



# Opportunities for the future



Sustainability Report

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2021

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# Sustainability is our greatest opportunity

There is not a single industry that is unaffected by the struggle to tackle the environmental and social challenges of the 21st century. Industries operating within transportation, construction, energy, manufacturing, automotive, aerospace and more must all adapt quickly to new market conditions, becoming more sustainable and improving their competitiveness to survive and thrive.

This transformative shift is Hexagon's biggest business opportunity. Hexagon's solutions empower customers to leverage smart digital realities that put data to work autonomously. They enable customers to become more sustainable by increasing efficiency and safety while reducing emissions and minimising waste.

As such, an increased need for solutions supporting sustainability can be directly translated into an increased need for Hexagon solutions.

This shift has merely just begun.

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# Letter from the President and CEO

**Over the past decades, the concept of sustainability has grown from being a niche focus area for particularly forward-looking companies to a powerful, all-embracing force that impacts the policies, strategies and purpose of nearly every organisation and nation across the world. Companies like Hexagon – who for more than 20 years have helped other businesses become more sustainable by increasing efficiency, reducing emissions, supporting safety and strengthening preparedness – are benefitting greatly by this shift, as entire industries have turned to our solutions to reach their goals. We consider sustainability as our greatest growth opportunity, and in 2021 we strengthened this position further.**


I am confident that the ongoing shift where the need for sustainability solutions is growing in all industries has only just begun, and that the technologies provided by Hexagon will prove increasingly relevant for both current and future customers. It is actually not rocket science: the world must change and become more sustainable, and we have the product portfolio and market position to enable this.

Our sensor and software portfolios create smart digital realities that can be leveraged in almost any industry, business or organisation to support their journey towards sustainability. A smart digital reality can be utilised to visualise and prepare entire cities for environmental change, plan a country's transportation system and optimise its infrastructure maintenance schedule to minimise delays. It can also be used to design and enhance the batteries and range for electric vehicles, automate production lines and lessen

waste, as well as to monitor and protect critical infrastructure and natural resources. In 2021 we noted an increased demand for all such solutions, and are confident the need for our sustainability supporting solutions will continue growing. This puts Hexagon in a rare position on the market: by doing well in business we also do good for the planet.

While Hexagon's greatest impact lies within our solutions and how they are used by our customers, we must always also look within our organisation on how we handle and support our own operations and culture. In 2021, we took great strides forward in our sustainability programme, pursuing several activities in support of our focus areas.

These activities included joining the Responsible Business Alliance (RBA), the world's largest industry coalition dedicated to corporate social responsibility in global supply chains. As part

 **This puts Hexagon in a rare position on the market: by doing well in business we also do good for the planet.”**

## **Sustainability milestones in 2021**

- Joined the Responsible Business Alliance
- Launched e-learning in Supplier Code of Conduct
- Expanded product portfolio into solar energy, blue carbon ecosystems, and hydrogen
- Nearly doubled the number of facilities included in sustainability reporting database
- Increased number of ISO14001 certified facilities by 76 per cent since 2020
- Launched Diversity & Inclusion Committee
- Rolled out diversity and inclusion e-learning for employees

of the RBA, Hexagon will drive sustainable value across its supply chain while making sure that internal operations follow RBA standards, policies, risk assessment platforms, audit tools, e-learning and more.

This membership is an important step towards reaching our goal of conducting sustainability supplier audits on 100 per cent of our direct suppliers in risk areas by 2023, a target we remain confident in attaining.

In 2021 we also launched a Diversity & Inclusion Committee, with representatives from all business units and regions, that has implemented trainings, frameworks, employee surveys and other initiatives that support inclusion at Hexagon, with the ultimate goal of making our workplace more diverse, inclusive and competitive.

Furthermore, R-evolution, our business venture focused on reinventing how industry addresses complex environmental challenges, leveraged multiple Hexagon technologies to construct and operate its cutting-edge solar farm. Later in the year, R-evolution began mapping the threatened seagrass meadows of the Caribbean Sea with our airborne bathymetric LiDAR technologies to detect, map and capture critical details about this vital blue carbon ecosystem. We consider the green tech market, including solar and wind

power, energy storage, power utility and other solutions that reduce human impacts on the natural environment, as a key growth driver and we look forward to presenting more applications and R-evolution investments in the years to come.

Our ambitious sustainability goals revolve around reductions in our carbon footprint, better management and risk mitigation across our supply chain, and gender balance improvements across leadership positions. While these compelling targets remain, we plan to achieve them through a long range of activities – from increasing the use of renewables in our operations and establishing a stronger focus on sustainability in our product design phase to consistent training and initiatives that build and nurture an inclusive culture for all employees. We are just getting started, and we look forward to presenting our progress each year in this report.

We are proud of the work that is being done and Hexagon is dedicated to strengthening our sustainability efforts even further in the coming years. Whether a valued shareholder, customer or employee, we thank you for your continued trust in Hexagon.

**Ola Rollén**  
Hexagon President and CEO



**It is actually not rocket science: the world must change and become more sustainable, and we have the product portfolio and market position to enable this.”**



# 01 Sustainable business

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**Hexagon's primary contribution to a sustainable future is through its solutions. By leveraging its broad product portfolio and competencies, Hexagon generates sustainable value in almost all industries and regions in the world.**

# Hexagon in brief

Hexagon has long been a leader in delivering smart digital realities that require real-time and autonomous data capture, analyses and visualisation. We integrate real-world sensor inputs with software systems built to analyze, predict and act – in real-time and autonomously – to create new and better realities that address uncertainty and enable resilient organizations, teams and workflows.

Our digital reality solutions enable customers to harness the rapidly-increasing amounts of data, putting it to work to boost efficiency, productivity, quality and safety across industrial, manufacturing, infrastructure, public sector, and mobility applications.

At our very core is a powerful vision of a future where data is fully leveraged so that business, industry and humanity sustainably thrive. This is our North Star, our guiding principle: that people and the planet can sustainably thrive only when industry and business prosper.

Our goal is to empower our customers with the freedom to use data to its greatest potential – the freedom to innovate, the freedom to thrive, the freedom to ensure a sustainable planet for future generations.



# Business overview

## Geospatial Enterprise Solutions

Geospatial Enterprise Solutions (GES) includes a world-leading portfolio of reality-capture sensors – from laser scanners, airborne cameras and unmanned aerial vehicles (UAV) 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.

## Industrial Enterprise Solutions

Industrial Enterprise Solutions (IES) includes a world-leading portfolio of manufacturing solutions incorporating the latest metrology 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.

### The segment comprises the following divisions



Geosystems



Safety, Infrastructure & Geospatial



Autonomy & Positioning

### The segment comprises the following divisions



Manufacturing Intelligence

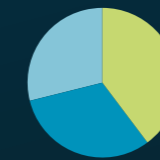


PPM



Employees per business, average number

- Industrial Solutions, 11,846
- Geospatial Solutions, 9,346
- Corporate function, 99



Employees per region, average number

- EMEA, 8,514
- Asia, 6,669
- Americas, 6,108

# Technology and capabilities to support sustainability

Putting data to work to empower an autonomous, sustainable future is in our DNA, enabled by five core competencies: (1) Reality capture (2) Positioning (3) Location Intelligence (4) Design and simulation and (5) Autonomy. These core competencies add up to perhaps the most dynamic and powerful use of data in history: The Smart Digital Reality™. This is what Hexagon aims to deliver with every solution it provides. It is Hexagon’s strategic advantage and the greatest source of value for its customers.

## Reality-capture solutions

Hexagon’s reality-capture technologies enable the digital capture of the real world – from distance measurements (point A to point B) to attributes of physical world objects (e.g., auto parts) to the creation of entire physical world environments in 3D (e.g., complete infrastructure of a city).

## Positioning technologies

Hexagon’s positioning technologies enable the location, tracking, navigation, and/or control of anything, anywhere. Powering intelligent positioning ecosystems in vital industries and safety-of-life applications.



**Real World**

## Autonomous capabilities

Hexagon’s autonomous technologies provide the ability to “autonomise” any task or process in a workflow to an entire operation or industry (e.g., mobility/transportation) – in which cars, UAVs, industrial vehicles, trains, vessels and more can operate safely, securely, reliably and efficiently thanks to assured autonomy and positioning.



**Digital Twin**

## Design and simulation capabilities

Hexagon’s design and simulation capabilities replicate real-world scenarios in virtual environments – from manufacturing and assembly processes to autonomous driving.

## Location intelligence capabilities

Hexagon’s location intelligence capabilities enable active, georeferenced and situational intelligence for any application, providing businesses and governments with unlimited potential to incorporate high-definition, real-time, dynamic maps into their decision support systems.



# Hexagon in brief



## Innovation

at scale

- 10–12% of revenues for R&D
- ~5,000 R&D employees
- Thousands of active patents
- Complementary emerging tech through acquisitions (170+ in 21 yrs)



## Relevancy

that is vital

- Serving manufacturing, infrastructure, construction, city services and more
- Solutions that drive fewer inputs, less waste and less pollution from efficiency, productivity, quality and safety gains



## Stability

that is proven

- €500mn (2000) to €4.3bn (2021)
- More than 22,000 employees across 50 countries
- Increasing role in customers' businesses



## Sustainability

integral to our strategy

- Committed to driving profitable business value that ensures economic growth, but not at the expense of the planet or people

# Hexagon in brief

## Core values



### Profit driven

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



### 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.



### 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.



### Professional

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



### Innovative

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



### 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.



# Sustainability – an integral part of our strategy

## Strategy

### Vision

A future where data is fully and autonomously leveraged so that business, industry and humanity sustainably thrive.

### Mission

Putting data to work to enable autonomous, connected ecosystems that boost efficiency, productivity, quality and safety for our customers.



### Through offering transformative solutions for the future

Hexagon’s primary contribution to a sustainable future is through its solutions. With 22,000 employees based in 50 countries, it delivers scalable and sustainable solutions across a vast array of industries – ranging from manufacturing and construction to agriculture, power and energy.

By leveraging its broad product portfolio and competencies, Hexagon generates sustainable value in almost all industries and regions in the world.



### Through its people and culture

Hexagon’s employees are its single greatest asset for securing long-term competitiveness and continued innovation. Hexagon is committed to a diverse workplace, mirroring its international nature – with employees, customers and suppliers across the world.

With an approach focused on competence development, diversity and inclusion, employee engagement, and health and safety, Hexagon can remain competitive with its peers, indifferent of where it operates.






### Through consciousness in its internal operations, supply chain and social engagements

Hexagon seeks to positively impact the environment by acting sustainably and addressing environmental challenges through 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, generate savings, mitigate environmental risks, and fuel innovation.



# Our goals and commitments

Focus areas	Commitment	Goals	Actions	Highlight KPIs	Comments
 <p><b>Through offering transformative solutions for the future</b></p> <p><b>Enabling sustainable development through Hexagon's solutions</b></p>	<ul style="list-style-type: none"> <li>Making smarter use of the earth's resources by unleashing data to do its greatest work – boosting efficiency, productivity, quality and safety.</li> <li>Supporting customers and society in their sustainability journey.</li> </ul>		<ul style="list-style-type: none"> <li>Implement sustainability assessment in the strategy and business planning process.</li> <li>Increase investments in solutions for eMobility, renewable energy and safety.</li> </ul>		A LCA program for key products was launched, also measuring the sustainable impact in customer usage,
 <p><b>Through its people and culture</b></p> <p><b>Driving sustainability through its culture</b></p>	<ul style="list-style-type: none"> <li>Ensuring health and safety for our employees.</li> <li>Creating an including culture with a diverse workforce, and not tolerating discriminatory structures in the organization.</li> <li>Be an attractive employer and attract the best and most professional employees.</li> </ul>	<ul style="list-style-type: none"> <li>Achieve at least 30 per cent women in leading positions by 2025.</li> </ul>	<ul style="list-style-type: none"> <li>Implement gender diversity criteria in recruitment process.</li> <li>Implement training in diversity and inclusion for all employees.</li> </ul>	<ul style="list-style-type: none"> <li>Management split by gender, male/female: 79/21</li> </ul>	Diversity and inclusion training program expected to cover all employees in 2022.
 <p><b>Through consciousness in its internal operations, supply chain and social engagements</b></p> <p><b>Operating sustainably to improve its own environmental footprint</b></p>	<ul style="list-style-type: none"> <li>Reducing greenhouse gas emissions, waste, stress of water and air in its operations and supply chain.</li> <li>Please see full list of commitments at Hexagon.com/sustainability</li> </ul>	<ul style="list-style-type: none"> <li>Become carbon neutral in its scope 1 and 2 emissions by 2030.</li> <li>Become carbon neutral in its whole value chain (scope 1, 2 and 3) by 2050</li> </ul>	<ul style="list-style-type: none"> <li>Implement an environmental management system in its major production facilities.</li> <li>Implement a company car policy framework with objectives to reduce GHG emissions</li> <li>Increase share of renewables in energy mix.</li> </ul>	<ul style="list-style-type: none"> <li>CO<sub>2</sub> emission / m<sup>2</sup> at Hexagon sites: 51 kg</li> </ul>	Number of ISO14001 facilities increased by 76 per cent during 2021.
<p><b>Driving sustainability in its supply chain</b></p>	<ul style="list-style-type: none"> <li>Ensuring that all suppliers adhere to the Hexagon Supplier Code of Conduct.</li> <li>Deploying best efforts around responsible business and due diligence of its suppliers.</li> <li>Ensuring that all suppliers undertake due diligence within their supply chain.</li> </ul>	<ul style="list-style-type: none"> <li>Conduct sustainability supplier audits on 100 per cent of its key direct suppliers in risk areas by 2023.</li> </ul>	<ul style="list-style-type: none"> <li>Conduct routine supplier risk assessments and sustainability supplier audits.</li> <li>Train employees and suppliers in their respective Codes of Conduct.</li> <li>Document the source of origin of the minerals in all components.</li> </ul>	<ul style="list-style-type: none"> <li>Audited key suppliers in risk countries: 24 %</li> </ul>	Currently on track to reach goal by 2023.
<p><b>Engagements that support societal challenges</b></p>	<ul style="list-style-type: none"> <li>Engaging in societal development issues where Hexagon can make the greatest impact.</li> </ul>		<ul style="list-style-type: none"> <li>Implement a CSR programme focused on environment, education, innovation and diversity.</li> </ul>		

# Sustainability impact throughout the value chain

Hexagon addresses environmental and human rights issues throughout its entire value chain. As the production of Hexagon is formed of software development and assembling of components, its greatest sustainability impact lays within its supply chain and the customer use of its products.



## Sourcing



## Transportation



## Production



## Customer use



## Recycling

Hexagon's sourcing consists predominantly of technology components and server capacity, and thus no resources or raw material is purchased. Hexagon is however exposed to risks related to human rights via its supply chain, and also need to ensure the metals in the components stem from ethical sources.

### How we act

- Rigid processes for onboarding of new suppliers, covering human rights and environmental aspects.
- Conflict minerals policy for sourcing and suppliers.
- Strong supplier audit program.



Negative ESG impact

Hexagon has a worldwide presence with customers in all regions. Transportation of products from production facilities to customers generate indirect emissions through suppliers of transporting services. Hexagon's consultancy and support services also generate travel emissions.

### How we act

- Establishing productions facilities near suppliers and customers.
- Sustainability targets for scope 3 emissions.
- Company car framework to reduce emissions.



Moderately negative ESG impact

Hexagon has no energy or resource intensive production facilities. The production is mainly assembly of components or development of software solutions, limiting the stress on environment and workers.

### How we act

- Environmental policy and ISO 14001 certification programme for facilities
- Program to increase share of renewables.
- Sustainability targets for Scope 1 and 2 emissions.



Moderately negative ESG impact

The use of Hexagon products increases efficiency, lowers waste, and supports safety, with huge positive impact. This is where the key positive sustainable impact in Hexagon's value chain takes place.

### How we act

- Innovation and R&D focused on solving sustainability challenges of customers.
- Exploring new opportunities within greentech through new business venture.



Positive ESG impact

When Hexagon's products have reached the end of their life-cycle, they contain metals and technology that should be recycled to avoid negative climate stress.

### How we act

- An after-market program where customers can return products to Hexagon for recycling or recalibration.
- Repurchase program of used equipment for reselling to other markets or industries.



Moderately negative ESG impact

# 02 Solutions for the future

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**Hexagon is an enabler of a sustainable future, providing solutions that address the main environmental and social challenges that companies and nations face today and tomorrow.**

# Hexagon's solutions enable change

## A world in need of change

All industries, solutions and systems across the world today are in a need of change. Renewable energy needs to become more efficient and profitable to phase out and replace carbon-emitting energy. Electric vehicles need to increase their driving range per battery charge. During the transition, traditional combustion engines need to become cleaner and more efficient. The agriculture sector needs higher crop yields without using more land. Manufacturing and production need to maintain productivity with lower input and decreased waste. Cities need shorter response times for emergency services. Critical infrastructure and

natural resources need to be monitored, maintained and protected.

The need for change in all the fields above is growing every day, emphasised through Agenda 2030 and the Paris agreement. As an enabler of a sustainable future, Hexagon provides solutions that address the main environmental and social challenges that companies and nations face today. The key to Hexagon's innovative solutions is a strong focus on R&D, with annual investments of about 10–12 per cent of net sales. Hexagon employs around 5,000

people working in R&D, with approximately 4,000 active patents.

## 2021 acquisitions supporting sustainability capabilities

In addition, acquisitions play a vital role in strengthening Hexagon's solutions portfolio. Over the past 20 years, Hexagon has completed more than 170 acquisitions to fill gaps in its portfolios, augment its R&D roadmaps and add domain expertise, ensuring that the best-in-class solutions to face

tomorrow's challenges can be provided to its customers.

During 2021, one important acquisition included Infor EAM. By integrating its asset management capabilities, Hexagon drives sustainability and digitalisation across its customer base. Other acquisitions include Immersal, CADLM and Jovix – all strengthening

Hexagon's smart digital reality capabilities and further position Hexagon as an enabler of sustainable change.

## Tools for sustainable production and mining

Hexagon's design & engineering, production and metrology solutions increase



**The key to Hexagon's innovative solutions is the strong focus on R&D.”**

efficiency throughout the life cycles of products manufactured in almost all industries. Through simulation tools that virtually test materials, measuring instruments that correct processes and optimisation solutions that streamline operations, customers can reduce resource inputs, emissions and waste, thus lowering the environmental impact.

In 2021, Hexagon launched HP-L-10.10, a laser scanner offering manufacturers 70 per cent faster inspection with ultra-high accuracy, enabling further efficiency and sustainability gains in all industrial production.

**Monitoring assets and visualising change**

Nations, researchers and organisations rely on Hexagon’s advanced geospatial technology to monitor, visualise and analyse changes to our planet. Deforestation, flooding, wildfires, melting glaciers and other global warming effects are visualised and reported on in real-time thanks to Hexagon’s solutions, providing the information necessary to call for change in consumer consumption and behaviour. Two important

product innovations in 2021 were the Leica BLK ARC and Leica BLK2FLY, which revolutionise autonomous reality capture and provide the necessary tools for a safe inspection of assets.

**Protecting lives with safety solutions**

Hexagon’s AI-driven surveillance technology can issue real-time warnings in the event of avalanches, collapsed dams or blocked railways and roads. Operational safety solutions assist in everything from asset maintenance schedules for critical infrastructure to avoiding collisions and monitoring operator alertness in critical processes like power and mining. Dispatch solutions for police, ambulance and firefighters ensure worker and citizen safety all over the world.

Hexagon introduced HxGN Connect in 2021, a SaaS workspace for citywide collaboration that enables government agencies and other diverse organisations to share data and coordinate action ad-hoc, routinely and in emergency situations.



**Hexagon is an enabler of a sustainable future, providing solutions that address the main environmental and social challenges that companies and nations face today.”**



**CASE**

# R-evolution accelerating the sustainability transition

To beachhead Hexagon’s digital solutions in the fast growing green-tech space, Hexagon launched the strategic business venture R-evolution in 2021. The company is running profit-driven investments in green tech projects, and accelerates the world’s transition to sustainability by applying Hexagon and partner technologies on business opportunities that benefit the environment and society.

Since its launch, the R-evolution portfolio has been expanded to include construction of solar farms in Spain, a blue-carbon ecosystem initiative in Bahamas, and green hydrogen digitalisation in Australia. By applying Hexagon hardware and software solutions, including visualisation platforms and sensors, into each area, R-evolution aims to increase efficiency

and profitability of each initiative to enable technical blueprints for greater impact and scale globally.

Saving the planet is the biggest business opportunity of the 21st century, and solar, blue carbon and green hydrogen is just the beginning. R-evolution is in full motion to expand its renewable energy portfolio and venture investments to leverage the returns generated from the initial investments to expand into sustainable agriculture, plastics reduction in oceans, protecting forests, and more. Future ambitions also include inviting others to join the revolution – from technology partners to companies to institutional investors– providing all the opportunity to make a difference.

Learn more at [r-evolution.com](https://www.r-evolution.com)



**CASE**

# 88 per cent lower CO<sub>2</sub> emissions from plastics with advanced predictive modelling

Plastic pollution is one of the world's most pressing environmental issues, and the production and incineration of plastics adds hundreds of millions of metric tons of greenhouse gases into the atmosphere every year, highlighting the imminent need for higher levels of recycling.

While plastics are important to a long range of industries, including electronics, aerospace, building and construction, and transportation, the use of recycled materials has not reached its full potential as the strength, quality and elasticity can not be verified to meet customers' application requirements.

To solve this challenge, a company developing recycled polymers for high-end applications used Hexagon's

solutions to create an advanced predictive approach to reverse-engineer high quality material. With this approach, the performance of the final material could be verified to meet the same quality as virgin plastics, which provided customers with the confidence recycled materials will meet their needs.

The benefits from the projects are clear:

- LCAs of CO<sub>2</sub> reduction of materials is an astonishing 84-88% compared to similar virgin materials.
- The usability of recycled plastics can be expanded to high-end applications, which will lead to reduced waste as recycling increases.
- Advanced predictive modelling has proven to be crucial for introducing recycled engineering polymers in high-end applications.



**CASE**

# Enabling carbon-free transports in the United States

As part of a wide-ranging climate agenda, the United States is targeting a reduction of greenhouse gas emissions by over 50 per cent from 2005 levels. According to the Environmental Protection Agency, an independent executive agency tasked with environmental protection matters, the transportation sector demonstrates an area of exponential reduction opportunities. It generates the largest share of greenhouse gas emissions of any sector, primarily from burning fossil fuel in everything from cars and trucks to ships and planes.

In order to achieve its new emissions targets, the United States needs to significantly reduce its reliance on passenger vehicles and instead expand and invest in transit and railroads. At the same time, the expansion of high-speed trains and railways comes with the need to ensure safety and efficiency while operating a profitable service.

HxGN Mass Transit, Hexagon's geospatial transportation infrastructure management system, was chosen to serve as a single source for visualising and analysing the assets and operations of transit and rail in order to sustainably serve millions of additional passengers.



**CASE**

# Digital twins of major cities enabling adaptation to climate change

The HxGN Content Program offers 3D digital twins of cities around the world that enable insightful, data-driven decisions for increased sustainability. The program uses a hybrid urban mapping sensor, the Leica CityMapper-2, that concurrently collects LiDAR and aerial imagery. The 3D digital twins will enable city administrations and providers of infrastructure to manage and monitor critical assets and model risks, as well as support the visualisation of new projects with the goal of creating smarter, more sustainable cities.

Cities captured in 2021 include Munich, Cologne, Vienna, Milan, Amsterdam, Stockholm, Tokyo, Dallas, New York, Stuttgart, and Frankfurt. More cities will be added in early 2022.

City planners can also use 3D data from the HxGN Content Program to simulate and communicate scenarios to make cities smarter, safer and more sustainable. For example, the data can enable them to plan the optimal design of green spaces to:

- Decrease the temperature on warm days, reducing a city's carbon footprint by lowering the needs for cooling energy in buildings.
- Enhance biodiversity, ensuring that small animals and climate resilient plants thrive.
- Improve air quality, increasing the well-being of the citizens.



**CASE**

# Protecting coastal blue carbon ecosystems

In collaboration with Beneath The Waves – a leading, global non-profit organisation dedicated to protecting marine environments – R-evolution is leveraging Hexagon’s airborne bathymetric LiDAR technologies to detect, map and capture critical details about threatened seagrass meadows in the Caribbean Sea, beginning in the coastal waters of the Bahamas. These sinks provide a natural storage area for blue carbon, carbon that is stored in coastal and marine ecosystems.

As part of a long-term shark monitoring project created to study and protect the oceans, Beneath The Waves discovered that tiger sharks spend a large part of their lives patrolling and foraging dense seagrass meadows. This was determined through research combining sensor tagged sharks with satellite data, marine vessel surveys and scuba divers. In this way, the extensive seagrass meadows

of the Caribbean were comprehensively mapped. But in order to protect and restore these sinks rich in blue carbon, the findings must be validated with high positional accuracy and datasets that can provide efficient, year-on-year change detection and monitoring.

R-evolution is helping Beneath The Waves to validate their findings by deploying a survey aircraft that is geared with one of Hexagon’s airborne bathymetric LiDAR solutions, the Leica Chiroptera 4X. The airborne bathymetry solution enables a more cost-effective, rapid survey of large areas. In just a few days, the solution can accurately map thousands of square kilometres of seabed habitat up to a depth of 30 metres. The high-resolution point clouds and aerial imagery will allow Beneath The Waves to scale up their marine research.



**CASE**

# Protecting critical assets from cyber security attacks

Today, industrial facilities such as hydroelectric power plants, oil rigs, manufacturing sites and pipelines are to a larger extent than ever before connected to the outside world through multiple systems and providers. While the increased degree of digitalization makes workflows and processes more efficient, it also increases their vulnerability to cyber attacks – with potential severe effects for entire countries.

Traditional IT endpoint cybersecurity tools address only 20% of centric cyber assets, leaving proprietary, heterogeneous industrial control systems hidden and vulnerable. To mitigate risk, address compliance requirements, and improve process safety, companies must move from today's IT-centric solutions to an OT/ICS-centric cybersecurity approach.

Hexagon has developed an end-to-end cyber security solution that optimise cybersecurity, process safety, and digitalisation. In the same system, customers are allowed to manage inventory and vulnerability risks, detect unauthorized configuration changes, visualise cyber risks, report on regulatory compliance requirements and quickly restore control of system operation in a worst-case scenario.

By ensuring that critical assets are operational while reducing the risks for production losses and incidents, Hexagon help securing the foundations of a sustainable development throughout the world.



**CASE**

# Precise positioning for lower emissions and decreased use of chemicals in agriculture

The IPCC estimates that agriculture accounts for up to 8.5% of all greenhouse gas emissions, with a further 14.5% coming from land use change and deforestation. Making crops more efficient would reduce the need for more land and also lower the stress of ecosystems with decreased use of chemicals.

SwarmFarm Robotics, a developer of autonomous agriculture robots, is using precise positioning and autonomous mobility technology from Hexagon Autonomy & Positioning for navigation of their robots. The robots are lightweight at 10% of the weight of traditional farm equipment, using less fuel and minimising soil disturbance while maximising yield and efficiency. Over the past 3 years, the robots have farmed over 274,000 hectares,

resulting in 431,000 fewer litres of herbicide being applied in the catchment area for one of the world's most threatened coral reefs in 2021 alone. The savings in some areas are a staggering 95% reduction in herbicide being sprayed on farm fields. SwarmFarm's robots also allow farming practices that could eliminate some chemical inputs entirely, such as applying fungus or other natural herbicides.

Hexagon's positioning and autonomous mobility technology maximise yield and efficiency for customers while also reducing environmental impacts. In the global agriculture market, Hexagon estimates that its positioning systems have reduced fuel usage by 190 million litres — equivalent to 500,000 tonnes of CO<sub>2</sub> emissions.



Photo: SwarmFarm Robotics

# 03 People and culture

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**A diverse and inclusive workplace is critical to innovation and long-term, sustainable growth. Hexagon achieves this with a comprehensive approach focused on competence development, diversity & inclusion, employee engagement, and health & safety,**



# Hexagon's people and culture enable change

The core of Hexagon's business is to create the solutions of tomorrow that enable our customers to make a transition towards sustainability. Attracting, developing and retaining the best employees in the industry is key to achieving this mission. The company employs more than 21,000 people globally, many of whom are highly skilled engineers and software developers. Hexagon firmly believes that a diverse and inclusive workplace is not only advantageous, but also critical to innovation and creativity.

## Decentralised organisation provides efficiency and relevance

Hexagon's Human Resources (HR) function is managed by decentralised HR departments which report to business unit heads at a divisional and/or local entity level, allowing each business and region to focus on their specific HR-related needs and priorities. The decentralised approach to HR has been a key success factor for Hexagon when integrating new acquisitions. As a result, acquired organisations have been able to retain key employees and experts while maintaining existing quality.

The Hexagon Code of Business Conduct and Ethics helps govern issues such as fair employment, diversity, discrimination, harassment, health and safety. All employees undergo a mandatory e-learning in the Code of Business Conduct and Ethics to ensure it is adopted broadly throughout the organisation.

The HR function supports divisions in legal matters and aligns processes for hiring, compensation and performance management. HR is also responsible for the periodic Employee Engagement Survey that measures employee engagement across Hexagon. The next Employee Engagement Survey will take place in 2022 and focus further on inclusion topics.

## A strong culture increases innovation

Hexagon is committed to being a diverse workplace that mirrors the international nature of the business – with employees, customers and suppliers working across the world. With an approach focused on competence development, diversity & inclusion, employee engagement, and health & safety, Hexagon is able to increase its innovativeness and remain competitive with its peers, no matter where it operates.

In 2021, Hexagon launched the Diversity & Inclusion Committee with representatives from all divisions and regions. Its focus is to share best practices and implement activities that build a strong and inclusive culture that enable great prospects for growth and competence development. As a global organisation, Hexagon celebrates the differences of its employees, and strives to build a working

environment where different values and perspectives are actively harnessed in order to create the best solutions for an equally diverse customer base. In promoting diversity, Hexagon also increases its access to a greater range of talent.

The attraction, retention and development of key employees is central for Hexagon's competitiveness and crucial for the success of the business. In 2021, the overall retention rate for employees was 90 per cent, which can be compared to 94 per cent in 2020. The decrease in 2021 can be attributed to post-pandemic effects as the retention was high during 2020.

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

## Positive diversity trend among managers in 2021

Hexagon also strives to be a gender diverse workplace across all levels of management. The Board of Directors at Hexagon consists of four women and six men while executive management consists of thirteen men and two women. Gender distribution in leading positions, including divisional management and their direct-reporting managers, had a gender distribution of 79 per cent men and 21 per cent women in 2021, compared to 80 and 20 per cent respectively in 2020.

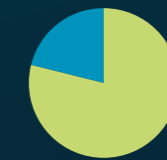
The goal is to reach 30 per cent female managers by 2025, which primarily will be reached through inclusion-supporting activities such as trainings and mentorship programmes aimed to make Hexagon a more attractive employer for women. No quota initiatives will be implemented.

## Preventing discrimination through HR and whistleblowing tool

Any kind of discrimination is completely unacceptable at Hexagon, no matter if it is exhibited internally or in relation to customer and supplier relations. Prohibiting



Hexagon is committed to a diverse workplace that mirrors the international nature of the business."



Management split by gender

■ Male, 79 %  
■ Female, 21 %

**2,118**

N° of employees having conducted diversity & equality training

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 considered discriminatory. The first avenue of reporting cases of discrimination is through direct access to the HR leader within their division. If the issue cannot be handled at the divisional level, the Chief HR Officer is approached. The Compliance Officer also offers direct communication opportunities that are managed by the Corporate Legal Group, through the anonymous third-party whistleblowing system.

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

#### Health and safety

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

As the nature of Hexagon's business is mainly revolving around software development and assembly of high-tech components, the risk for direct injuries is considered very low. 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 incidents 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. All divisions and local entities have processes and systems in place to ensure compliance with all applicable rules and regulations.

#### Lost days due to work-related injuries

Every division also has separate policies related to specific work tasks that are at risk, reflecting the specific activities conducted at each division. Each Hexagon location has a management team member that is assigned to ensure that all mandated health and safety guidelines are followed. Relevant indicators of work-related injuries and illnesses are monitored at a divisional and/or local level. In 2021, the total number of lost days due to work-related injuries was 512 across the company.



**Number of lost day  
due to work-related  
injuries**



**Retention rate**



# ➤ Design process and innovation

Over the past few decades, innovation has been key in Hexagon’s successful launch of countless technologies and solutions that solve complex customer challenges. More than 5,000 employees are working within R&D, and about 10–12 per cent of annual net sales are invested in innovation activities. Burkhard Boeckem has been Hexagon’s CTO since 2020 and leads the innovation activities and continued development of autonomous technology. Here he shares more information on the innovation process of Hexagon and what can be expected in coming years.



**Burkhard Boeckem,**  
Hexagon’s CTO since 2020

**Q** Hexagon has offices in more than 50 countries and sells both hardware and software to almost all major industries. How do you control and steer R&D initiatives in such a diverse organisation?

**A** Contrary to what one might think, our diversified and decentralised organisation is actually one of our key drivers for innovation. All over the world, Hexagon’s employees work closely with our customers to understand and meet their needs in order to know exactly what new technology or product they require. In my role as Chief Technology Officer, I oversee the Innovation Hub, Hexagon’s corporate function for business and technology development, which was created to strengthen and expand our R&D into new technologies and industries. However, the vision of the Innovation Hub is not to concentrate Hexagon’s global R&D initiatives in one place, but rather the other way around: to be a bridge between business units

and employees so that we can leverage the best ideas and solutions for our customers, wherever they are. Simply put, this means that our employees are the eyes and ears of the customer needs every day, and that the Innovation Hub acts as the accelerator and connector for meeting these needs, either by creating new solutions or by applying Hexagon’s existing portfolio of technologies to entirely new industries or businesses. This outside-in structure is very efficient and ensures that the innovated products are relevant for our customers from the first day of implementation.

**Q** What are the key innovations that took place at Hexagon in 2021?

**A** From a high-level perspective, we made great strides in our pursuit of building smart digital realities in 2021. In short, a smart digital reality is the outcome of our decision-making solutions that treats

the physical and digital worlds as one. Data is collected in real-time and autonomously through sensors which is simultaneously analysed and visualised by AI and machine learning capabilities, providing complete line-of-sight to ever-changing situations. A smart digital reality can be applied to everything from small-scale production of components to manufacturing facilities and even to entire cities, providing the overview and insights to improve efficiency, quality and safety.

On the sensor side, two important product innovations in 2021 were the Leica BLK ARC and Leica BLK2FLY. They revolutionise autonomous reality capture and provide the necessary tools for a safe inspection and monitoring of assets. On the software side, we launched HxGN Connect, a SaaS workspace for citywide collaboration, that enables government agencies and other diverse organisations to share data and coordinate action for ad-hoc, routine

and emergency situations. Together, these launches showcase the sensor-software systems necessary to build smart digital realities.

**Q** What can be expected in terms of innovation in the coming years?

**A** We are already seeing a shift where sustainability aspects are becoming the most important topic for our customers. To a larger extent than ever before they request solutions that decrease energy use, reduce waste or eliminate the climate impact of their products, which can be achieved through lower weight or using other materials. We expect this shift to continue, and that the Innovation Hub’s activities and investments will be dominated by bringing new tools, solutions and technologies that better meet the sustainability needs of our customers.

“  
In short, a digital reality is a decision-making solution that treats the physical and digital worlds as one.”

# ➤ Enabling innovative start-ups to scale their business and solve crucial sustainability challenges

Hexagon is on a mission to deliver an autonomous and sustainable future and enable long-term positive change across many sectors and industries. To support this mission and to increase the pace of the change, Hexagon has launched Sixth Sense – an open innovation platform where ambitious, scaling start-ups can connect with world-class companies to solve some of the planet’s biggest challenges.

## Supporting innovation with global potential

In early 2022, Hexagon launched the open innovation platform, Sixth Sense, where start-ups can connect with Hexagon and its customer-base of leading companies from almost all industries. Several times per year, Hexagon will be inviting proposals from companies with an idea and solution, primarily in the fields of sustainability, big data, machine learning, artificial intelligence, sensors, robotics, and mixed reality, that have global potential in smart manufacturing.

## Underrepresented communities for dynamic outputs

Sixth Sense has an implicit aim to improve diversity in line with Hexagon’s corporate purpose, and has set goal on recruiting startups where founders come from underrepresented communities. By bringing a dynamic group of people together that share resources and tools, more dynamic outputs will be achieved.

## Access to capital, network, and expertise

The chosen start-ups will be offered a 10-week intensive engagement focused on problems faced by global companies today and full access to Hexagon’s software and hardware technology. Combining with Hexagon’s network and expertise, the start-ups can test their products with a potential global pipeline of customers in need of their solutions. Hexagon offers the companies support to scale their business, including mentorship (both internal and external), access to all tools, data sets and hardware made by Hexagon, free office space from Hexagon or its partners if required, exposure to Hexagon VC networks and continuous engagement in its alumni network. Most importantly startups will be exposed to Hexagon’s vast sales and distribution network.

By sharing its resources and make connections that accelerate progress – Hexagon pushes the boundaries of design, manufacturing and engineering to build a better sustainable future for the benefits of everyone.



# 04 Enabling change with consciousness

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Hexagon has implemented clear sustainability processes built on consciousness within its operations, supply chain and social engagements to enable positive change wherever it operates.

# ➤ Responsible operations

Hexagon is an enabler of a sustainable future, providing solutions that address the main environmental and social challenges that companies and nations face today. However, in order to work towards the Global Goals and the 2030 Agenda for Sustainable Development, Hexagon also takes accountability for the environmental challenges in its internal operations as well as in all steps of the value chain. By upholding high standards of environmental sustainability processes, Hexagon enables activities that aims to reduce its environmental footprint, to better meet customer requests, attract and retain talent, generate savings, mitigate environmental risks and fuel innovation.

## Reducing the environmental impact

Hexagon's environmental commitment is defined in the Environmental Policy and is guided by the Hexagon Code of Business Conduct and Ethics.

As defined in its Environmental Policy, Hexagon is committed to:

- Reducing greenhouse gas emissions in its operations and value chain
- Increasing energy efficiency at its production facilities
- Reducing waste and implementing processes for sustainable resource management
- Reducing the stress of water and air quality from own operations and supply chain
- Integrating sustainability considerations into product development, design and production processes
- Create a culture of sustainability among employees
- Be a role model in the management of environmental issues

In 2021, Hexagon stipulated the goals to become carbon neutral in its scope 1 and 2 emissions by 2030, and to become carbon neutral in the whole value chain (scope

1, 2 and 3) by 2050. Hexagon is expanding its reporting to cover all entities. In the 2020 report data was collected from the largest facilities, covering 35 per cent of the employees. In the 2021 report, data collection has been expanded to cover almost twice the number of entities. In the coming years, all entities will be included in the reporting.

The carbon targets will be achieved by increasing energy efficiency in Hexagon's facilities, reducing waste in production and emissions from business travel as well as in its company car fleet. It will be accomplished through increasing Hexagon's focus on sustainability in its product design process, investing in renewable energy and carbon capture technology, to mention a few.

In terms of environmental management, leadership at each division at Hexagon is responsible for establishing appropriate procedures and organisational structures to comply with the policy and all applicable laws and regulations, ensuring that efforts and activities that are vital to the division and its facilities are effectively prioritised and managed.





Hexagon has obtained ISO14001 certifications for the majority of its larger production sites, and increased the number of certified facilities with 76 per cent during 2021 compared to 2020. On these as well as on other sites, environmental management is managed systematically and with a focus on continuous improvement. Hexagon plans to continue implementing ISO 14001 or equivalent management systems at its larger facilities as appropriate over the coming years.

Environmental management in Hexagon's software development division will focus on methods of reducing resource and energy consumption, such as using a single source of data to minimise the effects of data mining and reduce energy usage of servers.

**Design process**

Hexagon's Innovation Process (HIP) is a robust activity that drives the efficiency and effectiveness of products (hardware, software or services) through continuous development and improvement. The process includes defined milestones and corresponding deliverables that the project team must present to a steering committee in order to obtain approval to continue. An impact assessment of the environmental footprint of each and every task is conducted as a part of the design phase. In projects that contain high risks or unknown factors, a pre-project might be executed to reduce risks or in order to get more information for the main project.

As part of the Hexagon Innovation Process, each product group within Geosystems receives a recycling passport, which reviews materials used while it confirms 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 the product groups' reusability, recyclability, treatment, and waste disposal.

In 2021, Hexagon began conducting LCA (Life-Cycle Assessment) from cradle to grave of its products that is shipped in the highest quantities, with the results expected in 2022. The LCA's take into account the full environmental footprint of the product, and the program that will be expanded to cover more solutions in the coming years.



Share of renewable energy, Scope 2



metric tonnes CO<sub>2</sub> emissions / m<sup>2</sup>

# ➤ Responsible supply chain management

**Ensuring a responsible supply chain is important to Hexagon as it not only prevents disruptions in the supply chain and potential reputational risks, it is also critical for the wellbeing of people, societies and our planet for generations to come.**

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 if they 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, environmental impact and anti-corruption. Hexagon strives to ensure that its suppliers follow the principles set out in the Code.

### Supplier Code of Conduct setting the standards

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 addition, third-party suppliers and subcontractors in Hexagon's global supply chain are contractually required to meet these obligations. In 2021, Hexagon initiated an e-learning program for suppliers on the Supplier Code of Conduct which will continue throughout 2022 before evaluated.

### Supplier risk screening and supplier audits with RBA

In 2021, Hexagon joined the Responsible Business Alliance, the world's largest industry coalition dedicated to corporate social responsibility in global supply chains, enabling the company to use leading standards and tools for supplier risk screening.

The 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 will not purchase from suppliers that procure products originating from sources subject to applicable trade sanctions.

### Supplier audits focusing on risk countries

Hexagon performs audits of both new and existing suppliers based on both desk top research, self-assessments and onsite visits, since 2021 leveraged through the Responsible Business Alliance. 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 that contains several steps of scrutiny to ensure compliance with Hexagon's policies.

In 2021, Hexagon performed approximately 242 audits of new and existing suppliers, of which 18 audits targeted suppliers in risk countries. Hexagon has a goal of conducting sustainability audits on all of its 75 suppliers in such countries by 2023, a goal Hexagon expects to reach.



**Key suppliers in risk countries**



**Share of audited key suppliers in risk countries**



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 to ensure that they strictly follow the Hexagon Supplier Code of Conduct. Third party assessment is used in cases where an issue cannot be verified directly with the supplier.

**Conflict minerals screening**

A small part of Hexagon’s 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 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 United States. Hexagon maintains a Conflict Minerals Policy, applicable to the Group, outlining the commitment and actions taken to avoid conflict minerals in its operations and supply chain.

Hexagon’s divisions implement processes to ensure compliance with this policy as is applicable to each division’s operations. 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 suspected 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.

**Increased focus on processes for human rights**

Hexagon is deeply committed to preventing human trafficking and modern slavery in its business and supply chains, in compliance with applicable laws and

regulations and following internationally recognized human rights standards and principles. In 2021, the Hexagon Anti-Human Trafficking Policy was adopted, which applies to all personnel employed by or engaged in providing services for the company. The policy is enforced within Hexagon’s supply chain in the Hexagon Supplier Code of Conduct. Among other principles, the document requires applicable suppliers to comply with legally mandated work hours for its employees; that they provide compensation and benefits on time and in accordance with applicable laws and industry standards; that they avoid human trafficking or use of forced, involuntary or child labour; and that they prohibit employee harassment or abuse while respecting employee rights to freedom of association and collective bargaining.

**“ In 2021, Hexagon performed approximately 242 audits of new and existing suppliers.”**

## ➤ 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.**

With employees all over the world, Hexagon has been welcomed by many communities that continuously provide their support, talent, and resources to the success of Hexagon's business. This makes Hexagon a global company with a local heart, and it is important to give back to the community. Local initiatives range from donating technologies to non-profits and educational institutes to partnering with universities to develop future talent. In 2021, Hexagon committed to implement a CSR programme focused on environment, education, innovation and diversity.

Divisions pursue their own CSR activities in different global locations. Hexagon's entity in Hyderabad, India, spend at least 2 per cent of its net profits on CSR activities. It is currently pursuing a program focused on supporting women empowerment, the environment, and education through investments in infrastructure for everything from washrooms at orphanages, clean local lake projects to providing equipment and software to schools.

Hexagon is an avid supporter of quality education by seeking out top university partners in India to provide required training through courses that prepare students for working in the industry. An example of this program 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 skill development on topics such as hardware and software licensing. To ensure an increased in-house expertise, advanced training for processors is also offered.

Another initiative to provide students of the future with competitive skills took place in 2021, when an artificial intelligence community centre named HexArt was established in the city Hyderabad by the Hexagon Capability Center India (HCCI). The institute will offer courses free of charge to school students and engineering graduates, as a step towards democratising Artificial Intelligence knowledge in India.

In 2022, Hexagon has the ambition of implementing a CSR programme focused on environment, education, innovation and diversity across the entire company, supporting its commitment of engaging in societal development issues where Hexagon can make the greatest impact.



# 05 Our approach

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**Hexagon's sustainability governance report presents the sustainability management organisation, due diligence process, compliance mechanisms and cyber security structures in place to ensure long-term sustainable growth.**

# ➤ Sustainability governance report

Hexagon's Head of Sustainability is a member of Group Management reporting directly to CEO and President, thus ensuring group-wide commitment to sustainability issues.

## Sustainability management

The sustainability agenda at Hexagon is centrally managed by the Head of Sustainability via the sustainability strategy and programme, which defines the framework, goals, commitments and deliverables for the sustainability organisations within each of Hexagon's division. Expert groups within operations, procurement, HR, compliance and marketing is formed with members from each division who undertake sustainability initiatives depending on their operational context and goals. The progress is reported on a quarterly basis to the President and CEO and the 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 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 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 the group's exposure to software and recurring revenues. Acquisition candidates are regularly monitored and evaluated on market position, customer reputation as well as growth and profitability potential.

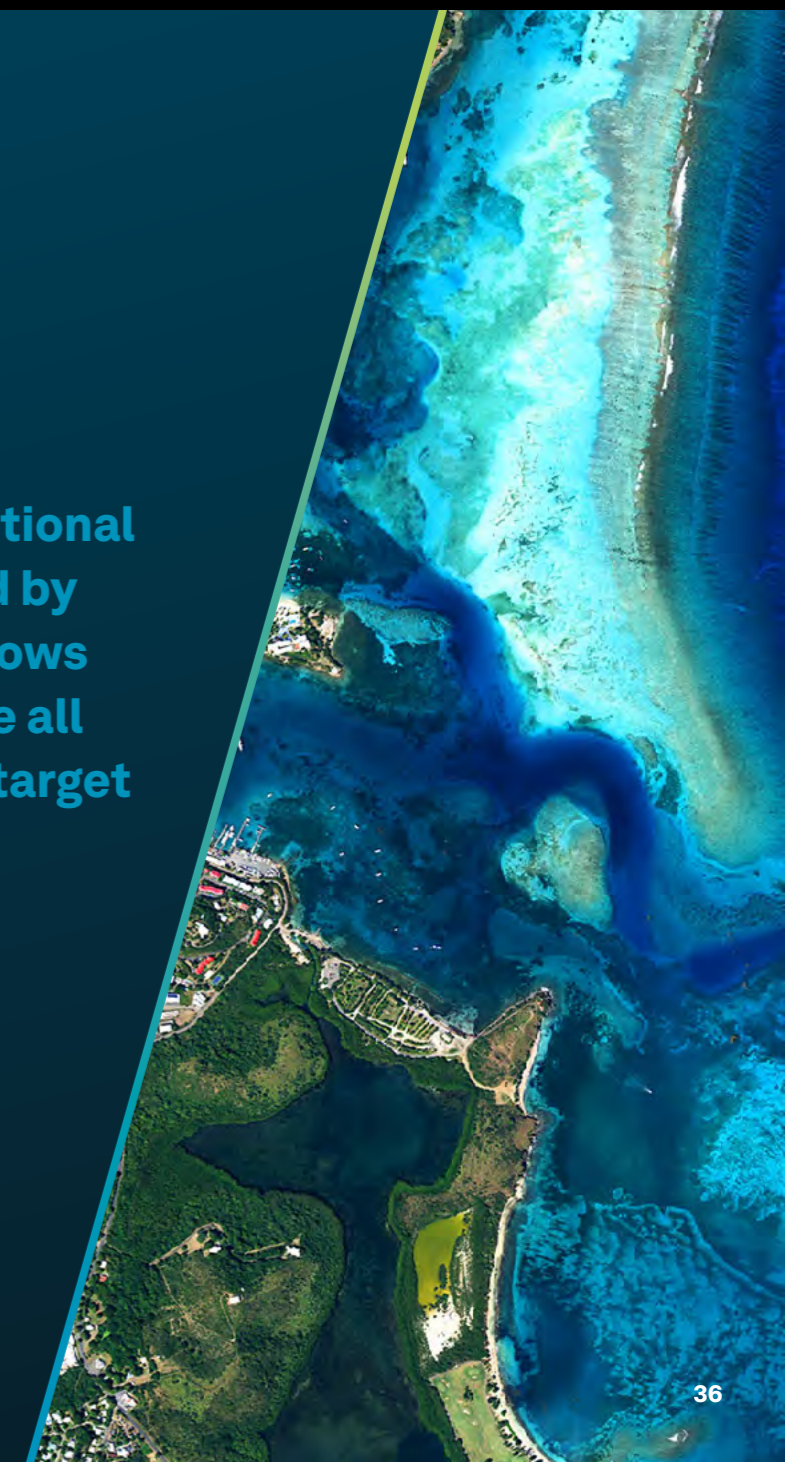
## Sustainability in the due diligence process

Hexagon considers many sustainability factors in an 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, several sustainability elements are considered. These include a detailed review of the internal controls of the target company, quality business practices, environmental and employee matters, as well as 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



Having a cross-functional team supplemented by external experts allows Hexagon to appraise all key features of the target company."





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 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 in the Group 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. The newly acquired company also 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.

# ➤ Compliance & ethics

**Hexagon is committed to ensuring that all of 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 centrally managed by Hexagon’s Chief Compliance Officer via a Group 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 out Hexagon’s compliance policies and establishes compliance programmes in key areas of law applicable to Hexagon’s activities (each, a “Compliance Programme”), addressing anti-corruption including government procurement, competition, trade covering export and customs, data protection, and sustainability. 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. In 2021, the new Hexagon Code of Business Conduct and Ethics was published in sixteen (16) languages for Hexagon’s global personnel base. The revised Code reflects Hexagon’s responsibility as a market leader to uphold the highest standards of ethics, integrity and sustainability and reinforces

Hexagon’s commitment to act and behave professionally and beyond legal compliance, striving for high ethical standards. The Code has been reformatted to include “What If” examples making it practical and easy to understand. To this end, 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.

Each Hexagon manager is responsible for ensuring that employees are fully aware of the Code as well as for 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 2021, certifications were requested and received from 225 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.

In 2021, the Hexagon Ethics and Compliance System Administration Manual was also released. The manual provides an overview of the structure, roles, and

the responsibilities for administering our Ethics & Compliance System. Together with the Code and the Supplier Code of Conduct, these documents constitute the backbone of our Ethics & Compliance System.

## **Compliance audits and risk assessment**

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. The audits also help the Compliance Team to identify potential compliance risks. In 2021, the compliance audit procedure was revised to better identify potential compliance risks. 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. The updated compliance audit procedure supports identification, monitoring and management of compliance risks. In addition, different risk assessments are conducted throughout Hexagon. These risk assessments also cover elements of the compliance programme. Each Hexagon division performs a risk assessment on its partners, including assessments of manufacturing facilities and key suppliers. A variety of aspects of risk are investigated and formally reported to the Group. Follow up on recommendations are completed annually.



**Corruption negatively impacts communities and overall global economic development and erodes the trust necessary to build a stable business environment.”**

### **Compliance training**

In 2021, Hexagon issued a global group-level online employee training as a part of the new Code, data protection and other areas of compliance. In addition to compliance training provided at the group-level, Divisional Compliance Officers, Corporate Compliance Counsel and other Hexagon compliance personnel provided training during 2021 on various compliance topics relevant to their respective divisions, both in person and through web conferences.

### **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 and end-users as well as for prohibited end-uses.

Hexagon's export control compliance policy is documented in the Code, in Hexagon's Export Controls Compliance Programme Summary and in the Export Controls Compliance Programme Manual. These documents address risks of export violations with requirements in areas such as commodity classification, sanctions compliance, restricted party and end-use screening and protecting controlled technology. The Export Programme Summary has been updated and Hexagon clarified its position on management of sanctioned parties. During 2021, the E2-Open's global trade management solution was fully implemented, through which Hexagon has access to a harmonised tool for the management of sanctioned parties. Hexagon also tracked and implemented processes in reaction to the various global regulatory developments during 2021.

### **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 areas such 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.

### **Whistleblowing mechanism**

In 2021, Hexagon implemented updates to its whistleblower reporting system to ensure consistent management of whistleblower reports. It was done with the support of Syntrio, Inc., a leading third-party provider of hotline reporting systems. This solution enables Hexagon employees, suppliers, business partners, and other Hexagon stakeholders to submit confidential reports of suspected legal or ethics violations to Hexagon via secure mechanisms and through various communication devices, such as telephone, the web, and email. It also enables specific case management of each instance and consistent recordkeeping. Hexagon received 7 reports through the whistleblower mechanism throughout the year: all of which were fully resolved and none of which 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 currently being implemented.

Hexagon personnel are not only encouraged but required to report any suspected non-compliance through a whistleblowing mechanism that ensures good-faith reports that will not be subject to retaliation. Personnel can make reports directly to managers or to appropriate contacts through the whistle-blower hotlines. In the event of an alleged incident of non-compliance with Hexagon's compliance policies, Hexagon follows an established process 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.

# Compliance and business ethics

## Best practices for data privacy

Data Protection is one of the six pillars of Hexagon’s compliance program. Employees, customers, and partners require assurance that their personal information will be handled and managed in a safe and responsible way. Hexagon is committed to ensuring all personal information will be processed in accordance with global best practices and this is reflected in its Data Protection Compliance Program (DPC Program). The Group Privacy and Information Security Officer has responsibility for managing and overseeing the implementation of the DPC Program across Hexagon Divisions. Changes to the DPC Program and reported to the Chief Compliance Officer and Audit Committee on a regular basis. The DPC Program is implemented through teams within each division, with responsibility for delivery managed by Divisional Privacy Officers.

Hexagon has adopted the principles of the European Union’s General Data Protection Regulations (“GDPR”) as its baseline for the protection of all personal data, regardless of locality. GDPR is widely considered as the ‘Gold Standard’ of Privacy Law and provides a robust and reliable means to ensure personal information is protected appropriately. Minor additions have been adopted since 2018 to encompass other jurisdictional laws as these have been enacted. 2021 brought new legislation from Brazil & China, the analysis and adoption of which were managed as a standard part of Hexagons DPC Program.

Hexagon recognises that the protection of personal information 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

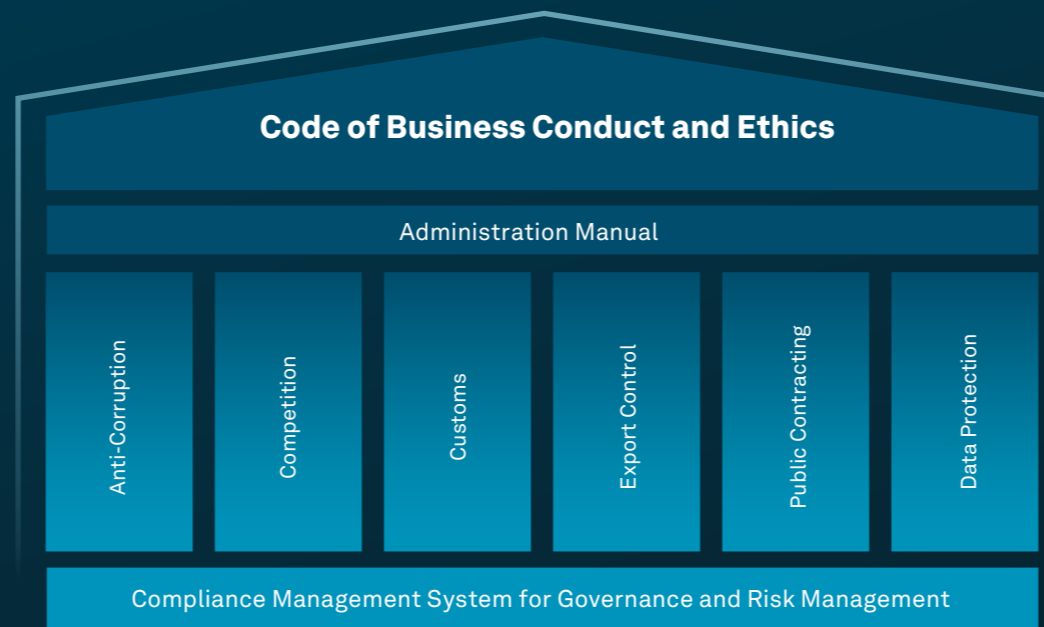
of responsibility for the protection of personal data are provided with advanced training and offered the opportunity to become certified professionals through programs provided by the International Association of Privacy Professionals (IAPP).

## Cybersecurity key focus in 2021

Hexagon’s Group Cyber Council was established to provide oversight and governance over all information security matters. The Cyber Council is chaired by the Group Privacy and Information Security Officer and includes executive members representing all major areas of the Hexagon business including Operations, Legal, Finance and Product. The objectives of the

Cyber Council is to ensure 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. As a global leader in digital reality solutions, Hexagon understands the imperative of security within its products and services. The autonomous revolution relies on data as fuel and the protection and integrity of this data is central to Hexagon’s Innovation Process.

Hexagon continued to build and develop its employee awareness programme throughout 2021 and included training on all key topics of security. All new employees receive a set of baseline training courses and are then



Number of whistleblower reports



Executives certified in Ethics and Compliance



included in the ongoing annual programme of events. Additionally, employees are frequently targeted by phishing simulations using a wide range of phish lures to both train and test employees on how to identify email-based threats. Phish simulations are run in multiple languages to match real world threats as closely as possible.

Key 2021 programs to improve Hexagon’s security posture include significant investments in Security Governance and Risk Management, certification of Information Security Management Systems to ISO standards, Autonomous Network Detection and Response, Penetration Testing and Incident Management.

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

“Hexagon continued to build and develop its employee awareness programme throughout 2021 and included training on all key topics of security.”

Stakeholders



# Hexagon's key stakeholders and related sustainability issues

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 – as they are 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.

## 1. Society

Stable, well-functioning and prospering societies is a critical prerequisite for Hexagon to be able to operate and do business. Only by adopting sustainable processes and proactively contribute to improving the health and safety for the 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 actively can address through its solutions and market presence. In order 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.

## 2. 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 21,000 people globally, many of whom are 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.

## 3. 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 and 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.

## 4. Investors

In order to confidently be able to 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 a long-term viable funding and prospects for growth.

## 5. 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 management of compliance and business ethics together with 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 be compliant with all commercial laws and ethical guiding principles.

# Materiality assessment

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 dialogues is the base of Hexagon’s materiality assessment which determined the most material sustainability issues for the Group to prioritise.

## Materiality assessment



## Material sustainability issues



### Solution-related contributions

- Digitalisation
- Quality
- Energy and resource efficiency



### Financial

- Economic value
- Integration of acquisitions



### Environmental

- Energy and resource efficiency
- Employees
- Competence
- Anti-discrimination, diversity, inclusion and equality



### Compliance

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



### Employee engagement

- Health and safety



### Responsible value chain

- Supply chain management



## ➤ Risk

**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.



**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:

Sustainability area	Sustainability-related risk	Mitigation efforts
<b>Employees and human capital related risks</b>	<ul style="list-style-type: none"> <li>The resignation of key employees or Hexagon's failure to attract skilled personnel may have an adverse impact on the Group's operations.</li> </ul>	<ul style="list-style-type: none"> <li>Hexagon works with a structured approach to HR and market-based remuneration to ensure employee satisfaction.</li> </ul>
<b>Legal and compliance related risks</b>	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> </ul>
<b>Environment</b>	<ul style="list-style-type: none"> <li>Stricter regulations on environmental matters can result in increased costs or further investments for the companies within Hexagon that are subject to such regulation.</li> <li>Significant negative environmental impacts by Hexagon's production companies or suppliers may lead to financial fines, loss of license to operate and reputational damage.</li> </ul>	<ul style="list-style-type: none"> <li>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. On group level, Hexagon has an Environmental Policy and Sustainability Programme that guides its initiatives related to environment.</li> </ul>
<b>Human Rights related risks</b>	<ul style="list-style-type: none"> <li>Unmanaged negative impacts on human rights, i.e. through inadequate labour conditions in the supply chain could entail a reputational risk for Hexagon.</li> <li>Unmanaged negative impacts in companies owned or acquired by Hexagon could entail a reputational risk.</li> <li>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 (approx. 5% of sales).</li> </ul>	<ul style="list-style-type: none"> <li>Hexagon has a Supplier Code of Conduct in place for suppliers to manage social and ethical risks, which is a mandatory qualifying condition for Hexagon to enter a business relationship with Supplier.</li> <li>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.</li> <li>Hexagon has a solid compliance program in place also covering export control regulations to prevent products from being sold to repressive regimes.</li> </ul>

# 06 The numbers

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**Hexagon gathers sustainability-related data on Scope 1, 2 and 3 emissions, waste, supplier risks, employees, whistleblower reports, and more. In 2021, the scope for all data segments was expanded to cover more entities and employees in the company.**

# Sustainability data

## Enabling change with consciousness

### Responsible operations

Hexagon successfully decreased its CO<sub>2</sub> emissions per m<sup>2</sup> facility in 2021. The number of facilities included in the reporting increased to 48 from 26 in 2020, explaining the reported increase in total emissions. Emissions from business travel increased due to eased travel restrictions.

	2020	2021
CO <sub>2</sub> emissions from electricity consumption at largest sites (scope 2), tonnes <sup>1</sup>	14,310	20,157
CO <sub>2</sub> emissions from natural gas consumption at largest sites (scope 1), tonnes <sup>1</sup>	2,251	1,890
CO <sub>2</sub> emissions / m <sup>2</sup> at largest sites, kg	53	51
Renewable energy, %	36	30.5
CO <sub>2</sub> emissions from residual waste, tonnes	-	267
CO <sub>2</sub> emissions from hazardous waste, tonnes	-	3
Water usage at largest sites, m <sup>3</sup>	-	982,000
CO <sub>2</sub> emissions from own vehicle fleet (scope 1), tonnes <sup>2</sup>	7,704	6,335
CO <sub>2</sub> emissions from business travel (scope 3), tonnes <sup>2</sup>	4,522	17,468
ISO 14001 certified production sites	13	23

1) Data collected from 26 facilities in 2020, and 48 facilities in 2021, explaining the increase in total CO<sub>2</sub> emissions. Square metres included in the reporting increased by approximately 40 per cent from 2020 to 2021. All other facilities will be included in the coming years.

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

### Responsible supply chain management

During 2021, Hexagon audited 24 per cent of its key suppliers in risk countries, with the goal of reaching 100 per cent by 2023. The non-conformances found in suppliers audits are mainly related to quality aspects, and are expected to be solved in 2022.

	2020	2021
Key direct suppliers, #	903	926
Key direct suppliers in risk countries, # <sup>1</sup>	76	75
Key direct supplier audits conducted, #	407	242
Audits of key direct suppliers in risk countries, # <sup>1</sup>	-	18
Non-conformances found in audits, #	19	99
Solved non-conformances found in audits, # <sup>2</sup>	12	63

The data is collected for hardware and software related businesses.

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 2022.

## People and culture

### Employees

The retention rate decreased during 2021, attributed to post-pandemic effects as the retention was high during 2020. The share of female managers increased slightly to 21 per cent, moving towards the goal of 30 per cent women in leading positions by 2025.

	2020	2021
Retention rate, % <sup>1</sup>	94	90
Retention rate, male/female employees, %	94/93	91/91
Average work tenure, years	9	8
Lost days due to work-related injuries	-	512
Gender distribution total, male/female, %	77/23	77/23
Management split by gender, male/female, % <sup>2</sup>	80/20	79/21
Board of directors split by gender, male/female, %	50/50	60/40

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.

### Compliance and business ethics

The new whistleblower service available for employees, suppliers, business partners, and other Hexagon stakeholders was implemented in 2021, and a total of 7 cases were submitted, compared to 12 reports in 2020. All cases were fully resolved.

	2020	2021
Ethics & Compliance System, executives certified, #	230	225
Anti-trust compliance training, employees, #	4000+	-
Core Cyber Security courses, employees, %	-	95
Whistleblower reports, # <sup>1</sup>	12	7
Solved whistleblower cases, #	12	7

All trainings were held online in 2021.

A Hexagon executive defined as an employee with personnel responsibility.

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

# EU Taxonomy

**This is the first EU Taxonomy report by Hexagon. Hexagon deem its Taxonomy eligible revenue to approximately 1.2% of its total turnover. While being an enabler of sustainability, the significant majority Hexagon’s business activities are currently not in the scope of the EU framework regulation and therefore will not be compatible with technical screening criteria in the Taxonomy.**

Hexagon has interpreted its relevance in the EU Taxonomy in four sections under Climate change mitigation;

- 4.1 “Electricity generation using solar photovoltaic technology”
- 6.14 “Infrastructure for rail transport”
- 6.15 “Infrastructure enabling road transport and public transport”
- 8.2 “Data-driven solutions for GHG emissions reduction”.

The applicable eligible economic activities for Hexagon are associated with the Archidona solar park Hexagon acquired and operated during 2021, Hexagon’s professional surveying and mapping services, and simulation technologies used for modelling with the purpose of enabling GHG emission reductions in sustainability-related projects. The reported turnover, CapEx and OpEx are screened from these activities.

<b>KPI</b>	<b>Total (MEUR)</b>	<b>Eligible %</b>	<b>Non-eligible %</b>
Turnover	51.25	1.20	98.80
CapEx	17.40	4.10	95.90
OpEx	9.90	0.60	99.40

**Definitions:**

- The turnover KPI represents the proportion of the net turnover derived from products or services that are taxonomy-eligible. The total turnover corresponds to Net sales in the consolidated income statement in the Hexagon 2021 Financial Report.
- The CapEx KPI represents the proportion of the capital expenditure of an activity that is taxonomy-eligible. CapEx is defined as investments in intangible assets and tangible assets such as property, machinery and other equipment, together with the IFRS 16 right of use assets. The total CapEx amount can be found in the Hexagon 2021 Annual Report in notes 14-16. Own measures and purchased output from suppliers economic activities have not been screened for eligibility in 2021.
- The OpEx KPI represents the proportion of the operating expenditure associated with taxonomy-eligible activities. Own measures and purchased output from suppliers economic activities have not been screened for eligibility in 2021.



# Auditor's report on the statutory sustainability report

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

## Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2021 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 report. This means that our examination of the statutory sustainability report is substantially different and 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 opinion.

## Opinion

A statutory sustainability report has been prepared.

Stockholm March 30 2022  
PricewaterhouseCoopers AB

Bo Karlsson  
Authorized Public Accounts  
Lead partner

Helena Kaiser de Carolis  
Authorized Public Accounts

This is a literal translation of the Swedish original report.

**About the report**

This is Hexagon's fifth sustainability report, covering the fiscal year of 2021. 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](https://investors.hexagon.com)

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