



Guidelines that create confidence

Corporate governance defines the decision systems by which the owners, directly or indirectly, manage the company. In a stock corporation such as Axis, governance, management and control are distributed among the shareholders, the Board of Directors, the President and management team in accordance with prevailing laws, regulations and instructions.

Axis AB (publ) (hereafter "Axis") is a Swedish joint stock corporation with its registered office in Lund, Sweden. Axis was floated on the Stockholm Stock Exchange in 2000 and is currently listed on NASDAQ OMX Nordic. The company follows the provisions of the Swedish Companies Act as well as the stock exchange regulations for listed companies in Sweden.

Axis applies the Swedish Code for Corporate Governance (hereafter the "Code") according to which this corporate governance report is prepared, and follows it with the exception of what is expressly stated in the following. The corporate governance report describes how corporate governance has been conducted in Axis during the fiscal year 2008. The corporate governance report has not been reviewed by the auditors.

Deviations

Axis deviates from the code in the following cases. In relation to items 1.2.1 (distance participation), 1.4.3 (material and simultaneous interpretation) and 1.4.5 (translation of minutes), 1.5 (simultaneous interpretation to another language) and 1.7 (the minutes in another language than Swedish) the company deviates from the Code's "soft" requirements since the company considers that these requirements are not motivated bearing in mind the composition of the shareholder base. The company deviates in relation to item 2.1 (The nominating committee shall submit proposals regarding appointment and remuneration of auditors) with the explanation that the Board submits proposals regarding appointment and remuneration of auditors as the Board considers that it is suitably qualified for this by virtue of its composition and expertise. The company deviates in

relation to items 10.1 & 10.2 (audit committee) as the entire Board constitutes the audit committee.

Share capital and voting rights

Axis had 17,503 shareholders at the close of 2008 according to the share register kept by VPC AB. The company's principal owner is LMK Industri (19.9 percent of the share capital). Foreign investor's equity interest was 23 percent. The ten largest owners had total holdings corresponding to 56.5 percent of the share capital. For additional ownership information see page 30 in the annual report. The company's share capital totaled SEK 693,737 at year-end, distributed among 69,373,700 shares. All 69,373,700 shares (as at December 31) carry one vote and equal right to share in the company's assets and earnings.

General Meeting

The general meeting is Axis' highest decision-making body, and the forum through which the shareholders can exercise their influence over the company. The ordinary general meeting where the Board shall submit the annual report and audit report as well as the consolidated financial statements is called the Annual General Meeting. The annual general meeting in Axis AB is held annually in the Lund area during the first half of the year. The place and date of the annual meeting will be announced in connection with the third quarter report. Information regarding the shareholders' right to have matters dealt with at the annual meeting will be published in the third quarter report. The notice convening the annual meeting is published no later than four weeks prior to the annual general meeting. At the annual general meeting, information is provided about the company's performance during the past year and resolutions are made on important questions. The shareholders are given the opportunity at the Annual General Meeting to put questions about the company and the results for the year in question. In order for shareholders to attend the general meeting and vote for their shares, shareholder must be registered in the share register and have given notice of participation within a certain time. Those shareholders that cannot personally attend, may exercise their votes by proxy.

Annual General Meeting

The particulars of the Annual General Meeting are governed in the Swedish Companies Act and in the Articles of Association. The Annual General Meeting was held in Lund on April 17, 2008.

The general meeting resolved as follows.

- > that a dividend of SEK 1.25 per share be paid and SEK 3.25 as an extra dividend in the light of the company's strong financial position, and
- > to authorize the Board to resolve on a new issue. The Board received the mandate, during the period until the next annual general meeting, deviating from the shareholders' preferential rights, on one or more occasions to make a new issue of a maximum of 6,868,000 shares in total. The purpose of the authorization is to facilitate corporate acquisitions with payment wholly or partly in Axis shares.

Nominating Committee 2008

The Annual General Meeting resolves how the nominating committee shall be appointed. The Annual General Meeting 2008 resolved that Axis shall have a nominating committee comprising representatives of the three largest shareholders in the company as at August 31, the year before the annual general meeting. These shall each appoint a representative to the nominating committee by September 30, the year before the annual general meeting or at the latest six months prior to the annual general meeting. Axis' nominating committee is composed of representatives from the three largest shareholders; Therese Karlsson (LMK Industri AB), Christer Brandberg (Inter Indu S.P.R.L) and Martin Gren (Grenspecialisten AB). Christer Brandberg is Chairman and Convener.

The work of the Nominating Committee

The sole task of the nominating committee is to prepare the general meeting's resolutions in election and remuneration questions, as well as in certain procedural matters for the next nominating committee. The nominating committee shall give an account of its work at the annual general meeting. Its proposals are presented in the notice convening the Annual General Meeting and on the company's website. As a basis for its proposals, the nominating committee shall consider to what extent the present Board meets the demands that will be made of the Board, on account of the company's situation and future direction, among other things, by acquainting themselves with the result of the evaluation of the Board that has taken place.

Proposals and viewpoints from shareholders concerning the composition of the Board of Directors may be submitted in writing to the following address: Axis AB, attn. Adrienne Jacobsen, Emdalavägen 14, 223 69 Lund, Sweden, or by phone on +46 46 272 18 00.

The Board of Directors

During the period between the annual general meetings, the Board of Directors of Axis constitutes the highest decision-making body in the company. The tasks of the Board are governed in the Swedish Companies Act and in the Articles of Association. The current Articles of Association was adopted at the annual general meeting 2005 and is available in its entirety on www.axis.com (select Investor Relations).

Composition

All nominated Members of the Board were present at the annual general meeting on April 17, 2008. The Board members Charlotta Falvin,

Martin Gren, Olle Isberg, Göran Jansson and Lars-Erik Nilsson were re-elected. Lars-Erik Nilsson was re-elected Chairman of the Board. Martin Gren is employed in Axis Communications and is one of the three largest shareholders in the company. The other Board members Lars-Erik Nilsson, Charlotta Falvin, Göran Jansson and Olle Isberg are independent in relation to Axis and the company management according to the Code's provisions and NASDAQ OMX Nordic's continuous listing requirements. Information regarding remuneration to the Board members, as resolved upon by the Annual General Meeting can be found in the Annual Report on page 55.

The formal work plan of the Board of Directors

Under the Swedish Companies Act, the Board is responsible for drawing up and evaluating Axis' overall, long-term strategies and goals, adopting the budget and taking decisions affecting the operations and major investments in Axis' organization and operations

The formal work plan of the Board is adopted annually by the Board. This formal work plan sets out the division of work and responsibility between the Board and the President and CEO. It is incumbent on the President and CEO, in consultation with the Chairman of the Board, to prepare the decision data, the notification and the agenda for each Board meeting. The notification and decision data are to be circulated to the members of the Board in good time. The minutes are to be circulated to the members of the Board after the meeting, and a copy stored securely by the company.

The role of the Chairman of the Board of Axis AB, among other things, is to monitor the progress of the business, to organize and lead the work of the Board and to be responsible for ensuring that the other directors continually receive the information they require to carry out the work of the Board with quality maintained and in accordance with the Swedish Companies Act. In addition to this, the work of the Board is regulated by statutory instructions for the President and CEO and instructions on financial reporting.

The work of the Board during 2008

During the year, the Board devoted a considerable part of its work in particular to an advancement of the focused strategy in the network video area. The Board has closely followed the Group's financial performance during the year through monthly reports and submissions by the Group's Chief Financial Officer at all Board meetings, among other ways. Furthermore, the Board has dealt with questions such as;

- > the growth strategy for the Video product area
- > development activities and establishment of subsidiaries/sales structure.

The Board conducts an annual evaluation of its work through the agency of the Chairman. During 2008, the Board held nine Board meetings including the inaugural meeting after election. See table below for meeting attendance.

Member	Meeting	1	2	3	4	5	6	7	8	9
Lars-Erik Nilsson (chairman)		X	X	X	X	X	X	X	X	X
Charlotta Falvin		X	X	X	X	X	X	X	X	X
Martin Gren		X	X	X	X	X	X	X	X	X
Olle Isberg		X	X	X	X	X	X	X	X	X
Göran Jansson		X	X	X	X	X	X	X	X	X

A presentation of the Board may be found on page 63.

Committees

Remuneration committee

The task of the Remuneration Committee is to prepare decisions and guidelines relating to salary and other employment conditions for the management team (including President and CEO) and other personnel. The committee shall ensure that the guidelines for determination of salaries and other remuneration to the President and other persons in the management team, adopted by the Annual General Meeting are followed. The Remuneration Committee shall report to the board on an ongoing basis. The committee is appointed at the inaugural Board meeting after the annual general meeting. In 2008, the committee consisted of Lars-Erik Nilsson (convener) and Olle Isberg. During the year, the Committee held one meeting, where both members participated. Information regarding the management team's remuneration and other employment conditions can be found on page 55 in the annual report and information regarding outstanding incentive programs on page 55.

Audit Committee

The Board has decided not to establish an audit committee. The Board of Directors believes that taking account of the limited size it is most appropriate that the entire Board carries out the tasks of the audit committee.

The President and management team

Axis' management team consists of seven members, and is led by the President and CEO, Ray Mauritsson (born 1962). Ray Mauritsson is a graduate engineer, with a degree in Technology and Physics from the University of Lund, and an Executive MBA from the Business School at the University of Lund. He joined Axis in 1995, and took over as President and CEO in 2003. Prior to this, Ray Mauritsson held leading positions at TAC (now Schneider Electric). Ray Mauritsson is a director in HMS Industrial Networks. For information regarding shareholding, see page 64 in the annual report.

The President and CEO manages the day-to-day work of the operations, and is responsible for keeping the Board informed of the performance of the operations, and that they are being carried on in accordance with the Board's guidelines and instructions. The President keeps the Board and the Chairman continually informed of the company's and the Group's financial position and performance. The Group management team held 12 formal and a large number of informal meetings during the year.

Audits

Axis' auditors are elected by the annual general meeting for a period of four years. The company's auditors are Öhrlings PricewaterhouseCoopers AB, with Bertil Johanson as Chief Auditor. Bertil Johanson was born in 1949 and has been an Authorized Public Accountant since 1981. Öhrlings PricewaterhouseCoopers AB have been Axis' auditors since 1996 and Bertil Johanson since 2007.

According to item 2.1 of the Code, proposals for appointment and remuneration of auditors should be submitted by the company's nominating committee. Axis' Board has, however, in deviation from the above-mentioned provision in the Code, decided that the Board shall submit proposals to the annual general meeting with regard to

both appointment and remuneration of auditors. Such proposals shall be prepared by a group specially appointed by the Board, comprising representatives from the Board and Axis' management. The reason for the deviation, is that the above-mentioned group has particular experience of questions relating to appointment and remuneration of auditors. This competence is considered to be of benefit to Axis.

Internal control report

Introduction

The Board of Directors is responsible for internal controls at Axis under the provisions of the Swedish Companies Act and the Swedish Code of Corporate Governance. The Board's report is drawn up in accordance with sections 10.5 and 10.6 of the Swedish Code for Corporate Governance, and has, therefore, been limited to covering only internal controls of financial reporting. This report is not a part of the company's legal financial statements and has not been examined by the company's auditor. The company's processes and systems for ensuring effective internal controls have been designed with the intention of managing and limiting the risks of material errors in the reporting of financial data, and, consequently, lead to both operational and strategic decisions being based on accurate financial information.

Axis' process for the internal control of financial reporting is structured in accordance with the COSO framework (Committee of Sponsoring Organizations of the Treadway Commission), with the control environment as a base for other components and activities; risk assessment, control activities, information and communication as well as follow ups.

Control environment

The Board of Directors has overall responsibility for establishing and maintaining an effective system for risk assessment and internal control. The Board has adopted a formal work plan for its activities in which the mutual division of work between Chairman of the Board and its members is defined. The day-to-day work of maintaining an effective internal control environment and continuous risk assessment in respect of financial reporting has been delegated to the President and CEO, who in turn has delegated function-specific responsibility to managers at appropriate levels within the Group.

A detailed delegation plan has been drawn up, with well-defined attestation and decision levels. This is applied throughout the Axis Group.

A. Operational Management

Axis' management team (Group management) consists, in addition to the President and CEO, of the managers of the various central functions within the Group, such as sales and marketing, research and development, operations, and finance. Within and between the various functions there are a number of control groups, committees and project groups, formed with the aim of creating short decision paths and ensuring that the operations are managed effectively towards the attainment of the Group's defined goals.

B. Corporate Culture

Axis has a strong and firmly-established corporate culture, which fundamentally encourages all employees to think creatively and innovatively, and to show respect for each other's diversity. Everyone is encouraged to question, take the initiative and take responsibility, and

to strive at all times towards the common goals, guided by our watchwords – "act as one", "think big" and "always open". The corporate culture is founded on confidence, trust and personal responsibility. In the recruitment process, great weight is placed on ensuring that the applicants appointed share the fundamental values on which the corporate culture is built. The majority of new employees in Sweden as well as internationally, undergo introductory training at Axis' head office in Lund. The training aims to increase the understanding of Axis' operating procedures and corporate values.

C. Guidelines and policies

Responsibility and authority are defined in the delegation plan adopted by the Board, instructions for attestation, handbooks, other policies and codes, among other things. The Group's most important guidelines and policies relate to financial control, communications, business ethics and environmental matters. The basis for financial control and follow up consists of the Group's overall finance and accounting policies. The aim of Axis' communications policy is to ensure that external and internal information provision is based on facts, is accurate and uniformly structured. Part of the communications policy deals with Investor Relations, IR, and is intended to ensure compliance with the appropriate laws and stock exchange rules, and to give a reliable and accurate picture of Axis and its operations to players in the financial market. Axis has a Code of Conduct in place. The purpose of the Code is to set out the approach, values and guidelines that Axis' personnel shall apply in matters of business ethics and also the approach to human freedom and human rights. The objective of Axis' environmental policy is to ensure that the company supplies products and solutions in an efficient and environmentally low-impact way, and that legal obligations and environmental regulations are complied with.

Risk assessment

Risk assessment involves identifying, measuring and recording the sources of risk. The significant risks which affect the internal control with respect to the financial reporting are identified at Group and company level, as well as at regional level. The process of risk assessment also includes risks of impropriety and undue favoritism to another party at the company's expense. The risk assessment procedure results in measures that aim to strengthen the level of control and to aid in the fulfilment of the fundamental requirements of the financial reporting.

Control activities

There are both overall and more detailed control activities, aimed at preventing, discovering and correcting faults and deviations. The activities include manual controls, controls embedded in IT systems and controls in the underlying IT environment, i.e. general IT controls. The global controller organization is composed of regional controllers with responsibility for different sales regions, business controllers with dedicated function responsibility and a number of controllers with company-wide areas of responsibility. The regional controllers formally report to the regional sales director but also report operationally to the financial department at head office. The control organization is evaluated on an ongoing basis by the Group Controller and CFO with the aim of ensuring quality and efficiency. The CFO actively participates in the recruitment process of all qualified controllers.

Axis does not have a separate internal audit function. The Board has decided that there are no special operational circumstances or other factors which would justify setting up such a function.

Information and communication

Important guidelines, handbooks and similar information relating to financial reporting are updated and communicated to the staff involved on a continuous basis. There are both formal and informal information channels to the company management and to the Board for important information from staff. The Board meets regularly with representatives of the various central functions in the Axis Group, partly when they attend Board meetings and partly through individual meetings. The President and CEO and the CFO keep the Board continuously informed of the Group's financial position, performance and any areas of risk.

The company's auditors attend at least two Board meetings per year, at which the auditors give their assessment and observations on the business processes, accounts and reports. The Chairman of the Board also maintains continuous contact with the auditors.

Financial reporting and follow up

The financial reporting and financial control are carried on in accordance with well-defined guidelines and policies. The various processes are thoroughly supported by complex, purpose-designed IT systems. The company's financial performance is monitored continuously by the Board through comprehensive monthly report packages, and through reports by the CFO at all Board meetings. Compliance with the company's finance policy is followed up quarterly in special reports. A high level of transparency in the report material and financial processes enables any deficiencies in internal control to be identified and rectified.

The reporting structure is based on two principal dimensions, geographical and functional. A monthly income statement is prepared for each dimension, and these are followed up with the responsible managers and controllers. At present, the geographical dimension consists of three regions and 24 sub-regions. The smallest components of the functional dimension are the cost centers which, in aggregate, add up to the three functions of Marketing and Sales, Research and Development and Administration. The total number of cost centers with individual income statements and separate follow up amounts to 142. The company's geographical spread creates ideal conditions for comparative analyses between the regions. The key ratios for the regions and sub-regions constitute a central part of the follow up and analysis procedure.

Another significant Group-wide factor in internal control is the rolling forecast process. Monthly sales forecasts are prepared, with a 12 month horizon and at product level, by the managers of the various regions. The sales forecasts are consolidated and validated by the Group's Finance Department in connection with production of detailed forecasts for the operations. Detailed forecasts are produced three times a year, in April, August and November, and refer to the next twelve-month period. These are built up from each individual cost center in the Group's companies, and then combined with the monthly sales forecasts, and are consolidated, analyzed and compiled by the Group's Finance Department. The forecast drawn up in November, which relates to the next calendar year, is ratified by the Board meeting in December. In addition to twelve-month forecasts, the Group management team works continuously on overall strategic three-to-five year scenarios. ■