Table of contents

Letter from the President and CEO 2
Hexagon in brief 3
Business overview 5
Sustainability at Hexagon 8
Sustainability-related risks 11
Stakeholder engagement and materiality assessment 12
Environmental management 13
Compliance and business ethics 15
Responsible supply chain management 18
Ensuring sustainability as Hexagon grows 19
Developing employees 21
Social engagement 24

About the report

This is Hexagon’s third sustainability report, covering the fiscal year of 2019. The report has been prepared in line with the EU directive on mandatory annual disclosures of non-financial information. The report focuses on Group wide sustainability performance and the management approach to Hexagon’s material sustainability issues.

Hexagon’s report has not been externally assured.

The annual report can be found on: investors.hexagon.com
Letter from the President and CEO

An enabler of sustainability
Following decades of hard work and commitment, Hexagon has reached a rare position in the global market enabling us to deliver scalable sustainability solutions across a very broad array of industries. With around 21,000 employees based in 50 countries, we have the potential to significantly influence social and business environments. At Hexagon, we believe our size, reach and position not only provide great opportunities, but also carry great responsibilities. We also think that a company’s sustainability journey can and should be determined both by the role its products and solutions play in the market, as well as its own processes and policies.

I am proud to say that our offering portfolio is a positive contributor for the world due to the many sustainable benefits our solutions bring. Two of the industries where our solutions have the greatest impact are in automotive and aviation, where we help our customers to design and manufacture more energy efficient vehicles that significantly reduces greenhouse gas emission.

But our contribution to sustainability doesn’t end there. Every day our sensors and software are used in large scale projects, collecting and monitoring data on temperature, water levels, traffic patterns, natural hazards, shipping routes, the health of infrastructure and functionality of machines. The collected data are analysed, optimised and visualised by our smart solutions so that authorities and companies can use the insight gained to create autonomous processes, make operations more efficient and workflows smarter – all of which reduces waste in production, lowers emissions, shortens delays, increases workplace safety, and mitigates disasters. As such, we consider ourselves an enabler of sustainability and believe our financial success is linked to how well we can help our customers become more efficient and sustainable.

Internally, we have once again taken great strides during the past year. We have brought sustainability into our corporate vision, produced a new comprehensive supplier code of conduct that was launched and will be implemented across the group and our supply chain in 2020, and have also further developed our Data Protection Programme with the introduction of new training courses, tools and guidance for risk assessments of protection of data and intellectual property. We are continuously expanding the scope for the sustainability report and realise there is still much more to do. Going forward we will put more efforts into evaluating relevant key performance indicators and targets to measure our sustainability progress internally.

The right thing
Our increased focus and initiatives in sustainability-related fields are not only because we want to, but rather because it is the right thing to do. Today, employees, customers, investors, providers, authorities and consumers all value companies based on their social impact, so only by actively promoting sustainability in all relevant fields can we remain a viable, long-term player that can continue growing and generate returns to our shareholders.

Whether a valued shareholder, customer or employee, we thank you for your continued trust in Hexagon, we look forward to sharing the sustainability journey with you.

Stockholm, Sweden, March 2020

Ola Rollén
President and Chief Executive Officer
@OlaRollen
Hexagon in brief

Hexagon is a global leader in sensor, software and autonomous technologies. Hexagon is putting data to work to boost efficiency, productivity, and quality across industrial, manufacturing, infrastructure, safety, and mobility applications. Its technologies are shaping urban and production ecosystems to become increasingly connected and autonomous – ensuring a scalable, sustainable future.

**Our focus is data**
- Leverage beyond data creation
- From automation to autonomy

**Our strength is proven**
- More than 20,000 employees across 50 countries
- 3.9 bn EUR in sales
- 25% operating margin

**Our commitment is innovation**
- Transformation focus, with 10–12% of net sales invested in R&D
- 3,800+ employees in R&D
- 3,700+ active patents

**Our value is vital**
- Solutions deliver productivity and quality
- Broad range of industries served
- Unmatched scope of technologies in the portfolio
MISSION
Putting data to work to enable autonomous, connected ecosystems that boost efficiency, productivity and quality for our customers.

VISION
A future where data is fully leveraged so that both humanity and sustainability thrive.

CORE VALUES

Profit driven
We value performance over procedure, setting measurable goals and working collaboratively to achieve the results we seek.

Customer focused
We know our customers’ success is paramount to our own and is based on our ability to talk openly and set clear targets to meet their needs.

Engaged
Our spirited energy and engagement are evident in our commitment to our work, passion for what we do and the speed by which we achieve it.

Innovative
We understand the importance of innovation in meeting the ever-changing needs of our customers and that opportunities must be nurtured and developed quickly.

Professional
We are honest professionals who understand the importance of knowing our business, exceeding expectations and avoiding politics along the way.

Entrepreneurial
We are not afraid to try new things and leverage our decentralised structure to make speedy decisions, take calculated risks and find new opportunities.
Geospatial Enterprise Solutions (GES) includes a world-leading portfolio of reality-capture sensors – from laser scanners, airborne cameras and UAVs (unmanned aerial vehicles) to monitoring equipment, mobile mapping technologies and precise positioning. The sensors are complemented by software for the creation of 3D maps and models which are used for decision-making in a range of software applications, covering areas such as surveying, construction, public safety and agriculture.

Customer segment, %
- Surveying, 40
- Infrastructure & construction, 27
- Natural resources, 11
- Aerospace & defence, 10
- Public safety, 8
- Other, 4

Geography, %
- EMEA, 42
- Americas, 40
- Asia, 18

Sales mix
- Software & services
- Recurring revenue
- Direct sales
- Emerging markets

The segment comprises the following divisions:
- Geosystems
- Safety & Infrastructure
- Autonomy & Positioning

Average no. of employees
8,900

Solution examples
- Laser scanners
- Airborne cameras
- Public safety

Mobile mapping technologies
- Precise positioning

Hexagon Sustainability Report 2019
Industrial Enterprise Solutions

Industrial Enterprise Solutions (IES) includes a world-leading portfolio of metrology systems that incorporate the latest in sensor technology for fast and accurate measurements. These solutions include technologies such as coordinate measurement machines (CMM) and laser trackers and scanners – which optimise design, processes and throughput in manufacturing facilities. It also includes software for CAD (computer-aided design), CAM (computer-aided manufacturing) and CAE (computer-aided engineering). Solutions within this segment optimise design and processes, improve productivity in process facilities and create and leverage asset management information critical to the planning, construction and operation of plants and process facilities.

Customer segment, %
- Electronics & manufacturing, 30%
- Power & energy, 26%
- Automotive, 19%
- Aerospace & defence, 14%
- Other, 11%

Geography, %
- Asia, 37%
- EMEA, 33%
- Americas, 30%

Sales mix
- Software & services
- Recurring revenue
- Direct sales
- Emerging markets

Average no. of employees
11,300

Solution examples
- CAD/CAM/CAE (computer-aided design/manufacturing/engineering) software
- CAD for industrial facilities
- Optical scanners
- Industrial metrology software
- Operations management
- CMMs (coordinate measuring machines)
Enabling clean, renewable energy in the North Sea

The growing dependence on electricity and the need to develop more sustainable ways to meet both electrical and heat energy capacity requirements is one of the great challenges of the twenty-first century. With capacities stretched and market competition rising, a key priority is to improve the efficiency of new renewable sources like solar power, wind energy, hydroelectric power, geothermal energy and biomass technologies.

As an enabler of efficiency and sustainability, Hexagon’s solutions are used to secure and streamline energy production sites all over the world. One of the more challenging situations is the surveying of windmill constructions at sea, a harsh environment with extreme demands on sub-millimeter precision and safety, not the least during the construction phase. A combination of Hexagon solutions was used in one such project in the North Sea outside of Netherlands to secure the verticality of windmill piles. Imaging capabilities and metrology software were used to accurately measure location and to monitor accelerations and vibrations through real-time video and data transfer to a remote control room. This enables the wind farm to operate safely for many years to come, thus increasing its operational time and the output of clean, renewable energy to suppliers in Europe.
Innovative solutions for sustainable ecosystems

Hexagon believes that achieving an autonomous future will not only empower its customers to dramatically improve outcomes, but also foster a sustainable planet.

Every solution Hexagon delivers enables and interacts with many other ecosystems, so the cumulative effect can have a profound impact on sustainability. Historically, growth in industry has come at the expense of the ecosystem all share — the planet. By putting data to work towards an increasingly autonomous future, Hexagon will drive sustainability through efficiency gains, increased safety, improved productivity and less waste — the very business outcomes all customers seek.

Hexagon’s innovative solutions help solve some of the most urgent challenges of our lifetime. We live in a time where everything can be connected – to the point that the world has more data than ever before. But most organisations aren’t leveraging data to its full potential. The gap between what’s possible technologically and what companies are actually doing with data continues to grow wider, and Hexagon is committed to closing that gap.

Scalable sustainability is at the heart of Hexagon’s approach:
• We have more data than ever before, and we also have the capacity to leverage that data like never before.
• We are committed to making smart use of the Earth’s resources by unleashing data to do its greatest work — boosting efficiency, productivity and quality.
• When we achieve our commitment, we not only improve our customers’ bottom lines, we also make enormous strides towards improving safety and eliminating waste as we build toward an increasingly smart, autonomous, connected future.

Hexagon’s Smart solutions portfolio contribution to the SDG’s

Hexagon’s smart solutions portfolio drives sustainable value creation by putting data to work and empowering increasingly autonomous connected ecosystems. The solutions include precision measurement systems with features that help customers optimise the use of raw materials and components, improve energy efficiency, extend the product life cycle, improve work environments through ergonomic features and safety measures, and reduce the use of hazardous materials in product design.

<table>
<thead>
<tr>
<th>Sustainable value creation</th>
<th>Smart solutions</th>
<th>Smart Industries</th>
<th>Smart Mines</th>
<th>Smart Farms</th>
<th>Smart Autonomous Mobility</th>
<th>Smart Buildings &amp; Infrastructure</th>
<th>Smart Cities &amp; Nations</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Zero waste</td>
<td>Smart Factories</td>
<td>• Safe, efficient operation</td>
<td>• Minimum impact</td>
<td>• Less use of water and resources</td>
<td>• Greater safety</td>
<td>• Optimised resources</td>
<td>• Increased safety for citizens</td>
</tr>
<tr>
<td>• Fewer inputs</td>
<td></td>
<td>• Longer lifespan</td>
<td>• Maximum efficiency</td>
<td>• Higher yields and less waste</td>
<td>• Improved productivity</td>
<td>• Less rework</td>
<td>• Highest quality of life</td>
</tr>
<tr>
<td>• Perfect quality</td>
<td></td>
<td>• Rapid startup at lower cost</td>
<td>• Safety prioritised</td>
<td>• Smarter transports</td>
<td>• On plan, on time, on budget</td>
<td>• Sustainable economic growth</td>
<td>• Sustainable economic growth</td>
</tr>
</tbody>
</table>

Hexagon Sustainability Report 2019
Today, Hexagon’s technologies are shaping urban and production ecosystems to become increasingly connected and autonomous — ensuring a scalable, sustainable future.

**Creating shared value**

Hexagon’s scope of technologies and industries served is unmatched, and every solution Hexagon delivers increases productivity and quality for its customers. Global megatrends drive Hexagon’s customers to continuously improve so they can meet market expectations for sustainable growth. Hexagon’s products and solutions drive digitalisation and help organisations optimise processes and save resources such as water, materials, energy and time. Hexagon’s technologies continuously create opportunities for improvement and business development across vital industries worldwide.

In short, Hexagon’s products and solutions often help to create shared value – customers benefit through resource efficiency and new business development opportunities, while the wider society benefits through better services, and infrastructure including smarter urban environments, less pollution or increased workplace safety. With a strong focus on technology leadership and pioneering, Hexagon creates solutions with the potential to shape a sustainable future.

**Protecting the environment, reducing natural disaster risks and increasing safety**

To monitor areas impacted by climate change or subject to the risk of natural disasters, Hexagon’s geospatial solutions are used to protect the environment and increase safety. These solutions make it possible to monitor movement in infrastructure and in the landscape to predict areas where natural disasters may have a serious impact on people and property. Proactive planning for earthquakes and the placement of dikes for flood prevention are examples of preventive measures. Real-time monitoring increases the ability to minimise human and material damage resulting from natural disasters. In the event of an incident, the system sends a warning signal and provides information that can be used for possible rescue operations. In areas specially exposed to climate change, such as Greenland, Hexagon’s solutions can calculate the length and speed of glacier movements. In mines, Hexagon’s solutions monitor the risk of landslides, protecting thousands of people. The reliability of this type of data is vital for the future.

**Safer and smarter cities**

Safety is a human right. For a city to be safe, it needs to operate smart, with connectivity between systems, collaboration between teams, and greater intelligence in operations, Hexagon enables cities to drive decisions based on data with compelling location-based visualisation and analysis tools for more efficient and collaborative emergency response, transportation management, energy conservation, and water and waste management.

By fusing automation and IoT with real-time analytics capabilities, city leaders increase the quality of urban services and citizen engagement, while decreasing overall costs and resource consumption.
Mapping melting glaciers

One of the direct consequences of global warming is melting glaciers, an alarming trend that can be observed in countries all over the world. But the width and pace of the melt can be difficult to measure as the glaciers often are thick, mixed with snow and located in areas that can be problematic to reach.

In Sweden, the national mapping, cadastral and land registration authority Lantmäteriet has implemented the use of laser scanning and 3D modelling tools provided by Hexagon to increase the precision, efficiency and accuracy of its multi-year trend analysis.

By using the laser-based Leica TerrainMapper solution instead of traditional photography it is possible for the authority to see if its snow or glacier they are observing, to get a sense of the condition and porosity of the glacier, as well as building 3D models of the entire areas. The models can be used by environmental scientists studying climate change, and also by local guides responsible for the safety of hiking trails who can see the condition of paths, bridges and windbreak shelters in areas that are difficult to reach.

The most recent analysis of the glacier melt conducted by Lantmäteriet with Hexagon tools show that the Swedish glaciers have melted by at least ten square kilometers in less than ten years. Accurate data on climate development is key for the government and other stakeholders when forming its climate politics and initiatives.
Hexagon’s risk management activities are designed to identify, control and reduce risks associated with its business. The majority of these activities are managed within each division of Hexagon. However, certain sustainability related risks are managed at a Group level.

The management of sustainability related risks are predominantly managed at a divisional level to allow for prioritisation of focus areas across the divisions differences across operational contexts. Below is an overview of the Group wide sustainability related risks that have been identified, prioritised and which are managed at a Group level.

The basis for Hexagon’s sustainability work is the Hexagon Code of Business Conduct and Ethics, which refers to the ten principles of the UN Global Compact on Human Rights, Labour, Environment and Anti-Corruption. The Hexagon Code of Business Conduct and Ethics covers issues such as fair employment, diversity, non-discrimination, workplace safety, privacy and protection of personal information, the environment, fair competition, and anti-corruption.

The Hexagon Code of Business Conduct and Ethics applies to all Hexagon employees and guides interactions with customers and suppliers. The Code of Business Conduct and Ethics extends beyond legal compliance and reflects Hexagon’s responsibility as a market leader to uphold the highest standards of ethics and compliance. In addition, Hexagon has a comprehensive Group wide Compliance Programme and manuals including anti-corruption, data privacy, export controls, government procurement, customs and competition matters.

All companies in the Group are required to adopt and implement the Hexagon Code of Business Conduct and Ethics and with the specific compliance programmes established pursuant to the Code of Business Conduct and Ethics, including guidance and procedures that implement the compliance programmes at the local level (collectively, “Compliance Programmes”). The Hexagon Board discusses and evaluates the sustainability related risks yearly.

**Sustainability-related risks**
Hexagon has identified the following sustainability related risks and mitigation measures to address them:

<table>
<thead>
<tr>
<th>Sustainability area</th>
<th>Sustainability-related risk</th>
<th>Mitigation efforts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees and human capital related risks</td>
<td>The resignation of key employees or Hexagon’s failure to attract skilled personnel may have an adverse impact on the Group’s operations.</td>
<td>Hexagon works with a structured approach to HR and market-based remuneration to ensure employee satisfaction.</td>
</tr>
<tr>
<td>Legal and compliance related risks</td>
<td>Hexagon’s main markets are subject to extensive regulation. Hexagon’s operations may be affected by regulatory changes, government legislation and restrictions in the countries where Hexagon is active. Any breach of export control regulations, data privacy laws, anti-corruption or anti-trust regulations would be damaging to Hexagon’s reputation and sales opportunities, and would have significant legal implications.</td>
<td>Hexagon has a solid compliance programme in place, covering the entire Group, including policies, processes and training to ensure that compliance with relevant laws and regulations are always top-of-mind.</td>
</tr>
<tr>
<td>Environment</td>
<td>Stricter regulations on environmental matters can result in increased costs or further investments for the companies within Hexagon that are subject to such regulation. Significant negative environmental impacts by Hexagon’s production companies or suppliers may lead to financial fines, loss of license to operate and reputational damage.</td>
<td>Hexagon has implemented ISO 14001 at the majority of the largest production sites and closely follow rules and regulations at a divisional level to ensure compliance. Around 80 per cent of total production is covered by ISO 14001-certified sites.</td>
</tr>
<tr>
<td>Human Rights related risks</td>
<td>Unmanaged negative impacts on human rights, i.e. through inadequate labour conditions in the supply chain could entail a reputational risk for Hexagon. Unmanaged negative impacts in companies owned or acquired by Hexagon could entail a reputational risk. On the customer side, Hexagon may face risks if customers misuse the company’s products in ways that infringe on human rights. Hexagon provides key products to a number of industries, including the defence industry (4% of sales).</td>
<td>Hexagon has a compliance programme in place for suppliers to manage social and ethical risks. Human rights are addressed in Hexagon’s Code of Business Conduct and Ethics as an integrated part of the due diligence process for acquisitions. Hexagon ensures that the target support human rights. Hexagon has a solid compliance program in place also covering export control regulations to prevent products from being sold to repressive regimes.</td>
</tr>
</tbody>
</table>
Stakeholder dialogue
Hexagon has a continuous dialogue with key stakeholders such as customers, regulators, suppliers and employees.

Listening to stakeholders and prioritising issues
Hexagon has a continuous dialogue with key stakeholders through different channels depending on the stakeholder group. Dialogue with key stakeholders takes place both through Hexagon's divisions and at Group level. Dialogue with internal and external stakeholders has been conducted through qualitative interviews, surveys and workshops. The outcome of the stakeholder dialogue is the base of Hexagon's materiality assessment which determined the most material sustainability issues for the Group to prioritise.

Materiality assessment

<table>
<thead>
<tr>
<th>Importance to external stakeholders</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Anti-discrimination and diversity</td>
<td></td>
</tr>
<tr>
<td>• Supply chain management</td>
<td></td>
</tr>
<tr>
<td>• Anti-corruption</td>
<td></td>
</tr>
<tr>
<td>• Digitalisation</td>
<td></td>
</tr>
<tr>
<td>• Employee engagement</td>
<td></td>
</tr>
<tr>
<td>• Health and safety</td>
<td></td>
</tr>
<tr>
<td>• Quality</td>
<td></td>
</tr>
<tr>
<td>• Greenhouse gas</td>
<td></td>
</tr>
<tr>
<td>• Reduction of waste</td>
<td></td>
</tr>
<tr>
<td>• Logistics and transportation</td>
<td></td>
</tr>
<tr>
<td>• Social engagement</td>
<td></td>
</tr>
<tr>
<td>• Materials and chemicals</td>
<td></td>
</tr>
<tr>
<td>• Remuneration and other working conditions</td>
<td></td>
</tr>
<tr>
<td>• Competence</td>
<td></td>
</tr>
<tr>
<td>• Data security and integrity</td>
<td></td>
</tr>
<tr>
<td>• Economic value</td>
<td></td>
</tr>
<tr>
<td>• Energy and resource efficiency</td>
<td></td>
</tr>
<tr>
<td>• Export to risk countries and risk industries</td>
<td></td>
</tr>
<tr>
<td>• Integration of acquisitions</td>
<td></td>
</tr>
</tbody>
</table>

Importance to Hexagon's business

Solution-related contributions
- Digitalisation
- Quality
- Energy and resource efficiency

Environmental
- Energy and resource efficiency

Employees
- Competence
- Anti-discrimination and diversity
- Employee engagement
- Health and safety

Compliance
- Anti-corruption
- Export to risk countries and risk industries
- Data privacy and integrity

Responsible value chain
- Supply chain management

Hexagon Sustainability Report 2019
Environmental management

Hexagon strives to be a role model in the management of environmental issues. Hexagon’s products have a significant positive environmental impact in that they help the customers reduce the use of resources and increase efficiency.

Hexagon is also committed to reducing the company’s own environmental footprint. At the Group level, this commitment is guided by the Hexagon Code of Business Conduct and Ethics. In terms of environmental management, leadership at each Hexagon division is responsible for establishing appropriate procedures and organisational structures to comply with the Code and all applicable laws and regulations, ensuring that efforts and activities that are material to the division and its facilities are effectively prioritised and managed in order to reduce carbon footprint.

Reducing the environmental impact
At Hexagon, 60 per cent of sales comes from software and services. In its hardware producing operations, Hexagon focuses on managing environmental impacts by continuously working to reduce consumption of energy, water, and other resources, as well as the production of waste. Additional areas of focus in production, where applicable and appropriate, have been recycling, improving air and water quality, and avoiding hazardous substances. Divisions that fall under such operational contexts strictly follow chemical safety regulations including the EU Directive on Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH, EC 1907/2006).

Hexagon’s production facilities prioritise energy efficiency and use of safe and environmentally friendly equipment. “Lean manufacturing” principles are used where appropriate to optimise processes, with Hexagon employees and suppliers playing an important role in the ongoing improvement of processes and workflows. Hexagon has successfully obtained ISO14001 certifications for the majority of its larger production sites, covering around 80 per cent of total production. On these as well as other sites, environmental management is managed systematically and with a focus on continuous improvement. Hexagon plans to continue certifying sites according to ISO 14001 as appropriate over the coming years.

In Hexagon’s software development divisions, environmental management focuses on recycling and methods of reducing resource consumption, such as energy usage for servers and using digitalisation to reduce resource use and reducing travel. Initiatives are generally managed by each division or facility to ensure materiality and relevance.

Innovation processes
A robust activity that drives the efficiency and effectiveness of products (hardware, software or services) through continuous development and improvement is Hexagon’s Innovation Process (HIP). The process includes defined milestones and corresponding deliverables, which all projects at Hexagon’s main divisions Manufacturing Intelligence and Geosystems follow. Each milestone functions as a stage gate for which the project team has to present the project to a steering committee for approval to continue ahead. An impact assessment of the environmental footprint is conducted as part of the design phase. In projects that contain high risks or unknowns, a pre-project might be executed to reduce risks or get more information for the main project. During such a pre-project, a possible task could be to conduct a supplier evaluation.

As part of the Hexagon Innovation Process, each product group within Geosystems receives a recycling passport, which reviews materials used and aims to confirm that each product complies with the EU Directives on Waste Electrical and Electronic equipment (WEEE 2012/19/EU) and Restriction of the use of certain hazardous substances (2011/65/EU). The recycling passport gives information on reuse, recyclability, treatment, and waste disposal. Recycling passports are updated during the life cycle of a product in case there are changes in the use of materials.
Natural hazard monitoring and alarm solutions protects millions of people around the world

Hexagon is a leading provider of natural hazard monitoring and alarm systems for the early detection and warning of dangerous events such as landslides, rockfalls, and avalanches. The systems detect, track, and analyse the slightest movements in structures and creates real-time alerts protecting workers and the general public in high-risk areas of potentially catastrophic events. In the event of potentially dangerous situations, triggered alarms can not only alert authorities but also automatically close threatened roads and railways as well as warn people in the affected areas within a matter of seconds. Georeferenced, recorded event data provides advanced statistics and analytics for risk assessment and vulnerability zone mapping.
Compliance and business ethics

Hexagon is committed to ensuring that its personnel act with the highest standards of ethics and in compliance with all regulatory and legal requirements and recommended practices.

Management of compliance and business ethics
Compliance and business ethics are managed by the Group Compliance function in close collaboration with compliance organisations within each of Hexagon’s divisions.

Hexagon’s Code of Business Conduct and Ethics (the “Code”) is the foundation of Hexagon’s Ethics & Compliance System. It defines Hexagon’s values and sets forth Hexagon’s expectations and requirements with respect to activities performed on Hexagon’s behalf. The Code is intended to serve as a central guide and reference for Hexagon personnel to support day-to-day decision making. The Code also sets forth Hexagon’s compliance policies and establishes compliance programmes in six key areas of law applicable to Hexagon’s activities (each, a “Compliance Programme”), including anti-corruption, antitrust, customs, data privacy, export controls, and government procurement. All Hexagon personnel are required to comply with the Code and with the specific compliance policies established thereunder.

Hexagon continuously reviews and improves the Code to reflect evolving industry standards and changes to legislation. To these ends, Hexagon trains employees regarding its expectations, utilises experts in multiple jurisdictions across different disciplines and employs an in-house team of legal and compliance professionals to ensure that Hexagon’s compliance and business ethics policies and practices remain at the forefront of industry practices.

Each Hexagon division is responsible for creating procedures, instructions, guidelines, worksheets, templates, and other compliance tools (“Local Procedures”) to implement Hexagon’s Ethics & Compliance System.

Each Hexagon manager is responsible for ensuring that employees are fully aware of the Code, and taking steps to promote and monitor compliance with the Ethics & Compliance System.

Risk assessment and management
Compliance risks can lead to violations of applicable laws and can negatively affect Hexagon’s business and reputation. Thus, compliance risk identification, assessment and mitigation are critical parts of an effective Ethics & Compliance System. To better identify and manage risk, Hexagon implemented a software solution during 2019 to facilitate the administration and management of internal risk assessments. Hexagon also formed a Risk Assessment Committee, responsible for developing risk assessments, formally reviewing the results, determining and prioritising appropriate corrective actions, and monitoring resulting assignments to ensure appropriate action is being taken to mitigate any significant identified risks.

Hexagon’s risk assessment partners, performs risk assessments on a divisional level including assessments of manufacturing facilities and key suppliers. All aspects of risk to the business are investigated and formally reported to the Group. Follow up on recommendations are completed annually.

Compliance audits
Hexagon’s Compliance Team performs compliance audits to monitor the strength and effectiveness of its Ethics & Compliance System. Such audits help Hexagon determine how well its businesses understand and comply with applicable compliance procedures, and whether any modifications are required to existing procedures to better meet the needs of the business. They also help the Compliance Team to identify potential compliance risks.

Compliance training
At the Group level, Hexagon launched online compliance training in 2019 covering the Code to over 17,000 Hexagon employees, with a current completion rate of 86%. In addition to general coverage of the Code, this course included specific segments on export control, anti-corruption, and competition compliance.

In 2019, Hexagon also issued online anti-corruption compliance training to over 19,500 of its employees. Hexagon also provided online global trade compliance training to over 1,200 employees.
In addition to compliance training provided at the group-level, Divisional Compliance Officers, Corporate Compliance Counsel and other Hexagon compliance personnel provided training on various compliance topics relevant to their respective divisions, both in person and via web conference.

Export controls compliance
Hexagon is committed to complying with appropriate export control policies. Hexagon’s export control compliance efforts aim to safeguard peace and security by preventing the unlawful transfer of items (i.e., goods, software or technology) to unlawful destinations or to recipients that may use them for illegal purposes.

Hexagon’s export control compliance policy is documented in the Code and in Hexagon’s Export Controls Compliance Programme Summary and Export Controls Compliance Programme Manual. These documents address risks of export violations with requirements in such areas as commodity classification, sanctions compliance, restricted party and end-use screening and protecting controlled technology.

Anti-corruption compliance
Corruption negatively impacts communities and overall global economic development and erodes the trust necessary to build a stable business environment. Hexagon’s anti-corruption policy is documented at the Group level in the Code and in Hexagon’s Anti-Corruption Compliance Programme Summary and Anti-Corruption Compliance Programme Manual, and at the divisional level with appropriate local procedures.

The anti-corruption compliance documents include policies in such areas as gifts and entertainment (both to and from third parties), hiring candidates with government connections and engaging and transacting business with third parties. Business agreements are required to include appropriate anti-corruption provisions.

Business partner procedures
During 2019, Hexagon launched a project to ensure appropriate due diligence was performed for its business partners. This project includes confirming appropriate due diligence procedures are in place to engage new business partners, as well as the identification of existing business partners and confirmation that appropriate due diligence was completed for each. This project is still ongoing.

Whistleblowing mechanism
Hexagon personnel are encouraged and required to report any suspected non-compliance through a whistleblowing mechanism ensuring that good-faith reports will not be subject to retaliation. The reporting can be done either directly to managers or electronically via a whistle-blower email.

The formation of an executive level Cybersecurity Council for the information protection of this information with initiatives in several areas as well as reinforcement of ongoing programmes. The formation of an executive level Cybersecurity Council provides oversight of the security strategy and bring together both security of Hexagon’s networks with security of Hexagon’s products.

A global company-wide security awareness training course has been launched to ensure that all Hexagon employees receive training on how to spot cyber-attacks and what to do in the event of one. Incident response capabilities are being assessed and improvements made to ensure Hexagon has a strong cyber resilience posture. It is widely accepted within industry that it is impossible to successfully prevent all attacks and companies that are well prepared and have robust recovery plans in place will incur less damage.

Each division within the Hexagon group continues to reinforce its Information Security programmes with continued progress towards implementing their chosen Information Security Framework. This is overseen by the group level security function.
Boosting business in Tanzania

The World Bank is involved in a vast amount of sustainability projects all over the world, aiming to create sustainable conditions for enterprise creation and growth by increasing the capacity of the local private sector to participate in domestic and international markets. In order for the private sector to gain access to the financial markets, it needs documentation of its ownership of titled land, that in turn can be used as security for loans and investments in business ideas or new tools.

Hexagon was involved in one such project in Tanzania, where the World Bank wanted to help the local government achieving a clear, credible and accessible overview of land properties and its associated owners. The goal was to strengthen business environment in Tanzania, boost the land administration reform, and improve access to financial services.

Hexagon mapping and positioning products were used to develop an Integrated Land Management Information System (ILMIS) and to overhaul the geodetic infrastructure for surveying by replacing the outdated one with one based on a modern GNSS equipment and state of the art Total Stations. The project also included producing multi-purpose base maps for Dar es Salaam and surrounding areas and to help land use planning and regularization of tenure rights in the urban areas.

The project, which ran from 2006 until 2018, was a success as four out of five outcome targets were either met or exceeded their targets.
Responsible supply chain management

Ensuring a responsible supply chain is important to Hexagon as it helps prevent disruptions in supply as well as potential reputational risks.

Hexagon’s compliance policies regarding supply chain management are set out in the Code and in various Compliance Programme manuals and procedures. Hexagon selects suppliers based on an assessment of the overall competitiveness of the offering and that live up to the goals and values expressed in the United Nations Global Compact’s ten principles in the areas of human rights, labour rights, environment and anti-corruption. Within its sphere of influence, Hexagon strives to ensure that its suppliers follow the principles set out in the Code.

Supplier Code of Conduct
Hexagon introduced a Group-wide Supplier Code of Conduct in 2019. The Supplier Code of Conduct is currently available in 17 languages on Hexagon’s external website. During 2020, procedures will be implemented to ensure third-party suppliers and subcontractors in Hexagon’s global supply chain are contractually required to comply with the principles set forth in Hexagon’s Supplier Code of Conduct.

Supplier risk screening
Processes for supplier screenings depend on the nature of the items procured. The Hexagon policies related to supply chain management include requirements for (i) screening Hexagon suppliers against applicable sanctions list; (ii) conducting additional due diligence on suppliers that may be developing Hexagon business; (iii) including appropriate anticorruption and other compliance provisions in supplier agreements; and (iv) prohibiting acceptance of items of value or other benefits while knowing or suspecting that it is offered or provided with an expectation that a business advantage will be provided by Hexagon. Additionally, Hexagon may not purchase from suppliers that procure products for Hexagon from sources subject to applicable trade sanctions.

Supplier audits
In some cases, Hexagon performs audits of both new and existing suppliers based on both desk research and onsite visits. Audit schemes and processes differ from division to division depending on risk levels and operational contexts. Hexagon divisions that manufacture hardware have adopted a systematic evaluation process for all new suppliers containing several steps of scrutiny to ensure compliance with Hexagon’s policies.

In 2019, Hexagon performed approximately 95 audits of new and existing suppliers. For example, focusing on social risk criteria in risk countries or risk industries. When existing suppliers fail to comply with Hexagon’s compliance requirements, Hexagon engages with the supplier and conducts an impact assessment to understand the root cause. Appropriate follow-up actions consist of taking suitable actions to ensure that the issue will not be repeated. In some cases, when infringements are deemed significant and intentional, Hexagon will terminate the supplier contract and will seek a sourcing alternative. Key suppliers of manufacturing entities are evaluated through internal formal visits, reviews and evaluations in order to ensure that they strictly respect the Hexagon Code of Business Conduct and Ethics. Third party assessment is used in cases where an issue cannot be verified directly with the supplier.

Conflict minerals compliance
For Hexagon, a small part of activities is affected by the regulation of conflict minerals including the Dodd Frank Act. Hexagon does not source conflict minerals directly, but some divisions are indirectly affected by regulations through sourcing products and materials from suppliers and sub-suppliers. In such cases, Hexagon works in close collaboration with the suppliers and uses a rigorous process to collect all necessary data as proof of strict compliance. Affected business-to-business activities include the provision of OEM (Original Equipment Manufacturer) products purchased by machine manufacturers in the US. Hexagon is in the process of implementing an online tool for all areas to ensure that the issue is managed in a robust and strict way.

Hexagon’s Autonomy & Positioning division requests current and new suppliers to complete a Conflict Mineral Report Template (CMRT) for all parts supplied. The CMRT is provided by Responsible Minerals Initiative (RMI) and has been adopted by the industry. The CMRT file is constantly being revised by RMI with updated Smelter information and whenever a supplier response is received the file automatically identifies suspect Smelters.
Ensuring sustainability as Hexagon grows

Acquisitions play a vital role in Hexagon’s portfolio and growth strategy. In this business model, a focus on sustainability as Hexagon acquires and integrates new companies is central to the company’s overall sustainability management.

For Hexagon, it is always a make or buy decision when evaluating the R&D roadmap and potential acquisition candidates to fill gaps in the portfolio that support Hexagon’s strategy. In addition to filling gaps, Hexagon’s acquisition strategy is focused on increasing software synergies across its different business portfolios. Acquisition candidates are regularly monitored and evaluated on market position, customer reputation as well as growth and profitability potential.

Sustainability in the due diligence process
Hexagon promotes several sustainability factors in the acquisition process as it enables the company to make better investment decisions, thereby unlocking the potential value of sustainability and reducing the harm resulting from any possible limitations. It also ensures a valuable foundation after the transaction has been completed.

In Hexagon’s standard due diligence process, a number of sustainability elements are considered. These include a detailed review of the internal controls of the target company, quality business practices, environmental matters, employee matters, ISO (International Organization for Standardization), LEED (Leadership in Energy and Environmental Design), anti-corruption regulation (FCPA, Foreign Corrupt Practices Act) and export controls. Hexagon further evaluates whether target companies are following a robust code of conduct and whether their own corporate sustainability programmes are effective.

The considerations and steps taken by Hexagon in a due diligence process are often project-specific. For example, when evaluating a manufacturing company, Hexagon evaluates whether the company takes measures to ensure responsible production and a sustainable supply chain. Overall, Hexagon seeks to obtain an understanding of the company’s philosophy, how this has impacted operations and whether management can address potential issues in the right framework. This allows Hexagon to better determine the company’s sustainability profile and whether it would fit well within the Group.

Hexagon also frequently uses external specialists, including counsel trained in intellectual property, employee benefits, anti-corruption, international trade, antitrust, labour and employment law and real estate. Having a cross-functional team supplemented by external experts allows Hexagon to appraise all key features of the target company, including its sustainability practices and suitability for integration into Hexagon as a whole.

Integrating companies in Hexagon
After closing of a transaction, where a company becomes legally owned and controlled by Hexagon, the acquired company is integrated into Hexagon’s processes and methods. All companies in the Group are required to adopt and implement the Hexagon Code of Business Conduct and Ethics based on the UN Global Compact’s ten principles on human rights, labour, environment and anti-corruption. The newly acquired company furthermore implements the Hexagon Ethics and Compliance Programmes, covering topics including anti-trust, anti-corruption, business ethics and export controls.

Hexagon also has an on-boarding checklist covering employment, ethics and compliance, legal issues, insurance, intellectual property and information technology. The operational integration often includes regular in-house visits to the acquired company to assist with multiple onboarding tasks including compliance training and financial accounting reviews.

Employment agreements are established between the target company and the acquiring entity, which set out policies regarding sick leave, equipment usage, travel policies and recordkeeping. In all cases, employees entering the Hexagon Group via an acquisition are informed about Hexagon’s Code of Business Conduct and Ethics and are expected to behave consistently according to the Code.
Empowering women in mining

While the mining industry has historically been dominated by men, Hexagon has made strides in creating a more inclusive environment. Larissa Gounden, a senior manager for global planning services and support at Hexagon, helped found the Arizona chapter of Women in Mining in March 2019 and serves as the public relations chair. Women in Mining is a non-governmental organisation focused on attracting, retaining and advancing professionals in the mining industry as well as educating the members and the public in the various aspects of mining. With 100 members joining initially, Hexagon hosted the organisation’s inaugural event at its headquarters and encourages all mining technology companies to join the initiative.
Developing employees

Attracting, hiring, developing and long-term retention of the best employees in the industry is key to Hexagon’s success. The company employs more than 20,000 people globally, many of whom are highly skilled engineers and software developers. Hexagon is a global company with employees in 50 countries working in the company’s different divisions.

Human Resources (HR) are managed by a decentralised HR organisation which reports to business unit heads at the divisional and/or local entity level, allowing each division and region to focus on their specific HR-related priorities and needs. The decentralised approach to HR has been a key success factor for Hexagon when integrating new acquisitions into the Group. As a result, acquired organisations have been able to retain key employees and experts while maintaining quality existing and well embedded practices to a certain extent.

From a Group perspective, the Hexagon Code of Business Conduct and Ethics helps govern issues such as fair employment, diversity, discrimination, harassment and health and safety. All companies in the Group are obliged to adopt and implement the Code to ensure a uniform approach to these issues across the Group.

The Group HR function supports divisions in legal matters and aligning processes for hiring, compensation and performance management. Group HR is also responsible for the periodic Employee Engagement Survey measuring employee engagement across the Group.

Hexagon’s largest divisions, Manufacturing Intelligence and Geosystems, manage and interact with employees through integrated systems for HR and learning management. Different programs are implemented partly globally and partly locally to best reflect the differences in the operational contexts. This approach ensures that Hexagon has a good understanding of the demographics and is meeting the needs of a highly-skilled workforce and talent in a dynamic and fast-paced working environment. Other divisions have similar approaches to HR management.

Employee engagement

Employee engagement is key to maintaining a strong and competitive organisation and retaining key personnel. It is well proven that engaged employees have a significant positive impact on the company’s results with respect to growth, profitability and innovation. Employee engagement is a continual effort of the global HR team, supported by HR teams across divisions.

Employee engagement is used as the overall measure in the bi-annual employee survey conducted most recently in 2017. The Hexagon engagement score focuses on the willingness of employees to continue with their current employment. It also gauges the employee’s stated desire to speak positively of the Company and the specific work environment and job content. The survey from 2017 has an overall engagement score of 58 per cent, which is in line with Hexagon’s internal targets. The score of 58 ranks Hexagon in the 2nd quartile of all of the comparable employee survey data sets and places the score slightly above the average of all comparable technology firms.

Some divisions conduct their own surveys on a more regular basis to evaluate the progress on the action plans following the group employee surveys.

Actions have been taken at a divisional level to address issues raised in the survey. Based on the results of the survey and locally sourced survey data, each division or location is encouraged to develop specific action plans to address any potential issues. Local management is responsible for implementation.

Competence and development

Hexagon strives to develop the competences and skills of employees to ensure opportunities for professional growth. The attraction, retention and development of key employees is central for Hexagon’s competitiveness and crucial for the business success.

The overall retention rate for employees in the Group was 92 per cent in 2019.

<table>
<thead>
<tr>
<th>Employees per region, average number</th>
<th>Employees per region, average number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial Solutions, 11,255</td>
<td>EMEA, 8,277</td>
</tr>
<tr>
<td>Geospatial Solutions, 8,916</td>
<td>Asia, 6,271</td>
</tr>
<tr>
<td></td>
<td>Americas, 5,702</td>
</tr>
</tbody>
</table>

Employee key figures

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retention rate, %</td>
<td>92</td>
</tr>
<tr>
<td>Employee engagement, %</td>
<td>58</td>
</tr>
<tr>
<td>Gender distribution total, %</td>
<td></td>
</tr>
<tr>
<td>Women</td>
<td>23</td>
</tr>
<tr>
<td>Men</td>
<td>77</td>
</tr>
<tr>
<td>Gender distribution leading positions, %</td>
<td></td>
</tr>
<tr>
<td>Women</td>
<td>17</td>
</tr>
<tr>
<td>Men</td>
<td>83</td>
</tr>
<tr>
<td>Gender distribution, Board of Directors, %</td>
<td></td>
</tr>
<tr>
<td>Women</td>
<td>57</td>
</tr>
<tr>
<td>Men</td>
<td>43</td>
</tr>
</tbody>
</table>
The hiring process is focused on attracting the best people for the job and allows managers and HR professionals more time with applicants through a standardised process and increased automation of the necessary legal and administrative processes.

The performance management systems and review processes used in Hexagon vary across the Group, but it is required that an annual performance review must take place with each Hexagon employee. The HR organisation in each division manages the review process. Compliance with the performance review requirement is currently above 85 per cent.

Over the past several years, Hexagon has improved the performance management processes, whilst acknowledging there is room for further improvement. Continuing automation projects in this area are helping to improve the quality of the individual employee interactions.

Diversity and anti-discrimination
Hexagon is committed to be a diverse workplace mirroring the international nature of the business with employees, customers and suppliers in many parts of the world. As a global organisation, Hexagon recognises and respects employees’ differences, and strives to build a working environment where different values and perspectives are actively harnessed to create the best solutions for the equally diverse customer base. By promoting diversity, Hexagon will also increase the access to a greater range of talent.

The diversity and inclusiveness of Hexagon’s workforce is supported by its position on sustainability and human rights. The employment and recruitment practices will adhere to and strive to exceed, the requirements of local employment legislation wherever it is in the world. The core principles for diversity and anti-discrimination are laid out in the Hexagon Code of Business Conduct and Ethics. Specific policies, programs and initiatives are implemented at a divisional or local level. Hexagon’s principles of diversity and inclusion extend to the customers, suppliers and other external stakeholders with whom Hexagon chooses to engage.

Hexagon seeks actively to recruit, continually develop and retain talented people from diverse back-grounds and origins. All potential and actual employees are treated with equal respect and receive an equal opportunity to contribute fully to the company’s success based on their individual skills and interests.

Diversity in recruitment
One example of Hexagon’s efforts to be a diverse workplace has been the pro-active recruiting at colleges and universities across the US that predominantly house minority students. The process ensures a diverse candidate basis that leads to diverse new hires, and establishes a relationship with the universities to allow for greater access to a larger pool of talent and future potential hires.

Gender diversity in management
As stated in the Hexagon Code of Business Conduct and Ethics, Hexagon strives to be a gender diverse workplace on all levels of management.

The Board of Directors at Hexagon has four women and three men. Group management consists of thirteen men and one woman. Gender distribution on leading positions, including divisional management, consists of fifty-nine men and ten women.

Preventing discrimination
Any kind of discrimination is unacceptable in Hexagon both internally and in relation to customer and supplier relations or in any other situation. Prohibiting discrimination is part of the Hexagon Code of Business Conduct and Ethics. To ensure that discriminatory behaviour does not exist within the organisation, employees have several channels to report any behaviour that could be viewed as discriminatory. Direct access to the HR leader at the division is the first avenue for reporting. If the issue cannot be handled at the division level, then it is handed over to the Chief HR Officer. Furthermore, there are direct communication opportunities with the Compliance Office, managed by the Corporate Legal group, through the whistleblowing system.

On a local basis, each employee has an assigned HR professional available, who can act as the employee’s advocate in situations where interventions are necessary.

Occupational health and safety
Personnel safety in the workplace is a top priority for Hexagon. Ensuring that employees work in a safe and healthy environment is the key to any successful business. Hexagon aims to provide workplaces that are free of incidents and injuries and to promote a culture of hazard identification and awareness, incident reporting and self-accountability. Employees are provided with appropriate training and safe equipment to perform their job safely. Each employee is personally responsible for working in a safe manner, following all health and safety policies and procedures, participating in training and identifying and reporting any health and safety issues and hazards to management or the relevant internal stakeholders.

The guiding principles for workplace safety are laid out in the Hexagon Code of Business Conduct and Ethics. The company strives to minimise the risks of accidents and work-related illnesses among its workers and employees. Hexagon is responsible for maintaining a safe work environment by implementing all applicable health and safety rules and practices within each Hexagon entity. Each division and local entity have in place processes and systems to ensure compliance with all applicable rules and regulations; divisions also have policies related to hazards and specific work tasks at risk that reflect the activities at the divisions. Each Hexagon location has a management team member assigned to ensure that all mandated health and safety guidelines are followed. Relevant indicators on work related injuries and illness are monitored at a divisional and/or local level.

Collaboration with universities
Hexagon is proud to partner with universities and higher education institutions to support the development of future talents through the involvement with education programs, advisory panels and sponsored forums and events. Through close collaboration with universities and colleges around the world, Hexagon gets exposure to the
next generation of potential employees that have already developed knowledge about Hexagon and its products before graduation, and by that will be able to hit the ground running on their first day as a Hexagon employee.

One example is the Advanced Analysis Lab at the CBIT engineering college in Hyderabad which Hexagon continues to develop after opening in 2017. Students and faculty undergo training programmes on Hexagon’s solutions, making them industry-ready. Hexagon also launched a GNSS Lab at the Jawaharlal Nehru Technological University in the same region. In order to continue to attract skilled employees, collaborations with local Universities is crucial for Hexagon’s R&D centre in Hyderabad – Hexagon Capability Center India (HCCI) with over 1,100 employees.

Another example where Hexagon has recognised the benefits of collaboration between business and academia is Hexagon’s Geospatial division, which provides education programs featuring innovative tools that visualise and analyse dynamic information, allowing users to solve real-world challenges. By that, graduates will develop industry-ready skills with Hexagon solutions.

A collaborative partnership with the University of Rhode Island

Hexagon’s Manufacturing Intelligence division has formed a collaborative partnership with the University of Rhode Island, College of Engineering. Hexagon will provide manufacturing technologies to enable a rich research environment for undergraduate and graduate programs focused on advanced manufacturing. The work conducted will build on research in the areas of clean energy, nanotechnology, robotics, cybersecurity, water for the world, biomedical technology, smart cities and sensors and instrumentation.
Social engagement

Hexagon supports and actively engages with the communities where it operates. Through Hexagon’s globally operating business, the Group are supporting philanthropic activities and charitable organisations, in order to benefit the local communities in which Hexagon operate.

With employees all over the world, Hexagon has been welcomed by many communities, giving their support, talent, and resources to Hexagon’s business. This makes Hexagon a global company with local heart, and it’s important to give something back. Local initiatives range from donating technologies to non-profits training, through sponsorship of sports clubs bringing excitement and social engagement to their communities, to partnering with universities to develop the future talent.

Hexagon is an avid supporter of quality education in India by seeking out top university partners to provide required training in courses that make students industry-ready. This is done by reaching out to campuses through a program called ‘Campus Champions’. One example is Hexagon’s partnership with the National Institute of Technology to set up student labs at some of the top technology institutes across the country. The labs are available to students across all departments and offer training and skills development on topics such as hardware and software licensing. To ensure increased in-house expertise, advanced training for processors is also offered.

Divisions drive their own CSR activities in different locations globally. For example, Hexagon Manufacturing Intelligence works closely with Wings for Life, a non-profit that funds world-class research and clinical trials to find a cure for spinal cord injury. Every year, employees join thousands of participants in the Wings for Life World Run. Hexagon matches each participating employee’s entry fee, 100 per cent of which goes directly to the charity. At Hexagon Geo-systems, the division partners with universities, vocational schools and higher education institutions to support the development of future talent. This is just a few of many examples across the Group.
Supporting Global Child Forum

At Group level, Hexagon has partnered with the Global Child Forum, which brings together leaders and influencers from business, civil society, academia and government to co-create action for social change in relation to children’s rights.

The Global Child Forum focuses in particular on the role of business as a driver for positive change. The Global Child Forum is a Swedish non-profit foundation with headquarters in Stockholm.