

## **A commitment to sustainable values**

How intangible assets will drive business value  
over the long term

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# 1. Foreword

*by Atul Rajput, Regional Director, Northern Europe, Axis Communications*

For many in today's business world, a corporation's total value is thought of as the sum of its tangible assets, a crude calculation of revenue, profits, headcount and capital investments. That's because historically, this was true: in 1999 80% of a company's value was tied up in tangible assets.

Today, the World Bank estimates that the combined market value of every single publicly listed enterprise in the world is more than \$79 trillion. Yet all the world's leading accountants agree that only one fifth of that is tangible assets. Things have completely switched in twenty years; today 80% of business value is represented by people, culture, brand and other intangible assets.



Our understanding of what adds value to business is broken. What's more, it deeply affects our decision making: because we don't understand what it is that adds value to a business, we think in terms of short term profits rather than long term gain.

We can see the evidence of this all around us. We live in an age of abundance, where anyone with a smartphone has greater access to information than world leaders had at the time of Glasnost. There are fewer conflicts today than at any time in human history, and just a small fraction of people lives in poverty, compared to two decades ago.

Despite these things, the theme of our era is that growing inequality, social injustice, environmental damage and the impact of waste are fragmenting communities and creating tensions and political unrest. This is the result of outmoded business thinking, and we see the impact in borders closing and a growing distrust of the corporate world.

Many companies and global institutions are working to find a way to formally quantify the value of intellectual capital, human capital, natural capital and social and relationship capital, because they believe that a more conscious form of capitalism is good for the planet, good for people and good for their profits. They strive to understand the relationship between strong, ethical leadership and the value of intangible assets, and take action against short term thinking that leads to exploitation, environmental destruction and corruption.

Not just because it's the right thing to do, and it is, but because the long-term future for our businesses depends on sustainability within our supply chains, retaining customer trust and working together to address social issues that threaten our communities and societies. Citizens today are increasingly demanding that companies have a purpose beyond profit, one that centres on the ideal of improving people's lives.

At Axis we're proud to be one of those organisations. We believe that just as our innovative solutions contribute to a safer, smarter world, so should our business practices.

In this whitepaper, my colleagues and I have laid out an overview of how we strive to achieve our goals in this area, and the ways in which we believe all companies should behave if we're to move towards fairer and more sustainable models of doing business. That is why we work hard to ensure our business is sustainable and transparent, adheres to the most stringent guidelines and values our people, our culture and our planet.

## 2. Introduction: Creating long term sustainable advantage

Many still hold the view, in mid-sized and large enterprise, that values come second place to pragmatism. High-minded goals about sustainability shouldn't interfere with profit-making activities. But in a rapidly changing market place, driven by exponentially accelerating technologies and their disruptive effect on every industry, there are only two truly long-term markers of competitive advantage: competence and values. The first will ensure that products stay relevant and are trusted by customers; a commitment to excellence in a market that rapidly matures and becomes commoditised will always be a key differentiator for Axis.

It's a commitment to values, however, that makes competence possible. Developing a cohesive company culture that always looks to long term sustainability over short term gain is what underpins the decision-making process, which is important in a market that is constantly evolving and throwing up new challenges.

For example, a culture that values the long-term well-being of your company and customers is what creates the institutional understanding that issues like data security should never be compromised in the race to develop more internet-connected products and satisfy growing demands.

The importance of technology with integrity

Today, the IoT world in which Axis operates is at risk of being caught up in a public backlash as awareness grows of poorly implemented security practices and data protection mechanisms. From massive breaches involving personal information held by social media companies, to the Mirai botnet, bad decisions have been made that have damaged consumers materially and destroyed their trust.

Long term thinking values user security and transparency because it is the right thing to do, and because it will allow us to thrive and survive in a world where brand and reputation are so intrinsic to success. The same ethos is what drives our designers to think about what happens to devices after they've reached end of life, and ensure as much as possible is reclaimable and recyclable.

Sustainable business also means zero tolerance for bribery and corruption, and again, dealing with integrity is good for business. The evidence is that sooner or later corrupt regimes fall, and multinationals who have turned a blind eye to the backhanders that "grease the wheel" will get caught up in the fallout. Short term thinking will lead to long term loss. In the case of companies which have been forced into liquidation thanks to their association with corrupt regimes, that loss has been complete.

Our commitment to sustainability is real, because we see value beyond profit in the long-term health, welfare and trust of our customers, and we're not the only ones. Integrated reporting which sees human capital as an asset rather than a cost, and strong environmental policies as an indicator of future worth, are becoming commonplace. When this is widely adopted, the way that the total value of a business is calculated will fundamentally change.

In this new world, there is a measurable "triple bottom line", of people, the planet and profits. So maybe you can implement a value based sustainable advantage after all.

### Values attract creative thinkers

Today's employees – the so-called 'Millennial' generation – are looking for more than profit and monetary reward from their employers. They want to work for businesses that have a positive impact and give their jobs meaning. The most creative and talented individuals want to work for organisations that demonstrably share their values, who in turn have lower turnover of staff and a more innovative internal culture.

### **3. Sustainability for a smarter, safer world**

For many businesses, value ends when a product is sold: at the end of its lifespan it's thrown away and a new sale is made. Value is derived from revenue on each sale, and efficiencies in the production process.

Sustainable principles encourage us to think about economic effects in circular terms. In a circular economy, emphasis is placed on what happens beyond the sale: at Axis, for example, we focus on supporting devices in the field and are working hard to make products more easily recyclable. This means that maximum value can be derived from the raw materials by using them again and again, creating jobs and industries in new areas.

Sustainability is about more than environmental concerns. At Axis, we believe that what we do today significantly impacts our future as a business and as a society. Our overall aim as a company is to innovate for a smarter, safer world and the way in which we achieve that is as important as the end result itself.

Underpinning Axis' sustainability strategy is a commitment to the UN Global Compact, which Axis signed in 2007, and its 10 principles on human rights, anti-corruption, the environment and labour. Axis has also identified areas where its sustainability work meets the aims of the UN Sustainable Development Goals.

Axis' goal is to take sustainability into consideration in all business processes and to promote sustainable conduct in the entire value chain. The company takes long-term environmental, social and economic responsibility and acts in an ethical, transparent and responsible way in relationship to all stakeholders. This means minimising the waste stream and eliminating hazardous chemicals from the manufacturing process, ensuring suppliers are paid in a timely manner, creating job opportunities and healthy working environments and being a leader in the fight against corruption and human rights abuses.

#### **3.1 Building the right strategy**

In practice, this starts with a number of policies, including a code of conduct, which all employees including the board are obliged to follow. These form a Sustainability strategy which is based on the key pillars of: Economic Responsibility and Responsible Business Conduct, Environmental Responsibility and Social Responsibility.

This strategy, based on the UN Global Compact, is overseen by the Sustainability steering group, and put into practice by the Sustainability project group which has operational responsibility for developing initiatives and sustainability reporting.

Within Axis, four more groups work towards defining and executing the Sustainability strategy: the Environment council, the Social Responsibility council and two health and safety committees. Representatives from all areas of the company, including trades unions, sit on these various bodies. This structure allows for continuous re-evaluation of our Sustainability policy and management of the processes through which it is carried out.

#### **3.2 A shared value chain of responsibility**

A vendor cannot claim to be truly sustainable if it only focusses on itself. In many territories we are absolutely reliant on our partner community to do business well. Ensuring that our entire chain of suppliers, distributors and resale partners shares our commitment to social responsibility means that customers can trust the Axis brand.

As a company, Axis has a responsibility to promote and maintain its values up and down its supply chain, because we can and do effect change through scale. We have offices in 50 countries and partners in 129 more. We work with more than 90,000 companies globally, so when we ask our employees and distributors and resellers to sign a pledge that they will not be complicit in the casual corruption that traps so many people in poverty around the world, we can make a difference to a major global problem.

To facilitate this, our collaborations are based on long term relationships, in which Axis commits to training, auditing and informing its partners so that development, manufacturing, sales, distribution and use of the company's products occurs in as responsible a way as possible.

**A culture of shared values**

We believe that our culture of shared values has been a significant contributor to our high levels of customer satisfaction. In our most recent global survey, 82% of customers said that they were "highly satisfied with Axis".

## **4. Axis pillars of sustainability: How our strategy is delivered**

### **4.1 Economic Responsibility and Responsible Business Conduct**

Strong and enduring profitability and reaching financial goals are of central importance for Axis and for the company's stakeholder groups and constitute the basis for the long-term sustainability efforts. This combines taking economic responsibility – paying tax in accordance with applicable laws and regulations that contributes to the development of countries where Axis has operations – and conducting business in a sustainable, responsible way.

Axis' Code of Conduct establishes the values and guidelines on which Axis conducts its business and how employees should act in business-related situations, internally and externally. All of Axis' employees and board members are expected to sign the code of conduct, as are suppliers. Distributors and partners are also encouraged to follow the requirements in Axis' Code of Conduct and are informed as to the implications of this.

The Code of Conduct is based on the UN Global Compact's ten principles, the UN Declaration of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. The Code of Conduct is explicit in its prohibition of child or compulsory labour, maintenance of good working conditions and zero tolerance for corruption. It goes beyond legal requirements, establishing values and guidelines on which Axis conducts business: professionally, responsibly, transparently and honestly.

**0** cases

**0 cases of bribery or corruption have been identified or brought to the company's attention in 2015 or 2016.**



**0** incidences

**Conflict minerals**

0 incidences of conflict mineral use were discovered in our supply chain in 2017. Axis commits to using only conflict-free minerals in the manufacture of electronic products and carries out regular audits of its supply chain to ensure that this strict policy is adhered to. Our guidelines are based on recommendations from the Responsible Business Alliance and the Global e-Sustainability Initiative.

### What happens if conflict minerals have been used in our supply chain?

Should suppliers be discovered to have directly or indirectly sourced conflict minerals, Axis will in the first instance work with the supplier to end the practice. If appropriate measures are not implemented Axis will end the partnership.



### Data protection

While the end user remains ultimately responsible for the way in which products are used, we work closely with partners to help them understand the nuances of – for example – video surveillance technology and how it is utilised. This includes maintaining regular dialogue around the correct use of cameras and recording equipment, and the storage of data generated.

We also help to establish sector-specific best practices and develop software solutions to enable these. These solutions include improving personal integrity protection through anonymisation of data, masking parts of an image (such as faces) and ensuring that only necessary data is captured and stored.

Vulnerability management plays a crucial role in Axis' cybersecurity strategy, ensuring that we apply best practice security measures in a transparent and timely manner following the identification of a critical vulnerability. Deploying this structured approach ensures we take responsibility when a flaw is discovered, and rapidly act to resolve it.

**0** detected

**1 security vulnerability that could affect privacy was detected in Axis products in 2017, and swiftly remedied. 0 were detected in 2015 and 2016.**

Technology is key to development in maturing markets, and as we grow it's important that we do so in a way that contributes to that maturing process in a positive manner that's good for society, good for our partners and ultimately good for us as a business too. It's a virtuous circle of growth.

One way in which Axis creates value in this respect is by committing to pay local taxes and investing in **social initiatives** wherever its operations are based. Additionally, employees are encouraged to use a portion of their salaried time to engage in projects with a social impact.





## 4.2 Environmental Responsibility

Axis works to reduce the environmental impact of its operations, both those generated as a direct result of its business and the indirect impact related to manufacturing and energy use. We measure our carbon footprint honestly and with care, including CO<sub>2</sub>e emissions generated by third party deliveries which make up 76% of the total.



**20%**

Our goal is to **reduce CO<sub>2</sub>e** per unit sold by 20% between 2016 and 2021. Progress towards this goal is being achieved through initiatives such as moving manufacturing closer to our largest market, and a reduction in the amount of materials used in packaging. This includes optimising the size of boxes to cut down on waste and introducing lighter and more compact materials such as inflatable packaging.

**95%**

### Material use

95% of materials used in Axis products can be **recycled** or combusted at their end of life.

In our manufacturing processes, we aim to reduce the use of virgin and toxic materials. New product designs are scored using a Green Design Evaluation Form, which makes clear and encourages progress towards our overall goals.

**93%**

### Hazardous substances

93% of Axis network cameras that were sold during 2017, was **PVC-free**.

Axis complies with applicable legislation such as the EU's Restriction of Hazardous Substances (RoHS) directive. Our internal ambitions go much further, however. Axis maintains a regularly updated list of substances which should be restricted, including phthalates and beryllium, and is working to produce network cameras that are free of brominated or chlorinated flame retardants (BFR/CFRs).

### Energy consumption

60-80% of the environmental impact of Axis products over their lifespan is energy consumption while in use.

Axis is working hard to improve energy efficiency, and significant progress has been made thanks to technologies such as Lightfinder, which enables cameras to capture sharp colour images in low light conditions, reducing the need for illumination.

**14%**

There was a 14% fall in **energy use** per employee at Axis' Lund headquarters in 2017.

58% of Axis' full-time employees are based in Lund.

Worldwide, per employee energy usage fell from 2.9MWh to 2.6MWh for full-time employees (excluding logistics)

### 4.3 Social Responsibility

Axis takes its social responsibility seriously and strives to positively impact the working environments of its employees and supplier employees around the world. We aim to be a model for an attractive and safe workplace, living up to our vision of a smarter, safer world.

This means equality of opportunity and non-discrimination in the workplace, and the maintenance of human rights and working conditions in the supply chain.

**91%**



#### Occupational health and safety

91% of employees think that Axis is a **very good workplace.**



We ensure market-related salaries and that all offices respect the need for reasonable working hours. Managers commit to work with employees around career development, and regular training and opportunities for advancement are offered.

**2.2%**

2.2% = target for illness rate

#### Unionisation

Employees have the right to unionise and enter into collective bargaining arrangements, in accordance with local legislation in our countries of operation.

#### Diversity and non-discrimination

Axis does not tolerate any form of discrimination or harassment whatsoever, based on gender, sexual orientation, ethnicity, national origins, religious belief, age, civil status, functional impairment or other statutory reasons.

We believe that the more diverse our workforce is, the more innovative we will be as a company thanks to the greater dissemination of ideas from different cultures and backgrounds. This is a competitive advantage.



#### Pink Programming

Pink Programming is a non-profit association, which is working to increase the number of women that code. Axis is a key supporter of the initiative.

## 5. Conclusion

This whitepaper is only the very outline of the work that we do at Axis in order to meet our sustainable goals, and more details can be found in our published Annual and Sustainability Report. For all our efforts, we, and other companies who are on the same journey towards a more compassionate and sustainable way of doing business, are still right at the beginning of the process.

It is important for all of us not just to pursue these goals, but to be seen to do so too. Only once we can measure and show the value that is added through strong and well executed sustainability programmes will they become common to all businesses.

For a full copy of the 2017 Annual and Sustainability Report, please download here:  
[www.axis.com/files/annual\\_reports/Axis\\_AB\\_annual\\_and\\_sustainability\\_report\\_2017.pdf](http://www.axis.com/files/annual_reports/Axis_AB_annual_and_sustainability_report_2017.pdf)



### **Author's Bio – Jens Strinsjö Axis Communications**

Jens is responsible for the Architecture and Engineering-program (A&E-program) in the Nordic countries, working closely with consultants and specifiers in order to increase the maturity of IP-based security systems on the market. Prior to joining Axis in 2017, he worked in the IT-industry with cloud solutions and holds a Master of Science in Business Development. In his spare-time, Jens enjoys travelling and kayaking with his family.

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# About Axis Communications

Axis offers intelligent security solutions that enable a smarter, safer world. As the market leader in network video, Axis is driving the industry by continually launching innovative network products based on an open platform - delivering high value to customers through a global partner network. Axis has long-term relationships with partners and provides them with knowledge and ground-breaking network products in existing and new markets.

Axis has more than 2,700 dedicated employees in more than 50 countries around the world, supported by a global network of over 90,000 partners. Founded in 1984, Axis is a Sweden-based company listed on NASDAQ Stockholm under the ticker AXIS.

For more information about Axis, please visit our website [www.axis.com](http://www.axis.com).