



HEXAGON

empowering an autonomous future

Sustainability Report 2020



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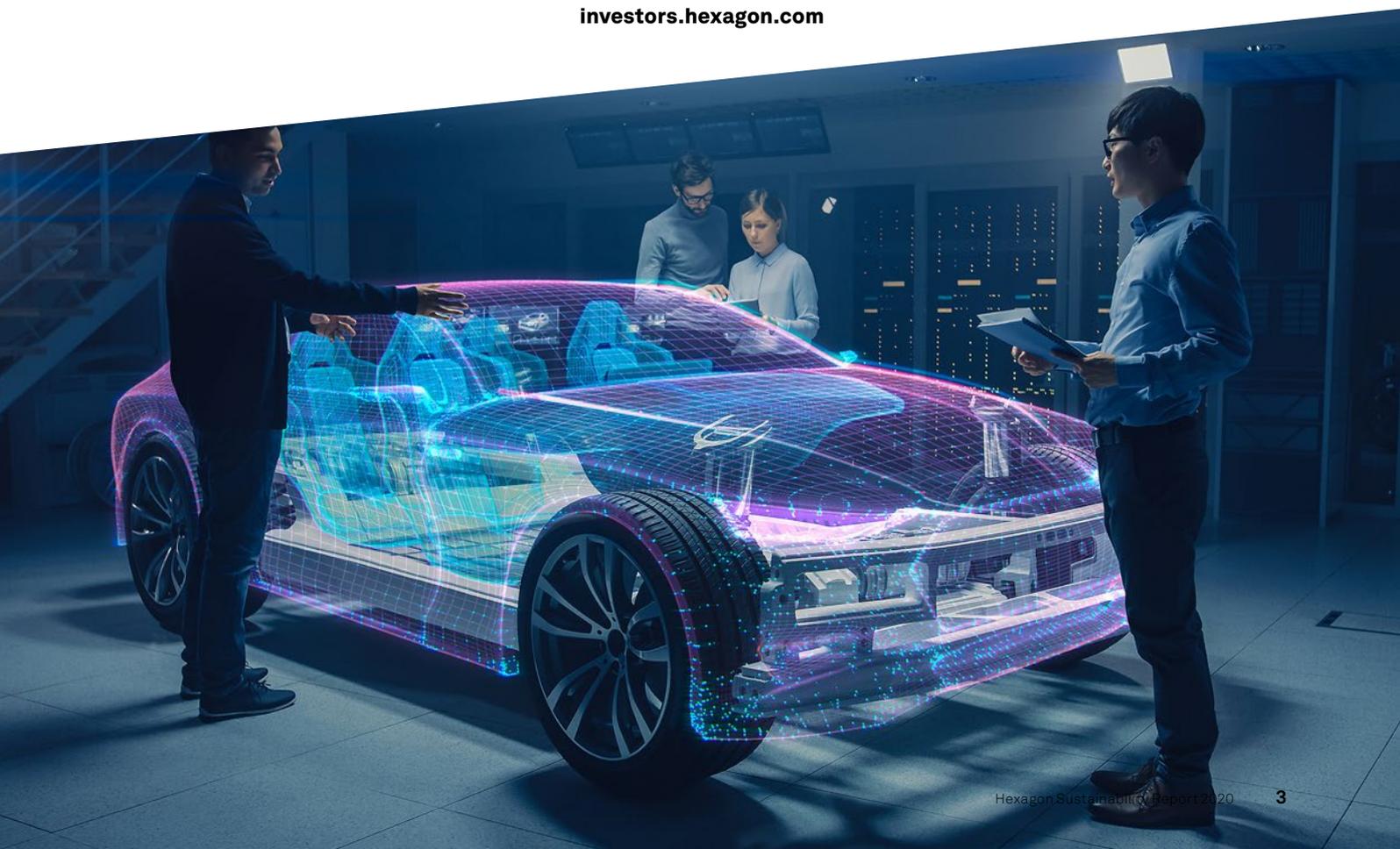
About the report

This is Hexagon's fourth sustainability report, covering the fiscal year of 2020. The report has been prepared in line with the EU directive on mandatory annual disclosures of non-financial information. The report focuses on company-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



Hexagon in brief

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



We are stable

- More than 20,000 employees across 50 countries
- 3.8 bn EUR in sales
- 25% operating margin
- 60% software and services
- 40% recurring revenue



We are innovative

- 10–12% of revenues invested in R&D
- Approx. 5,000 employees in R&D
- Approx. 4,000 active patents
- Over 150 acquisitions in 20 years



We are relevant

- We enable customers to measure and improve efficiency, productivity and quality
- We drive these outcomes for vital industries from manufacturing and construction to public safety, autonomous mobility and more



We are sustainable

- We believe in a world where economic growth does not come at the expense of the planet and people
- Our solutions drive sustainability through improved efficiency, productivity, safety and less waste
- We focus on driving sustainability in the whole value chain

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 and autonomously leveraged so that business, industry and humanity sustainably thrive.



Core values



Profit driven

We value sustainable profitability, performance over procedure, setting measurable goals and working collectively to achieve our financial targets.



Engaged

We seek personal fulfilment by doing great work while enjoying what we do. We lead with a sense of urgency, without prejudice or politics.



Innovative

We invest heavily in innovation to meet our customers' ever-changing needs, with laser-like focus on creating sustainable businesses that benefit humanity.



Entrepreneurial

We're confident we have what it takes to achieve our ambitious vision. We take ownership in dreaming big, trying new things and pushing for progress.



Professional

We are honest professionals who understand the importance of knowing our business, leading by example and demonstrating humility along the way.



Customer focused

We know our customers' success is paramount to our own, and we are dedicated to driving efficiency, productivity and quality for everyone we serve.

Business overview

Geospatial Enterprise Solutions

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

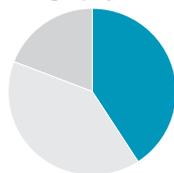
complemented by software to create 3D maps and models, which are used for decision-making in a range of software applications, covering areas such as surveying, construction, public safety and agriculture.

Customer segment, %



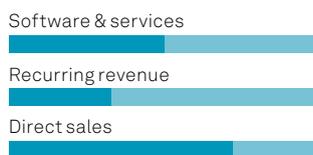
- Surveying, 38
- Infrastructure & construction, 23
- Natural resources, 14
- Aerospace & defence, 13
- Public safety, 8
- Other, 4

Geography, %



- Americas, 41
- EMEA, 40
- Asia, 19

Sales mix



Average no. of employees

8,900

The segment comprises the following divisions:

- Geosystems
- Safety & Infrastructure
- Autonomy & Positioning

Solution examples

Laser scanners



Surveying



Public safety



Mobile mapping technologies



Mining



Precise positioning



Industrial Enterprise Solutions

Industrial Enterprise Solutions (IES) includes a world-leading portfolio of metrology systems incorporating the latest sensor technology for fast and accurate measurements. These solutions include technologies such as coordinate measurement machines (CMM) and laser trackers and scanners for optimising design, processes and throughput in manufacturing facilities as well as CAD (computer-aided design), CAM

(computer-aided manufacturing) and CAE (computer-aided engineering) software. Solutions within this segment also include software for optimising design, improving productivity and creating and leveraging asset management information through the lifecycle of industrial plants and process facilities.

Customer segment, %



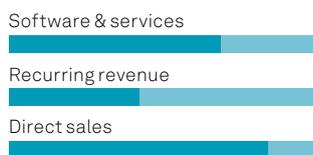
■ Electronics & manufacturing, 31
 ■ Power & energy, 26
 ■ Automotive, 17
 ■ Aerospace & defence, 12
 ■ Other, 14

Geography, %



■ Asia, 39
 ■ EMEA, 32
 ■ Americas, 29

Sales mix



Average no. of employees

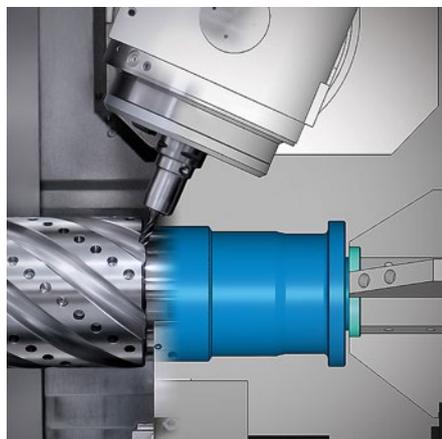
11,300

The segment comprises the following divisions:

- Manufacturing Intelligence
- PPM

Solution examples

CAD/CAM/CAE (computer-aided design/manufacturing/engineering) software



CAD for industrial facilities



Optical scanners



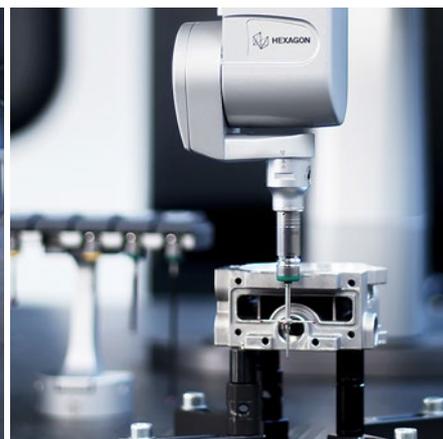
Industrial metrology software



Operations management



CMMs (coordinate measuring machines)



Letter from the President and CEO

The path to a sustainable economy starts with business

From technologies to end-markets to environmental challenges, terms like automation, AI, digital transformation, electric transport, renewable energy, CO₂ emissions and climate change all have something in common. They are powerful, transformative forces altering the global economy as we know it.

There's not a business, an industry or geographic region unaffected by the struggle to tackle the environmental and social challenges of the 21st century. This is why Hexagon's technologies and capabilities are becoming increasingly relevant in creating sustainable business practices that in turn do good for society and the planet at large.

Every day, our solutions are shaping urban and production ecosystems to become more connected and autonomous. Unique combinations of our sensors and software are leveraging automation, AI and other technologies to put data to work in ways that enable more efficient processes and better decision-making. The result is fewer inputs, less

waste, reduced emissions, increased safety and better preparedness – making entire industries more sustainable.

Action is paramount

As the Covid-19 pandemic affected our daily lives in ways we never imagined, the world united on numerous fronts to fight the invisible enemy. Hexagon contributed in the way we know best: putting data to work. We leveraged our solutions portfolio to develop a series of visual simulations intended to help government authorities, healthcare organisations and the general public better understand the social distancing and protective covering guidance given to combat its spread. We also created map-based applications and dashboards for visualizing the latest Covid-19 information to assist those evaluating lockdown exit strategies and provide general guidance for citizens.

As the world continues to confront the current and long-term effects of Covid-19, the effects of global warming and climate change are just as real and can only be reversed by taking necessary action today. In 2020, Hexagon launched several new strategic initiatives aimed at accelerating the



world's sustainable transition. Amidst the innovations is a new portfolio targeting eMobility, with solutions to help the automotive industry overcome new challenges related to electric vehicles. Our suite of smart manufacturing solutions already touches 75 per cent of vehicle production – including optimising the design and efficiency of new electric vehicle powertrains to improving quality inspection of new range-boosting batteries. This is one of many examples where Hexagon is taking a lead position to drive real, sustainable change. Our strong sales growth in the renewable energy sector, especially wind and solar power, is another testament to this.

Our commitment to sustainability

Hexagon is committed to upholding high standards in all sustainability areas, through initiatives that reduce our own environmental footprint, better meet customer requests, positively influence recruitment and hiring diversity, generate savings, and fuel innovation.

We've recently built strong internal momentum in our sustainability pursuit, launching our first company-wide

sustainability strategy and programme. The identified goals include significant reductions in our carbon footprint, better management and risk mitigation across our supply chain and gender balance improvements across our leadership positions. We plan to achieve these targets through various activities – from increasing energy efficiency across our facilities while reducing carbon emissions from business travel and company fleets to an increased focus on sustainability in our product design phase, stronger supplier audit processes, and initiatives that build and nurture an inclusive culture while attracting and retaining diverse talent.

While we are proud to present the programme in more detail in this Sustainability Report, we realise our sustainability journey has only just begun. Whether a valued shareholder, customer or employee, we thank you for your continued trust in Hexagon.

Stockholm, Sweden, March 2021

Ola Rollén
President and Chief Executive Officer
@OlaRollen



“In 2020, Hexagon launched several new strategic initiatives aimed at accelerating the world’s sustainable transition.”

Sustainability milestones in 2020

- Head of Sustainability appointed
- Updated process and system for whistleblowing adopted
- Environmental Policy implemented
- Conflict Minerals Policy implemented
- Modern Slavery Act Statement updated
- New supplier screening process implemented

Sustainability at Hexagon

Vision

Hexagon's vision is a future where data is fully and autonomously leveraged so that business, industry and humanity sustainably thrive. A world where economic growth does not come at the expense of the planet and people. As a global leader in sensor, software and autonomous solutions, Hexagon is an enabler of sustainability, with solutions that improve efficiency, quality and safety across a broad array of industries and societies.

Hexagon's sustainability efforts are a natural, integrated part of its operations and core values. Hexagon takes a holistic approach to sustainability by considering its environmental, social and governance impacts

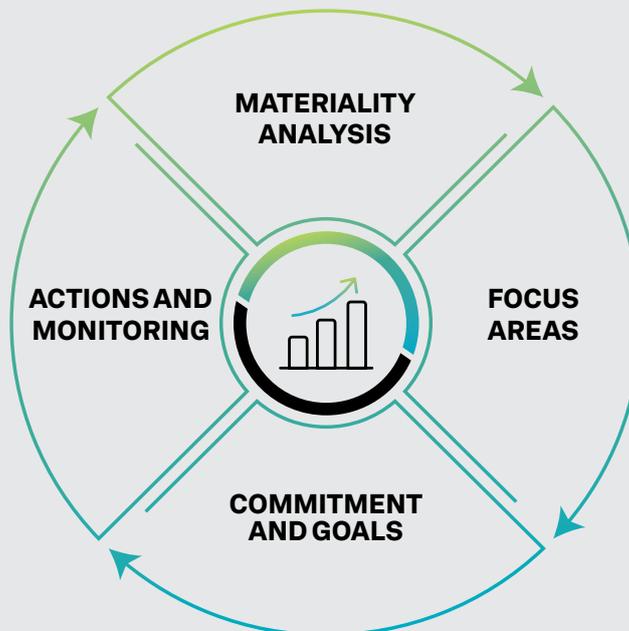
(ESG) across the entire value chain. Sustainability is crucial to the company's success, and its work drives profitability and long-term shareholder value.

A circular approach to sustainability

To ensure that environmental, social and governance aspects are incorporated in all business operations, Hexagon has built its sustainability approach on a circular model with four steps:

Hexagon obtains and source data on sustainability issues from the key stakeholders shaping its business landscape by conducting a thorough materiality analysis.

Actions necessary to fulfill each commitment and goal is produced, and the outcome is monitored. The results are evaluated and looped into the materiality analysis, ensuring a continuous development of the sustainability approach.



With the insights gained from the materiality analysis, Hexagon sets clearly defined focus areas where it can have the greatest sustainable impact.

Under each focus area, Hexagon defines its sustainability commitment and goals to ensure a clear direction for the entire company.

Focus areas

Hexagon believes that its sustainability journey is determined both by the role its products and solutions play in the market, as well as its own processes and actions. Based on a thorough analysis and risk assessment, Hexagon has defined five key sustainability focus areas to focus its sustainability efforts on in order to achieve the greatest sustainable impact.

The focus areas cover a broad spectrum of opportunities to minimise risk and maximise sustainable impact. Each focus area is tied to clear commitments and actions in Hexagon's sustainability strategy, providing global direction and enabling synergies across its ESG initiatives.

Five key focus areas in Hexagon's sustainability strategy:



Enabling sustainable development through Hexagon's solutions



Operating sustainably to improve its own environmental footprint



Driving sustainability in its supply chain



Driving sustainability through its culture and people



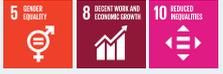
Engagements that support societal challenges



Overview of sustainability strategy

Hexagon has defined its commitments, actions and goals that it will strive towards within the five focus areas of its sustainability strategy. Each focus area is tied to the respective United Nations Sustainable Development Goals (SDGs) it contributes to, and relevant KPIs to measure progress. The scope of the sustainability strategy will be expanded in the coming years.

Focus areas	Commitment	Goals
Enabling sustainable development through Hexagon's solutions 	<ul style="list-style-type: none"> • Making smarter use of the earth's resources by unleashing data to do its greatest work – boosting efficiency, productivity, quality and safety. • Supporting customers and society in their sustainability journey. 	
Operating sustainably to improve its own environmental footprint 	<ul style="list-style-type: none"> • Reducing greenhouse gas emissions in its operations and supply chain. • Reducing waste in factories and offices and implementing processes for sustainable resource management. • Reducing the stress of water and air quality from its own operations and supply chain. • Strictly following chemical safety regulations including the EU Directive on Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH, EC1907/2006) at divisions that fall under such operational contexts. • Integrating sustainability considerations into product development, design and production processes. • Creating a culture of sustainability among employees. • Being a role model in the management of environmental issues. 	<ul style="list-style-type: none"> • Become carbon neutral in its scope 1 and 2 emissions by 2030. • Become carbon neutral in its whole value chain (scope 1, 2 and 3) by 2050.
Driving sustainability in its supply chain 	<ul style="list-style-type: none"> • Ensuring that all suppliers adhere to the Hexagon Supplier Code of Conduct based on the UN Global Compact's principles. • Deploying best efforts around responsible business and due diligence of its suppliers, including identifying risk areas in its supply chain and guidance on responsible sourcing of minerals. • Ensuring that all suppliers undertake due diligence within their supply chain. 	<ul style="list-style-type: none"> • Conduct sustainability supplier audits on 100 per cent of its direct suppliers in risk areas by 2023.
Driving sustainability through its culture and people 	<ul style="list-style-type: none"> • Ensuring Health and Safety for our employees. • Creating an including culture with a diverse workforce. • Not tolerating discriminatory structures in the organization. • Be an attractive employer and attract the best and most professional employees. 	<ul style="list-style-type: none"> • Achieve at least 30 per cent women in leading positions by 2025.
Engagements that support societal challenges 	<ul style="list-style-type: none"> • Engaging in societal development issues where Hexagon can make the greatest impact. 	

Actions	Highlight KPIs	UN SDGs	Comments
<ul style="list-style-type: none"> Implement sustainability assessment in the strategy and business planning process. Increase investments in solutions for eMobility, renewable energy and safety. 			
<ul style="list-style-type: none"> Implement an environmental management system (ISO 14001 certification or equivalent) in its major production facilities. Implement a company car policy with objectives to reduce GHG emissions. Increase share of renewables in energy mix. 	<p>Renewable energy from purchased electricity: 36 %</p> <p>CO₂ emissions / m² at largest sites: 53 kg</p> <p><i>For more information on Hexagon's environmental footprint, see page 17.</i></p>		<p>Consumption of electricity and natural gas and related emissions are monitored at manufacturing sites and largest offices, covering 35 per cent of employees. Medium and small sized offices will be included in the coming years.</p>
<ul style="list-style-type: none"> Train employees and suppliers in their respective Codes of Conduct. Conduct routine supplier risk assessments and sustainability supplier audits. Implement a Conflict Mineral Reporting Template for all relevant suppliers to track and document the source of origin of the minerals contained in its components. 	<p>Supplier audits: 407</p> <p>Key direct suppliers in risk countries: 76</p> <p><i>For more information on Hexagon's supplier data, see page 19.</i></p>		<p>The data is collected for hardware related businesses. Software related businesses will be included in the coming years.</p>
<ul style="list-style-type: none"> Implement gender diversity criteria in recruitment process. Implement training in diversity and inclusion for all employees. 	<p>Retention rate: 94 %</p> <p>Management split by gender, male/female: 80/20</p> <p><i>For more information on Hexagon's employee data, see page 22.</i></p>		<p>KPIs cover all divisions' employees.</p> <p>Management is defined as group management, divisional management, and managers reporting to group or divisional management.</p>
<ul style="list-style-type: none"> Implement a CSR programme focused on environment, education, innovation and diversity. 			



Enabling sustainable development

Hexagon's primary contribution to sustainability is through its solutions. With 21,000 employees based in 50 countries, it delivers scalable sustainability solutions across a vast array of industries – ranging from manufacturing and construction to agriculture, power and energy.

An enabler of sustainability

Every day the innovative solutions of Hexagon solve some of the most urgent challenges of our lifetime. By unleashing data to do its greatest work – boosting efficiency, productivity, quality and safety – Hexagon is making smarter use of the earth's resources and enabling sustainable development.

Its portfolio of precision measurement systems and simulation software helps customers optimise the use of raw materials and components, improve energy efficiency and extend product life cycles. The solutions are also used to protect the environment and increase safety by monitoring assets and predicting movements in structures, particularly in areas affected by natural disasters where undetected degradation of such assets can cause severe harm.

Hexagon is committed to strengthening its position as an enabler of sustainability – where sustainability and economic growth go hand in hand. It aspires to proactively address the ESG-related issues of its key stakeholders, as supporting customers and society in their sustainability journey will also drive profitability. Additionally, by fulfilling its commitments, Hexagon will improve the bottom lines of its customers and make enormous strides towards improving safety and eliminating waste as it builds toward an increasingly smart, autonomous, and connected future.

Renewable energy a growing sector

A growth industry for Hexagon is renewable energy, where an increasing number of providers use optimisation solutions from Hexagon to increase the yield and efficiency of wind, water and solar power turbines. To further explore and expand in the market for green-tech solutions, Hexagon launched a strategic business venture named R-evolution in 2021, which will invest in green-tech projects where Hexagon's technology can be applied.

By increasing its investments in areas such as eMobility, renewable energy and safety, and implementing sustainability assessment in the strategy and business planning

process, Hexagon will further strengthen its sustainability heritage and green-tech position in the business landscape.

Protecting the environment, reducing natural disaster risks and increasing safety

Many of Hexagon's geospatial solutions protect the environment and avoid negative impacts on people and property through preventative measures. These solutions make it possible to monitor infrastructure and landscape movements in areas affected by climate change or subject to the risk of natural disasters, such as ski resorts, railways in remote areas, and construction projects near slopes. The ultimate goal is to streamline the process between negative events that occur and the actions that follow and to prevent or mitigate events whenever possible. Proactive planning for earthquakes and the placement of dikes for flood prevention are other examples of preventive measures. Real-time monitoring of air and water quality and oil spill and vessel detection increases the ability to minimise human and material damage resulting from natural disasters. In the event of an incident, warning signals provide information to improve incident and rescue operations. In areas especially exposed to climate change such as the northern and southern poles, Hexagon's solutions can calculate the length and speed of glacier movements.

Sustainable growth

Increased pressure from investors, consumers, legislators and industry peers directed companies to lower their environmental footprint and digitalise processes drive Hexagon's customers segments towards its solutions that drive digitalisation and 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, and the company expects the demand in its sustainability solutions to continue increasing.

How Hexagon’s solution contribute to sustainability in three key areas:

Contribution to sustainability

Sustainability challenge

Hexagon’s answer

Increased productivity



Target 12.2: Sustainable management and use of natural resources.
 Target 12.4: Responsible management of chemicals and waste.
 Target 12.5: Substantially reduce waste generation.

Excessive resource consumption and carbon emissions

Almost all technologies and processes, whether in automotive, solar, wind, combustion, nuclear, planes, factories, ships, farming, mining, or construction, have yield losses compared to designed performance, resulting in loss of output or power. This means higher energy and resource consumption than needed, increasing related emissions and the stress on nature.

Efficiency solutions

Hexagon’s design, engineering, production and metrology solutions increase efficiency throughout the life-cycles of products manufactured in almost all industries. Using simulation tools to virtually test materials, measuring instruments to correct processes and leveraging optimisation solutions to streamline operations, customers can reduce resource inputs, emissions, and waste, thus lowering the environmental impact.

Environmental protection



Target 13.2: Integrate climate change measures into policy and planning.
 Target 13.3: Build knowledge and capacity to meet climate change.

Understanding climate change

Access to detailed data is paramount for nations and authorities in understanding the full scope of environmental changes and societal impact. Governments and authorities armed with insights on potential risks related to climate change can better implement initiatives and focus resources on preparedness and response to natural disasters and other dangerous scenarios.

Monitoring solutions

Nations, researchers and organisations rely on Hexagon’s advanced geospatial technology to monitor, visualise and analyse changes on our planet. The solutions enable visualisation and reporting of global warming impacts – such as deforestation, flooding, wildfires, melting glaciers and more – in real-time, providing the information necessary to call for and inspire change in consumption and behavior.

Increased safety and reduced risks



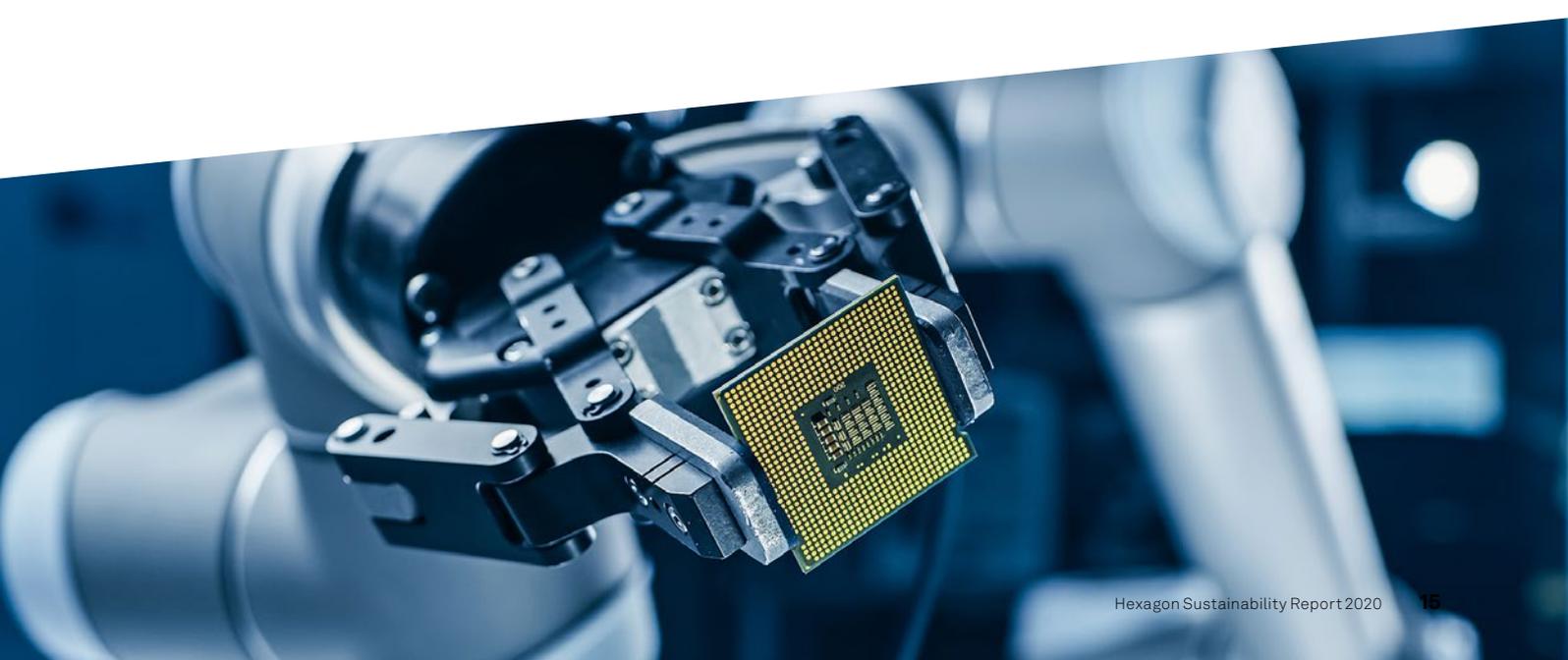
Target 8.8: Protect labour rights and promote safe working environments.

Protecting workers and citizens

Human interaction on natural landscapes such as ski resorts or large-scale infrastructure projects such as mines, dams, bridges and buildings involves risk. Safety-enhancing technology can help people and workers avoid injury and even death caused by natural disasters or heavy machinery operation in challenging environments.

Operational safety

Hexagon’s AI-driven surveillance technology can issue real-time warnings in the event of avalanches, collapsed dams, landslides or blocked railways and roads. Operational safety solutions provide collision avoidance and monitor operator alertness in critical processes like power and mining, while dispatch solutions for police, ambulance and firefighters ensure worker and citizen safety all over the world, every day.





R-evolution – enabling a sustainable future

To accelerate the transition to a sustainable economy, Hexagon launched a strategic business venture in February 2021, focused on reinventing how industry addresses complex environmental challenges: R-evolution. The company operates as a wholly-owned subsidiary, running profit-driven, investments in green-tech projects where Hexagon's technology can be applied. The first set of investments, centered around renewable energy, involves the construction and operation of solar farms in Spain, targeted at producing energy with 50,000 tonnes less CO₂ equivalents per annum than the grid's residual mix.

Solar farms are just the beginning. R-evolution will leverage the returns generated from Hexagon's equity investments to fund further carbon reduction projects. The strategy is to expand focus to areas of sustainable agriculture, saving oceans, protecting forests, and more. Future ambitions also include inviting others to join the revolution – from companies to pension funds to individuals – providing all the opportunity to make a difference.



Operating sustainably

Hexagon seeks to positively impact the environment by acting sustainably and addressing environmental challenges in its internal operations and value chain. By upholding high standards of ecological sustainability processes, Hexagon supports activities that aim to reduce its environmental footprint, better meet customer requests, attract and retain talent, generate savings, mitigate environmental risks, and fuel innovation.

	2020
Electricity consumption at largest sites, MWh ¹	42,880
Natural gas consumed at largest sites, MMBtu ¹	39,965
CO ₂ emissions from electricity consumption at largest sites (scope 2), tonnes	14,310
CO ₂ emissions from natural gas consumption at largest sites (scope 1), tonnes ¹	2,251
Electricity consumption / m ² at largest sites, kWh	137
CO ₂ emissions / m ² at largest sites, kg	53
Renewable energy from purchased electricity, % ¹	36
Recyclable waste at largest sites, tonnes ¹	1,233
Non-recyclable waste at largest sites, tonnes ¹	928
CO ₂ emissions from own vehicle fleet (scope 1), tonnes ²	7,704
CO ₂ emissions from business travel (scope 3), tonnes ²	4,522
ISO 14001 certified production sites	13

1) Data collected from largest facilities, covering 35 per cent of employees. All other facilities will be included in the coming years.

2) Travel-related emissions cover 80 per cent of total employees.

Becoming carbon neutral in its value chain

In 2021, Hexagon declared its goals to become carbon neutral in its scope 1 and 2 emissions by 2030, and to become carbon neutral in its entire value chain (scope 1, 2 and 3) by 2050. The targets will be achieved by increasing energy efficiency in its facilities, reducing waste in production, reducing emissions from business travel and its company car fleet, an increased focus on sustainability in its product design process, investing in renewable energy and carbon capture technology, and more.

Hexagon's environmental commitment is defined in the Environmental Policy implemented in 2020, and is guided by the Hexagon Code of Business Conduct and Ethics. In terms of environmental management, Hexagon's divisional leadership is responsible for establishing appropriate procedures and organisational structures to comply with the

policy and all applicable laws and regulations. This ensures that efforts and activities that are material to each division and its facilities are effectively prioritised and managed to reduce Hexagon's overall carbon footprint.

Hexagon has obtained ISO 14001 certifications for the majority of its larger production sites. On these and other sites, environmental management is managed systematically and focused on continuous improvement. Hexagon plans to continue implementing ISO 14001 or equivalent management systems at its facilities as appropriate over the coming years.

For Hexagon's software development operations, environmental management is focused on methods of reducing resource and energy consumption, such as single source of data, to minimise the effects of data mining and reduce energy usage of servers.

Design process

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 for review and approval by a steering committee as project work commences. An impact assessment of the environmental footprint is conducted in the design phase.

As part of HIP, each product group within the Geosystems division receives a recycling passport. This ensures a review of materials used and aims to confirm compliance 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.

In the coming years, Hexagon seeks to set clear targets for renewable energy quotas, carbon emissions related to production and travel, and recycling of waste.



Protecting and preserving our natural resources

A forest can be a nation's most valuable and significant resource and is often a prerequisite for sustainable biodiversity and a healthy ecosystem, not the least in developing countries. A long-term approach to creating, conserving and managing forests in beneficial ways to humans and the environment is key. Hexagon provides the technology needed for nations to organize, implement, and monitor all forestry-related operations. By using Hexagon's remote sensing imagery – aerial photography, satellite imagery, LiDAR data, and vector data sets – for mapping and observation of natural habitats over time, conservationists, ecologists and biologists can visualise and analyse dynamic information to better manage the world's natural resources and work towards sustainability.

Following a successful forest coverage mapping down to a 1:50,000 scale, it is also possible for authorities to assess and better understand the natural habitat impact of deforestation, forest fires and agriculture and city expansions. For example, the South African government uses Hexagon's geospatial technology to map and monitor forest areas infested by invasive tree species and create models to predict areas susceptible to invasion. This is only one of many examples where Hexagon's technology is used to protect and preserve our world's natural resources.



A sustainable supply chain

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

	2020
Key direct suppliers, #	903
Key direct suppliers in risk countries, # ¹	76
Key direct supplier audits conducted, #	407
Non-conformances found in audits, #	19
Solved non-conformances found in audits, # ²	12

The data is collected for hardware related businesses. Software related businesses will be included in the coming years.

1) Risk countries defined by the United Nations Environment Programme Finance Initiative (UNEPFI) and Transparency International.

2) All open non-conformances expected to be solved in 2021.

Human rights in operations and supply chain

Hexagon is committed to sourcing responsibly and respecting human rights in its own operations and supply chain, extending beyond legal compliance. To ensure Hexagon's suppliers adhere to the same strict standards, all must comply with the Hexagon Supplier Code of Conduct based on the UN Global Compact principles on human rights, labor conditions and the precautionary principle and responsibility concerning the environment and anti-corruption. In 2020, a cross-divisional operations expert group was formed to ensure a unified approach to supply chain management across the company and strengthen synergies in all regions.

Hexagon's compliance policies regarding supply chain management are defined in the Code and various Compliance Programme manuals and procedures. Hexagon selects suppliers based on an assessment of the overall competitiveness and quality of each offering, ensuring each supplier lives up to the goals and values expressed in the United Nations Global Compact's ten principles. 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 adopted its Supplier Code of Conduct in 2019. Compliance with the Supplier Code of Conduct, or other agreed equivalent standard, is a mandatory qualifying condition for Hexagon to enter a business relationship with a supplier. In 2020, Hexagon added procedures to ensure third-party suppliers and subcontractors in its global supply chain comply with the principles set forth in the Code. In 2021, an e-learning platform for suppliers is being developed.

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 anti-corruption 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. In 2020, new processes for supplier risk screening were adopted across the company, including clear guidelines for defining risk countries.

Supplier audits

Hexagon performs audits of new and existing suppliers based on desk top research, self-assessments and onsite visits. Audit schemes and processes are determined depending on risk levels and operational contexts. Hexagon's 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. Hexagon also updated the audit evaluation process for new and existing suppliers in risk countries during the year.

Hexagon performed approximately 407 audits of new and existing suppliers.

In 2020, Hexagon performed approximately 407 audits of new and existing suppliers. In 2021, Hexagon declared a goal of conducting sustainability supplier audits on 100 per cent of its direct suppliers in risk areas by 2023.

In instances of supplier non-compliance, Hexagon conducts impact assessments to understand the root cause and develops follow-up actions to ensure the issue is not be repeated. In cases where infringements are deemed significant and intentional, Hexagon will terminate the supplier contract and seek a sourcing alternative. Key suppliers of manufacturing entities are routinely evaluated through formal visits and internal reviews to ensure each strictly respects the Hexagon Supplier Code of Conduct. Third-party assessments are actioned when issues cannot be directly verified with the supplier.

Conflict minerals compliance

For Hexagon, a small portion of activities is impacted by conflict minerals regulation, including the Dodd Frank Act. Although Hexagon does not directly source conflict minerals, some divisions are indirectly affected through the sourcing of products and materials that come from sub-suppliers. In such cases, Hexagon works in close collaboration with the suppliers and uses a rigorous process to collect all necessary data to prove strict compliance. Affected business-to-business activities include the

provision of OEM (Original Equipment Manufacturer) products purchased by machine manufacturers in the US. In 2020, Hexagon's Board adopted a new Conflict Minerals Policy, applicable across Hexagon, outlining the commitment and actions taken to avoid procurement and use of raw materials that directly or indirectly come from parts of the world where conflict is occurring, including areas that finance armed groups who violate human rights.

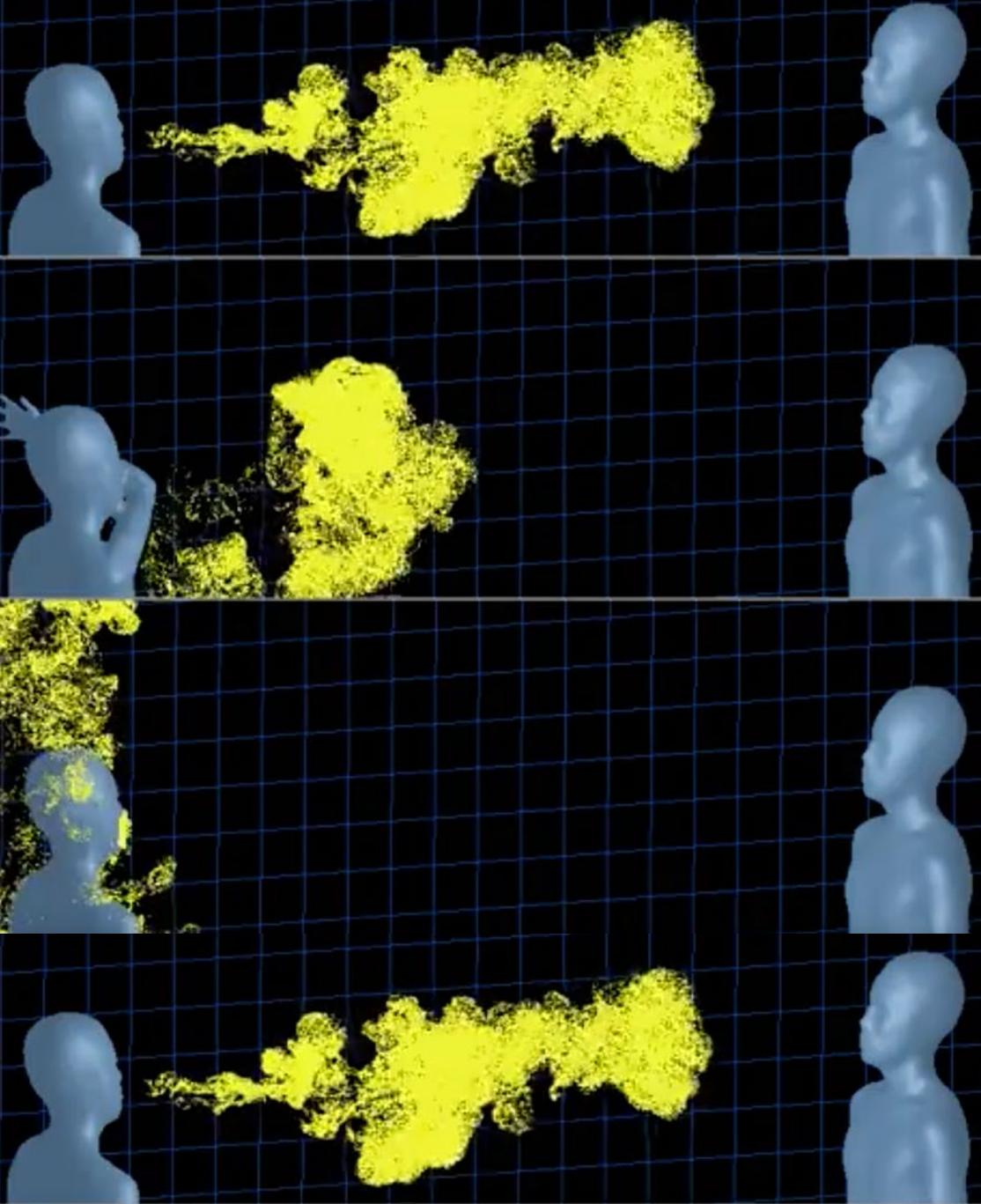
As defined in the Conflict Minerals Policy, Hexagon is committed to identifying suppliers that provide components and products likely to contain conflict minerals and requiring that each complete a Conflict Minerals Reporting Template (CMRT), on an annual basis, to determine traceability of the mineral.

For example, 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.

Hexagon, to best of its knowledge, represents and certifies that it does not receive any materials or products containing cassiterite (tin), coltan (tantalum), wolframite (tungsten) or gold (known as "3TG minerals") sourced from the Democratic Republic of Congo or adjoining countries.



Sneeze analysis by Software Cradle using scFLOW V2020
Cycle: 805
Time : 0.805000



Cycle: 805
Time : 0.805000

Fighting Covid-19

In 2020, Hexagon used its solutions portfolio to create simulations that supported the fight against Covid-19 by raising awareness on social distancing and protective coverings. The simulations provided context to common, everyday scenarios and approximate the effects of social distancing and other protective measures against the spread of Covid-19. They were made public to assist health-care and authorities evaluate lockdown exit strategies and provide guidance for citizens. Hexagon also created map-based applications and dashboards for visualising and

understanding the latest information regarding Covid-19, which have been used by authorities in Europe and South America.

The simulations leveraged Hexagon's computational fluid dynamics (CFD) software, which is used in applications from automotive manufacturing to architecture and engineering, and more.

For more information on Hexagon's response to Covid-19, please visit [hexagon.com](https://www.hexagon.com)



Culture and people

Attracting, hiring, developing and retaining the best employees in the industry is key to Hexagon’s success. The company employs more than 21,000 people globally, including many highly skilled engineers and software developers.

	2019	2020
Retention rate, % ¹	92	94
Retention rate, male/female employees, %	-	94/93
Average work tenure, years	-	9
Gender distribution total, male/female, %	77/23	77/23
Management split by gender, male/female, % ²	83/17	80/20
Board of directors split by gender, male/female, %	43/57	50/50

KPIs cover all divisions’ employees.

1) Voluntary retention rate.

2) Management is defined as group management, divisional management, and managers reporting to group or divisional management. Managers reporting to divisional management were included in 2020.

Sustainability is the key to competitiveness

Hexagon is committed to a diverse workplace, mirroring its international nature – with employees, customers and suppliers across the world. With a focused approach on competence development, diversity, inclusion, employee engagement and health and safety, Hexagon can remain competitive with its peers, indifferent of where it operates.

In 2020, Hexagon formed a cross-divisional expert group with HR professionals, with a dedicated focus on sustainability aspects and implementation in the various business operations. The decentralised HR organisation, that reports to business unit heads at the divisional and/or local entity level, allow each division and region to focus on their specific HR-related priorities and needs. This decentralised HR approach has been a key success factor for Hexagon when integrating new acquisitions into the company. As a result, acquired organisations are more successful at retaining key employees and experts and maintaining quality and embedded practices.

From a company-wide perspective, the Hexagon Code of Business Conduct and Ethics helps govern issues such as fair employment, diversity, discrimination, harassment and

health and safety. All divisions and acquired companies are obliged to adopt and implement the Code to ensure a uniform approach to these issues across Hexagon.

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

Competence and development

Hexagon strives to develop the competencies and skills of employees to ensure opportunities for professional growth. The attraction, retention and development of key employees are central to Hexagon’s competitiveness and business success. The overall retention rate for Hexagon employees was 94 per cent in 2020.

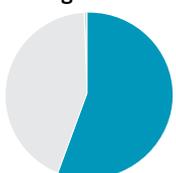
The hiring process is focused on attracting the best people for the job and allows managers and HR professionals more time with applicants through a standardised process and increased automation of necessary legal and administrative procedures.

While Hexagon’s performance management systems and review processes vary across the company, annual employee performance reviews are required by all. Divisional HR organisations manage the review process. Compliance with the performance review requirement is currently above 85 per cent.

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

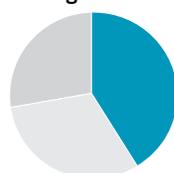
As an effort to strengthen Hexagon’s ability to retain and recruit competent employees, provide competitive remuneration and to align the interest of the shareholders with the interest of the employees concerned, Hexagon has implemented a share programme for key employees in the company. Provided that the conditions are met, participants in the share programme are offered, free of charge, performance awards in the form of Class B shares.

Employees per business, average number



■ Industrial Solutions, 11,340
■ Geospatial Solutions, 8,923
■ Corporate function, 80

Employees per region, average number



■ EMEA, 8,372
■ Asia, 6,370
■ Americas, 5,601

Diversity and inclusion

As a global organisation, Hexagon recognises and respects employee 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 can increase its 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 core principles for diversity and anti-discrimination are outlined in the Hexagon Code of Business Conduct and Ethics. Specific policies, programmes and initiatives are implemented at a divisional or local level. Hexagon's diversity and inclusion principles extend to its customers, suppliers, and other external stakeholders with whom Hexagon chooses to engage. In 2020, the PPM division announced a diversity and inclusion network to promote inclusion and diversity at every level within the division through inclusive initiatives and training.

Hexagon seeks actively to recruit, continually develop and retain talented people from diverse backgrounds and origins. All current and future employees are treated with equal respect and equal opportunity to contribute fully to the company's success based on individual skills and interests.

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 management levels.

The Board of Directors at Hexagon has four women and four men. Group management consists of eleven men and two women. Gender distribution in leading positions, including divisional management and their direct-reporting managers, is 80 per cent men and 20 per cent women.

In 2021, Hexagon launched a new goal of achieving at least 30 per cent women in leading positions by 2025 and committed to implementing gender diversity criteria in the recruitment process and offering training in diversity and inclusion for all employees.

Preventing discrimination

Discrimination is unacceptable in Hexagon both internally and externally, in customer relations, supplier relations or any other situation. Prohibiting discrimination is part of the Hexagon Code of Business Conduct and Ethics. To ensure that discriminatory behavior does not exist within the organisation, employees have several channels for reporting discriminatory behavior. Direct access to HR leaders is the first avenue for reporting. Any unresolved issues are handled by 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 free of incidents and injuries and promote a culture of hazard identification and awareness, incident reporting and self-accountability. Employees are provided with appropriate training and safety equipment to safely perform their job. Each employee is personally responsible for working safely, 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 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 future talent development through involvement with education programmes, advisory panels and sponsored forums and events. Through close collaboration with universities and colleges around the world, graduates have exposure to Hexagon's technologies, enabling these recruits to hit the ground running on their first day of Hexagon employment.

The Advanced Analysis Lab at the CBIT engineering college in Hyderabad, which opened in 2017, is one example where students and faculty undergo training programmes on Hexagon's solutions. Hexagon also launched a GNSS Lab at the Jawaharlal Nehru Technological University in the same region. To continue attracting skilled employees, collaboration with local universities is crucial for Hexagon's R&D centre in Hyderabad – the Hexagon Capability Centre India (HCCI) which employs 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 programmes 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.



Building a global network for diversity and inclusion

Hexagon is proud of its diverse workforce, with employees from different backgrounds, religions, cultures and ethnicities. To further build on the strengths associated with diversity, Hexagon's PPM division launched a network in 2020 focusing solely on diversity and inclusion projects across the world. With employees from Americas, APAC, EMEA and India, the network drive inclusive initiatives

at every level across the organisation, highlighting the important issues and exchanging ideas to attract and retain employees with new perspectives. During the year it held training sessions and created employee awareness videos on the topic of diversity and inclusion, and suggested ideas for new policies, making Hexagon an even more inclusive company.



Social engagements

As a global company, Hexagon has the ability and responsibility to give back to society. Hexagon supports and actively engages with the communities where it operates through philanthropic activities and charitable organisations. Local initiatives range from donating technologies to non-profits, training and supporting environmental research, partnering with universities to develop future talent, and sponsorship of community events.

Global company, local heart

With employees worldwide, Hexagon has been welcomed by many communities, giving their support, talent, and resources to Hexagon's business. This makes Hexagon a global company with a local heart, and it's important to give something back. Local initiatives range from donating technologies to non-profits for education and research to partnering with universities to develop future talent. In 2021, Hexagon committed to implementing a CSR programme focused on environment, education, innovation and diversity.

Divisions drive their own CSR activities globally. In India, Hexagon's entity in Hyderabad spends at least 2 per cent of its net profits on CSR activities. It is currently pursuing a programme focused on supporting women empowerment, environment, and education through investments in wash-room infrastructure at orphanages, local lake clean-up projects, and equipment and software provided to schools.

Hexagon is an avid supporter of quality education in India by seeking top university partners to provide required training in courses that make students industry-ready. This is done by reaching out to campuses through a programme called 'Campus Champions'. One example is Hexagon's

partnership with the National Institute of Technology to set up student labs at top technology institutes in 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.

Another initiative to provide students with competitive skills took place in late 2020 when the Hexagon Capability Centre India (HCCI) established an artificial intelligence community centre in Hyderabad named HexArt. The institute will offer courses free of charge to students and engineering graduates as a step towards democratising Artificial Intelligence knowledge in India.

Hexagon's Manufacturing Intelligence division 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. Hexagon's Geosystems division also 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 Hexagon.

Sustainability governance report

The Sustainability Governance Report is focused on management of sustainability-related issues and has been prepared in line with the EU directive on mandatory annual disclosures of non-financial information. The Head of Sustainability is a member of Group Management, reporting directly to the President and CEO, thus ensuring company-wide commitment to sustainability issues.

Sustainability organisation

The Head of Sustainability centrally manages the sustainability agenda at Hexagon via the sustainability strategy and programme, which defines the framework, goals, commitments and deliverables for the sustainability initiatives within Hexagon's divisions. Expert groups within operations, procurement, HR and compliance are formed with members from each division who undertake sustainability initiatives depending on their operational context and goals. The progress is reported quarterly to the President and CEO and Hexagon's Board of Directors, thereby ensuring that sustainability initiatives are anchored throughout the entire organisation.

Ensuring sustainability as Hexagon grows

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

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

Sustainability in the due diligence process

Hexagon considers many sustainability factors in an acquisition process. 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.

Hexagon considers many sustainability elements in its standard due diligence process. These include a detailed review of the internal controls of the target company, quality business practices, environmental and employee matters and compliance with ISO (International Organization for Standardization) standards, LEED (Leadership in Energy and Environmental Design) guidelines, anti-corruption regulations (FCPA, Foreign Corrupt Practices Act) and export controls. Hexagon also evaluates whether target companies follow a robust code of conduct and whether their 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 considers whether the company takes measures to ensure responsible production and a sustainable supply chain. Overall, Hexagon seeks to understand the company's philosophy, how it impacts operations and whether management can successfully address potential issues in the right framework. This allows Hexagon to better determine the company's sustainability profile and whether or not it fits well with Hexagon.

Hexagon also frequently uses external specialists, including counsel trained in intellectual property, employee benefits, anti-corruption, international trade, anti-trust, 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 the 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 acquired by Hexagon are required to adopt and implement the Hexagon Code of Business Conduct and Ethics, which is based on the UN Global Compact's ten principles on human rights, labour, environment and anti-corruption. Newly acquired companies must also implement the Hexagon Ethics and Compliance Programmes, covering topics including anti-trust, anti-corruption, business ethics and export controls.

Hexagon also has an onboarding 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 Hexagon via acquisition are informed about Hexagon's Code of Business Conduct and Ethics and are expected to behave consistently according to the Code.



Supporting women empowerment, environment and education in India

Healthy and well-functioning communities where citizens can feel safe and settle is a prerequisite for Hexagon to be able to operate and grow. Hexagon proactively contributes to the societies where it conducts business by participating in community projects related to education, infrastructure and safety. Hexagon has a broad CSR programme in India, supporting women empowerment, environment, education and a local orphanage. Targeting 8–18 year old girls from local areas, Hexagon contributes with

resources to libraries, computers, bicycles and trainings in mathematics, English language and computer skills. It also invests in local orphanages by donating computer lab equipment and renovating washrooms, participates in a local lake cleaning project, and provides its technology to top engineering universities, thereby becoming a strong community contributor and building sustainable relationships with local citizens and the employees of the future.



Protecting a mine's most precious resource – its people

People are a mine's most precious resource, yet securing their safety amidst heavy traffic, large equipment, and poor visibility can be challenging. For all mines, accommodating the pressure for productivity with the need for safety is a delicate balance. But Hexagon believes safety solutions that put people first need not be at the expense of efficiency and results.

Built on more than a decade's experience with more than 30,000 units at work worldwide, Hexagon has produced the MineProtect Collision Avoidance System. It includes solutions for fatigue monitoring and collision avoidance with industry leading technology for 360-degree proximity detection. Not only is vision improved, but situational awareness is heightened, as a GPS unit calculates the vehicle's speed and path of movement.

Positional information of each vehicle fitted with the system enables real-time traffic alerts. Operators can see where other vehicles are and where they are heading.



The system's in-built safety zone feature predicts potential collisions in advance and alerts drivers.

The MineProtect portfolio is one of the most comprehensive safety solutions on the market, ensuring protection at mines all over the world.

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.

	2020
Ethics & Compliance System, executives certified, #	230
Anti-trust compliance training, employees, #	4,000+
Whistleblower reports, # ¹	12
Solved whistleblower cases, #	12

All trainings were held online in 2020.

A Hexagon executive defined as an employee with personnel responsibility.

¹) No whistleblower cases constituted a violation of applicable laws.

Management of compliance and business ethics

Compliance and business ethics are centrally managed by Hexagon’s Chief Compliance Officer via a corporate compliance organisation and 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. It 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 legis-

lation. 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.

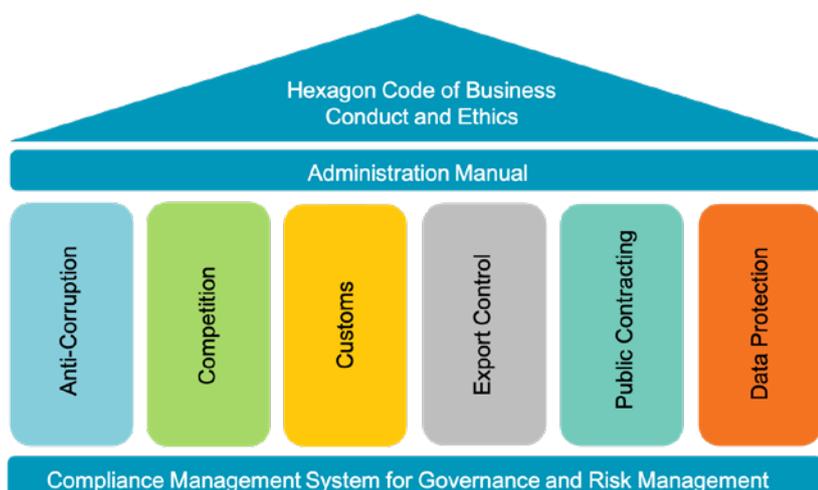
Each Hexagon division is responsible for creating procedures, instructions, guidelines, worksheets, templates, and other compliance tools to implement Hexagon’s Ethics & Compliance System.

Every 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. Hexagon requires its top executives to certify compliance with Hexagon’s Ethics & Compliance System annually. During 2020, certifications were requested and received from 230 Hexagon executives.

To support the compliance responsibilities of its business leadership, Hexagon has established a global team of compliance professionals responsible for the administration of 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’s Risk Assessment Committee developed a risk assessment that will be launched in 2021 (built from earlier risk assessments). Hexagon’s Risk Assessment Committee will be responsible for reviewing the results, determining and prioritising appropriate actions, and monitoring result-



Hexagon Ethics and Compliance System

Hexagon’s Code of Business Conduct and Ethics is the foundation of the Ethics and Compliance System. It serves as a guide for all Hexagon employees and sets forth Hexagon’s compliance policies and programmes in six key areas of law.

The programmes define the Compliance Management System for Governance and Risk Management, ensuring compliance throughout the organisation and supply chain.

ing assignments to ensure appropriate action is taken to mitigate any significant identified risks.

Hexagon's divisions perform risk assessments on partners, including assessments of manufacturing facilities and key suppliers. A variety of risk aspects are investigated and formally reported. Follow-up on the resulting recommendations is completed annually.

Compliance audits

Hexagon's Compliance Team performs compliance audits to monitor its Ethics & Compliance System's strength and effectiveness. 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. Although such compliance audits are usually performed onsite, the Compliance Team has developed a remote method of performing spot audits due to travel restrictions related to the Covid-19 pandemic.

Compliance training

In 2020, Hexagon issued online anti-trust compliance training to over 4,000 of its employees globally, and provided online and in-person Code of Conduct, Global Trade, and Anti-Corruption compliance training to the Hexagon Audit Committee.

In addition to compliance training provided at the corporate level, Divisional Compliance Officers, Corporate Compliance Counsel and other Hexagon compliance personnel provided training during 2020 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 prohibited destinations or recipients who 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.

During 2020, Hexagon purchased an enterprise-wide license to a trade management solution. Implementation of the solution began during 2020 and is targeted for completion during 2021. Hexagon also tracked and implemented processes in reaction to the various global regulatory developments during 2020.

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 a corporate level in the Code and in Hexagon's Anti-Corruption Compliance Programme Summary and Anti-Corruption Compliance Programme Manual, and at a 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. Anti-corruption was an expressed focus area of the Board during 2020 and remains an area where procedural improvements are being implemented in 2021.

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 appropriate contacts via a whistleblower helpline. In the event of an alleged incident of non-compliance with Hexagon's compliance policies, Hexagon follows established processes to investigate the matter, establish the facts, report findings, make recommendations to stakeholders, develop a mitigation plan, carry out appropriate actions to ensure legal compliance and establish measures to prevent similar issues from arising in the future.

Hexagon received 12 reports via the whistleblower mechanism during the year: all of which were fully resolved. None of these were determined to constitute a violation of applicable laws. In some cases, actions such as training or changes of internal processes were recommended, and in all such instances, the recommendations have been or are being implemented.

To ensure consistent handling of whistleblower reports, Hexagon will implement a leading third-party provider of whistleblower reporting and hotline systems during 2021. The solution will enable Hexagon employees, suppliers, business partners, and other Hexagon stakeholders to submit confidential reports of suspected legal or ethics violations to Hexagon via mechanisms including telephone, web, and email. It will also enable case management of each instance and consistent recordkeeping.

Data Privacy

Protection of personal information continues to be a key pillar in Hexagon's compliance programme. Employees, customers, and partners require assurance that their personal information will be handled and managed safely and responsibly. Hexagon is committed to ensuring all personal

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.

information is processed according to global best practices, which is reflected in its Data Protection Compliance Programme (DPC Programme).

Privacy laws continue to evolve around the globe, and Hexagon, in turn, has maintained its DPC Programme to meet these changes throughout 2020. Hexagon is benefiting from early decisions to build the DPC Programme on the foundations of the European Union's General Data Protection Regulations ("GDPR"), widely considered the 'Gold Standard'. Over consecutive years, Hexagon has adopted new emerging legislation such as CCPA (California) and LGPD (Brazil) with little disruption to the existing programme. As other jurisdictions enact new privacy laws, the Hexagon DPC Programme will perform legal reviews and adjust its programme as necessary. The Hexagon Data Protection Programme accommodated changes to the legal options available for transferring data outside the European Economic Area following the 'Schrems II' case. All transfers to US-based processors now utilise European Commission endorsed standard contractual clauses (SCCs).

Against the backdrop of massive business disruption due to the global pandemic, Hexagon's Privacy Team supported the business through challenging times with significant changes to the way it works. In addition, further development of tools and processes continued, ensuring that the privacy teams had appropriate guidance to ensure efficient personal information management.

Hexagon recognises that personal information protection is not a point in time process and requires committed changes to technology, processes and people. All Hexagon employees are required to comply with data protection principles and receive training appropriate to their role. Employees with higher levels of responsibility for protecting personal data are provided with advanced training and offered the opportunity to become certified professionals through programmes provided by the International Association of Privacy Professionals (IAPP).

Cybersecurity

Hexagon's Cyber Council was established to provide oversight and governance over information security matters.

The Cyber Council is chaired by Hexagon's Privacy and Information Security Officer and includes executive members from across the Hexagon business. The Cyber Council's objectives are to ensure the protection of Hexagon's intellectual property, ensure the cyber resilience of its networks and protect Hexagon's customers through its position in the supply chain.

Confidentiality, Integrity and Availability of information remain core to the value that Hexagon provides to its stakeholders. Customers and employees trust Hexagon to protect any personal data that it holds. Customers and shareholders trust Hexagon to protect intellectual property that provides value in their businesses and a return on investment. Hexagon added additional resources to the

security team during 2020 to facilitate greater alignment and consistency throughout the company and commenced a programme to review and align technology and processes.

The global security awareness training programme continued to mature with regular courses delivered throughout the year to all employees. Phishing is the most widely used method of attack for cybercriminals. This continues to be a significant threat to Hexagon and a strong focus has been applied to

this threat with ongoing training and testing of employees' responses through phishing simulations.

Hexagon recognises that not all cyber risks can be mitigated through the implementation of security controls. Cybercriminal activity and particularly Advanced Persistent Threat (APT) groups present a sophisticated threat to all commercial enterprises. Hexagon takes a responsible view to transfer some of this risk to a cyber insurance programme. Hexagon works with leading cyber insurance brokers and a consortium of underwriters to ensure an appropriate level of coverage is provided to protect against data losses and business continuity interruption.

Each Hexagon division continues to reinforce its Information Security programme with continued progress towards implementing its chosen Information Security Framework. Multiple entities within Hexagon attained or renewed certification to ISO 27001 during 2020, a demonstration of commitment to excellence in security processes.

Hexagon issued online anti-trust compliance training to over 4,000 of its employees globally, and provided online and in-person Code of Conduct, Global Trade, and Anti-Corruption compliance training to the Hexagon Audit Committee.

Sustainability-related risks

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 the corporate level.

The management of sustainability related risks are organised by the Head of Sustainability, and implemented at a divisional level to allow for prioritisation of focus areas across the divisions’ differences across various operational contexts.

The basis for Hexagon’s sustainability work is the Hexagon Sustainability Strategy and the Code of Business Conduct and Ethics, which refers to the ten principles of the UN Global Compact. The Sustainability Strategy defines Hexagon’s visions, focus areas, commitments, actions and goals related to sustainability. The Hexagon Code of Business Conduct and Ethics covers 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 custom-

ers and suppliers. It also 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 company-wide Compliance Programme and manuals including anti-corruption, data privacy, export controls, government procurement, customs and competition matters.

All divisions and companies in Hexagon are required to adopt and implement the Hexagon Sustainability Strategy and 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 evaluates the sustainability strategy yearly.

Sustainability-related risks

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

Sustainability area	Sustainability-related risk	Mitigation efforts
Employees and human capital related risks	The resignation of key employees or Hexagon’s failure to attract skilled personnel may have an adverse impact on Hexagon’s operations.	Hexagon works with a structured approach to HR and market-based remuneration to ensure employee satisfaction, and has sustainability commitments, goals and actions for its employees defined in the sustainability strategy.
Legal and compliance related risks	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.	Hexagon has a solid compliance programme in place, covering the entire company, including policies, processes and training to ensure that compliance with relevant laws and regulations are always top-of-mind.
Environment	Stricter regulations on environmental matters can result in increased costs or further investments that are subject to such regulation. Significant negative environmental impacts by Hexagon’s companies or suppliers may lead to financial fines, loss of license to operate and/or reputational damage.	Hexagon has implemented ISO 14001 at the majority of its largest production sites and closely follow rules and regulations at a divisional level to ensure compliance. On corporate level, Hexagon has an Environmental Policy and Sustainability Programme guiding its initiatives related to the environment.
Human Rights related risks	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).	Hexagon has a Supplier Code of Conduct, a supplier risk screening process and a system for supplier audits to manage social and ethical risk. 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 programme in place also covering export control regulations to prevent products from being sold to repressive regimes.



Photo: <https://newsroom.ibm.com/mayflower-images>

Mayflower – Unmanned autonomous ship to fight global warming

In September 2020, the 15-meter-long and 6-meter-wide “Mayflower” autonomous ship (MAS) was completed at Plymouth, a harbor on England’s southern coast. Unlike its futuristic appearance, this craft was named after the renowned Mayflower sailing ship that crossed the Atlantic from the same port in 1620, carrying people dreaming of starting a new life.

This time the modern Mayflower still carries hopes, but not human beings – it is one of the world’s first unmanned fully-autonomous ships. This vessel has a mission to study global warming, micro-plastic pollution, and marine mam-

mals by collecting data in a safe, flexible and cost-effective way.

It will monitor the Atlantic ocean’s water temperature, salinity and depth. Water samples taken for later analysis in the laboratory will target areas for future clean-up efforts. MAS is navigated by Hexagon’s state-of-the-art technology that offers five-centimeter level accuracy, even under difficult offshore marine conditions. Hexagon’s Global Navigation Satellite System (GNSS) receivers installed in the vessel will provide the most robust positioning solution throughout its journey, wherever it goes.



Romax Technology – supporting electrification

In 2020, Hexagon acquired Romax Technology, a leading provider of software for electromechanical drivetrain design. As the automotive, aerospace and energy industries are transitioning towards electrification, the need for simulation tools earlier in the design lifecycle is growing fast. Using the multi-physics simulation solutions of Romax, users can simulate entire systems – including

engine, gears, bearings and housings – simultaneously, resulting in significant increases in the efficiency of automobile, aerospace, and wind turbine powertrains. Above all, the battery range of electric vehicles can be increased, thereby enabling Hexagon to solve one of the largest challenges the automotive industry faces while supporting the shift to a world with lower greenhouse-gas emissions.

Materiality analysis

Managing sustainability opportunities and risks is a key element in all successful business models, indifferent of what industry or region a company operates in. Hexagon is committed to understanding the sustainability issues of its key stakeholders – society, employees, customers, investors and regulators – forming the business landscape. Only through a continuous dialogue can Hexagon meet and surpass their needs. Hexagon maneuvers the transformative environment by taking a proactive approach to sustainability, ensuring it acts in an ethical, socially and environmentally responsible way to all its key stakeholders.

Stakeholders



Society



Investors



Customers



Regulators



Suppliers



Employees

Society

Stable, well-functioning and prospering societies are a critical prerequisite for Hexagon to operate and do business. Only by adopting sustainable processes and proactively contributing to improving the health and safety of citizens and future generations of its communities can it ensure a long-term sustainable business landscape with prospects for growth. Clean energy supply, access to fresh water and air, strong infrastructure systems and safe constructions are sustainability issues that Hexagon can actively address through its solutions and market presence. To contribute to healthy societies in a focused manner, Hexagon has developed a long-range of sustainable solutions for cities and nations, aiming to ensure that governments, industry, and citizens can work together to build safe and vibrant communities that support the highest quality of life and sustainable economic vitality.

Employees

Attracting, hiring, developing, and long-term retention of the industry's best employees is key to Hexagon's success. The company employs more than 21,000 people globally, including many highly skilled engineers and software developers. With a focused approach on competence development, anti-discrimination, diversity, employee engagement and health and safety, Hexagon can remain long-term competitive with its peers, indifferent of where it operates.

Customers and suppliers

The customers and suppliers of Hexagon in all industries have a growing need for sustainable solutions that lower emissions, reduce waste and spillage, increase safety and efficiency, protect data privacy, and secure high standards in their supply chain. By actively incorporating the customers' sustainability issues into its product development and processes, Hexagon can protect and secure new business opportunities while contributing to a more sustainable business landscape.

Investors

To confidently evaluate and assess the ESG related risks and opportunities in its portfolio, the investor community expects a high degree of transparency and clarity in all areas related to sustainability from their portfolio companies. By meeting and surpassing the investors' requirements, Hexagon can ensure long-term viable funding and prospects for growth.

Regulators

Regulators in all countries need to ensure the companies operating under their legislation follow all applicable laws, with strict requirements on anti-corruption, responsible supply chain management, accountability, human rights, labor management, and export control. With strong internal processes and policies for compliance management and business ethics and a high degree of transparency and close collaboration with authorities in the regions it conducts business, Hexagon can be a role model in building sustainable business processes and ensuring compliance with all commercial laws and ethical guiding principles.

Stakeholder dialogue and materiality assessment

Hexagon has a continuous dialogue with key stakeholders through different channels depending on the stakeholder.

Dialogue with key stakeholders takes place both through Hexagon's divisions and at corporate level. Dialogue with internal and external stakeholders has been conducted through qualitative interviews, surveys and workshops.

The stakeholder dialogue outcome is the basis of Hexagon's materiality assessment, which determined the most material sustainability issues for the company to prioritise.

Stakeholder dialogue

Hexagon has a continuous dialogue with key stakeholders such as customers, regulators, suppliers and employees.



Auditor's report on the statutory sustainability statement

To the general meeting of the shareholders of Hexagon AB (publ), corporate identity number 556190-4771.

Engagement and responsibility

It is the Board of Directors who is responsible for the statutory sustainability statement for the year 2020 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability statement. This means that our examination of the corporate governance statement is different and substantially less in scope

than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

A statutory sustainability statement has been prepared.

Stockholm 1 April, 2021

Ernst & Young AB

Andreas Troberg
Authorized Public Accountant



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