent forum for women working in the sector to meet and engage in meaningful dialog. It is also a meaningful way for Axis to demonstrate its values and that the company cares about these issues," says Marie-Hélène Mansard, Business Development Director, Asia Pacific.

Women in Security recognizes and supports women already working at Axis and that employees can take pride in working for the company.

"It is also an opportunity for us to share our values with customers and partners, demonstrating that we act according to our values," says Marie-Hélène.

Topics discussed during the webinars included diversity in the security industry, artificial intelligence, women in innovation and women in cybersecurity. The webinars provided participants with inspiration, opportunities to share experiences, and discuss future challenges and opportunities.

They also covered ways in which Axis is making a difference to improve diversity and equality in a way that really stands out from the rest, together with emphasizing the business advantages of having an inclusive, diverse workplace. "I am very satisfied. It is important that female employees at Axis are allowed to shine! This gave us an opportunity to really celebrate sisterhood within the company and put the spotlight on women who perhaps don't always get the credit they deserve," says Marie-Hélène.

In total, 285 people participated in the three webinars that were offered, of which 74 percent were women and 26 percent men. Besides the company's own employees from the various countries of the region, both partners and end customers also joined in the webinars.

Ray Mauritsson, CEO, and Malin Svensson, Chief People Officer, both attended as well, sharing their own reflections and experiences about equality and diversity, along with the many ways in which Axis is striving to make a real difference. Marie-Hélène Mansard was one of the participants who shared tips for women pursuing a career in this line of business.

"Above all, be visible. Simply doing a good job is not enough, if nobody knows. It is also important that you have solid support from your family and friends. You need that if you're trying to build a career. Lastly, make sure that you choose to work for an employer that is truly dedicated to equality and inclusion," says Marie-Hélène.



"Above all, be visible. Simply doing a good job is not enough, if nobody knows."

Marie-Hélène Mansard, Business Development Director, Asia Pacific



Positive contributions to local communities

Axis contributes to society and promotes positive development both locally and regionally through engagement in education initiatives, sponsorship and volunteering activities. Involvement in society is an important part of the company's sustainability strategy.

Axis participates in societal development primarily in the markets where the company does business. Axis creates work opportunities, gets involved and contributes to local societies. Giving back to the community through community interaction is important to the teams working at Axis. The following are just a few examples of how Axis is involved in society and the various initiatives it has supported worldwide.

USA

Axis has participated in activities such as the *American Cancer Society Virtual Relay for Life* to raise money and awareness for cancer. For that event, Axis employees walked, in total, 156 miles (250 km), thereby exceeding the team's fundraising goal.

Besides that, Axis employees belonging to the US Technical Services and IT teams devoted time to reprogramming and preparing 37 laptops for students and teachers in the Fitchburg School District of Massachusetts. The laptops were donated so that students and teachers who did not already have access to one at home would be able to start the school year strong.

On Earth Day, Axis employees and family members also organized and participated in an event to clean up their communities by picking up litter.

Sweden

Axis has collaborated with Lund University to make 3D-printed protective visors for staff at the Skåne University Hospital. Axis created approximately 1,200 structures to which plastic film could be attached to form a protective shield. Students and staff at Lund University got involved to assemble the visors and then delivery them to the hospital. Axis employees with access to a 3D printer at the office were encouraged to print as many as they could according to the specifications and instructions that had been distributed.

Axis also collaborates with schools, colleges, and universities such as Chalmers University of Technology, KTH Royal Institute of Technology in Stockholm, Linköping University and Lund University. For example, Axis offers opportunities for students to complete their thesis projects and the company also supports various research projects.

Furthermore, Axis strives to generate interest in technology among youth and as part of that effort, the company worked with organizations such as *Coder Kids* and with *First Lego League*, where the children participating got to learn programming. In the initiative called *Smartmatte*, Axis employees with an engineering background got involved to tutor high school students in math and inspire them with examples of all the ways in which math is used in working life.

Axis has also put special focus on initiatives for girls, via, for example *Girls in Tech*, *Athena Mentor*, and *Pink Programming*. The latter was, among other things, programming courses for women that Axis sponsored, aimed at encouraging more women to enter the field.

Foo Café is yet another example, where Axis has helped individuals gain access to employment opportunities by learning programming. Furthermore, to help meet the future demand for IT expertise, Axis is collaborating with other companies in the region and the public sector in southern Sweden and the member organization Swedish IT and Telecom Industries via the IT skills committee (*IT-kompetensrådet*).

Besides that, Axis makes donations to non-profit organizations such as the Swedish Cancer Society (*Cancerfonden*), Doctors Without Borders (*Läkare utan gränser*) and the Swedish Childhood Cancer Fund (*Barncancerfonden*) and it sponsors local sports associations, sports events, cultural events, and various educational initiatives.

Vietnam

Employees participated in an initiative to limit their use of plastic bags and single disposable items by, for example, using reusable bags when going to the supermarket or traditional market.



Czech Republic

Several social initiatives were undertaken in the Czech Republic, by 2N. One was a project to recycle older model cell phones and raise money for a non-profit organization that runs schools for disabled children. Another was a charity running event to support a community of the blind. The company also participated in *Let's Clean Up The Czech Republic*, a voluntary cleaning event which takes place all over the Czech Republic.

South Africa

In South Africa, Axis made donations to the *Angel Network* for food parcels to help alleviate hunger and support people during the COVID-19 lockdown. In total, it ensured that around 340 individuals got three meals per day over a 20-day period. Many Axis employees also made their own personal contributions to help make an even bigger difference for those in need.

Axis has also donated network cameras to the non-profit organization The Southern African Wildlife College to help protect its canine unit. The Southern African Wildlife College specializes in conservation education, training and skills development to manage ecosystems and conserve wildlife.

The canine unit trains dogs for anti-poaching and helping combat wildlife crime. The dogs are trained in human tracking and help prevent rhinos

being poached by either tracking down the poachers or disrupting them. Over the last decade there has been a loss of over 8,000 rhinos to poaching in South Africa alone.

Dubai

Axis joined hands with *Dubai Cares* to support *Education Uninterrupted*, a nationwide fundraising campaign that tackles the impact of the COVID-19 outbreak on the schooling of children and youth in the UAE. Axis donated laptops and other accessories to the support this cause.

During the month of Ramadan, Axis and its employees also donated meals to help alleviate hunger and meet people's most basic needs during the COVID-19 pandemic.

Australia

In Australia, Axis donated network cameras to support an initiative at Perth Zoo, where its giraffes are being live streamed. The video feed is live for public display on the zoo website so that anyone can now enjoy watching the giraffe herd, raise awareness about the species and help keep them safe. Giraffe numbers in the wild have plummeted to fewer than 80,000. Thus, the effort by Australian zoos to breed giraffes to help fight extinction is vitally important. Axis has also donated funds to a zoo hospital to save the koalas from Australia's wildfires.

The Republic of Korea

Axis employees participated in *Save the Children's* annual hat-knitting campaign, *Knit One, Save One*, aimed at saving the lives of newborn babies. In total, they donated 55 handmade woolen hats in Africa and Asia, where newborn babies die due to preventable and treatable illnesses like pneumonia. The caps are used to keep the infants warm at night and thus prevent deaths.





Matt Feenan

Career development for young professionals

Axis is committed to improving the diversity of its workforce across all demographics, and cooperates with Security Industry Association's (SIA) RISE in the USA. The purpose is recruiting new talent, developing and keeping employees and promoting diversity throughout the industry.

"As the average age of those working in the security industry is rising, we need to dedicate resources to developing the young security professionals who represent tomorrow's leaders," says Matt Feenan, Chairman of SIA RISE in 2019 and 2020 and Marketing Specialist at Axis.

Via its involvement in SIA RISE, Axis is able to put concentrated effort into developing its workforce and promoting diversity throughout the entire security industry. SIA RISE offers career development opportunities via its online training modules, networking events, mentorship programs, and more.

"Another important focus area is personal development and providing opportunities to underrepresented groups in society," says Matt.

SIA RISE gives young professionals a chance to ignite new thinking and strengthen their leadership and business skills, leading to a better retention of talent and more diversity within the security industry.

SIA RISE also awards scholarships to rising new stars in the industry. Kelsey Carnell, Regional Sales Manager, New England and Vice Chairman of SIA RISE in 2021 is one of the Axis employees who earned a SIA RISE scholarship (in 2018).

"The scholarship gave me an opportunity to complete my master's degree. It was a great networking forum, introducing me to an amazing group of people that I still stay in touch with," says Kelsey Carnell.

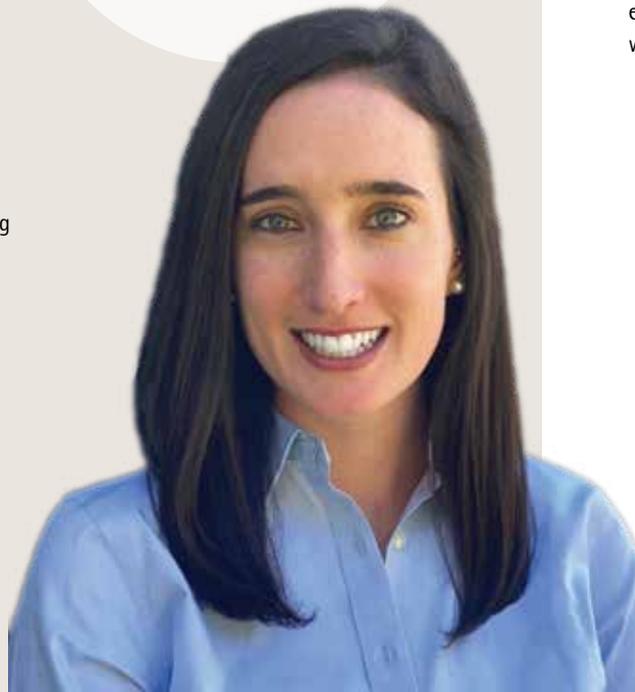
Why do you think you won the scholarship?

"I believe it had to do with my drive to never become complacent, striving each day to become better than I was the day before. I work hard, show commitment and have fun," says Kelsey.

What is your best advice for young female professionals in the security industry?

"Be humble, work hard, stay focused and stay committed to achieving your goals. Curiosity is important too. Never be afraid to ask questions or step outside your comfort zone. Because, when you do so, pushing the boundaries like that, you can achieve real success," says Kelsey.

"Be humble, work hard, stay focused and stay committed to your goals."



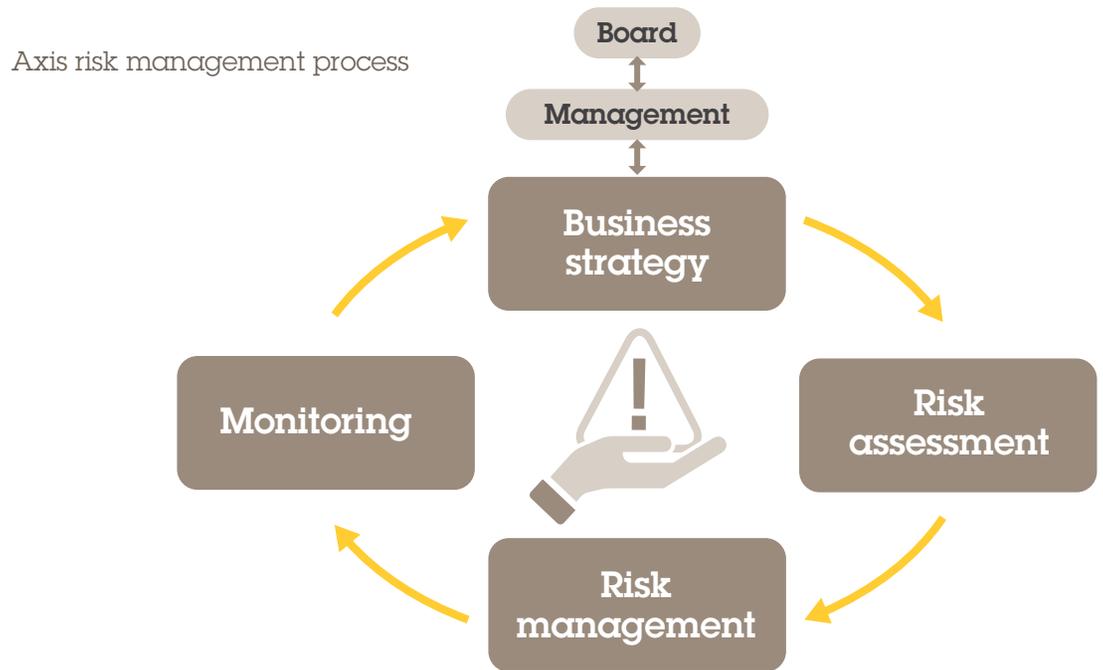
Kelsey Carnell, Regional Sales Manager, New England and Vice Chairman of SIA RISE in 2021



The Community Service Committee in Canada

The purpose of the Axis Community Service Committee in Canada is to promote sustainability efforts aimed at lowering the environmental impact of Axis employees, along with investing in initiatives that benefit society. One of the Committee's activities during the year was to launch a group chat forum on sustainability. It offers employees a forum for sharing ideas, initiatives and group activities. Here are some examples of how Axis employees engaged in sustainability efforts during the year:

- > Participation in Plastic Free July, a global movement for sharing ideas on how to reduce single-use plastic waste
- > Litter-picking bingo, encouraging employees to get involved in a fun activity for cleaning up their local neighborhoods
- > Waste Reduction Week: Training on how each employee can reduce the amount of waste they produce.



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 manage the risks, in a way that ensures that opportunities materialize in the best way, in order to facilitate continued strong growth and business expansion.

During 2020, Axis successfully enhanced the organizations risk work by creating forums to better synchronize the different functions. Axis continuously works with risk management throughout the organization, thereby increasing the company's risk resilience and business preparedness. During 2021, risk assessments will continue to be performed in relevant parts of the organization.

Axis risk management framework

The Axis risk management framework, which is based on the corporate strategy, aims to identify, evaluate and prioritize risks related to Axis reaching its overarching goals. Both a top-down and a bottom-up approach are employed.

The Axis Group's governance and internal control department 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 and Canon.

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 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 such as, 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, as of December 31, 2020. Financial risks are not included. 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	<p>Market development As a leading player in the network camera market, Axis is benefiting from continued global market growth. A global market downturn can impact Axis negatively.</p> <p>Competitive situation Greater competition due to the market attracting additional players increases the risk that Axis will lose market shares.</p>	<p>Market development 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.</p> <p>Competitive situation Market shares and market leadership can be maintained through careful competitive intelligence, a capable global sales force, close collaboration with distributors and partners as well as vigorous and rapid product development.</p>
Political	<p>Political instability Political instability in countries where Axis operates can have an adverse impact on Axis' global expansion.</p> <p>Acceptance of camera surveillance Reduced acceptance for camera surveillance, as well as privacy concerns linked to this, could have a negative impact on Axis.</p>	<p>Political instability Axis follows developments closely in the countries where the company operates.</p> <p>Acceptance of camera surveillance There are currently no known plans to Axis for significant changes with regard to legislations 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.</p>
Pandemic	For Axis, an outbreak of a pandemic could have a widespread, unpredictable and difficult-to-assess impact on all parts of the business and throughout the entire value chain.	Axis strives to minimize the risk and both prevent and limit the negative impact in all parts of the value chain. Axis has implemented a variety of measures for facilitating work from home with flexible working solutions and digital interaction between employees to safely sustain the company culture. Axis has strengthened the supply chain and has taken measures such as increased stock levels of critical components and of products, and has adapted to a more digital approach in sales and marketing efforts. Contingency plans have been established. Axis has a sustainable strong financial position and is closely monitoring developments.
Customer satisfaction	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	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, distributors or partners do not act ethically and sustainably in all respects, it could impact Axis and its stakeholders 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.
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 subcontractors that are equally important from a capability and capacity perspective. Through agreements, Axis works with production partners, subcontractors and second-tier suppliers in order to ensure safety stocks of critical components. Axis also works closely with 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 could cause injuries to people, the environment or property.	Axis works to ensure the highest possible quality in its products and has a well-developed process for handling product defects.
Technical	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.
Privacy during usage	If Axis cameras are used in a way that violates personal privacy and human rights, e.g., contributing to repression, it can also impact Axis' reputation.	Camera system operators 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 privacy is safeguarded.
Corruption	If Axis personnel, suppliers, distributors and partners involve themselves with bribes or other types of corruption, or in another way act unethically, as well as potentially constituting a violation of the law, it will impact Axis and the company's stakeholders negatively.	All employees and the board shall comply with the Axis Group code of conduct and Axis Group anti-corruption policy. As part of the anti-corruption compliance program, all new employees shall sign an anti-corruption commitment letter and complete a digital anti-corruption course. All employees shall participate in anti-corruption training every other year and confirm their completion. Axis also has a whistleblower and inquiry function, an email 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.
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 the 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.

Risk	Description of risk	Management of the risk
Intellectual property (IP)	Axis owns substantial IP rights. There is a risk in losing any of these rights or the control over them. Also, there is a risk that Axis infringes on any third party IP rights. Axis is party to various disputes as part of its day-to-day business operations within trademarks, patents, copyrights and other IP related areas. This can involve protracted disputes in civil courts with risks of high costs.	The exposure to IP risk is managed by Axis specialists, in collaboration with external lawyers and advisors. Axis conducts an active IPR strategy in order to safeguard investments in core technology and intellectual capital.
The workplace, employees and supply of talent	<p>Company culture The company culture is an important factor behind Axis's successful performance. If Axis does not succeed in retaining its unique culture, it can adversely affect the company's future success.</p> <p>Talent supply Axis is growing strongly. If Axis does not manage to attract and retain talented people to reach its goals, it would impact Axis negatively.</p> <p>Lack of diversity, equality and inclusion A lack of diversity and a too homogenous workforce can mean that Axis as a company is not as innovative or dynamic as it 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 from a business perspective.</p>	<p>Company culture Axis works systematically on strengthening its culture. It has an important focus throughout the recruitment process and is continuously reinforced through trainings, appraisals, during kick-offs, throughout internal communication, in meetings, etc.</p> <p>Talent supply Axis has a very careful recruitment process to support the company's aim to bring in people that will thrive in Axis's culture. As a rapid growing company, Axis can offer great career and development opportunities both locally and globally, training and learning opportunities and competitive working conditions including an inspiring, open and ambitious workplace.</p> <p>Lack of diversity, equality and inclusion Axis takes initiative to activities 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 are performed annually. All employees and the board shall follow the company's diversity policy and code of conduct.</p>
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 health and safety work done in Axis' countries of presence. In Sweden, regular safety committee meetings are held and 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.
Climate change	<p>Production and distribution disruptions Production disruptions, such as closing of factories, can occur in some countries due to extreme weather. Distribution disturbances can also occur due to extreme weather conditions affecting larger transport hubs in the supply chain, for example, floods in ports. The consequences may be reduced product availability for customers, and thus reduced sales. Laws and regulations concerning carbon dioxide emissions for products and industrial processes tightens continuously, this can affect/disrupt Axis' own operations, but also the supply chain.</p> <p>Changed customer attitudes and purchasing patterns Increased awareness of climate change is expected to affect customers to choose products that account for less climate impact and companies that can provide validated climate data on products. This may also include reputational risks related to how brands are perceived.</p>	<p>Production and distribution disruptions Axis is well-insured and has effective processes in place, and works with and has agreements with suppliers in different regions for diversification of risks. Axis has also increased the stock levels of critical components and of products. Axis has processes in place to continuously monitor changes in law and regulations and works proactively to ensure compliance. Suppliers are also required to have processes in place for legal monitoring and compliance.</p> <p>Changed customer attitudes and purchasing patterns Axis is working to develop more energy-efficient products and solutions, while maintaining functionality. Axis has initiated several projects to perform life cycle analyses (LCA) systematically for its products. Axis actively works on minimizing its carbon footprint in all areas. Sustainability is an integrated part of Axis business and brand.</p>
Environmental	<p>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.</p> <p>Product environmental impact 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.</p> <p>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.</p> <p>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.</p>	<p>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 for certain air freight and encourages less travel.</p> <p>Product environmental impact Axis strives to increase the proportion of recycled material in its products. Design regulations encourage an environmentally friendly design.</p> <p>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 more products free from brominated and chlorinated flame retardants (BFR and CFR).</p> <p>Energy consumption Axis is working to develop more energy-efficient products and solutions, while maintaining functionality.</p>
Environmental impacts, working conditions, human rights and corruption in the supply chain	<p>Environmental impacts, working conditions, human rights and corruption 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 to quality. Risks in the supply chain also include the occurrence of bribes and other types of corruption and of unlawful or unethical behavior, and violation of human rights.</p> <p>Conflict minerals There is a risk of conflict minerals, such as gold, tantalum, tin or tungsten, which finance armed conflicts, being found in components for Axis products.</p>	<p>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.</p> <p>Conflict minerals 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.</p>

Sustainability notes

About the Axis sustainability report

This sustainability report has been prepared in accordance with the GRI Standards: core option. The sustainability report also constitutes the annual Axis Communication on Progress (COP), which is a key component of the company's commitment to the UN Global Compact's ten principles covering human rights, labor, the environment, and anti-corruption.

The report has been drawn up in accordance with GRI's (Global Reporting Initiative) reporting principles on stakeholder inclusiveness, sustainability context, materiality and completeness aimed at providing full understanding of the economic, environmental, and social impact Axis has had during the period.

The sustainability report contains the economic, business ethics, environmental and social topics that are most significant for Axis and the company's stakeholders and where the impact is greatest. It also specifies the boundaries for these topics, with a description of sustainability governance and at least one disclosure for each topic.

A comment is provided in the GRI content index for any information that has not been provided, or which is limited in scope, having to do with a material topic. In instances where there have been recalculations or changes in the reporting, information on that is provided in the specific context or description for each topic. The sustainability report covers the 2020 fiscal year. Unless otherwise is stated, the scope is the entire Group, including wholly-owned subsidiaries. For a full list of all the companies included in the Group, please see www.axis.com.

Axis has produced sustainability reports annually according to GRI's guidelines since 2010. Axis intends to continue to publish its sustainability report annually. The date of the most recent sustainability report is March 30, 2020.

The sustainability report is not externally audited.

COMMUNICATION
ON PROGRESS



This is our **Communication on Progress** in implementing the Ten Principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

Governance and organization of the sustainability work

Sustainability governance

Sustainability efforts and strategy are based on the ten principles of the UN Global Compact in the areas of human rights, labor, the environment, and anti-corruption.

Other examples of where Axis looks for guidance in its pursuit of sustainability work are the UN 2030 Agenda and 17 Sustainable Development Goals, as well as sustainability certification programs like BREAAAM and ISO/IEC 27001:2013 Information Security.

Axis focuses its sustainability work on the topics that are most significant to the company and its strategic priorities.

Axis has several group-wide policies that address sustainability, including a code of conduct that all of its employees and the board of directors must adhere to.

Group management ensures that all business conducted in the group is in accordance with good business practice and that it complies with the code of conduct, existing policies, and the company's management system. Group management follows up on sustainability work and progress towards the stated goals.

Sustainability efforts are coordinated by the Business Ethics Council, the Environmental Council, and the Social Council together with the Sustainability Project Group.

In 2020, Axis initiated a sustainability maturity assessment, performed by an external advisor, in order to evaluate the current sustainability strategy and governance. This work will continue in 2021.

Sustainability organization

Group management

Group management has overall responsibility for the sustainability strategy and sustainability work, which is also based on feedback and interaction with the board of directors.

Audit committee

The audit committee is a working committee of the board of directors. Its responsibilities include such things as follow-up on the company's sustainability work and sustainability report, financial reporting, internal control, legal issues, and risk management.

Sustainability Project Group

The Sustainability Project Group is responsible for developing sustainability initiatives and activities in various areas. It also has operative responsibility for sustainability reporting.

It is comprised of representatives from the following functions: Human Resources, Sales, Quality & Environment and Communications. The PR & Corporate Communications Manager is responsible for leading the Group's efforts.

Business Ethics Council

The Business Ethics Council is responsible for sustainability issues having to do with business ethics. The Business Ethics Council is also responsible for initiating necessary projects, activities or driving education within the area of business ethics. Furthermore, the Business Ethics Council defines and proposes policies to Axis group management for implementation across all departments and functions at Axis. The Business Ethics Council is comprised of representatives from group management and relevant functions.

Environmental Council

The Environmental Council works with environmental issues and projects aimed at minimizing the company's environmental impact. The Environmental Council is comprised of representatives from the following functions: R&D, Global Sales, Communications, Quality & Environment, Operations and Product Management. Representatives from group management also participate in the Environmental Council. The Environment function is responsible for leading the overall efforts of the Environmental Council.

Social Council

The Social Council runs sustainability efforts associated with social responsibility. This includes issues having to do with the work environment, diversity, sponsoring, etc. It is comprised of representatives from group management, Global Sales, Human Resources, R&D, Communications and Legal.

The Sustainable Development Goals

Axis supports the 2030 Agenda for Sustainable Development, actively striving to make a positive contribution to the Sustainable Development Goals (SDGs) and lower its negative impact.



THE GLOBAL GOALS



Goal 1: No poverty

Axis makes an indirect contribution via carbon offset programs to develop local forestry and tree cultivation, which helps improve living conditions for small farmers. (Targets: 1.1, 1.5)



Goal 2: Zero hunger

Axis engages in activities throughout the world that benefit society and it makes an indirect contribution through the carbon offset programs, which promotes sustainable farming and helps improve living conditions for small farmers (Targets 2.1, 2.4).



Goal 3: Good health and well-being

Smart surveillance solutions provided by Axis facilitate better traffic flows, improve traffic safety, send alarms in emergency situations, and help detect accidents more quickly, all of which lowers the number of traffic-related injuries and reduces the damages. Axis strives to be a workplace where people thrive and are healthy, providing them with a good physical and psychosocial working environment. Occupational healthcare is offered at many of the company's offices throughout the world. Axis is phasing out hazardous material such as PVC from its products. Axis is also working proactively to reduce carbon emissions from its own operations and imposes similar demands on its suppliers. The company applies a precautionary principle on such things as its selection of materials. (Targets: 3.6, 3.8, 3.9)



Goal 4: Quality education

Axis supports training initiatives for young people, offers students the opportunity to conduct their thesis projects at Axis and supports initiatives to encourage women to pursue a career in IT and technology. (Targets: 4.3, 4.4, 4.5)



Goal 5: Gender equality

Active programs are in place to promote increased equality and diversity. Furthermore, Axis does not tolerate any form of discrimination whatsoever. This is stated in the Axis code of conduct as well as in the supplier code of conduct that the company's suppliers are required to follow. Employees with equal qualifications should have the same salary for identical performance and responsibility, and Axis conducts annual pay reviews aimed at identifying and correcting any gender-related pay differences. The company has a proactive recruitment process to boost the number of female employees and increase diversity. Axis also has a network for its female employees in Sweden. (Targets: 5.1, 5.5)



Goal 6: Clean water and sanitation

Lowering and optimizing water usage within its own scope of operations and that of its suppliers is a focus area. Axis conducts audits to ensure that its suppliers are adhering to the supplier code of conduct, which also includes their emissions to water. (Targets: 6.3, 6.4)



Goal 7: Affordable and clean energy

Axis strives to raise the efficiency of energy consumption in its own organization, along with reviewing the energy mix to increase the share of renewable energy. Furthermore, some of the technologies developed by Axis help reduce energy consumption during the product use phase. (Targets: 7.2, 7.3)



Goal 8: Decent work and economic growth

Axis works proactively to ensure minimal environmental impact during product manufacturing, along with ensuring that there are decent working conditions and a good work environment. Axis works both systematically and proactively to ensure that the company's products do not contain any conflict minerals and that none of its suppliers or sub-suppliers rely on forced labor or child labor. These requirements are stated in the supplier code of conduct and followed up during supplier audits. Axis has good working conditions and competitive terms of employment with the freedom to join a trade union and the right to collective bargaining. Furthermore, Axis strives to counteract all types of discrimination in the workplace and recruitment processes. (Targets: 8.4, 8.5, 8.7, 8.8)



Goal 9: Industry, innovation and infrastructure

Smart traffic solutions provided by Axis and its subsidiaries are helping increase road safety and lower the environmental impact of traffic on society. Innovative products and solutions provided by Axis can help make public services and infrastructures more efficient and contribute to a better environment by, for example, monitoring water levels and waste management activities, all of which leads to smarter, safer cities. (Targets: 9.1, 9.4)



Goal 10: Reduced inequalities

Axis has specific activities in place to counteract discrimination, along with increasing diversity and inclusion, and supports external initiatives, standards and frameworks that foster this. Non-discrimination is a requirement stated in both the Axis code of conduct and the supplier code of conduct. Axis pays taxes in accordance with applicable laws and regulations. (Targets: 10.2, 10.3, 10.4)



Goal 11: Sustainable cities and communities

Axis products and solutions contribute to increased security in cities and communities, safer public transport, improved traffic monitoring, prevention of traffic incidents, protection of critical infrastructure and urban planning. Innovative products and solutions offered by Axis help create smart, resilient, and sustainable cities. (Targets: 11.1, 11.2, 11.3)



Goal 12: Responsible production and consumption

Axis has systematic procedures for product development, selection and origin of materials, components and packaging to ensure that there should be minimal environmental impact and limited use of natural resources, which include that suppliers use resources efficiently and that they lower their environmental impact. For example, Axis is striving to increase its use of recycled materials and improve the efficiency of energy consumption in its own organization and for that of its products. Each year, Axis reports its sustainability efforts in its Annual review and sustainability report. Axis is transparent with its sustainability information. However, the complexity and growing scope of the sustainability work makes monitoring and control increasingly difficult. (Targets: 12.2, 12.4, 12.6)



Goal 13: Climate action

Reducing the carbon footprint of Axis operations is a priority and the company imposes requirements on its suppliers to lower their carbon emissions as well. Axis documents and reports its risks, monitors and streamlines the logistics chain, implements measures to improve energy efficiency and educates its employees and suppliers. Axis uses carbon offsets for its business travel by air and for some freight by air. (Targets: 13.1, 13.3)



Goal 14: Life below water

Axis imposes requirements and follows up that suppliers lower their emissions, which includes emissions to water. (Targets: 14.1)



Goal 15: Life on land

Axis makes an indirect contribution via climate compensation projects aimed at such things as developing local forestry practices. Doing so helps improve farming, expand forest areas, lower deforestation and safeguard biological diversity. By choosing less hazardous materials, Axis is able to help lower its suppliers' use of chemicals. Axis also imposes requirements and follows up that suppliers lower their emissions, which includes emissions to land. Doing so also creates better circumstances for protecting biodiversity at the end of the product life cycle. (Targets: 15.1, 15.2)



Goal 16: Peace, justice and strong institutions

Axis products and solutions help create safer societies. Security systems for protecting customer information also has the absolute highest priority at Axis. Axis has processes, systems, and solutions in place to ensure that customer information and privacy are protected. Axis has requirements on suppliers that they may only use conflict-free minerals in the components and products they supply to Axis. Axis has zero tolerance for all types of bribery and other forms of corruption. Training on this is provided for employees every other year. Furthermore, suppliers, distributors and partners are required to comply with the applicable anti-corruption legislation, which is stipulated in the Axis supplier code of conduct. The overriding aim is for all technology in Axis products and solutions to be used correctly and responsibly. Axis strives to counteract and prevent all forms of human rights violations, discrimination and oppression via, for example, its information efforts. Furthermore, Axis cameras are equipped with smart functions that protect personal privacy when the cameras are used. (Targets: 16.1, 16.3, 16.4, 16.5, 16.10)



Goal 17: Partnerships for the Goals

Axis collaborates with and depends on its suppliers, distributors, and partners to ensure that there is transparency and sustainable behavior throughout the entire value chain. Axis became a signatory of the UN Global Compact in 2007. Axis participates in, among other things, industry initiatives for collaboration, interaction, and dialog on promoting sustainability. (Targets: 17.16)

Stakeholder dialog

Axis maintains an ongoing dialog with its stakeholders aimed at increasing its understanding of what matters most to them, along with their expectations on the company's sustainability work and the issues they would like Axis to focus on, from a sustainability perspective. Such engagement helps Axis ensure that it works with the issues that create the most value, improves its sustainability work and achieves progress in the right direction.

Axis strives to have a continual, open dialog with all of its stakeholders: employees, distributors and partners, end customers, suppliers, owner, as well as society. Engagement with stakeholders provides Axis with information on which economic, environmental and social issues are most important to them and the company strives to implement improvements in the areas prioritized by stakeholders and where the company's impact is greatest. Doing so creates value and promotes long-term sustainable business.

Stakeholders are the groups that affect Axis decisions, strategies and its ability to achieve its goals. Stakeholder groups are impacted both indirectly and directly; economically, environmentally and/or socially by Axis' operations.

Axis identified its stakeholder groups long ago and it conducts a review to update that information each year. The company prioritizes collaboration with its stakeholders highly.

During the year, Axis conducted a web survey with selected stakeholder groups. The survey was supplemented by in-depth interviews with representatives from stakeholder groups. The responses were compiled and validated in the company's materiality analysis. Please read more on page 60.

Memberships

Axis is a member of many organizations, including *Säkerhetsbranschen* (the Security Industry Association in Sweden), the Security Industry Association (SIA) in the USA, the German Association for Security Technology, ASIS International, the Security Institute in the UK and ONVIF (a global and open industry forum with the goal of facilitating the development and use of a global open standard for the interface of physical IP-based security products). See the table, Stakeholder Engagement 2020, for more information about the dialog with various stakeholder groups and the issues most important to them.



Stakeholder engagement 2020

Stakeholder group	Engagement	Key topics
Employees	Web survey about sustainability, local employee surveys, performance appraisals, dialog with trade unions, internal training, in-depth interviews about Axis' sustainability efforts, intranet, meetings, etc.	<ul style="list-style-type: none"> > Health and safety in the workplace > Training and education > Equality and diversity > Non-discrimination for all employees > Economic performance > Ethics including anti-corruption > Protecting customer privacy > IT security > Child labor and forced labor > Environmental impact caused by Axis and its suppliers
Distributors and partners	Web survey, in-depth interviews, trainings, web seminars, workshops, meetings, trade shows, social media channels, Axis website, newsletters, etc.	<ul style="list-style-type: none"> > Market presence > Protecting customer privacy > IT security > Anti-corruption > Legal compliance > Environmental impact from products and manufacturing > Child labor and forced labor > Diversity > Health and safety in the workplace > Responsible sourcing
End customers	Surveys in connection with support cases, in-depth interviews, social media channels, continuous evaluations, newsletters.	<ul style="list-style-type: none"> > Climate change and carbon emissions, air quality, water management, energy, biodiversity, etc. > Human rights including protecting privacy during usage > IT security > Business ethics including anti-corruption > Health and safety in the workplace > Product quality
Suppliers	Web survey, in-depth interviews on Axis sustainability efforts, trainings, web seminars, Axis website, supplier audits.	<ul style="list-style-type: none"> > Circular business model > Health and safety > Environmental impact, human rights, labor law and labor conditions in the supply chain > Anti-corruption > Legal compliance > Protecting customer privacy > IT security
Owner	Meetings, board meetings, the Annual review and sustainability report, the annual general meeting, web survey, interviews about Axis' sustainability work.	<ul style="list-style-type: none"> > Legal compliance > Environmental impact from products > Direct and indirect greenhouse gas emissions > Energy consumption of own operations > Social responsibility > Economic performance > Customer satisfaction > IT security > Customer privacy > Human rights including privacy during usage
Society	In-depth interview about Axis' sustainability work, conferences, membership in (and collaboration with) local and international trade associations, dialog with global non-governmental organization, social media channels, Axis' website, collaboration with universities, and other activities for students.	<ul style="list-style-type: none"> > Business ethics including anti-corruption > Human rights including protecting privacy during usage > Cybersecurity > Gender equality > Standards > Environmental impact from products > Conflict minerals > Circular economy > Economic performance > Health and safety > Non-discrimination

Materiality analysis

The materiality analysis shows which topics are most important to Axis stakeholders and for the company, and which have the greatest economic, environmental, and social impact.

The materiality analysis is based on the outcome of engagement with stakeholders. The results of engagement with stakeholders have thereafter been analyzed and considered based on the topics that are most important to Axis and where its economic, environmental, and social impact is greatest. It provides the point of departure for the company's sustainability efforts and the basis for its sustainability reporting. Furthermore, the sustainability report covers other areas vital to the company's success, competitiveness, and profitable growth, all of which ensures long-term sustainable development.

Compliance with all of the applicable laws and regulations is, of course, fundamental. Achieving its financial targets and a

satisfactory level of sustainable profitability is also key, providing the foundation for the company's long-term sustainability efforts.

A variety of standards and inputs, such as the GRI Standards, UN Global Compact, the Sustainable Development Goals, macro trends and challenges, as well as the company's own strategies, risks and goals serve as the point of departure for addressing material topics with stakeholders and for the materiality analysis. The materiality analysis was conducted by the Sustainability Project Group and then presented to the group management and board of directors.

The materiality analysis is validated each year. Axis has four focus areas for its sustainability

work: economic responsibility, responsible business conduct, environmental responsibility, and social responsibility. Read more on page 20.

The following material topic has been added since last year: Positive contributions to local communities. Non-discrimination is included in Axis' material topic diversity and inclusion. Customer satisfaction has been omitted as a material topic compared to last year. Customer relations and customer satisfaction are addressed and monitored within the scope of stakeholder engagement. These are also prerequisites for the company's continued growth and profitability. For more information on the impact of each topic throughout the value chain, please see pages 22–23.

Material sustainability topics for Axis and correlating GRI standards

Axis focus areas	Axis material topic	Correlating GRI Standards topics
Responsible business conduct	Anti-corruption	Anti-corruption
	IT security	-
	Customer privacy	Customer privacy
	Human rights including privacy during usage	Human rights assessment
Environmental responsibility	Beat climate change	
	Power usage in Axis products and solutions	Energy
	Emissions from transports, Axis' operations and suppliers	Energy Emissions Supplier environmental assessment
	Protect natural resources	
	Use of natural resources – materials in Axis products	Materials
	Use of water	Water and effluents
	Protect ecosystems	
	Use of hazardous substances in Axis products	Customer health and safety
Emissions of hazardous substances by suppliers	Supplier environmental assessment	
Social responsibility	Human rights and working conditions in the supply chain	Supplier social assessment
	Health and safety in the workplace	Occupational health and safety
	Diversity and inclusion	Diversity and equal opportunity Non-discrimination
	Positive contributions to local communities	Local communities

Responsible business conduct

RESPONSIBLE BUSINESS PRACTICES

Policies and governance

All Axis employees and board members must comply with the group-wide code of conduct, which stipulates the principles, values and guidelines that serve as the foundation for running the business. The code of conduct is based on the ten principles of the UN Global Compact, the Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. Axis became a signatory of the UN Global Compact in 2007 and it has followed those ten principles since then. The Axis code of conduct can be found on www.axis.com. The company also has other more stringent and comprehensive guidelines and policies that all of its employees must adhere to.

Axis regularly reviews its policies to ensure that they are both up-to-date and reflecting the latest developments in the markets where Axis does business. Employee surveys and performance appraisals are also used for monitoring and to check compliance.

ANTI-CORRUPTION

Policies and governance

All Axis employees, including group management, board members and third parties working on behalf of Axis (such as on-site consultants) must comply with the group-wide anti-corruption policy and are required to acknowledge that they do so.

All Axis suppliers involved in manufacturing Axis products are required to comply with the Axis supplier code of conduct, which means adherence to the group-wide anti-corruption policy as well. Axis provides information and training to its suppliers, along with carrying out audits to ensure compliance.

The distributor agreement stipulates that distributors must comply with the applicable anti-corruption legislation. Essentially all Axis distributors have signed that agreement. Technical development partners are also expected to comply with the applicable anti-corruption legislation, which is stated in the agreement for the company's application development and technology partners. Axis provides both training and information to its distributors and partners.

Doing so helps Axis manage the risks, and to the extent possible, ensure that its distributors and partners behave ethically. Since February 2021, this matter falls under the scope of responsibility for the Corporate Governance & Internal Control function.

GOALS AND TARGET FULFILLMENT

Axis has zero tolerance for all types of bribery and other forms of corruption. All employees, including group management are required to acknowledge that they comply with the group-wide anti-corruption policy. Every other year, they must also participate in training on such matters.

- > During the year, all new employees participated in and confirmed completion of training, acknowledging their pledge to comply with the policy.
- > Nearly all of the company's other employees participated in anti-corruption training during 2019 and at the beginning of 2020 acknowledged their pledge to comply with the anti-corruption policy.
- > No incidents of bribery or other forms of corruption were identified during the year. Neither in 2019 nor 2018 did any known incidents of corruption arise.

IT SECURITY AND CUSTOMER PRIVACY

Policies and governance

The governing documents for this are the Axis IT security policy and vulnerability guidelines, which stipulate how the company manages and responds to security issues. Axis has a responsive support policy detailing the company's commitment to remedying security deficiencies as quickly as possible.

Axis has processes, systems, and solutions in place for meeting the requirements on how personal data must be managed and it complies with all applicable laws and regulations, such as GDPR (The General Data Protection Regulation). Axis is certified in accordance with ISO/IEC 27001:2013 Information Security Management.

The Axis Software Security Group is responsible for ensuring that there is compliance with the policies on IT security in products. It is also responsible for ensuring that those policies are kept up-to-date. IT Governance and Legal are the functions in charge of leading IT security efforts and they work in close collaboration with the organization's other divisions and functions.

GOALS AND TARGET FULFILLMENT

Axis shall handle customer privacy in a correct and secure manner and minimize the risks of cyber threats and attacks, so that customer data is well protected.

Axis works systematically and proactively to ensure that customer information is well protected in Axis IT systems.

Identified product vulnerabilities shall be dealt with immediately and taken extremely seriously.

- > In 2020, there were two incidents where internal software security audits discovered a flaw in the protection against device tampering. Axis has stringent routines in place and action was promptly taken.
- > In 2019, a critical vulnerability was discovered by external security researchers. Axis has stringent routines in place and action was promptly taken.
- > In 2018, Axis received information that a flaw was discovered in a commonly used open-source component that is used by many vendors, including Axis.

The problems were remedied quickly each year.

HUMAN RIGHTS INCLUDING PRIVACY DURING USAGE

Policies and governance

Axis complies with applicable laws and regulations on processing and storing personal data. The company also has its own stringent and comprehensive guidelines and policies that all employees must adhere to. Axis informs and trains its distributors and partners, thereby helping ensure that customer information is managed and stored in an ethically correct way. Representatives from IT Governance and Legal are responsible for ensuring compliance with the guidelines and keeping them up-to-date.

GOALS AND TARGET FULFILLMENT

Axis strives to ensure that its products and solutions are always used in an ethical and correct way, while respecting human rights and protecting personal privacy. None of its products or solutions should violate human rights or personal privacy.

All employees, distributors and partners are continuously informed of Axis' standpoint. Axis provided training on ethics and privacy for its managers worldwide during the year. They were then able to train their own employees on those same topics. Informational and training sessions, mostly online, were offered to Axis distributors and partners.

Environmental responsibility

Policies and governance

The Axis environmental policy prescribes that Axis shall minimize environmental impacts throughout its product and solution life cycles and throughout the entire value chain. The Axis travel policy encourages less travel, whenever possible. Suppliers are expected to sign and comply with the Axis supplier code of conduct. The Environment function is responsible for leading Axis' environmental work.

BEAT CLIMATE CHANGE

Power usage in Axis products and solutions

GOALS AND TARGET FULFILLMENT

Implementation of 3–5 projects each year until 2023 to improve the energy efficiency of products or solutions, with the aim of reducing CO₂ emissions.

Three Axis departments, Base Video Products, Extended Video Products and Core Tech collaborated on projects that were focused on lowering energy consumption.

Emissions from transports, Axis' operations and suppliers

Definitions

Renewable energy

Examples of renewable energy are solar, wind power, hydropower, biofuels, geothermal and all other sources of power that can be renewed. Axis primarily uses solar, wind and hydropower as its sources of renewable energy.

Fossil-free energy

Fossil-free energy is that which is not derived from non-renewable fuels, such as petroleum, coal, and natural gas. Nuclear energy is also a renewable energy source.

GOALS AND TARGET FULFILLMENT

Reducing CO₂ emissions from operations* by 20 percent per sold unit from 2016 to 2021, measured as kg CO₂ per sold unit.

- > In 2020, CO₂ emissions from operations per sold unit decreased by 21 percent compared to 2019, and by 26 percent compared to 2016.
- > In 2019, CO₂ emissions from operations per sold unit decreased by 6.6 percent compared to 2016.
- > In 2018, CO₂ emissions from operations per sold unit decreased by 2.5 percent compared to 2016.

Reducing CO₂ emissions from transports by 20 percent per sold unit from 2016 to 2021, measured as kg CO₂ per sold unit.

- > In 2020, CO₂ emissions from transports fell by 10 percent, measured as kg CO₂ per sold unit, compared to 2016.
- > By end of 2019, CO₂ emissions from transports had decreased by 8.8 percent, measured as kg CO₂ per sold unit, compared to 2016.
- > By end of 2018, CO₂ emissions from transports had increased by 0.6 percent, measured as kg CO₂ per sold unit, compared to 2016.

Emissions from transports, Axis' own operations* and suppliers, (CO₂ kg per sold unit)

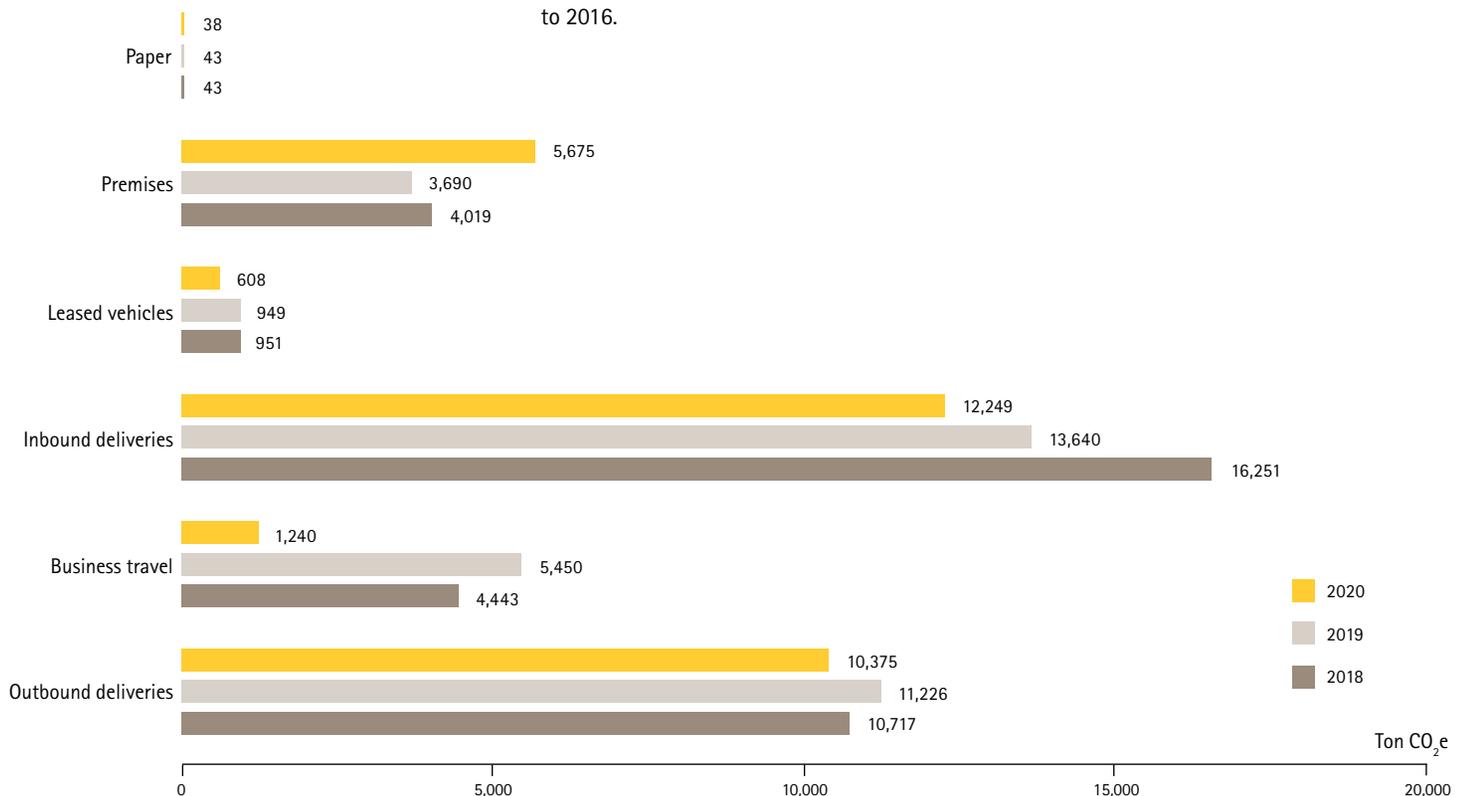
2020	2019	2018	2017	2016
4.41	5.59	5.84	6.03	5.99

Emissions from Axis' transports (CO₂ kg per sold unit)

2020	2019	2018	2017	2016
3.66	3.71	4.09	4.28	4.07

* Operations run by Axis, excluding 2N, Citilog, contract manufacturers, and CLCs that are not owned by Axis.

Ton CO₂e per activity



Carbon dioxide equivalents, or CO₂e, 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 CO₂.

Reducing CO₂e emissions from business travel (Sweden) per employee by 8 percent from 2018 to 2021.

- > In 2020, CO₂e emissions from business travel per employee (Sweden) decreased by 91 percent, compared to 2018.
- > In 2019, CO₂e emissions from business travel per employee (Sweden) decreased by 13 percent, compared to 2018 (from 0.8 tons of CO₂e to 0.7 tons of CO₂e).

Because of the COVID-19 pandemic, business travel was at a much lower level and almost non-existent during 2020.

Reducing electricity consumption by 5 percent per employee per year at the headquarters in Sweden.

Electricity consumption per employee at the headquarters in Lund (MWh per employee) increased by 14 percent compared to 2019. The main reason for the increase is due to expansion of premises, by having completed Axis' new headquarters in Lund and starting to use the new building in parallel with the old premises.

Electricity consumption per employee at Axis HQ, Lund (MWh per employee)

2020	2019	2018
2.5	2.2	2.3

Emissions from suppliers' processes

- > 50 percent fossil-free energy in manufacturing and logistics centers by 2024.
- > 100 percent fossil-free energy in manufacturing and logistics centers by 2030.
- > 82 percent of suppliers have taken action to meet the requirements that 50 percent of energy use will be derived from fossil-free sources by 2024.
- > 55 percent of suppliers have taken action to meet the requirements that 100 percent of energy use will be derived from fossil-free sources by 2030.

PROTECT NATURAL RESOURCES

Use of natural resources – materials in Axis products

Policies and governance

The Green Design Evaluation Form is a scorecard that Axis uses for evaluation of the environmental impact of its products, including detailed requirement specifications. The aim is to establish even clearer goals, requirements and guidelines in Axis product specifications, thereby lowering the environmental impact of its products. The scorecard makes it easier to evaluate various aspects such as the choice of materials, the use of recycled material, optimization of product weight and volume, along with reduction of 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.

GOALS AND TARGET FULFILLMENT

20 percent recycled/biobased plastic of all Axis' plastic consumption by 2024.

In 2020, 4 percent of all plastic consumption in Axis products was recycled/biobased.

Minimize water usage

Axis will be documenting its water usage and setting goals for that during 2021.

PROTECT ECOSYSTEMS

Use of hazardous substances in Axis products

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 (excluding 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.

Policies and governance

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).

Greensoft

Greensoft is a software solution that 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 that have a lower environmental impact.

GOALS AND TARGET FULFILLMENT

- > All Axis network cameras shall be BFR/CFR-free in 2024.
- > All PCBA (Printed Circuit Board Assemblies) in Axis network cameras shall be BFR/CFR-free in 2022.
- > All Axis indoors network cameras launched shall be BFR/CFR-free in 2022.
- > 34 percent of all cameras launched in 2020 were BFR/CFR-free.
- > 34 percent of the PCBA (Printed Circuit Board Assemblies) in Axis network cameras launched in 2020 were BFR/CFR-free.
- > 67 percent of all indoor cameras launched in 2020 were BFR/CFR-free.

Social responsibility

Definitions

Employees

Permanent employees and employees for a fixed term of at least six months. Permanent employees are expressed as head counts as of December 31. Substitutes (those filling in for employees who are on parental leave or a leave of absence) are not included. Only temporary employees in Sweden are included in the statistics. Summer workers, hourly-paid employees and substitutes are not included.

Workers (not employed by Axis)

These account for a small proportion of the overall workforce and consist of consultants, primarily within research and development. Axis has managerial responsibility for consultants working on site at the company and as such, Axis is also responsible for their work environment. Employer responsibility, however, lies with the employment agency that has engaged their services, as well as insurances and occupational health services.

Absence due to illness

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

Work-related injuries

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

Lost workdays

Number of days that the employee has been on sick leave.

Data collection

All data is collected in a global system (except for 2N and Citilog, which submit data to be compiled centrally).

Policies and governance

Policies apply to all employees, managers and the board of directors including the code of conduct, the working environment policy, the alcohol and drugs policy, the policy against harassment, the diversity policy, and the policy for security during trips. There are also local policies in place. The CEO is ultimately responsible for the work environment, but has delegated the responsibility to managers who carry out the work together with HR. In the USA, action plans for work environment efforts are followed up by the executive management team. In Sweden, the HR function prepares a report each year, together with the safety representatives, that is sent to the CEO.

DIVERSITY AND INCLUSION

GOALS AND TARGET FULFILLMENT

Educational actions to raise awareness globally regarding biases and discrimination. A variety of trainings were held during the year to raise awareness worldwide about biases and discrimination. A number of activities were conducted at both a local and regional level.

Zero tolerance for discrimination and harassment. All reported cases must be handled promptly and in accordance with the processes and policies in place at Axis.

- > One instance of victimization at work was reported during the year. Axis engaged an independent third party to help investigate the case and it has now been resolved.
- > In 2019, no cases of discrimination were reported.
- > During 2018, two cases of sexual harassment were reported, where Axis employees were subjected to harassment at the workplace by third parties. One case of discrimination in the recruitment process was also reported. Two further reports of discrimination were received. The cases were investigated and appropriate action was taken. One case is still open.

HEALTH AND SAFETY IN THE WORKPLACE

Governance

Occupational health and management system

The routines and systems in place differ across regions, since they are based on national laws and regulations. In Sweden, the occupational health and management system also covers consultants who have been contracted by the company and have their workplace at Axis.

Hazard identification and risk assessment

Axis works proactively to prevent risks and continuously conducts risk assessments on such things as work-related hazards, to maintain a good work environment without risk of accidents or illness. In Sweden, all managers are required to conduct a risk assessment when changes are made to the business. A more wide-ranging follow-up is also carried out each year. Regional managers with employees in Sweden participate in the annual risk assessment. In other parts of the world, efforts are based on national laws and regulations.

Reporting and investigation of work-related incidents and accidents

In Sweden, work-related incidents and accidents are reported to HR and an internal report is issued, along with an action plan. The safety representatives receive information about all incidents and accidents, and these are discussed and followed up by the health and safety committees. In addition, a report is issued at the end of each year summarizing all the incidents and accidents that have occurred. Annual safety inspections are performed. In other regions, incidents are dealt with in accordance with national laws and regulations.

Occupational health services

In Sweden, Axis closely collaborates with its occupational health partner, Avonova. The company also has an ergonomist and an external work environment engineer. In other regions, efforts are dealt with in accordance with national laws and regulations.

Health and safety committees

Axis has four health and safety committees, two in Sweden (which hold quarterly meetings), one in Canada (held quarterly) and one in the USA (held monthly), all responsible for overall issues having to do with the work environment. They are comprised of representatives from HR, Facilities, configuration and logistics centers, Safety and safety representatives.

Worker training on health and safety

Training varies from country to country, according to the prevailing laws and regulations. There are trainings on first aid, heart and lung rescue, ergonomics, fire safety and other safety issues. The HR function arranges internal work environment trainings for all managers in Sweden.

GOALS AND TARGET FULFILLMENT

At least one additional significant initiative to increase the health and safety of Axis employees. Action was taken in all regions to promote this focus area and engage in activities.

POSITIVE CONTRIBUTIONS TO LOCAL COMMUNITIES

GOALS AND TARGET FULFILLMENT

Axis shall contribute to local communities through education, sponsorship and volunteer other such activities.

Axis was involved in a large number of initiatives and activities at communities throughout the world during the year.

Employee statistics

Employees

The total number of employees was 3,805 (3,646) as of December 31, 2020. Of the total number of new employees during the year, 28 percent were women and 72 percent men.

Type of employment per region and gender	2020			2019			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
EMEA									
Full time	72.9%	25.5%	98.4%	69%	29%	98%	73%	25%	98%
Part time	0.6%	1.0%	1.6%	0.2%	1.8%	2%	0.6%	1.2%	2%
APAC									
Full time	61%	39%	100%	62%	38%	100%	61%	39%	100%
Part time	0%	0%	0%	0%	0%	0%	0%	0%	0%
Americas									
Full time	69.7%	30.1%	99.8%	70%	30%	100%	72%	28%	100%
Part time	0%	0.2%	0.2%	0%	0%	0%	0%	0%	0%
Axis total									
Full time	71.6%	27%	98.7%	72%	27%	99%	72%	27%	99%
Part time	0.5%	0.8%	1.3%	0.5%	0.6%	1%	0.4%	0.9%	1%

Gender and age distribution (%)

		Board of directors		Group management	Employees	
		Women	Men			
2020	Gender distribution	Women	30% (3 women, of which 2 are employee representatives)		11%	28%
		Men	70% (7 men, of which 3 are employee representatives)		89%	72%
	Age distribution	Under 30 years	0%		0%	11%
		30-50 years	30% (including employee representatives)		11%	68%
		Over 50 years	70% (including employee representatives)		89%	21%
2019	Gender distribution	Women	30% (3 women, of which 2 are employee representatives)		11%	28%
		Men	70% (7 men, of which 3 are employee representatives)		89%	72%
	Age distribution	Under 30 years	0%		0%	15%
		30-50 years	30% (including employee representatives)		11%	69%
		Over 50 years	70% (including employee representatives)		89%	16%
2018	Gender distribution	Women	30% (3 women, of which 2 are employee representatives)		20%	28%
		Men	70% (7 men, of which 3 are employee representatives)		80%	72%
	Age distribution	Under 30 years	0%		0%	14%
		30-50 years	30% (including employee representatives)		40%	72%
		Over 50 years	70% (including employee representatives)		60%	14%

Absence due to illness and work-related injuries

	2020	2019	2018
Absence due to illness, in Sweden, %	2.05	2.9	3.0
Workplace accidents*/fatal accidents	19/0	27/0	23/0
Number of accidents resulting in lost workdays	5	9	3
Number of lost workdays	29	87	74

*The most common types of accidents were travel to and from the workplace and were biking accidents. All of the accidents (except for one, in USA) occurred in Sweden.

GRI content index

GRI standard	Disclosure number	Disclosure title	Page number(s)	Omissions	UN GC principles
GENERAL DISCLOSURES					
GRI 101 Foundation 2016					
GRI 102: General disclosures 2016					
ORGANIZATIONAL PROFILE	102-1	Name of the organization	Cover		
	102-2	Activities, brands, products, and services	4, 14-15		
	102-3	Location of headquarters	Cover		
	102-4	Location of operations	5, 12-13		
	102-5	Ownership and legal form	72		
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	102-15	Key impacts, risks and opportunities	51-53		
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	102-41	Collective bargaining agreements	45		3
	102-42	Identifying and selecting stakeholders	58		
	102-43	Approach to stakeholder engagement	58-59		
	102-44	Key topics and concerns raised	59		
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	102-46	Defining report content and topic boundaries	22-23, 60		
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GRI standard	Disclosure number	Disclosure title	Page number(s)	Omissions	UN GC principles
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GRI 200 Economic Standard Series					
ANTI-CORRUPTION					
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GRI 103: Management Approach 2016	103-1/2/3	Explanation of the material topic and its boundary, the management approach and its components and evaluation of the management approach	22-23, 25, 61		
GRI 205: Anti-corruption 2016	205-2	Communication and training about anti-corruption policies and procedures	25, 61		
	205-3	Confirmed incidents of corruption and actions taken	25, 61		
GRI 300 Environmental Standards Series					
MATERIAL					
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GRI 103: Management Approach 2016	103-1/2/3	Explanation of the material topic and its boundary, the management approach and its components and evaluation of the management approach	22-23, 35, 63		
GRI 301: Materials 2016	301-2	Recycled input materials used	35, 63		
ENERGY					
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GRI 103: Management Approach 2016	103-1/2/3	Explanation of the material topic and its boundary, the management approach and its components and evaluation of the management approach	22-23, 31-33, 62-63		
GRI 302: Energy 2016	302-1	Energy consumption within the organization	32, 62-63		
	302-3	Energy intensity	32, 63		
	302-4	Reduction of energy consumption	32, 63		
WATER AND EFFLUENTS					
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GRI 103: Management Approach 2016	103-1/2/3	Explanation of the material topic and its boundary, the management approach and its components and evaluation of the management approach	22-23, 35, 63		
GRI 303: Water and effluents 2018	303-5	Water consumption	35, 63		
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GRI 103: Management Approach 2016	103-1/2/3	Explanation of the material topic and its boundary, the management approach and its components and evaluation of the management approach	22-23, 32-33, 62-63		
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	32-33, 62		
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GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	40		
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GRI standard	Disclosure number	Disclosure title	Page number(s)	Omissions	UN GC principles
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OCCUPATIONAL HEALTH AND SAFETY					
GRI 103: Management Approach 2016	103-1/2/3	Explanation of the material topic and its boundary, the management approach and its components and evaluation of the management approach	22-23, 44, 64-65		
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	64		
	403-2	Hazard identification, risk assessment, and incident investigation	64		
	403-3	Occupational health services	44, 64		
	403-4	Worker participation, consultation, and communication on occupational health and safety	44, 64		
	403-5	Worker training on occupational health and safety	44, 64		
	403-6	Promotion of worker health	44, 64		
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	38-41		
	403-9	Types of injury and rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities	65	Further data unavailable	
DIVERSITY AND EQUAL OPPORTUNITY					
GRI 103: Management Approach 2016	103-1/2/3	Explanation of the material topic and its boundary, the management approach and its components and evaluation of the management approach	22-23, 45-46, 64-65		6
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	45-46, 64-65		
NON-DISCRIMINATION					
GRI 103: Management Approach 2016	103-1/2/3	Explanation of the material topic and its boundary, the management approach and its components and evaluation of the management approach	22-23, 45-46, 64		6
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	45, 64		
HUMAN RIGHTS ASSESSMENT					
GRI 103: Management Approach 2016	103-1/2/3	Explanation of the material topic and its boundary, the management approach and its components and evaluation of the management approach	22-23, 28-29, 61		6
GRI 412: Human Rights Assessment 2016	412-1	Operations that have been subject to human rights reviews or impact assessments	28-29, 61		
	412-2	Employee training on human rights policies or procedures	28-29, 61		
LOCAL COMMUNITIES					
GRI 103: Management Approach 2016	103-1/2/3	Explanation of the material topic and its boundary, the management approach and its components and evaluation of the management approach	22-23, 48-50		
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	48-50		
SUPPLIER SOCIAL ASSESSMENT					
GRI 103: Management Approach 2016	103-1/2/3	Explanation of the material topic and its boundary, the management approach and its components and evaluation of the management approach	22-23, 38-41		1, 2, 3, 4, 5, 6
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	40		
	414-2	Negative social impacts in the supply chain and actions taken	38-41		
CUSTOMER HEALTH AND SAFETY					
GRI 103: Management Approach 2016	103-1/2/3	Explanation of the material topic and its boundary, the management approach and its components and evaluation of the management approach	22-23, 37, 63		
GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	37, 63		
CUSTOMER PRIVACY					
GRI 103: Management Approach 2016	103-1/2/3	Explanation of the material topic and its boundary, the management approach and its components and evaluation of the management approach	22-23, 26-27, 61		
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	26-27, 61		
IT SECURITY (OWN TOPIC)					
GRI 103: Management Approach 2016	103-1/2/3	Explanation of the material topic and its boundary, the management approach and its components and evaluation of the management approach	22-23, 26-27, 61		

The UN Global Compact ten principles

HUMAN RIGHTS

- 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 recognition 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.

ENVIRONMENTAL

- 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-CORRUPTION

- Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery.

Financial summary

2020

December 2020 marks the end of a challenging year. Going into 2020, prior to any knowledge about the pandemic and how it would impact the world, the aim was to continue Axis' growth journey in a growing market. Instead, after a successful first quarter, business plans had to be adjusted to a new situation full of uncertainties. A strong corporate culture combined with resilience, cost awareness and customer focus were the key factors paving the way for a strong operating margin of almost 11 percent and annual sales in line with 2019.

Although the year started out strong, it was evident in the second quarter that sales had been affected by the pandemic. However, the third quarter showed some signs of recovery and the fourth quarter even more so.

The pandemic and its impact on Axis' business also affected the pace of new recruitments. Axis continued to add new employees during the year, but at a significantly slower pace than previous years.

Axis has succeeded in developing its business operations, despite the uncertain and challenging market conditions, which puts the company in a good position as the video surveillance industry and global economy continue to recover in 2021. Axis anticipates a return to double-digit growth in 2021, thanks to the company's market-leading innovations and solid network of partners worldwide.

Net sales amounted to SEK 11,564 (11,806) million, which translates to a currency-adjusted growth of 0 percent compared to the prior year. Foreign currency effects impacted sales negatively by SEK 232 million.

The video category, representing 92 percent of total sales, decreased by 2 percent to SEK 10,655 (10,876) million, while sales in other categories remained stable. Net sales for the EMEA region amounted to SEK 3,654 (3,661) million in 2020, corresponding to growth of 0 percent. Growth in local currencies was 2 percent.

Net sales for the Americas region amounted to SEK 6,582 (6,716) million in 2020, corresponding to negative growth of 2 percent. Growth in local currencies was 0 percent.

Net sales in the Asia region amounted to SEK 1,329 (1,429) million in 2020, corresponding to negative growth of 7 percent. Growth in local currencies was negative 5 percent.

Operating profit for 2020 amounted to SEK 1,248 (1,608) million, which corresponds to an operating margin of 10.8 (13.6) percent. The gross margin amounted to 49.9 (51.5) percent. Operating expenses decreased by SEK 10 million, which is attributable to cost reductions and having only made limited investments in expanding the business.

Axis' global team of employees increased by 159 individuals to a total of 3,805 employees at year end. New offices were opened within the sales organization, along with both improving and expanding some of the offices at existing locations. During 2020, 17.3 (17.9) percent of sales were invested in R&D pertaining to both software and hardware. R&D expenditure increased by SEK 170 (328) million compared to last year and amounted to SEK 2,213 (2,043) million.

The relatively strong EBIT combined with well-managed working capital generated a cash flow from operating activities of SEK 1,337 (462) million. During the year, total inventory decreased from SEK 1,779 to SEK 1,610 million. Total investments amounted to SEK 408 (441) million, of which SEK 200 (139) million was capitalized product development. Essentially, all of the remainder is attributable to investments in the new head office in Lund. With liquid funds of SEK 2,784 million, Axis is well equipped for making future investments that will fuel continued growth.

As the Axis Group is fully owned by Canon Inc., Axis does not file any separate consolidated annual report. The financial summary is compiled and consolidated based on IFRS accounting principles and included in the sustainability report for information purposes. The annual reports for each Swedish legal entity are filed with the Swedish companies registration office (Bolagsverket). 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	2020	2019
Net sales	11,563.6	11,805.9
Cost of goods and services sold	-5,788.8	-5,729.1
Gross profit	5,774.8	6,076.8
Other income and changes of value	-97.1	-29.5
Selling and marketing expenses	-1,796.9	-1,986.0
Administrative expenses	-419.3	-410.4
Research and development expenses	-2,213.1	-2,043.3
Operating profit	1,248.4	1,607.6
Financial items - net	-19.0	-22.6
Profit before tax	1,229.4	1,584.9
Income tax	-283.0	-353.4
Net profit for the period	946.5	1,231.6
Other comprehensive income		
Items that later could be transferred to the income statement		
Exchange differences	-80.7	41.4
Other comprehensive income for the period, net after tax	-80.7	41.4
Total comprehensive income for the period	865.8	1,273.0

Consolidated balance sheet

SEK M	Dec 31, 2020	Dec 31, 2019
Non-current assets	2,975.8	2,895.3
Inventories	1,610.4	1,778.7
Trade receivables	930.5	985.6
Other receivables	389.1	421.5
Current investments	0.0	0.0
Cash and cash equivalents	2,783.6	1,909.5
Total	8,689.4	7,990.6
Equity	6,096.8	5,231.1
Non-current liabilities	941.8	949.8
Trade payables	573.3	562.7
Other current liabilities	1,077.5	1,247.0
Total	8,689.4	7,990.6

Consolidated cash flow statement

SEK M	2020	2019
Cash flow from operating activities before change in working capital	1,152.2	1,713.4
Change in working capital	185.1	-1,251.2
Cash flow from operating activities	1,337.4	462.2
Cash flow from investing activities	-408.2	-441.4
Cash flow from financing activities	-55.0	-146.8
Cash flow for the period	874.1	-126.0
Cash and cash equivalents at the beginning of the period	1,909.5	2,035.5
Cash and cash equivalents at the end of the period	2,783.6	1,909.5

Multi-year summary

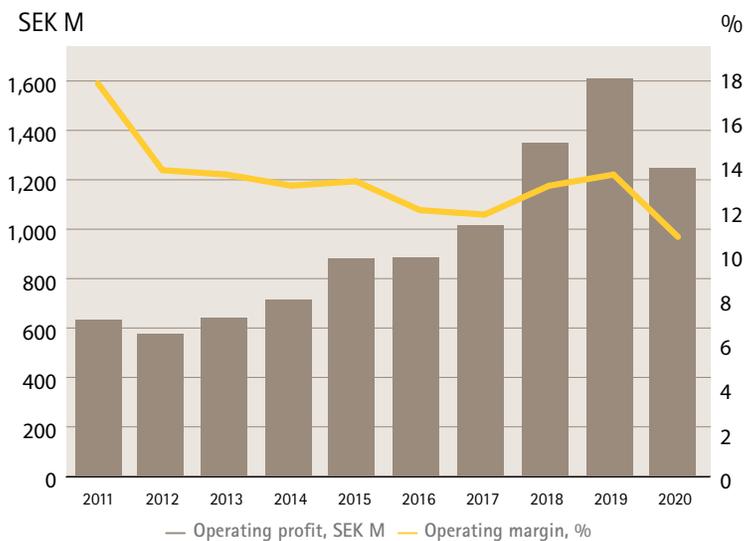
INCOME STATEMENT (SEK M)	2020	2019	2018	2017	2016
Net sales	11,563.6	11,805.9	10,277.7	8,602.6	7,385.7
Cost of goods and services sold	-5,788.8	-5,729.1	-4,916.0	-4,143.8	-3,678.9
Gross profit	5,774.8	6,076.8	5,361.7	4,458.8	3,706.8
Other income and changes in value	-97.1	-29.5	-19.3	-59.7	63.5
Selling and marketing expenses	-1,796.9	-1,986.0	-1,832.4	-1,547.1	-1,353.0
Administrative expenses	-419.3	-410.4	-445.4	-351.7	-298.9
Research and development expenses	-2,213.1	-2,043.3	-1,715.3	-1,486.4	-1,233.4
Operating profit	1,248.4	1,607.6	1,349.3	1,013.9	885.0
Net financial items	-19.0	-22.6	-0.5	-2.9	-0.8
Profit after financial items	1,229.4	1,584.9	1,348.8	1,011.0	884.2
Tax on net profit	-283.0	-353.4	-331.2	-275.2	-245.5
Net profit for the period	946.5	1,231.6	1,017.6	735.8	638.7

BALANCE SHEET (SEK M)	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016
Non-current assets	2,975.8	2,895.3	1,913.1	1,562.1	1,167.9
Inventories	1,610.4	1,778.7	1,492.9	803.3	1,106.5
Trade receivables	930.5	985.6	561.5	780.7	656.5
Other receivables	389.1	421.5	319.6	239.2	220.1
Current investments	0.0	0.0	89.3	93.2	0.0
Cash and cash equivalents	2,783.6	1,909.5	2,035.5	1,533.5	858.3
Total	8,689.4	7,990.6	6,411.9	5,012.0	4,009.4
Equity	6,096.8	5,231.1	3,958.1	3,075.5	2,352.3
Non-current liabilities	941.8	949.8	325.2	357.7	391.0
Current liabilities	1,650.8	1,809.7	2,128.6	1,578.9	1,266.1
Total	8,689.4	7,990.6	6,411.9	5,012.0	4,009.4

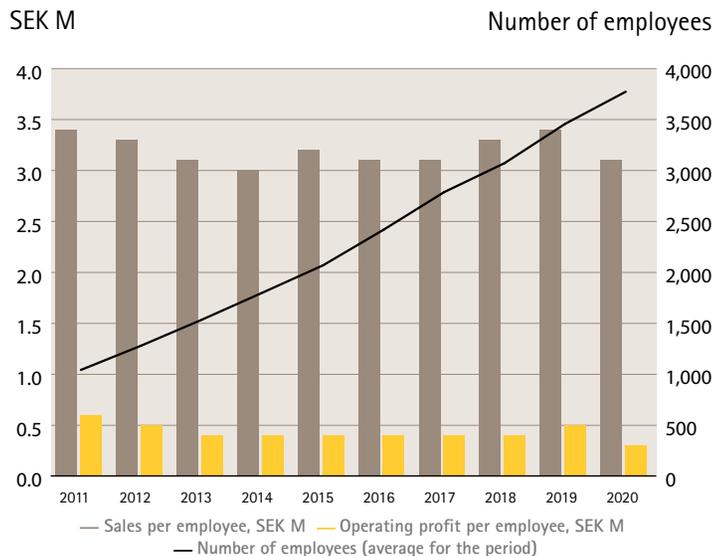
CASH FLOW STATEMENT (SEK M)	2020	2019	2018	2017	2016
Cash flow from operating activities before change in working capital	1,152.2	1,713.4	1,098.3	983.7	772.1
Change in working capital	185.1	-1,251.2	25.5	380.3	-50.7
Cash flow from operating activities	1,337.4	462.2	1,123.8	1,364.0	721.4
Cash flow from investing activities	-408.2	-441.4	-520.5	-623.7	-831.6
Cash flow from financing activities	-55.0	-146.8	-101.3	-65.1	-47.2
Cash flow for the period	874.1	-126.0	502.0	675.2	-157.4
Cash and cash equivalents at the beginning of the period	1,909.5	2,035.5	1,533.5	858.3	1,015.8
Cash and cash equivalents at the end of the period	2,783.6	1,909.5	2,035.5	1,533.5	858.3

OPERATING CASH FLOW (SEK M)	2020	2019	2018	2017	2016
Profit after financial items	1,229.4	1,584.9	1,348.8	1,011.0	884.2
Depreciation	396.5	396.0	198.6	175.9	135.8
Tax	-416.0	-416.2	-410.6	-273.0	-209.4
Total	1,210.0	1,564.8	1,136.8	913.9	810.6
Change in working capital	185.1	-1,251.2	25.5	380.3	-50.7
Net investments	-408.2	-441.4	-520.5	-623.7	-831.6
Operating cash flow	986.9	-127.8	641.8	670.5	-71.7

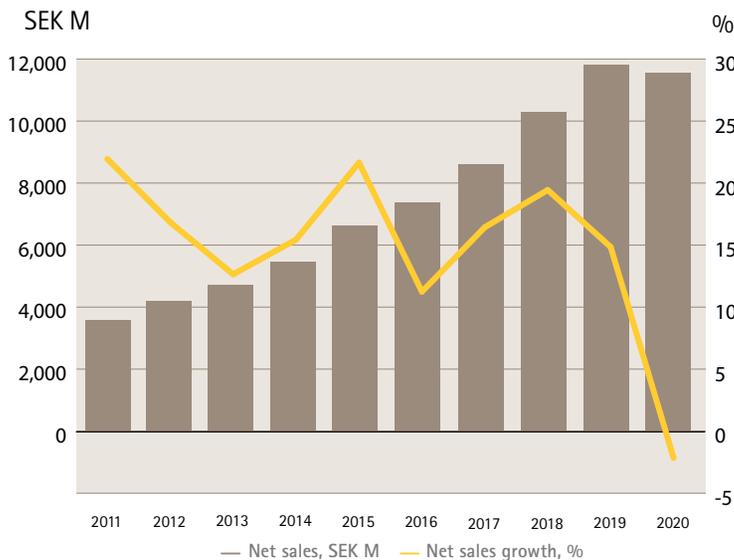
Operating profit



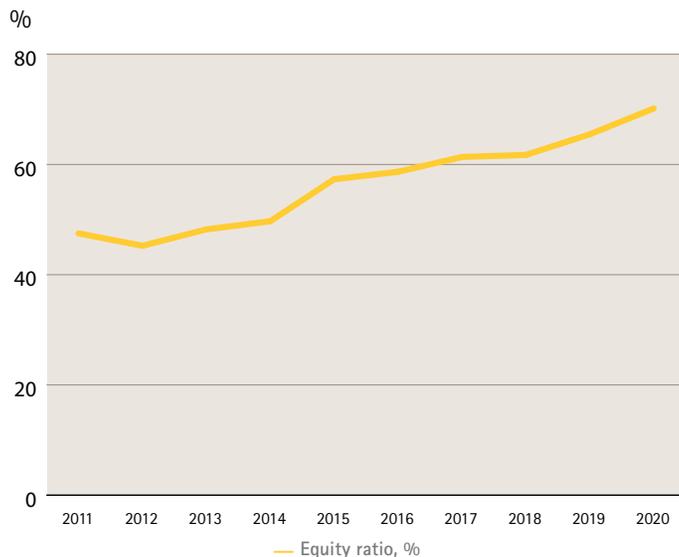
Employees



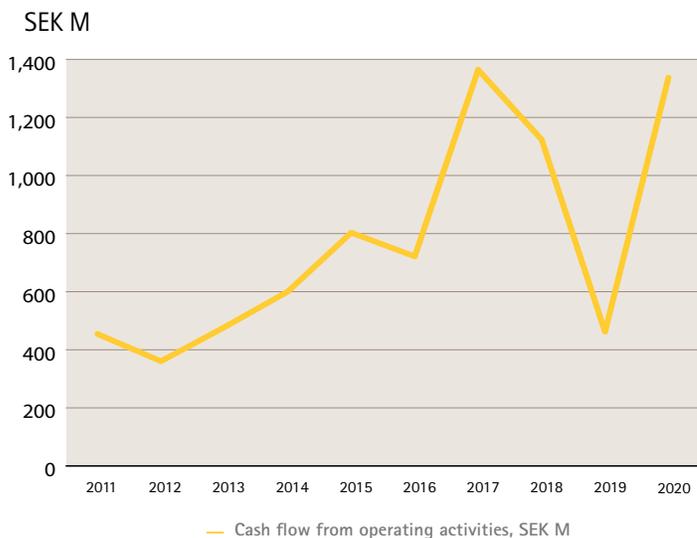
Net sales



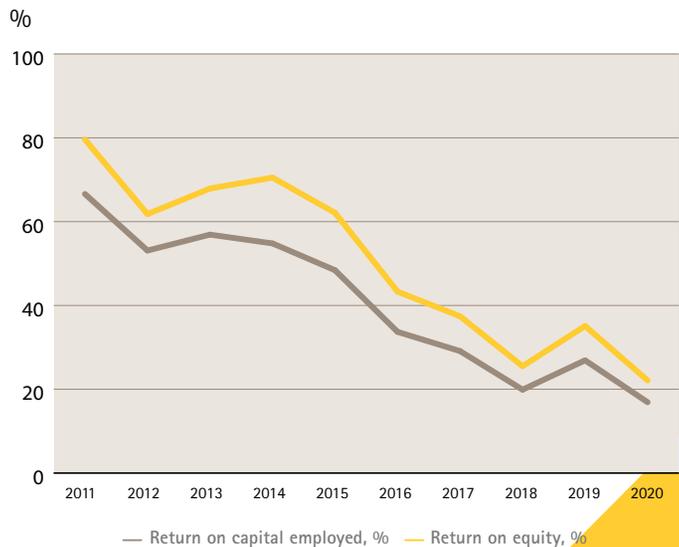
Equity / Assets ratio



Cash flow



Equity



Corporate governance

Axis is a Swedish corporation with its registered office in Lund, Sweden. It is fully owned by Canon Inc., although operates as an independent company within the Canon Group.

Despite the delisting of Axis and the fact that Canon Inc. holds 100 percent of the shares and votes in the company, Axis corporate governance is based on the Swedish Corporate Governance Code. As follows from the ownership structure, Axis deviates from the Swedish Corporate Governance Code in certain parts.

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.

The board of directors evaluates its work annually, using a systematic and structured process, with the aim of developing the board's working

methods and efficiency. Furthermore, the board evaluates the work of the chief executive officer formally once a year.

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.

President & CEO and group management

Axis group management consists of nine 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 2020, Deloitte was elected as auditor 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: The Swedish Anti-corruption Institute (IMM), Mercuri Urval Foundation, My Special Day (Min Stora Dag) Foundation, Jurie Advokat AB and Arvid Nordquist H.A.B.

Education: Master of Laws (LLM); Master of Science in Economics/Business

Administration, Stockholm University

Work experience: Mannheimer Swartling Advokatbyrå AB, Carl Swartling Advokatbyrå, District Court Service

Principal employment: Senior Adviser and Partner, Jurie Advokat AB



Martin Gren

Born: 1962

Board member since: 1984

Chairman of: AB Grenspecialisten, Grenspecialisten Förvaltning AB

Board member of: Askerö Sagoboks Förlag AB, Eikos Aktiebolag, H. Lundén Holding Aktiebolag, Proact IT Group AB

Education: Lund University of Technology;

Honorary Doctor HC, Lund University

Work experience: Founder and employee of

Axis Communications

Principal employment:

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: Concentric AB, Derome AB, GreenCarrier AB and JOAB AB

Education: Master of Science 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

leading positions in the Canon Group



Håkan Kirstein

Born: 1969

Board member since: 2015

Board member of: Cherrystone AB

Education: Master of Science in Economics, Stockholm University

Work experience: CEO Eltel Group AB, CEO

Niscayah Group, CEO StatoilHydro Sweden

Principal employment: Industrial advisor



Mats Friberg

Born: 1967

Board member since: 2015

Employed by Axis since: 2000

Employee representative



Malte Lennerstedt

Born: 1970

Board member since: 2017

Employed by Axis since: 2013

Employee representative



Eva Svensson

Born: 1964

Board member since: 2017

Employed by Axis since: 2012

Employee representative

Deputies



Fredrik Andersson

Born: 1989

Board member since: 2020

Employed by Axis since: 2012

Employee representative



Cecilia Persson

Born: 1979

Board member since: 2020

Employed by Axis since: 2017

Employee representative

Group management



Ray Mauritsson
President & Chief Executive Officer

Born: 1962
Employed by Axis since: 1995
Education: Master of Science in Engineering Physics and Executive MBA from the Institute of Economics, Lund University
Previous employment: TAC
Board member of: Alfa Laval AB



Jonas Hansson
Chief Information Officer

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



Peter Lindström
Executive Vice President Head of Sales

Born: 1970
Employed by Axis since: 2003
Education: Bachelor of Science in Electrical Engineering and Executive MBA, Lund University
Previous employment: Sony, BPE Broadcast Professional Europe, GoPoint, Gandalf Data
Board member of: Formpipe Software AB



Fredrik Nilsson
Vice President, Americas

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



Fredrik Sjöstrand
Vice President & Chief Financial Officer

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



Malin Svensson
Chief People Officer

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



Lars Åberg
Vice President, Marketing

Born: 1966
Employed by Axis since: 2008
Education: Bachelor of Science in Business Administration and Economics, Lund University; 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 25, 2021.



Johan Paulsson
Chief Technology Officer

Born: 1963
Employed by Axis since: 2008
Education: Master of Science in Electrical Engineering, Lund University
Previous employment: Ericsson, Anoto
Board member of: Acconeer AB, SaFP and Winplantan AB

Biörn Riese
Chairman

Ray Mauritsson
President & CEO

Martin Gren
Board member

Toshizo Tanaka
Board member

Marianne Brismar
Board member

Håkan Kirstein
Board member

Mats Friberg
Board member, employee representative

Malte Lennerstedt
Board member, employee representative



Per Ädelroth
Vice President, Operations

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

Eva Svensson
Board member, employee representative

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, intercom and audio systems. Axis has more than 3,800 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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