Sustainability report. 2014

AXIS COMMUNICATIONS

Contents

This report covers the most important sustainability aspects of our business and how we are managing these in order to live up to the expectations of our stakeholders, and to further strengthen Axis as a brand and as a corporate partner. The report covers the fiscal year 2014.

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Further information can also be found in Axis' Annual Report 2014 and Corporate Governance Report 2014, both available in English at **www.axis.com**

About Axis

Axis offers intelligent security solutions that enable a smarter and safer world. As the global 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.

Highlights

> As part of Axis' work to raise environmental and quality awareness among our suppliers, we began to offer online webinars through the Axis Supplier Academy program. Existing webinars cover, for example, legal requirements and product material declarations.

> Axis has removed PVC from several product series and continues to work toward only offering PVC-free cameras. As of 2014, about 65% of Axis network cameras and encoders are PVC free.

> Since 2011, Axis has reduced its transport-related CO_2 emissions considerably. CO_2-emissions per tonkm from freight transport have been reduced by 20% compared to when the goal was set in 2011. The decrease can be explained by better planning of our logistics flow and individual changes of suppliers.

> During 2014, we have continued to optimize Axis' product packaging in order to reduce material use, reduce freight volume and optimize for material disposal. This effort includes reducing size of the packaging as well as addressing which types of materials are used for packaging of Axis cameras.

> Axis continues to implement the anti-corruption program set in place 2013.

> In 2014, Axis participated in an employee survey, Great Place to Work®, in Sweden, USA and Germany. Great Place to Work® is a workplace study in which we as participants receive company-specific results as well as a benchmark.

> 96% of suppliers which are deemed to have a significant impact on Axis' environmental and sustainability aspects have been approved through an Axis audit or are certified according to ISO14001. This is in line with Axis' auditing target.

> Axis established presence in 5 new countries and opened 9 new offices.

> With this report, we have made a transition to the fourth generation of guidelines from the Global Reporting Initiative – GRI G4.

Axis has long-term relationships with with its partners and provides them with knowledge and ground-breaking network products in existing and new markets. 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.

Finding new to do business – continuing o sustainability path!

In recent years, we have contributed to many significant changes in the industry by continuously launching innovative network video products that help to create a smarter and safer world. During the past few years, we have been on a tremendous journey – a journey which we want to continue by delivering sustainable products and solutions to our customers across the globe, helping them to optimize their business.

New ways to grow our business

As global market leader, Axis acts as a role model. We have good opportunities to influence those around us in relation to sustainability issues, to set standards and promote sustainability. Meanwhile, we continuously take the opportunity to change. Last year we introduced an anti-corruption program for employees and distributors and this year we have launched a network camera with recyclable plastic, thereby reducing the carbon footprint of this product series.

Long-term perspective

We work with sustainability issues by building long-term relationships throughout our value chain, all the way from sourcing to network video products in operation. During the year, our sustainability work also became an integrated part of the company´s business and a natural part of our day-to-day operations. This way we can build trust, reduce risks and deliver products with an added value. By building trust with our suppliers, partners and customers, we can all justify long-term investments to improve our collective sustainability performance.

In this sustainability report, we have made a transition to the new G4 sustainability reporting guidelines from the Global Reporting Initiative (GRI). During the transition, we have initiated a stakeholder dialogue that has given us very valuable insights and is helping us to focus further on the most important areas in our value chain.

Climate footprint – doing more with less

I am especially proud to see that we in 2014 could see the results of our previous efforts to reduce our climate footprint. By locating production closer to our customers, we have made our logistics flow more efficient and thereby been able to reduce transport emissions. This represents a large part of the reductions we have made in CO_2 emissions, a decrease which in total amounted to 13% in 2014.

30 years of Axis – giving back

Our corporate culture – characterized by an entrpreneurial spirit, innovation, openness and development – is very important to us. During the past year, we continued our high rate of recruitment and every new employee completed our introduction program at the headquarters in Lund. The program offers new employees a chance to get to know more about our corporate culture.

During 2014, we also celebrated 30 years as a company. As part of our celebrations, many colleagues at our sales companies marked the anniversary under the theme "Giving back", in which our employees have shown great commitment to different projects across the globe. Just to give a few examples, our employees in China raised funds for school libraries; in the Czech Republic, they contributed to a storybook for children in hospital; in Spain, they supported an educational foundation by installing cameras at a school for children with autism; and in the US, employees made donations through the Ice Bucket Challenge – one of the big Internet memes of 2014. I see these initiatives – and all the other Giving Back projects that our employees have been involved in during the year – as proof of how Axis' people are embracing the company's core values.

Continued commitments

At Axis, we aim to take sustainability into consideration in all business processes as well as throughout the entire value chain. We have a three pillar strategy, which is based on sound corporate governance. The pillars consist of: environmental consideration, social responsibility (social and labor rights) and business ethics (anti-corruption). This strategy supports and embraces the ten principles of the UN Global Compact.

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"At Axis, we apply a proactive approach to the way we run our business and to how we address sustainability."

Ray Mauritsson
President

Sustainable governance

Axis is a global company with employees in almost 50 countries and partners in 179 countries. Axis thereby influences the lives of many people including customers, employees, suppliers and others. Axis intends to create value for its stakeholders, build relations and take responsibility in financial, social, business and environmental matters.

At Axis, we focus on three areas when it comes to sustainability: environmental consideration, social responsibility (human and labor rights), and business ethics (anti-corruption). These areas are based on sound corporate governance.

This strategy supports and embraces the ten principles of the UN Global Compact. Axis became a member of the UN Global Compact initiative in 2007 and continuously strives to improve our performance in relation to sustainability.

Employees

Surveys and performance reviews, focusing on health and safety, career and development and our Code of Conduct

Suppliers

Audits and trainings, focus on supplier Code of Conduct

Society

Public authorities, e.g. Lund Municipality and Region Skåne regarding public transport planning

University student fairs and activities to inform of axis as a future employer. Co-operations with universities, to contribute to gender diversity within technical professions. Other local community dialogues and engagement

Distribution and partners

Meetings and partner trainings, focusing on Code of Conduct and anti-corruption policy

End customers

Deliver network video products with lower energy and possibility to reduce carbon footprint with remote monitoring

Investors

Dialogue regarding investor expectations on our sustainability performance. Continuously deliver coherent and correct financial and non-financial information

Policies and organization

Code of Conduct

Axis' Code of Conduct defines the approach, values and guidelines that the company and its staff shall apply in matters of business conduct, business relations, human rights, workplace practices and environmental considerations. The Code of Conduct is based on the following international principles:

> The UN Universal Declaration of Human Rights
> The UN Global Compact initiative
> The ILO Declaration on Fundamental Principles and Rights at Work

As a company listed on the NASDAQ Stockholm Exchange, Axis also applies the Swedish Code of Corporate Governance (for details, see www.corporategovernanceboard.se).

We at Axis aim to make sustainability an integrated part of our business strategy and operations, where continuous improvements are made at all levels. To support this process, our environmental and sustainability-related work follows an organizational framework:

> **Axis Sustainability Council**
has the overall responsibility for sustainability matters. Responsibilities include, for example, implementation of Axis' Code of Conduct and related policies, as well as monitoring company activities. The council is mainly composed of representatives from the Axis Management team.

> **Axis Sustainability Project Group**
is made up of representatives from the corporate functions of Human Resources, Global Sales, Quality & Environment, and Communications. The group is responsible for the development of sustainability efforts in different areas and for extending the reporting to cover additional areas within the framework of the UN Global Compact initiative.

> **Axis Environmental Council**
contains representatives from R&D, Product Management, Communications, and Operations, as well as members of the Management team. The Council works with general environmental issues and initiates projects aimed at minimizing Axis' environmental impact.

> **The Ethics Council**
is composed of representatives from the Management team. The council handles ethical issues and consults, discusses and decides on matters related to Axis' business conduct.

Solutions to global

Axis operates globally and our business is linked to political, social, environmental and economic macro trends. We see that many of these trends drive an increasing need for intelligent solutions that enable smarter use of technology and contribute to a safer world.

Provider of intelligent solutions

We at Axis are represented as a provider of network video products and solutions in more than 40 countries. Adding our network of sales partners – today more than 75,000 – we cover 179 countries worldwide.

We have the world's largest base of installed network video products and solutions and are equipped and well-positioned to continue to provide solutions that meet the needs of the future.

The global market for surveillance cameras is expected to grow, and the different types of applications for Axis' products is evolving. Their potential to not only contribute to safety, but also to smarter solutions, is becoming more and more evident. The demand is growing globally, both in mature markets, such as North America and Europe, and, even more clearly, in emerging markets.

Smarter and more sustainable cities

Urbanization is one of the most distinct geographical macro trends globally. Urban populations are growing rapidly, especially in emerging economies, and much effort is directed toward making cities attractive and liveable. With fast urbanization comes challenges, such as being able to provide well-functioning transport services, energy supply and other aspects of living conditions.

In dense urban areas, there is often a distinct need for the provision of safe environments for its inhabitants. This increases the demand for all types of security-related solutions, such as lighting och surveillance systems.

Protecting and improving societal functions

Intelligent digital video solutions serve – and have the potential to serve – many different purposes. A range of important functions in our societies are vulnerable, such as energy production, healthcare services, educational systems, important industrial production sites and so on. In large parts of the world, these functions are subject to different types of threats, creating a need for security solutions. In other regions, the main driver is to improve the performance of these societal functions by finding more intelligent solutions.

Our products and markets

Axis offers a wide portfolio of products for professional IP video surveillance. Our security cameras, video encoders, accessories and access control products are based on open industry standards. The products integrate easily with Axis' video management software, or with a partner product, to build a complete security or surveillance solution. Axis products are sold to end customers in more than 179 countries, our largest region is Americas, followed by EMEA (Europe, Middle East and Africa) and Asia.

challenges

In focus

Implications for personal integrity

The increasing use of cameras, for surveillance as well as for other purposes, naturally results in a discussion about the positive and negative potential impacts that the use of these technologies can have on personal integrity and on human rights.

Surveillance cameras contribute to crime prevention and help law enforcement to solve criminal cases. The perceived effectiveness of surveillance cameras in deterring crime is a major reason why public opinion polls show an increasingly positive attitude toward the use of cameras in public places.

Axis' network-based cameras and surveillance solutions are important components in security systems. End customers are responsible for how surveillance cameras are used and how video material is stored, which are the two most important aspects of privacy.

Axis urges its partners to ensure, to the extent possible, that its network cameras and solutions are installed and used appropriately and that video material is protected and safely stored. By complying with Axis' user guidelines, in addition to national and international regulations, end-users can reduce the risk of Axis' cameras being operated inappropriately.

In addition, innovations in network video technology enable the use of anonymization and limitation functionalities to provide additional protection of personal privacy. Axis and its partners have developed advanced software solutions that, when implemented in surveillance systems, can be used to ensure that cameras only record what is necessary. Examples of privacy protection functions include privacy masks that automatically blur faces in video material, access level restrictions, and configurable pan, tilt and zoom limits. Axis' products and solutions also support encryption, IP address filtering and other data protection capabilities.

Many countries have legal restrictions on the use of surveillance technologies. There are also international trade restrictions, such as sanctions and embargoes, which influence exports or restrict different types of products to be sold to certain countries.

Should any concerns need to be raised, Axis have a whistle blower function protecting those who wish to come forward. Any issues raised through this or other channels will be handled immediately by representatives of Axis management and reported back to concerned parties.

Read more about how Axis works with business ethics on
www.axis.com/corporate/sustainability/index.htm

Stories contributing to a smarter and safer world

Axis products can be found all over the globe; in cities as well as remote areas, in fixed as well as mobile applications. This section presents a selection of stories showing some smart solutions in which our technologies are being used.

Improved cheese quality

Wyke Farms has been producing the finest English cheddar cheese and butter since 1861 in the heart of the Somerset countryside. The company has a 100% green strategy and aims to be one of the greenest grocery brands in the UK.

The existing security system at Wyke Farm's main dairy needed an upgrade, including installment of additional cameras at its newly-built biogas plant site. Axis' cameras provide quality surveillance both inside and outside the farm's buildings. In addition to an inbuilt tampering alert, which signals any vandalism attempts to the management system, the cameras only record when they detect movement, which has significant energy saving benefits.

"IP video impacts less negatively on the environment than traditional analog systems and so was a natural choice. The Axis-based system has given us a sustainable, intuitive solution that will be able to support us as we grow," says the engineering manager at Wyke Farms.

Traffic surveillance

The state of Alagoas in Eastern Brazil has installed Axis network cameras for both fixed and mobile use. One of the project's purposes is to monitor traffic to ensure an even traffic flow and to keep an eye out for accidents and other disturbances.

Cameras operate along the main roads in and out of the city with the support of radio operators, and the images are monitored at the Municipal Transport and Traffic Division headquarters. These cameras are ideal for reading license plates, also enabling cross-checking vehicles against databases of stolen vehicles.

A safer place to work and to shop

The welfare of customers and colleagues is taken seriously at The Co-operative Food stores in the UK. The retailer is UK's fifth largest.

In order to enhance the safety and security of its stores, the retailer undertook a review of its current surveillance system and decided that it needed to improve. Installer and Axis partner, Kings Security, developed an interactive security solution that utilized Axis network cameras to measurably increase the personal well-being of Co-operative colleagues, and improve loss prevention across the supermarket estate. For example, when locking-up, colleagues can now request that operators assess the area, using the cameras to scan and identify any potential threats.

Forest fire prevention

Every year, Russia experiences billions of dollars' worth of economic losses due to forest fires. These fires also result in loss of natural resource and biodiversity. At the Nizhny Novogorod Forest Center, a Forest Watch system has been installed using the AXIS Q60 Network Cameras with an efficient panoramic surveillance. With the Forest Watch intelligent monitoring system in place, fires in 33 regions of the Russian Federation has been detected in time.

"Boosted with Axis IP cameras, our Forest Watch fire monitoring and surveillance system has become more efficient as operators are able to detect fire at early stages. We have already achieved great cost savings and protected many hectares of forest in our area," says Konurin Anton G., Deputy Director, Nizhny Novgorod Forest Fire Center.

Responsibility along our value chai

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Our success and rapid growth can be attributed to our efficient business model, from sourcing through to end customers, via our large distribution and partner network. With a high rate of innovation and global expansion we have a good basis for continued growth.

Axis' contracted product manufacturers, close suppliers and our distribution partners, such as resellers and system integrators, are key stakeholders throughout our value chain. These are also important partners in terms of responsible business conduct. Through long-term relationships we can minimize our risks and focus on the opportunities ahead.

Economic performance

Meeting our financial targets and showing overall good financial performance is the basis for us to meet the expectations of our stakeholders in terms of sustainability. Stable finances enable us to continue to make long-term investments in line with our strategic plans. As market leader, we also have a good chance to raise the environmental consideration and sustainability standards across the entire sector. This leadership requires continued sound and well-managed finances.

Total average annual growth of at least

20%

Axis operates in a rapidly expanding market and the goal is to grow faster, or in line with, the market in the long term. Growth is generated by underlying demand for network-based security solutions and Axis is driving the shift from analog to digital video surveillance. Growth was 16% in 2014.

Profit margin of at least

10%

Over a business cycle, Axis shall display a profit margin of at least 10%. The goal is formulated on the basis of the market trend in the longer term. The profit margin was 13% in 2014.

What matters?

With this report, we have started our journey to align our Sustainability Reporting with the latest generation of the Global Reporting Initiative's Guidelines, G4. In preparation of a full transition from G3.1 to G4 by 2015, we have gone through a first phase of our materiality analysis. We have also begun to improve our disclosures of our management approach to fit those aspects that have been identified as material.

During 2014, we held a series of internal workshops with our Sustainability Project Group in order to identify relevant aspects, as well as to plan the involvement of external stakeholders. In-depth interviews have been conducted with private owners and funds, suppliers and customers. Furthermore, previous dialogue, such as with local authorities (Lund), results of employee surveys and industry benchmarks, have been used as input in the analysis. A compilation of the results was thereafter discussed in the Sustainability Council.

We have now identified a set of material issues – presented here to the right – under each of our main sustainability areas: Environmental Responsibility, Social Responsibility and Business Conduct.

As for legal compliance, which concerns a number of the G4 aspects, we at Axis see this as the minimum requirement and the aim of our sustainability work is to raise the bar. We will continue to report on any legal compliance issues in our sustainability report, but in terms of materiality we will focus on our work beyond legal requirements.

Customer satisfaction is of course important to our business, and we believe that it is an outcome of our sustainability work rather than a material aspect in itself. We will therefore report on our customer satifaction surveys when discussing Business Conduct.

Customer privacy is also of great importance. In order to ensure their and our partners' integrity and confidentiality, Axis gathers all information about partners and end customers in a CRM system. The system is a highly protected IT system with passwords and firewalls.

As Axis is also a signatory of the United Nations Global Compact initiative, this report serves as our communication of progress toward the ten core principles of Global Compact. This has also affected the coverage of sustainability issues in this report.

Further information regarding our G4 transition can be found together with our GRI-index on page 38-39.

During 2015, we will complete our materiality analysis with a more thorough coverage of our stakeholders and by using this first G4-based report as a basis for dialogue.

Business Conduct

The most important ingredient in our Business Conduct is long-term relationships. As our suppliers and partners are a central part of our business model, we need to work closely with them, as well as with others along our value chain, in order to ensure compliance with our expectations on business conduct. We need to ensure that all our Business relations are handled in a responsible, transparent and consistent way.

Our most important aspects:

> Anti-corruption
> Human rights and personal integrity related to end-use of our products

Read more on page 16-19, 28-29

Environmental Responsibility

Axis environmental responsibility ranges from a local and direct responsibility to a global, more indirect, responsibility. Based on knowledge derived from our Life Cycle Analysis and Carbon Footprint reporting, we work with our environmental impacts along our value chain, focusing our efforts where we have a chance to make the most difference.

Our most important aspects:

> Our carbon footprint
> Material used in our products and our products energy performance
> Environmental performance of our suppliers

Read more on page 20-27, 28-29

Social Responsibility

For us at Axis, Social Responsibility means an overall positive contribution to society as well as the safe-guarding of human values, such as safety and overall well-being. We aim to take long-term responsibility for how our operations impact our employees, suppliers and partners. Although not identified among our most important aspects of Social Responsibility, we are also involved in different initiatives to benefit the respective local societies and end customers of our products in the countries in which we operate.

Our most important aspects:

> Equal opportunities and non-discrimination
> Occupational health and safety
> Labor practices and human rights in the supply chain
> Employee career and development

Read more on page 28-29, 30-37

Business Conduct

The role as global market leader gives Axis great influence on where the industry is heading in terms of innovative and intelligent security solutions. It also gives the company great responsibility to ensure that production, manufacturing and distribution is conducted according to internationally agreed principles and sound business ethics. Axis' indirect sales model therefore requires close, transparent and long-term relationships with partners throughout the value chain.

A loyal partner for the future

With over 75,000 international partners, Axis places great value in fostering close and long-term relationships. For example, Axis has programs encouraging skills- and knowledge-sharing, such as the Application Development Partner program, the Channel Partner program, the Architecture & Engineering program and the Technology Partner program. Since 2005, Axis has also run the Axis Communications' Academy where more than 50,000 people have participated in classroom trainings in the advantages of network video.

As was illustrated on page 12 Axis has an indirect sales model with limited insight into up- and downstream activities. This structure leaves the direct responsibility for production, distribution and installation with suppliers, distributors, resellers and system integrators. It is therefore a main characteristic of Axis' partner engagement to work with these actors and carefully inform about the company's sustainability values and about Axis' Code of Conduct. These efforts are important in order to take responsibility where Axis has limited direct impact.

Business ethics throughout the value chain

Transparency is at the heart of Axis' corporate culture – a result of Axis' determination to maintain the mind of a small company with a close dialogue with partners. All Axis' business relationships are characterized by an ethical approach, guided by the company's Business Ethics Council policy. Axis has a business ethics council that takes decisions on ethical issues, and an export control policy ensuring compliance with export control regulations. Axis is also a signatory of the United Nations Global Compact initiative since 2007.

Code of Conduct for Axis' business relationships

The UN Global Compact initiatives' principles form the foundation of Axis' Code of Conduct, which all Axis' employees are required to sign, and expected to act in accordance with. The Code of Conduct instructs Axis' employees on how to act in their respective operating environments and in all business relationships, for example with regard to issues related to human rights, labor, environment and Axis' anti-corruption policy. These guidelines are also based on the UN Universal Declaration of Human Rights, and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. The Code of Conduct is an important part of our annual inroductory program for new employees.

The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption Axis signed the agreement in 2007 and has since conducted and published its sustainability report annually sent to the UN Global Compact.

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.
ENVIRONMENT	
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.

Code of Conduct for Axis' suppliers

Axis is collaborating with contract manufacturers and strategic component suppliers for the production and assembly of our products. This manufacturing model makes a close dialogue with suppliers crucial, in order to ensure that Axis' business ethics requirements are respected and complied with. These requirements are established in Axis' Supplier Code of Conduct, which all Axis' suppliers are required to sign.

Axis' engagement upstream begins already when selecting which suppliers and subcontractors to work with. Apart from price, the selection criteria also includes quality, ethics and flexibility. Once a new partner relationship is established and the Code of Conduct is signed, Axis conducts recurring audits of its suppliers to ensure compliance. Read more about how Axis works with supplier audits on pages 28-29.

A Helping hand in the value chain

In the fall of 2014, Axis' commitment to our partners was put to the test following an unfortunate event. One of our suppliers in Thailand suffered a fire that completely destroyed one of their production facilities. In order to help our partner get back to full operation as soon as possible, Axis offered full collaboration. We worked closely with the supplier; for example providing financial assistance to replace lost equipment, ensuring the quality of other premises and production processes, and by jointly ensuring to source critical components.

Axis says no to corruption

Axis has zero tolerance for corruption, and as market leader, we work proactively to prevent and counter corruption in the entire industry. In 2014, we continued to run Axis' anti-corruption program targeting employees and distributors.

The aim with Axis' anti-corruption program is to counter all types of corruption, bribes and conflicts of interest. The program includes Axis' anti-corruption policy, training for all employees as well as a supplementary agreement for all distributors. The program is an important part of our proactive and long-term social sustainability work and helps to clarify Axis' approach both internally and externally. The initiative to the program was taken by people in Axis' sales department who wanted to develop clearer support and guidelines on these issues in everyday commercial situations.

Anti-corruption has, in our dialogue with our stakeholders, been confirmed as our most important sustainability aspect. We at Axis also clearly see how this strengthens our relationships with our partners and customers. "A common ground regarding business ethics builds a sound foundation for a responsible business practice. Securitas and Axis share the view on having a competent and educated work force who stand behind zero tolerance for corruption," says Cecilia Alenius, Group CSR Officer, Securitas.

Since 2013, Axis also has a whistleblower function. This consists of an e-mail address to which employees can send an e-mail if they discover or suspect anything improper. Employees can also use it to ask questions about how they should handle specific situations. The e-mail is sent to a group of people, including representatives from the company management.

Anti-corruption – employee program

Axis' employees throughout the world have participated in the anti-corruption training program and have consequently signed an agreement confirming that they have understood and will comply with Axis' anti-corruption policy. The employee program is a way for Axis to ensure that our employees are aware of rules and regulations, as well as Axis' own values, and that they are able to use and practice these values in everyday situations.

Anti-corruption – distributor agreement supplement

All Axis' more than 100 distributors have undertaken to comply with Axis' zero tolerance against corruption policy by signing a supplement to the distribution agreement. In the supplement, distributors commit to comply with applicable legislation against corruption and bribes.

"Securitas and Axis share the view on having a competent and educated workforce who stand behind zero tolerance for corruption."

Customer satisfaction

As all close relationships require two-way communication to be sustainable, we conduct recurring customer satisfaction surveys with our distributors and partner program members. Our most recent survey was conducted in 2013, with over 7,000 respondents from 43 countries. The survey explored their overall satisfaction with Axis as a sales partner, whether or not they would recommend Axis to others, and any suggested points of improvement for Axis to address.

The survey covered the entire sales chain from order and delivery, product performance through to after-sales and technical support.

The 2013 customer satisfaction survey revealed encouraging results and positive development since 2010, illustrating that our ambition to create close, "more-than-just-sales" relationships with our customers is highly valued. Scores were strong in all categories (including order, delivery, products, etc.). When asked to elaborate on their opinions, respondents mentioned, for example, Axis' high product quality, the large product range, an unbeatable customer service and support, and the reliable, honest and human relationships with customers. Respondents also expressed appreciation for Axis' "professional and impactful" training offers and that the company "does not simply sell products", but offers an open culture and high integrity.

Naturally, the survey also brought areas for improvement to our attention, and we are continually following up in order to address these. Axis is always forward-looking. We are therefore launching our next customer satisfaction survey in 2015 in order to ensure long-term mutual success.

High standards by being proactive

Fan Look
Regional Director
North Asia

What needs did the anti-corruption program identify?

Axis' global sales organization has been growing very rapidly over the years, especially in emerging markets such as North Asia. Through our channel development initiative, we have been successfully expanding the number of channel partners via recruitment and education initiatives. As global market leader in network video, we need to be more proactive in communicating the high standards in our anti-corruption policy to all key stakeholders. We need to educate the market about our zero-tolerance against all forms of bribes and corruption in order to support our long-term sustainable growth in the global market.

How have your customers and distributors reacted to your clearer guidelines?

Our customers and partners have been very receptive and positive about our proactive approach to share our clear guidelines with them. There were many questions and answers during the process which have further improved the clarity and transparency of our strong position against corruption. We believe that openness and transparency can help to build stronger mutual trust and understanding with all our partners.

"We believe that openness and transparency can help to build stronger mutual trust and understanding with all our partners."

How have your employees reacted to the program?

We have almost doubled the size of our sales team in recent years. Integrity has always been one of the most important factors in our hiring process. Under this program, 100% of our employees attended the internal briefing and training. There was a need for clear guidelines and collaborative efforts on the best ways to respond and act in various situations that may arise in our daily working environments. As a result, the feedback from our employees has been very positive.

What are the greatest benefits of the anti-corruption program?

As global market leader, we need to be very clear about the high standards in our anti-corruption policy everywhere around the world. This will put both Axis and our key internal and external stakeholders in a stronger position to achieve long-term sustainable growth in the coming years.

Another key benefit is that it will further strengthen our mutual trust and understanding with all our key partners by taking a more proactive approach to sharing our core values and anti-corruption policy.

Overall satisfaction (survey 2013)

80% Highly satisfied with Axis (2010 74%)

58% NPS* (2010 48%)

** NetPromoter Score (NPS) is a common method used to measure customer loyalty. It is calculated: NPS = % of Promoters - % Detractors. The index ranges from -100 to 100, meaning that any figure above 0% is positive, and results above 50% are very good.*

Environm
Responsibil

Targets	Fulfillment status 2014
Products: Improve the environmental performance of the products	
> AXIS Q604X Series shall be PVC-free by Q1 2015	The new PVC-free AXIS Q60 Series is currently carefully scrutinized and tested, to be released on the market in 2015
Freights: Reducing CO_2 emissions per tonkm from freight transport by 20% 2016 compared to year 2011	Since 2011, emissions of CO_2 decreased by 15%
> Decrease an average of 5% of CO_2 emissions (for Axis-controlled outbound transport) per tonkm to the customer, compared to the average CO_2 emissions for 2012	3.6% reduction since 2012
> Increase ocean and road transport in relation to air transport. Use ocean and road freight more than 60% (tonkm)	Share of transports by mode: Ocean/truck 76% (2013: 57%) Air freight 24% (2013: 43%)
Facilities: Reducing electricity per employee at headquarters in Lund, CLC1 and Axis regional sales offices	Some of our regional offices have managed to reduce, including South Asia Pacific, USA and Eastern Europe
> Reducing electricity by 5% per employee at headquarters in Lund	2.6 (2.8) MWH/employee HQ, reduction 7%
> Reducing electricity per employee at CLC1 and Axis regional sales offices	5.3 (6.2) MWH/employee CLC1, reduction 14%
Supply chain: 95% of all suppliers with high sustainability impact shall have an environmental/CSR management system approved by Axis or be certified	96% of all suppliers have an environmental/CSR management system in place

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Axis' environmental responsibility stretches along the value chain and focuses on the products' entire life cycle. Considering that most of our environmental impacts are indirect, related to subcontracted production, logistics and energy consumption in the use-phase, we at Axis find it important to contribute to improvements even at these stages.

Ensuring systematics to minimize impact

Axis' rapid and high growth rate has enabled us to expand our operations, but has meanwhile posed a challenge in terms of systematic overview of environmental impacts generated throughout the value chain and the product life cycle. We have taken different measures in order to identify these impacts, evaluate their magnitude and to address them systematically. Life cycle analyses have, for example, been carried out on a number of selected camera models, and emissions of greenhouse gases have been monitored throughout our operations to estimate Axis' "carbon footprint". From this foundation, we are working to ensure that design, product development, material choice, material origin, choice of components and packaging all meet Axis' strict requirements in respect of quality and functionality, while also minimizing environmental impacts.

We have been inventorying and reporting emissions of greenhouse gases produced by Axis' business activities and operations since 2009, in accordance with the international Greenhouse Gas Protocol Corporate Standard developed by the World Resources Institute and the World Business Council for Sustainable Development. The results are presented annually in Axis' Carbon Footprint Reports (see the following pages).

Addressing our carbon footprint

Several activities related to Axis' operations generate carbon dioxide emissions which have an impact on the global climate. Therefore, Axis aims to take responsibility in these areas, as well as in the manufacturing and design of our products. Part of this work is to reduce our overall carbon footprint and to put stringent demands on our suppliers. By annually monitoring and reporting our carbon dioxide emissions, we get an idea of which processes generate the most emissions and where we need to focus our attention to reduce our impact.

The 2014 Carbon Footprint report focuses on emissions related to transports, energy consumption of premises, company cars, business travel and paper consumption. New for our 2014 report is that it is not only based on data collected from the headquarters in Lund, but also from Axis' largest regional offices and all our Configuration and Logistics Centers (CLC) not only in Lund but also other regions located worldwide. According to the GHG Protocol, a company is accountable for emissions resulting from operations over which it has control, in either financial or operational terms. The report also includes emissions from all outbound and inbound freights controlled by Axis.

The choice of system boundaries has an impact on the results of the analysis, which needs to be taken into consideration when comparing Axis' results with those of other Carbon Footprint reports.

A reduction of our total footprint

Compared to 2013, Axis' carbon footprint 2014 decreased from 18,829 to 16,369 tons CO_2e, a decrease by 13%. The decrease is mainly explained by a drastic decrease of greenhouse gas emissions caused by freight transports – a decrease of 20%. However, accounting for the fact that five Configuration and Logistics Centers have been added to our reporting scope, emissions have decreased from 18,829 to 17,209 tons CO_2e, a decrease of 8.6%. We have also included a number of offices in the Eastern Europe region in the 2014 footprint report. The reporting scope has a significant impact on the total carbon footprint and related key performance indicators (KPIs).

At the same time, Axis has grown, including considerable increases in product sales, number of employees, and in terms of extension of our facilities. Despite of this growth and expansion, total emissions per employee have decreased considerably from 10.4 ton CO_2e, to 6.9 ton CO_2e (CO_2e incl. third party deliveries). Emissions generated by Axis employees, such as energy use and business travel (all activities included except third party deliveries), have also decreased slightly, from 2.7 CO_2e to 2.3 tons CO_2e. Emissions relative to sales have decreased from 3.99 tons CO_2 to 3.20 ton CO_2 per SEK 100M.

Although Axis has increased the reporting scope, KPIs from 2014 clearly show a positive trend with regards to carbon emissions, as mentioned mainly due to measures taken in focus areas such as freight transports. Efforts include, for example, better planning of logistic flows.

Transports

Axis' has a target to reduce transport-related CO_2 emissions with 20% by 2016 in comparison to 2011. During the past three years, emissions of CO_2 decreased by 15%. Efforts made in 2013 to reduce transport emissions have had effect during 2014. One example is Axis' efforts to ensure that the company's products are manufactured as close to the market as possible, in order to streamline logistics flows. The same approach is applied for choice of suppliers. This strategy not only improves supply chain flexibility and reduces lead times and delivery costs, it also shortens transport distances and reduces the CO_2 emissions generated from product transports.

Ton CO_2e per Sales

Our total direct and indirect emissions (i.e. including third party deliveries) in CO_2e is followed up in relation to sales.

Kg CO_2e per employee

Our own emissions from offices and business travel (i.e. excluding third party deliveries) are measured in CO_2e per employee. We can here see a positive trend in reductions of our direct footprint.

Ton CO_2e

During 2014, approximately 66% of Axis' operation-related greenhouse gas emissions were caused by freight transports, constituting the largest part of our carbon footprint. Business travel is the second largest contributor, representing 17% of emissions.

Another important example is that we constantly aim to optimize our product packaging, for example using lighter materials, which has positive impact on our transport emissions.

Axis has both in- and outbound transports. Inbound transports represent transports from contract manufacturers to Configuration and Logistics Centers (CLCs), whereas outbound transport represent transports from CLCs to distributors. Since the reduction target was set in 2011, Axis has reduced its CO_2 emissions considerably in outbound transports. CO_2 emissions from inbound transports have fluctuated during the years with an increase in 2013 as a result of a situation with one particular supplier. Inbound transport emissions fell during 2014, with a reduction over the year by 38%. The decrease can be explained by better planning of our logistic flows and by the fact that Axis has switched to a new supplier for the component in question. This effort is positive and brings us closer to Axis' overall target to reduce transport related CO_2 emissions.

Meanwhile, Axis continues to find new areas for improvement of improvement. As an example, all South America shipments are consolidated in two hubs in Sao Paulo and Miami where they are transferred further to distributors in Brazil and the rest of South America respectively. Sea transport is prioritized from suppliers to CLCs around the world, while air and land transportation is used for transportation of Axis' products to distributors and resellers. As illustrated on page 20, we have reduced our air frieght in 2014 compared to the previous year, and increased use of ocean and road transport.

Packaging

During 2014, Axis has continued its work to optimize its product packaging in order to reduce material use, reduce freight volume and optimize for material disposal. This effort includes reducing size of the packaging as well as addressing which types of materials are used for packaging of Axis' cameras. One example is to ensure that the materials used for packaging are made of recycled material and that they are easily recyclable when entering the waste stream.

During 2013, Axis initiated a phase-out of the material Stratocell in product packaging. Stratocell is a plastic foam material that, for example, requires significant space when stored and handled. In 2014, Axis shifted from Stratocell to corrugated paper in the packaging of the bestselling AXIS P33XX-VE, reducing the packaging volume by 20%. Given the outcome of the AXIS P33XX-VE-project, Axis sees great potential in changing to corrugated paper for other product series, and especially new products. Reducing the use of Stratocell can both save on physical space and the need for transport, and ultimately reduces costs.

Emissions from Axis' business travel

Corporate business travel is the second largest source of greenhouse gas emissions in Axis operations, accounting for 17% of total emissions. To address this, Axis is working to reduce the amount of business trips. We have, for example, conducted tens of thousands of webinar trainings and virtual meetings around the world, which is one way to create a working environment where unnecessary physical travel is minimized.

Energy consumption in Axis' premises

As Axis' third largest source of greenhouse gas emissions, the company is working actively to reduce energy use in its offices and other operational units. Energy efficiency guidelines were distributed to regional offices in 2013 (Brazil, USA, Northern Asia, Southern Asia, Southern Europe, the UK, Eastern Europe, Middle East/Africa, Middle Europe), with the aim to reinforce environmental consideration through the operations. The different regions have had different development in energy consumption over the year, with some managing to reduce their consumption whereas the challenge remains for others, for various reasons.

At our headquarters in Lund, we had a target for 2014 to reduce electricity consumption by 5% per employee compared to previous year. The electricity consumption has decreased from 2.8 MWh to 2.6 MWh per employee despite the expansion of our premises. The headquarters, where 76% of all Axis' employees are based, receives electricity from external providers, and the energy mix varies between the different facilities in Lund.

In focus

Offsetting emissions of CO_2 to reduce impact

As of 2014, Axis is offsetting part of its CO_2 emissions from outbound transport within the Europe, the Middle East and Africa (EMEA) regions through UPS and the CarbonNeutral Protocol. The Protocol is an independently verified international offsetting scheme that guarantees that each ton of CO_2-equivalent sold is offset by reducing one ton of CO_2-equivalent emitted in an offset project. The Protocol invests in a wide range of projects, from nature conservation in Uganda and Borneo, to fuel-efficient stoves in Mongolia. During 2014, Axis offset 505 tons of CO_2 through the CarbonNeutral Protocol.

As more of Axis' service providers begin to offer an offsetting alternative, it is Axis' intention to progressively offset more of the emissions generated. Axis keeps a continuous dialogue with service providers to find solutions for more effective and optimized transports.

Material choice and product safety

Another way in which Axis can work to reduce our impact on the environment is to review the energy performance and material components of our products, making sure that they do not contain substances harmful to human health or to the environment. Apart from making strategic environmental choices in terms of material input, the choice of materials is also a means for Axis to ensure that our products are manufactured according to our ethical values, for example by ensuring that no minerals from conflict areas are used in production.

Energy consumption of Axis products

Axis has conducted life cycle analyses of a number of products in order to identify the types and main sources of environmental impacts throughout the product value chain. The analyses scrutinized processes ranging from the design stage of the camera models and choice of material, the user phase when the camera is in operation at the customer, to the disposal of the product at end of life. The results of the analyses indicate that between 60% and 80% of the total environmental impacts of the studied network cameras are related to the electricity consumption during use. As a result, we have begun to focus more efforts to address the energy efficiency of our products.

The reason for improving camera energy efficiency is not only related to environmental performance, but but is also a way to ensure product functionality and quality from a temperature perspective. Heat exposure reduces the image quality of the cameras, implying on the one hand that low energy use is positive in terms of less heat generation. Some cameras intended for use in hot environments require, on the other hand, an integrated cooling system, which may lead to a higher overall energy use to ensure optimal functionality. It is therefore a constant challenge and balancing act for Axis to pursue reduced energy use of our products, while maintaining optimal product functionality.

We have also started to introduce environmental consideration at the design stage of our products. This includes material selection, for example using recycled plastics instead of virgin material; optimizing product parts, for example selecting components of as low weight as possible; optimizing design for manufacturing, for example minimizing material spill; and optimizing product disposal, for example optimizing disassembly.

"Axis' ambitious environmental goals help to ensure that we continually challenge and evaluate ourselves as well as our suppliers."

Carl Trotzig, responsible for environmental issues

Axis has an ambition to be perceived as an industry leader in environmental and sustainability issues. As global market leader, Axis has a responsibility to drive these questions in order to increase awareness amongst all players. This means that these perspectives must be a natural part of everything we do.

Carl Trotzig, responsible for environmental issues, says: "Axis' ambitious environmental goals help to ensure that we continually challenge and evaluate ourselves as well as our suppliers. The environmental aspect should pervade commercial decisions relating to product development as well as choice of suppliers and transport. But they should also inform how we manage the operations at our offices where demands are imposed for green electricity from renewable energy sources, for example."

A large part of Axis' environmental impact is related to the products' energy consumption. Reducing energy consumption is therefore a critical part in the development work of new products. As environmental issues become increasingly important, more customers are also imposing demands for more environmentally friendly and recyclable products. Axis continually works to phase out hazardous substances before they are classified as harmful to the environment from a legal standpoint, in order to effectively manage processes and achieve the best results. During 2014, Axis placed additional PVC-free cameras on the market, for example AXIS P32XX, AXIS M1145 Series, AXIS P14 Series, as well as a network camera manufactured using recycled material.

Phasing out hazardous materials

Axis' cameras consist of several different components and materials, including aluminum, zinc, steel, stainless steel, PC/ABS (Polycarbonate/ Acrylonitrile Butadiene Styrene), PC (polycarbonate), PA (polyamide polymer), PMMA (polymethyl methacrylate), polyurethane, silicone, thermoplastic elastomer and rubber (measured by weight).

As Axis operations have grown rapidly over the last years, so has the company's number and complexity of products and number of product components. In order to ensure an effective and comprehensive overview of materials used in Axis' products, the company made a significant effort in 2014 to improve and systematize the overview of product components and materials. This effort has enabled Axis to more easily adjust according to new legislation and research, but also to implement its own, more comprehensive phase-out of different harmful materials. The system, which will be fully launched during 2015, enables systematics and scalability as Axis continues to grow.

Axis has a long-term goal to offer halogen-free products, a commitment initiated already in 2009. Products are deemed "halogenfree", according to the Electrochemical Commissions (IEC) definition, if the material contains less than 900 ppm of the halogens chlorine or bromine, two common elements of electronic products. Chlorine is mainly found in Polyvinyl chloride (PVC) and chrolinated flame retardants. Bromine is mainly found in brominated flame retardants.

Polyvinyl chloride (PVC)

The plastic PVC is a common component in many produced goods, but contains elements damaging both to the environment and to human health. During its life cycle, PVC can release potentially harmful substances to the surroundings.

Axis has removed PVC from several product series and continues to work toward offering only PVC-free cameras. As of 2014, about 65% of Axis network cameras and encoders are PVC-free. For instance, the following cameras are PVC-free: AXIS P13XX indoor and outdoor, AXIS P33XX indoor and outdoor, AXIS M30XX indoor, AXIS M32XX, AXIS M31XX and AXIS M70XX Video Encoder. During 2014, Axis placed additional PVC-free cameras on the market, for example AXIS P32XX, AXIS M1145 Series, and AXIS P14 Series.

Interestingly, Axis has managed to replace PVC in one of its largest and most complex products, despite initial doubts that this complicated upgrade would be successful. The new PVC-free AXIS Q60 Series is currently carefully scrutinized and tested, to be released on the market in 2015. Learning from the process of phasing out PVC in this complex product series, Axis sees great potential to reuse this technical knowledge when developing existing and new product lines. The success with the AXIS Q60 Series is an important step in complete phase-out of the hazardous PVC.

Bromine

Bromine is an element belonging to the halogen group, and is, for example, found in brominated flame retardants. In line with Axis' long-term target of being able to offer halogen-free products, Axis is working to phase out bromine from its products. Axis started addressing this challenge in 2013, by carrying out a comprehensive survey of bromine in product components. The results showed that bromine and brominated flame retardants are mainly found in circuit boards, in electronic components including circuits, transistors and connectors. None of Axis' plastic materials contain brominated flame retardants.

In focus

Introducing recycled materials

Exchanging virgin raw material in the production process for a recycled equivalent can be an effective way to reduce use of natural resources and environmental impacts associated with resource extraction. It may also help cut costs. In 2014, Axis began experimenting with a camera manufactured using the recycled plastic Lexan EXL 8454 in some of its components. The results are the AXIS M1145 (42% Lexan EXL 8454) and the AXIS M1145-L (39% Lexan EXL 8454). Lexan EXL 8454 is made out of polycarbonate waste and polycarbonate bottle waste, which reduces the need to produce new PC materials, using finite carbon resources such as petroleum and natural gas, as well as the energy required to manufacture new plastics. Using recycled plastics also reduces the amount of plastic waste going to landfill in Axis' country of production.

It is currently not deemed possible to use only recycled plastics, since certain plastic components in Axis cameras are too technically demanding to allow recycled quality plastics.

In focus

Conflict minerals

In 2013, we at Axis began our work to ensure that no rare earth minerals used in our products originate from conflict areas, in support of the electronics industry's initiative to prevent trade in these minerals. The minerals tantalum, tin, gold and tungsten are called conflict minerals in cases where they originate from the Democratic Republic of the Congo (DRC) and nearby countries, and when they have been mined under conditions of armed conflict.

Axis expects its suppliers to comply with Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, when applicable. It is also expected that suppliers have policies and due diligence measures in place that will enable Axis to reasonably ensure that products and components supplied to Axis are conflict-free and do not originate from sourcing activities which may finance conflict or human rights abuses. Suppliers are expected to report their status with regard to conflict minerals to Axis, using the Conflict-Free Sourcing Initiative (CFSI) Conflict Minerals Reporting Template.

Following 2014, about 80% of Axis' suppliers have reported the origins of their minerals through the trade organization Electronic Industry Citizenship Coalition's (EICC) reporting tool, based on the EICC recommendations and guidelines.

Sourcing activities contributing to armed conflicts are unacceptable. While Axis will not accept, tolerate or engage in any sourcing activities which may finance conflict or any form of human rights abuse or forced labor, Axis will not ban materials originating from the DRC altogether. Sourcing of conflict-free minerals in the DRC supports the economy and provides employment and income for many workers. The Organization for Economic Co-operation and Development (OECD) and others have noted that a ban on mining in the region could damage the country's stability and economy.

Extending our responsibility – a focus on the supply chain

All Axis' suppliers, subcontractors and contract manufacturers are expected to comply with Axis Supplier Code of Conduct and other relevant policies and requirements. In 2014, we have continued to audit our suppliers and are starting to draw conclusions from our audit experiences. As a result, we are now also contributing to filling identified knowledge gaps by offering our suppliers webinar training.

At the start of our long and complex supply chain, raw materials are mined (metals and minerals), pumped (oil for plastics), or harvested (biomaterials, wood), and chemicals are produced. Energy and other resources are consumed at the different production sites all along this chain, with accompanying risks of pollution and generation of hazardous waste. Many processes in the supply chain involve heavy and hazardous work, requiring a close focus on workers' occupational health and safety.

In the 1st tier of our supply chain, we find six contract manufacturers (located in China, Mexico, Poland, Thailand, Slovakia and South Korea). Here is where our circuit boards are produced and our products are assembled. In the 2nd tier, we have more than 100 strategic component suppliers all over the world. Examples of processes conducted here are moulding and pressure casting.

Careful selection

Most importantly, we at Axis work to ensure close relationships with a selection of strategic suppliers and subcontractors. Strategic and long-term relationships are central in our work to minimize risks associated with how and from where our products are produced. It is a sound approach from several perspectives, including product quality, security of supply, ethics, environmental impact and social responsibility.

Before contracting a new supplier, Axis' quality and environmental engineers visit the factory together with a local representative (if there is one). Inspections usually take one or two days. Among other things, Axis audits the supplier's production process from acceptance tests to final delivery and inspects the factory's environmental impacts and working conditions, including the physical working environment, working hours and routines, and chemical management. Axis examines fire safety, measurements of emissions and noise levels, and reviews processes to ensure that the operations are conducted ethically. In conjunction with the audit, Axis' environmental and quality engineers conduct interviews with both management and workers.

Supplier Code of Conduct

Once on board, our suppliers sign our Supplier Code of Conduct as a part of the contract. This code establishes requirements with regards to environmental protection, occupational health and safety, human rights of employees, prohibition of child labor and of corruption and bribery. Suppliers also need to comply with applicable laws and regulations.

In practice, this means that suppliers are required to, among other things, control energy consumption, emissions, and chemical and waste handling, and to make sure that they have well-functioning water and air purification systems.

Responsible sourcing of minerals is also part of our Supplier Code of Conduct, enforcing necessary due diligence activities in order to avoid conflict minerals , as discussed on the previous page. Suppliers whose products contain the minerals in question are also required to report via the Electronic Industry Citizenship Coalition (EICC). This includes declaring the origin of the minerals together with a documented routine showing how suppliers and their subcontractors work to ensure that sourced minerals are conflict-free. Suppliers are also responsible for keeping Axis updated on the status regarding conflict minerals.

In addition, we have supplements to our supplier contracts when relevant, such as our list of banned and restricted substances, listing hazardous substances which we do not allow or want to have in our products.

Audits

Our follow-up of our Supplier Code of Conduct focuses on legal compliance and overall management of environmental and social performance, and of business conduct. Our aim is to see these factors improve over time. Our audit plan is based on risk assessments and therefore includes audits of both 1st and 2nd tier suppliers.

At Axis, we have a team of 18 auditors who perform supplier audits. New auditors are trained by accompanying senior auditors. The suppliers are classified based on risk level according to country, industry, trustworthiness and previous experience.

Axis has 219 current suppliers (2014) of which 60 are located in China, 58 are in the rest of Asia, 83 in Europe and 18 in North and Central America. 68 of our suppliers are deemed to have significant impact on environmental and sustainability aspects. 82% of our suppliers have been audited on site and shown improvements based on action plans.

96% of suppliers which are deemed to have a significant impact on Axis' environmental and sustainability aspects have been approved through an Axis audit or are certified to ISO14001. This is in line with Axis' auditing target.

Axis conducts regular repeat visits and follows up on previous audits. If there are deficiencies at a supplier, the parties involved will together draw up an action plan, which is followed up within a certain time period. Based on previous audit results, we can conclude that the most common areas of non-compliance are waste handling, chemical storage, fire safety and deficiencies in the environmental management system.

If a supplier is not taking the required measures to improve, Axis may ultimately discontinue cooperation with the supplier. In 2014, Axis has decided to leave two existing suppliers and turn to other sources, due to non-compliance with the Supplier Code of Conduct. Despite given time and encouragement to improve the poor environmental conditions on-site, the suppliers did not make sufficient efforts to improve.

Over time, we can see that audits and action plans have given results, for example regarding reduced emissions of chemicals in wastewater, reduced risks of accidents and improved occupational health and safety conditions. To further progress this important work, Axis hired several new engineers in 2014, who have participated in ISO14001 auditing training. Another four will be brought in during 2015.

Supplier webinar training

By implementing the Supplier Code of Conduct and conducting regular audits, Axis has managed to raise awareness among its suppliers. Nevertheless, increasing awareness among suppliers is still our main challenge looking ahead. In order to bridge the knowledge gap, in 2014, Axis began to offer online webinars for our suppliers. The overall aim of Axis Supplier Academy program is to raise environmental and quality awareness among suppliers and to help them better understand Axis' demands. Different webinars are distributed, instructing suppliers on issues ranging from occupational health and safety to legal requirements and product material declarations. The practical results of the environmental training will be continually assessed through the ordinary supplier audits.

"These webinars have helped us better understand the Axis Code of Conduct requirements, for sure. They are well summarized and easy to understand. This is also a good channel for us to receive any news regarding relevant legislation in the future." Tamron, supplier of camera lenses.

Social Responsib

what it means fo

2014 was an eventful year, celebrating Axis' 30th anniversary as a pioneer in intelligent security solutions. Axis has grown from a small company into a global market leader over a relatively short period of time and we now have almost 2,000 employees. We continue to invest in our far-reaching social and ethical engagements, both within and beyond our own operations, taking responsibility for how Axis impacts employees, suppliers, partners and their respective local societies and the end customers of our products.

Axis as a workplace

Since the start 30 years ago, Axis' dedicated employees have been key to the company's successful growth. While growing fast with many new employees every year can be a challenge, Axis sees it as a great opportunity. During this on-going growth, we at Axis are placing great value in safeguarding our unique corporate culture and the ideals associated with the smaller company, continuing to foster innovation and enabling employees to meet and develop. This is a fundamental strategy that has been applied from the start.

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or Axis

Axis in figures

Number of employees: 1,941

Men/women ratio: 73/27 (73/27)

Employee turnover: 6.85% (5.8%)

Workplace accidents: 9 (4), of which no fatal accidents

Average age: 38 (38)

Employees with university degree: 81% (80%)

Management Team: 2 women, 7 men (2 women, 7 men)

Composition of Board of Directors: 1 woman, 5 men (1 woman, 5 men)

Welcoming new employees

Axis welcomes all new employees, independent of where in the world they have been hired, to participate in an introductory course at the headquarters in Lund. Welcoming and enabling colleagues to meet and network face to face, Axis focuses this introduction program on implementing and strengthening the core values and our business strategy.

It is also important for us at Axis to contribute in different ways to schools and universities, as this is where our future employees can be found. Each year, we offer some 65 students opportunities to do their thesis work with us.

As another part of our university engagement work, Axis is engaging and investing in the Swedish project Transfer. Transfer works to invite professionals to come and lecture about their occupation to university students. The lectures are free of charge for the schools and involve engaged and competent professionals from a range of industries. Axis has several representatives participating in Transfer, contributing with their time, inspiration and knowledge, encouraging the students to take own initiatives and active career choices. Quality assurance is ensured through continuous evaluations by teachers and students. Taking our commitment a step further, Axis also invites university teachers to the company to help them inspire their students.

Highly ranked by our employees

Axis aims to not allow size to overshadow our unique corporate values, we need to continue to develop systematic and preventative approaches to occupational health and safety as our workforce is growing. Managers throughout the global operations have the responsibility to ensure a safe workplace. During 2014, work has started in Lund to improve our occupational risk assessment methodology. Axis complies with the national industrial relations legislation in the countries where we operate, and we impose the same requirements on subcontractors and partners.

Axis' Code of Conduct stipulates that all employees are expected to promote, contribute to and uphold the company's values, integrity and responsibility.

We as a company have an ongoing dialogue with our employees through yearly individual reviews and appraisals. This is our most important dialogue since it gives each of us the possibility to discuss our views of Axis as a workplace and our own future development.

Great Place to Work®

Also for the company as a whole, we value gaining an objective overall understanding of the status of our workplaces from our employees' perspective. In 2014, Axis therefore took part in the Great Place to Work® surveys in Sweden, USA and Germany. Great Place to Work® is a workplace study in which we as participants receive company-specific results as well as a benchmark.

It is with great pride that we now see the effects of our long-term investments in our staff and our corporate culture. In Sweden, we were among the top five workplaces in the study and 94% of respondents stated that they were proud to work at Axis. In USA, we were placed in the top 16 among small-and medium-size workplaces.

"This recognition is both an honor and humbling, as we remain committed to hiring the right people and fostering a fun and challenging work place environment," says Fredrik Nilsson, General Manager at Axis Communications Inc.

Each participating team at Axis will receive more detailed results from the study and will work with the areas identified as having potential for improvement. Overall, we see potential in communicating our goals and expectations to individual employees more clearly, as well as better showing opportunities and development possibilities.

With employees that clearly look forward to going to work in the morning, we have good opportunities to continue Axis' high rate of new recruitments and provide these new employees with a positive and engaging working environment. The results from the German survey are due in April 2015.

In focus

South America region – Quality of Life program

Improving Quality of Life for Axis employees in the South America region. Interview with Maria Angelica Moro, HR manager, Axis South American Office.

When some of the employees at the South American Office asked Axis to finance their football training, it was the start of something bigger.

"It all started when a group of employees asked me to rent a place where they could play football once a week," says Angelica. The request was granted, which set Angelica off on the idea of introducing a Quality of Life program.

Today, the program consists of two parts. One part is raising awareness among the employees about the importance of a balanced lifestyle, for example by having lectures at the office about health and stress management.

The second part comprises different activities. The football team still meets up to play and there is the possibility to get a massage at the office, partly financed by Axis. A dance class is about to start at the request of other employees.

All employees in the South American offices take part in the program, one way or another. At the Sao Paolo office, there are 40 employees engaging in the various activities. The other offices in the region are small, and for now they take part in the activities when they occur in connection to conferences.

Angelica Moro,
HR manager,
Axis South American Office

"Many of our activities are based on the wishes of our employees, who are very committed to the program."

What is the next step?
"Right now we are preparing a physical check-up of how healthy we are at Axis," says Angelica. "Based on the results we will decide on an action plan to improve further. We will also start a nutrition program, offering healthier alternatives in our kitchen," she says.

Have the results been promising?
"Many of our activities are based on the wishes of our employees, who are very committed to the program," Angelica continues. "The program promotes better health, as well as our team spirit. It is important to connect Axis to a Quality of Life program." Axis enjoys a very good image in South America, according to Angelica. It is also important that Axis is known as a great place to work in order to attract new employees and new business partners. Taking care of the staff will in the end ensure that Axis supports its customers in the best possible ways.

Opposite page; At close to 50 offices around the world, Axis is striving to offer all employees a good working environment permeated by the open corporate culture of the Axis brand, which is a strong characteristic of Scandinavian design.

A place of opportunities

As a fast growing global company, Axis is able to offer great opportunities for its employees to pursue an international career within the company. The corporate company culture is characterized by an entrepreneurial spirit and we have many professionals ready to pursue a career with our company.

Meeting and collaborating is at the heart of Axis and a natural component of everyday work. Axis has an Open Door policy throughout its operations which creates avenues for personal development.

At Axis' Brown Bag lunches, employees are invited to jointly discuss different topics, such as sustainability and industry segments.

Our International Program for New Leaders (IPNL) is designed to further develop new managers. The latest batch finalized their ten-month program during 2014.

"IPNL has given me a good theoretical ground to stand on but maybe, most importantly, also great practical tools to work with and use in my professional daily life. The IPNL program has been an amazing experience; it has been challenging but still fun and rewarding and of course an opportunity to meet and work with many wonderful colleagues from across the Axis regions!" Elisabeth Åkerlund, Manager Technical Information Management.

Axis also encourages international exchange within the company. With the program IP@Axis, employees have over the years been given opportunities to work on a fixed-term project at an Axis office somewhere else in the world. IP@Axis promotes cross-functional learning and strengthens the overall company culture as well as personal networks.

Axis corporate culture is built on the company's core values:

ACT AS ONE
ALWAYS OPEN
THINK BIG

Axis aims to offer all employees competitive salaries, and the company operates a bonus program. All employees have annual salary reviews. They should also have a performance review involving an appraisal of the work contribution during the year and a discussion about future development opportunities.

On a global basis, 75% of Axis' employees covered by collective agreements. In Sweden, all employees are covered. Most importantly, we at Axis do not tolerate any form infringement of the employees' rights to freedom of association and collective bargaining. All employees have the right to join trade unions and if desired to negotiate collective agreements in accordance with local regulations and applicable conventions.

Welcoming diversity

Thirty years ago, Axis begun its journey in Lund, a southern Swedish city known for its university and its vibrant mix of international students and professionals. Naturally, the growing company has since employed professionals with a range of different backgrounds and nationalities – diversity therefore comes natural to us and English is used throughout the company.

In 2014, Axis invested in the Swedish project Flickor på Teknis (Girls at the Institute of Technology), where female engineers from Axis helped to give college girls a better idea about a career as an engineer, encouraging them to apply to technical higher education. The project aims to, in the long run, see more female students enrolled in technical degrees at university.

As part of the 30-year jubilee celebrations, Axis organized a Tour de Axis throughout Lund, where the company's employees took the chance to also illustrate their competitive spirit.

As another measure toward Axis' aim for equal opportunities, the company initiated in 2014 the Q Network in Lund, Sweden, with almost 200 members to date. The Q Network is a women's network in Lund coordinated by a group of employees. The Q Network meets for different kinds of activities to provide the opportunity to exchange experiences and ideas.

Anti-discrimination

At Axis we show diversity and we have a focus on anti-discrimination at work. We strive to maintain a work environment free from unlawful harassment based on gender, sexual orientation, race, color, religious beliefs, national origin, ancestry, age, marital status, disability, and any other category protected by law. This ambition is enforced in Axis' Harassment Policy, the Code of Conduct and we also have a system for reporting of any incidents of harassment. The policy applies to all Axis employees, managers and board members (Head office and all Subsidiaries) and is valid at all activities connected to Axis. The policy stipulates in detail the responsibilities of managers, supervisors and individual employees.

In focus

Travel Security Portal for all employees including healthcare

Many of our professionals travel across the globe as a part of their job. It is of course a great opportunity, but can also comprise some occupational health and safety risks. In 2014, Axis signed a new travel insurance agreement covering all our employees, globally. On our website, the Travel Security Portal has updated information on all potential destinations. When traveling, via a mobile phone app, our employees have access to important medical and safety information in the area they are traveling, and can call for assistance 24-7.

Models of diverse workplaces

In South Africa, Axis has about 20 people employed, working with technical support, sales, marketing and administration. Our offices in Cape Town and Johannesburg can truly serve as models of diverse workplaces. Here we find 9 women and 10 male employees and the employees have a great variety of ethnical backgrounds. Throughout Axis' South African sales force, 50% are women.

"Recruiting the right person with the right energy is more important than anything. That way we automatically get a more diverse workplace, both genderwise and in terms of cultural and ethnical backgrounds," says Jason McGregor, Sales Manager at the South Africa hub. "In each region we reflect the Axis corporate culture and a part of that culture is a belief to be open to people with the right profile and spirit," he continues.

"Recruiting the right person with the right energy is more important than anything. That way we automatically get a more diverse workplace, both genderwise and in terms of cultural and ethnical backgrounds."

Jason McGregor, Sales Manager at the South Africa hub

Axis in society – social responsibility going beyond

Axis' business and our products influence the lives of people across the world, as our whole business idea is to contribute to a smarter and safer world. But our company's social responsibility also includes different types of social engagements, ranging from charity and sponsorships to more direct engagements in local communities. This includes acitivies supporting education, environmental engagements and more.

Spain

Axis' Spanish team supported the New Horizon Foundation by donating and installing refurbished cameras at a school for children with autism operated by the foundation.

Canada and USA

Axis was one of the main sponsors of non-profit organization Mission 500's charity race and walk. A group of employees participated in the Security 5k charity race at the trade convention ISC West in Las Vegas, contributing money to helping vulnerable children and families in crisis. Many Axis employees in the United States and Canada also participated in the ALS Ice Bucket Challenge, supporting the ALS association, and Axis matched their individual donations.

Tanzania

Education for all is one of the world's large challenges and a focus area in UN millenium goals. It is one of the issues that engages Axis employees in their local communities in many parts of the world. For example in 2014, Axis delivered and installed a complete computer classroom to the Hekima Girls Secondary School in Tanzania. A team of Axis employees helped install the computers and IT system, which had been purchased locally. The team also provided IT training and helped secure day-to-day IT support for the school.

Charity

Axis' engagement in charity and other forms of direct sponsoring is something that is initiated locally, in our offices. It therefore varies depending on the societal challenges facing each country or region. Besides contributing to the local communities where Axis operates, these projects are beneficial for Axis and Axis employees. The projects offer a chance for Axis' employees to work together for a greater cause, which builds loyalty and pride as well as giving them an enriching and engaging experience to remember.

Giving back – 30 years with Axis

Our celebration of 30 years as a company was marked in many ways at our offices across the globe. Many teams took the opportunity to mark this event by engaging in local community initiatives and through charity donations. Giving Back became an umbrella for various actitivities.

China

In China, Axis employees helped advance literacy in poor rural areas by donating money used to create libraries at elementary schools and giving impoverished children access to books. Axis employees in China have raised enough funding to support four school libraries in Guangdong, Hebei and Anhiu provinces.

Hong Kong

Our products often play a part in the local community projects in which we get involved. It is engaging for our employees to see the cameras in use and it is also a way for us to demonstrate the various applications and the value that they can have.

A great example are those projects in which we take back used cameras, refurbish them, and then donate and install them. In Hong Kong, Axis donated and installed 10 refurbished network cameras to the Hong Kong Student Aid Society. The user-friendly installation, which includes AXIS Camera Companion, will help improve staffing efficiency and help guarantee the children's safety.

Cambodia

At the ASEAN-Indochina Partner Summit event in Siem Reap, Cambodia, Axis employees, including the company CEO Ray Mauritsson, together with partners, participated in a program to assemble bicycles for schoolchildren. Axis donated 32 bikes, which will make it easier for children to get to and from school.

Germany

In Germany, Axis employees at the Munich office gave their support to the local street newsmagazine BISS, which focuses on issues of homelessness and poverty. In addition to a generous donation to the publication, Axis and employees of a local partner will join the newspaper staff for a BISS city tour to explore social issues affecting the city in order to de-stigmatize the issue of poverty.

About this report

This report has been based on the the Global Reporting Initiative's guidelines for Sustainability Reporting, G4. We report in accordance with the Core option. This report also serves as our Communication on Progress Report to Global Compact. This is Axis's fourth sustainability report and it covers the fiscal year 2014. We publish our sustainability report annually.

GRI Content Index

GENERAL STANDARD DISCLOSURES

Indicator	Description	Page
STRATEGY AND ANALYSIS		
G4-1	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy.	4-5
ORGANIZATIONAL PROFILE		
G4-3	Name of the organization.	backcover
G4-4	Primary brands, products, and/or services.	8
G4-5	Location of organization's headquarters.	3
G4-6	Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	2-3
G4-7	Nature of ownership and legal form.	3
G4-8	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	8
G4-9	Scale of the reporting organization.	2-3
G4-10	Report information about employees, workforce, by whom the organization's work is performed and significant variations in employment number.	31
G4-11	Percentage of total employees covered by collective bargaining agreements.	34
G4-12	The organization's supply chain.	12-13, 28-29
G4-13	Significant changes during the reporting period regarding size, structure, or ownership.	2-3
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization. *Comment: The precautionary principles is a part of the Swedish Environmental Legislations. For Axis the principles is mainly addressed when selecting product materials.*	38
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	6,17
G4-16	Memberships of associations and national or international advocacy organizations.	N/A
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
G4-17	All entities included in the organization's consolidated financial statements or equivalent documents and whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.	2
G4-18	Process for defining the report content, the Aspect Boundaries and how the organization has implemented the Reporting Principles for Defining Report Content.	14
G4-19	Material Aspects identified in the process for defining report content.	14-15
G4-20	Aspect Boundary within the organization for each Material Aspect.	12-13
G4-21	Aspect Boundary outside the organization for each Material Aspect.	12-13
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements.	N/A
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	14-15
STAKEHOLDER ENGAGEMENT		
G4-24	List of stakeholder groups engaged by the organization.	6, 14-15
G4-25	Basis for identification and selection of stakeholders with whom to engage.	6, 14-15
G4-26	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	6, 14-15
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	14-15
REPORT PROFILE		
G4-28	Reporting period (e.g., fiscal/calendar year) for information provided.	2, 38
G4-29	Date of most recent previous report (if any). *Comment: April 29, 2014*	38
G4-30	Reporting cycle (annual, biennial, etc.)	38
G4-31	Contact point for questions regarding the report or its contents.	39
G4-32	'In accordance' option the organization has chosen, GRI Content Index for the chosen option and reference to the External Assurance Report, if the report has been externally assured.	38
G4-33	Organization's policy and current practice with regard to seeking external assurance for the report, scope and basis of any external assurance provided, relationship between the organization and the assurance providers and the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report. *Comment: Axis has not seeked external assurance for the report. The report has been prepared with guidance from external consultants with GRI-expertise.*	38
GOVERNANCE		
G4-34	Governance structure of the organization, including committees of the highest governance body and committees responsible for decision-making on economic, environmental and social impacts.	7
ETHICS AND INTEGRITY		
G4-56	The organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	7

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SPECIFIC STANDARD DISCLOSURES

Indicator	Description	Page
ENVIRONMENT		
Aspect: Energy performance of products (DMA)		24
EN 7	No indicator data available for 2014.	
Aspect: Emissions - climate footprint (DMA)		22-23
EN 15	EN 15 Direct greenhouse gas (GHG) emissions (Scope 1).	22
EN 16	EN 16 Energy indirect greenhouse gas (GHG) emissions (Scope 2).	22
EN 17	EN 17 Other indirect greenhouse gas (GHG) emissions (Scope 3).	22
EN 18	EN 18 Greenhouse gas (GHG) emissions intensity.	22
EN 19	EN 19 Reduction of greenhouse gas (GHG) emissions.	22
Aspect: Materials used in products (DMA)		24-27
EN27	No indicator data available for 2014.	
Aspect: Supplier environmental performance (DMA)		27-29
EN32	Percentage of new suppliers that were screened using environmental criteria.	28
EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken.	28-29
SOCIAL		
Aspect: Occupational Health and Safety		32-33
LA6	Type of injury and rates of injury , occupational diseases, lost days, absenteeism and total number of work-related fatalities, by region and by gender. *Comment: Injury and absenteeism data were not found to be relevant to break down further.*	31
Aspect: Employee career and development		34-35
LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employment category. *Comment: Exact percentage for 2014 has not been obtained. All employees are to receive annual reviews.*	34
Aspect: Equal opportunities and non-discrimination of employees		34-35
LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group etc. *Comment: Only gender has been found relevant for breakdown of data. Average age is reported.*	31
HR 3	Total number of incidents of discrimination and corrective actions taken. *Comment: No incidents of discrimination in 2014.*	39
Aspect: Human rights and labor practices in the supply chain(DMA)		28-29
LA14	Percentage of new suppliers that were screened using labor practices criteria.	28-29
LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken.	28-29
HR10	Percentage of new suppliers that were screened using human rights criteria.	28-29
HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken.	28-29
Aspect: Human rights and personal integrity in the use-phase (DMA)		9
-	No indicator available.	
Aspect: Anti-corruption (DMA)		17-18
SO4	Communication and training on anti-corruption policies and procedures. 17-18, 31	
	Confirmed incidents of corruption and actions taken. *Comment: No incidents in 2014.*	39
Aspect: Customer privacy (DMA)		14
PR8	Total number of satisfaction substantiated complaints regarding breaches of customer privacy and losses of customer data. *Comment: No complaints in 2014*	39

The report and the reported indicators therein have not been subjected to external auditing.

Global Compact reference table

Principle		Page
HUMAN RIGHTS		
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights; and	7,9
Principle 2	make sure that they are not complicit in human rights abuses.	9, 28-29
LABOUR		
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	28-29, 34
Principle 4	the elimination of all forms of forced and compulsory labor;	28-29
Principle 5	the effective abolition of child labor; and	28-29
Principle 6	the elimination of discrimination in respect of employment and occupation.	28-29, 34-35
ENVIRONMENT		
Principle 7	Businesses should support a precautionary approach to environmental challenges;	20-29
Principle 8	undertake initiatives to promote greater environmental responsibility; and	20-29
Principle 9	encourage the development and diffusion of environmentally friendly technologies.	20-29
ANTI-CORRUPTION		
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.	17-19, 28-29

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About Axis Communications

Axis offers intelligent security solutions that enable a smarter, safer world. As the global 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 1,900 dedicated employees in more than 40 countries around the world, supported by a network of over 75,000 partners across 179 countries. 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.

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