



| Making sustainability a **reality**

Sustainability Report 2022



Driving real sustainable change

The key challenge for companies today – regardless of if they operate within energy, transportation, construction, manufacturing, automotive or aerospace – is that any change must be sustainable. Focusing solely on improving competitiveness without consideration of environmental and social impacts is no longer an option.

Despite the urgency and short window of opportunity to take climate action, many of the sustainability commitments and initiatives of nations and industries are still forward-looking undertakings, with promises of change that will take place in the future. But that is too late.

At Hexagon, we are not waiting to make a difference: we are driving sustainable change with tangible impact and outcomes today. Our portfolio of digital reality solutions is making entire industries and nations more efficient, with significantly reduced emissions, minimised waste and improved safety for citizens and employees, every hour and every day.

Sustainable change is a key driver of growth and tightly linked to our success as a company, and we are proud to call ourselves an enabler of sustainability.

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Letter from the President and CEO

Powerful forces continue to alter the world as we know it. Recent years have been marked by war, sanctions, disrupted supply chains from lockdowns, extreme shortages of minerals and components, escalating energy prices, raging inflation and growing concerns about the world's carbon capture and storage dilemma.

Amidst all this turbulence, I stepped into the role of president and CEO of Hexagon, and I am proud to report that our company is very well-suited to weather these kinds of structural shifts in the market. We are certainly a company that has proven it can thrive during change.

We are also well-equipped to lead the transformation of entire business ecosystems to help customers and industries face these challenges head-on. Take energy, for example. Here, the challenges are countless and the solutions urgent. The industry is struggling to quickly and profitably transition to renewables and clean energy, electrify the transportation sector and adequately source the critical minerals necessary to meet the demands of the green power revolution. But that's only half the battle. The same companies must also work simultaneously to ensure that

existing power grids, oil and gas facilities and pipelines are properly maintained and protected to run smoothly – without shutdowns, leakages or accidents. This report showcases actual examples of Hexagon's robust portfolio at work, enabling customers to adapt and manage these transitions.

Hexagon's products are at the core of transformational change in many other industries, the most prominent being automotive, aerospace, construction, manufacturing, agriculture and mining. Every day, our unique combinations of sensors, software and autonomous technologies are reshaping ecosystems to produce higher-quality outputs while running more efficiently, productively and safely. The result is fewer inputs, less waste, lower emissions and reduced risk – creating industries that are not only

 **Hexagon's product are at the core of transformational change in many other industries.”**

profitable but also contribute to the sustainable change our world so desperately needs.

While Hexagon's most significant contribution is accelerating the sustainable journey of our customers through the use of our products, we're also heavily focused on our own actions and operations and made great strides in 2022 toward reaching our goals.

On the carbon side of the equation, we have joined the Business Ambition for 1.5°C and pledged to set science-based targets

around our emissions – demonstrating our concrete commitment to driving change that will benefit the entire planet. On the product innovation side, we further developed our Life Cycle Analysis framework, which aids in understanding the cradle-to-grave environmental footprint of our key solutions and how to best apply eco-design criteria in the innovation process. We also successfully executed a pilot project to track the transport footprint of products in one of our businesses. As a result, we were able to decrease the amount of polypropylene used in product packaging by more than 90%, an outcome we look forward to expanding across the company. We are also still on track to meet our goals of conducting sustainability audits across 100% of our risk suppliers by 2023, ensuring our entire value chain lives up to the high standard of ethics, governance and sustainable operations that we adhere to.

On the environmental reporting side, we reported to the Carbon Disclosure Project (CDP) – the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts – increasing our transparency to all stakeholders.

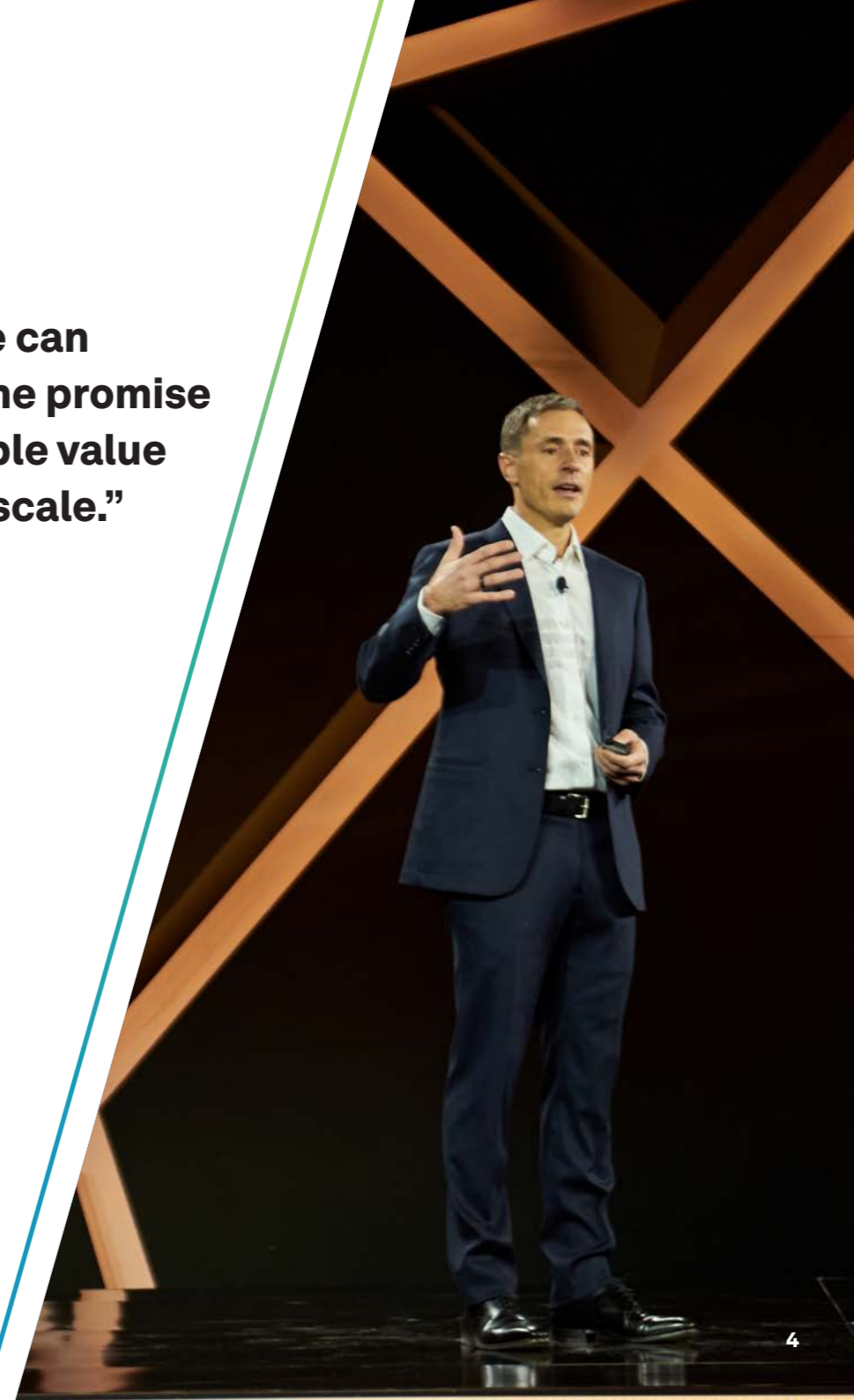
To further support and encourage sustainable innovation, we continued to invest in the future of R-evolution, the sustainable innovation and green-tech investment subsidiary of Hexagon. R-evolution has proven it's possible to positively impact the environment while generating profitable business growth. In 2022 it launched a venture capital arm to boost green-tech start-ups, calling on entrepreneurs to tackle climate emergencies together.

To conclude, Hexagon is currently in a unique position to drive real, sustainable change across the world – for our customers and in our own operations and supply chain – thereby contributing to sustainability everywhere we do business. Together we can deliver on the promise of sustainable value creation at scale. We are just getting started, and whether you are a valued shareholder, customer or employee, we thank you for being part of our journey.

Paolo Guglielmini
Hexagon President and CEO



**Together we can
deliver on the promise
of sustainable value
creation at scale.”**



01 Sustainable business

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

Hexagon in brief

Hexagon has long been a leader in delivering Smart Digital Realities™ that require real-time and autonomous data capture, analysis and visualisation. We integrate real-world sensor inputs with software systems built to analyse, predict and act – in real time and autonomously – to create new and better realities that address uncertainty and enable resilient organisations, 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 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 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 computer-aided design (CAD), computer-aided manufacturing (CAM) and computer-aided engineering (CAE) 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

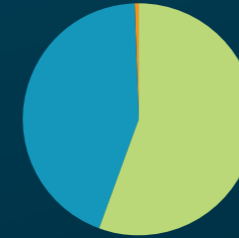
The segment comprises the following divisions



Manufacturing Intelligence

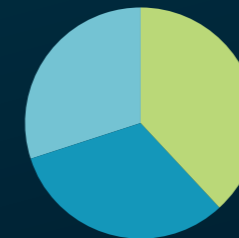


Asset Lifecycle Intelligence



Employees per business, average share

- Industrial Solutions, 56%
- Geospatial Solutions, 43%
- Corporate function, 1%



Employees per region, average share

- EMEA, 38%
- Asia, 32%
- Americas, 30%

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 we provide. It is Hexagon’s strategic advantage and the greatest source of value for our 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.



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).



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 snapshot



Innovation

at scale

- 10–12% of revenues for R&D
- More than 5,000 R&D employees
- Thousands of active patents
- Complementary emerging tech through acquisitions—180+ in 22yrs



Relevancy

that is vital

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



Stability

that is proven

- €500mn (2000) to €5.2bn (2022) in revenues
- More than 24,000 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 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 our solutions. With 24,000 employees based in 50 countries, we deliver scalable and sustainable solutions across a vast array of industries – ranging from manufacturing and construction to agriculture, power and energy.

By leveraging our broad product portfolio and competencies, Hexagon generates sustainable value in almost every industry and region throughout the world.



Through its people and culture

Hexagon’s employees are our single greatest asset for securing long-term competitiveness and continued innovation. Hexagon is committed to a diverse workplace, mirroring our 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, regardless 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 our internal operations and value chain. By upholding high standards of ecologically sustainable processes, Hexagon supports activities that aim to reduce our environmental footprint, better meet customer requests, generate savings, mitigate environmental risks and fuel innovation.



Hexagon supports the UN Sustainable Development Goals.”



Our goals and commitments

Focus areas	Commitment	Goals	Actions	Highlight KPIs
 <p>Through offering transformative solutions for the future</p> <p>Enabling sustainable development through Hexagon's solutions</p>	<ul style="list-style-type: none"> • Making smarter use of the earth's resources by unleashing data to do its greatest work – boosting efficiency, productivity, quality and safety. • Supporting customers and society in their sustainability journey. 		<ul style="list-style-type: none"> • Implement sustainability assessment in the strategy and business planning process. • Increase investments in solutions for eMobility, renewable energy and safety. 	
 <p>Through its people and culture</p> <p>Driving sustainability through our culture</p>	<ul style="list-style-type: none"> • Ensuring health and safety for our employees. • Creating an inclusive culture with a diverse workforce, and not tolerating discriminatory structures in the organisation. • Being an attractive employer and recruiting the best and most professional employees. 	<ul style="list-style-type: none"> • Achieve at least 30% women in leading positions by 2025. 	<ul style="list-style-type: none"> • Implement gender diversity criteria in the recruitment process. • Implement training in diversity and inclusion for all employees. 	<ul style="list-style-type: none"> • Management split by gender, male/female in 2022: 77/23%
 <p>Through consciousness in its internal operations, supply chain and social engagements</p> <p>Operating sustainably to improve our own environmental footprint</p>	<ul style="list-style-type: none"> • Reducing greenhouse gas emissions, waste, stress of water and air in our operations and supply chain. • Please see full list of commitments at hexagon.com/sustainability 	<ul style="list-style-type: none"> • Become carbon neutral in our scope 1 and 2 emissions by 2030. • Become carbon neutral in our entire value chain (scope 1, 2 and 3) by 2050. • Carbon targets in line with the Net-Zero Standard under development. 	<ul style="list-style-type: none"> • Implement an environmental management system in our major production facilities. • Implement a company car framework with objectives to reduce GHG emissions • Increase share of renewables in energy mix. • Joined the Business Ambition for 1.5°C and will define net-zero science-based targets for carbon emissions 	<ul style="list-style-type: none"> • Renewable energy share in 2022: 34.8%
<p>Driving sustainability in our supply chain</p>	<ul style="list-style-type: none"> • Ensuring that all suppliers adhere to the Hexagon Supplier Code of Conduct. • Deploying best efforts around responsible business and due diligence of its suppliers. • Ensuring that all suppliers undertake due diligence within their own supply chains. 	<ul style="list-style-type: none"> • Conduct sustainability supplier audits on 100% of its key direct suppliers in risk areas by 2023. 	<ul style="list-style-type: none"> • Conduct routine supplier risk assessments and sustainability supplier audits. • Train employees and suppliers in their respective Codes of Conduct. • Document the source of origin of the minerals in all components. 	<ul style="list-style-type: none"> • Audited key suppliers in risk countries in 2022: 19.6%
<p>Engagements that support societal challenges</p>	<ul style="list-style-type: none"> • Engaging in societal development issues where Hexagon can make the greatest impact. 		<ul style="list-style-type: none"> • Implement a CSR programme focused on environment, education, innovation and diversity. • Partnership with Cool Earth 	

STRATEGY

02 Solutions for the future

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.

» Our solutions enable change

There is not a business, an industry or geographic region that is unaffected by the struggle to tackle the environmental and social challenges of the 21st century. This is why Hexagon’s technologies and capabilities are becoming increasingly relevant in creating sustainable business practices that in turn do good for society and the planet at large. Every day, Hexagon solutions are shaping urban and production ecosystems to become more connected and autonomous. Unique combinations of sensors and software are leveraging automation, AI and other technologies to put data to work in ways that enable more efficient processes and improved decision-making. The result is fewer inputs, less waste, reduced emissions, increased safety and better preparedness – making entire industries more sustainable. Three examples of sustainability use cases of Hexagon solutions:

1. Lowering environmental impact in manufacturing and construction

Hexagon’s design and engineering, production and metrology solutions

increase efficiency throughout the lifecycles of products manufactured in almost every industry. 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.

2. Monitoring of natural resources

Nations, organisations and researchers 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 and inspire change in consumer consumption and behaviour.

3. Protecting lives

Hexagon’s AI-driven surveillance technology can issue real-time warnings in the event of avalanches, collapsed



Hexagon’s technologies and capabilities are becoming increasingly relevant in creating sustainable business practices.”



dams, landslides or blocked railways and roads. Operational safety solutions assist in everything from avoiding collisions to monitoring operator alertness in critical processes like power and mining. At the same time, dispatch solutions for police, ambulance and firefighters ensure worker and citizen safety all over the world.

Innovation and acquisitions driving growth of sustainability solutions

The key to Hexagon’s innovative solutions is a strong focus on research & development (R&D), with annual investments of about 10–12% of net sales. Hexagon employs more than 5,000 people working in R&D, and owns approximately 4,000 active patents. During 2022, one important innovation was the next-generation Leica BLK360, which dramatically advances reality capture by delivering two of the most sought-after necessities: speed and efficiency. The new BLK360 can create a foundation for the development of data-driven digital twins in seconds or minutes. Like its predecessor, the new BLK360 encourages new users to introduce

reality capture to new industries and markets due to its speed, portability and ease of use. The efficiency gains support sustainability in a wide range of industries, from construction and architecture to city planning.

In addition, acquisitions play a vital role in strengthening Hexagon’s solutions portfolio. Over the past 22 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 are available to its customers.

During 2022, important acquisitions included ETQ, iConstruct, AVVIR and Innovatia Accelerator – all strengthening Hexagon’s smart digital reality capabilities supporting Hexagon’s position as an enabler of sustainable change.

Practical use cases that explore how Hexagon solutions supported sustainability in 2022 are available on page 19–26.



Acquisitions play a vital role in strengthening Hexagon’s solutions portfolio.”

Enabling transformation in the energy sector

Hexagon's solutions play an important role in driving sustainability in almost every major industry. One example of a sector going through significant change is energy, where Hexagon is a vital factor in the transformation of six key areas:

Power grids

Challenge: As the need for safe and clean energy is increasing on a global scale, the electric utilities throughout the world are struggling to manage their networks and services to ensure reliability, customer satisfaction and regulatory compliance while meeting the capacity needs of the future.

Solution: Hexagon provides location-based information and capabilities to support network planning, operations and maintenance, service restoration, safety and security and more, enabling utility providers to maintain and expand their network capacity.

[Read more here.](#) →

Smart cities

Challenge: Population growth and urbanisation in combination with climate change are putting city planners in a position where they quickly need to expand city areas and build new housing, while also ensuring the new projects are energy efficient, adapted to environmental change and lower the stress on the environment.

Solution: Hexagon's Content Program offers aerial imagery, elevation data and 3D models of cities around the world that enable insightful, data-driven decisions. City planners can simulate and communicate scenarios, enabling them to plan the optimal design of green spaces and to decrease the temperature on warm days, reducing a city's carbon footprint by lowering the needs for cooling energy in buildings.

[Read more here.](#) →



Electrification of transportation

Challenge: Transport accounts for around one-fifth of global carbon dioxide emissions, with the majority stemming from passenger cars and medium and heavy trucks. An electrification of the vehicle fleet will reduce emissions, but limitations of batteries and drivetrains together with high production costs hinder the development, and ensuring ethical sourcing of minerals is crucial.

Solution: Hexagon's design, engineering and manufacturing technologies touch more than 75% of vehicles produced today, from optimising the efficiency of new electric vehicle powertrain design and production to quality-inspecting new range-boosting batteries. Also, Hexagon's simulation, production and inspection solutions are helping to develop the next generation of fuel cells. From thermal modelling to help modify cooling systems for effective operation with fuel cells, to case production to ensure safety of this new technology in the event of an accident, Hexagon's technology provides data to help accelerate innovation.

[Read more here.](#) →

Renewables and green hydrogen

Challenge: Almost all nations and industries are transitioning from carbon-based energy production into renewables. The marketplace is challenged by demands to ramp up renewable projects quickly, and how to maximise the energy output from the existing power generators.

Solution: Visualisation platforms combined with ground and mobile sensors can be applied to operate and expand the output of solar and wind parks, and to actively, remotely and autonomously monitor to aid inspections, quickly detect panel anomalies and improve targeted maintenance. Hexagon's asset management solutions are also used in support of the global green hydrogen revolution: by providing an integrated digital twin platform for infrastructure developers who will manage every stage of the asset lifecycle – from engineering and design through finance, construction and operation – Hexagon improves efficiency and reduces risk.

[Read more here.](#) →

Oil and gas

Challenge: While oil and gas is not a part of a green future, it still remains an important energy source for years to come during the transition to carbon-free energy. During the transformation, operations need to be closely monitored and maintained in order to avoid unnecessary downtime, incidents or leaks with potentially disastrous effects on the environment.

Solution: Hexagon's comprehensive solution portfolio works across the oil and gas supply chain delivering information, insights and tools to help increase safety, improve OT/ICS cybersecurity, build operational resiliency and increase productivity. The software solutions help transform unstructured information into a smart digital asset to visualise, build and manage structures and facilities of all complexities, ensuring safe and efficient operation throughout the entire lifecycle. [Read more here.](#) →



Rare earth minerals

Challenge: The demand for rare earth elements has increased significantly in the past decades with the entry of green and advanced technologies. The supply and mining of the necessary minerals have however not scaled accordingly, and electric cars and wind plants require more rare earth elements than conventional. Hence the output per mine and project needs to increase to meet the needs.

Solution: Hexagon's full mining lifecycle solutions – from planning, operations and safety to enterprise intelligence and reclamation – enable scalable and sustainable operations across this vast and critical ecosystem, ultimately extracting a mine's total value while protecting lives. Hexagon's approach to smart mining is empowering mines to do more with less, and to do it sustainably by improving safety and increasing efficiency, productivity and profitability – all while accelerating the mine's journey to carbon neutrality. [Read more here.](#) →

R-evolution – Hexagon’s strategic sustainability business venture

To establish a beachhead in the fast-growing green-tech digital solutions 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 and optimisation of a solar farm in Spain with 40,000 panels and a capacity of 16.4 MWp, 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 are just the beginning.

A key milestone in 2022 included the launch of the R-ventures programme, which aims to help the green-tech startup ecosystem accelerate its next breakthroughs through seed funding or in-kind technology from Hexagon’s portfolio. Considerations for R-ventures’ monetary investments or in-kind technology require green-tech startups to be in the pre-IPO funding stage, with an identified product and initial customer base. In 2022, R-ventures invested in three start-ups.

Another important step for R-evolution was a new partnership with Google, where R-evolution is leveraging Google BigLake to develop a global blueprint that decreases green premiums and accelerates the renewable energy transition.

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




CASE STUDY

Reuse of wastewater saves precious resource

Maintaining and safeguarding water is of utmost importance in many areas of the world. In the United Arab Emirates, water is a scarcity. The UAE's northernmost emirate, Ras Al Khaimah, produces 12 million cubic metres of wastewater annually and has set a bold ambition to reuse 100% of its wastewater by 2023.

Water management, collection and treatment is a complex and intensive task that draws on a vast amount of heavy infrastructure and assets — all of which need to be efficiently maintained to ensure optimal performance. One key challenge for Ras Al Khaimah's public utility RAK Wastewater Agency was to manage and maintain its assets, ensuring high-quality maintenance across its operations. Furthermore, the operations and maintenance (O&M) department found it difficult to maintain clear oversight of exactly where it should direct maintenance resources. This led to a reactive rather

than proactive approach, where efficient utilisation of labour hours and accuracy of operational data was a challenge.

After assessing several enterprise asset management (EAM) solutions from different vendors, the O&M department decided to implement HxGN EAM to fully automate its asset maintenance, including daily schedules that could tell the O&M which assets they should proactively check, repair, maintain or replace.

By implementing HxGN EAM, the emirate made significant strides in its ability to efficiently monitor and maintain its assets, with the results including:

- **55-60% decrease in emergency work orders**
- **17% decrease in amount of corrective maintenance and related work orders**
- **3% reduction in operating costs**

[» Read more about this project here.](#)




CASE STUDY

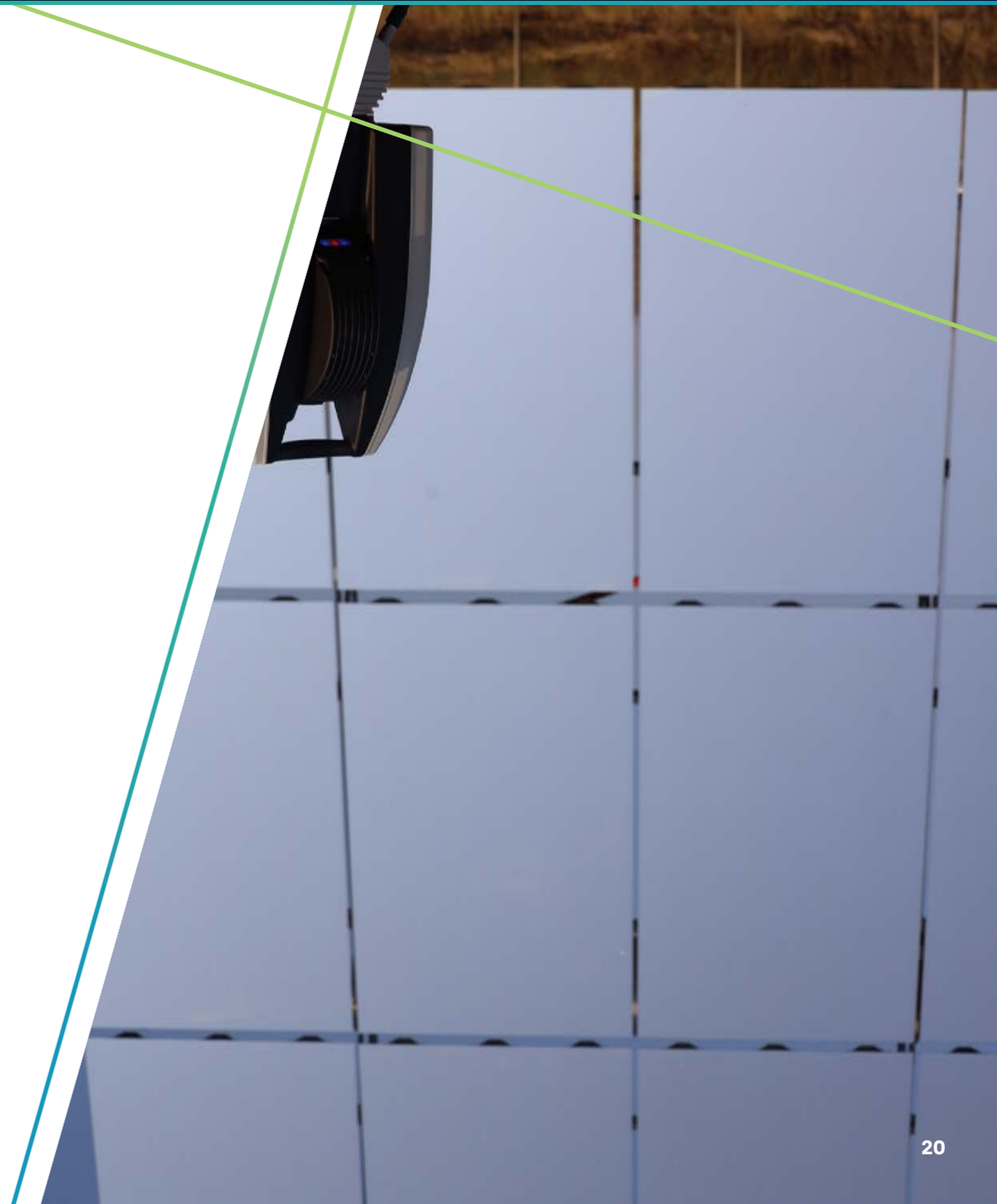
Measurement to better gather the power of the sun

Energy is a key factor for sustainable and economic development, as the world is transitioning from fossil-based systems to renewable energy sources. One challenge for the growth of solar energy is the total investment costs of solar panels, a challenge Hexagon's solutions are part of solving. Today, Hexagon scanners are used in large-scale solar park projects both in production and assembly of solar panels.

In 2022, Hexagon was involved in a project together with a Spanish infrastructure and renewable energy giant aiming to optimise the design processes, both in terms of the cost and the efficiency of the process, including assembly. The

Hexagon ATS600 tracker was used all the way from quality inspections at the factory floor by controlling components during manufacturing to the tooling levelling process to finalise the assembly of the panel. The direct scanning functionality enabled measurements to be performed accurately, without contact and with a high measurement capacity. Improving the remote measurement brought down the total cost associated with the implementation of new solar parks – enabling further growth.

>> Read more about this project here.



CASE STUDY


A digital reality model of Stuttgart for better living

The City of Stuttgart, Germany, has launched a Digital Twin project to solve urban sustainability challenges. To get the baseline in place, Hexagon was chosen to deliver a digital twin platform of the city, built on an SaaS solution that will visualise and analyse data from IoT sensors installed throughout the city. The insights gained from the data will be used to promote sustainability and enhance quality of life for the 600,000 residents of Stuttgart.

The solution will provide a common operating picture for monitoring sensor values, such as water quality, flood levels and parking space occupancy, enabling

the city to derive insights for optimising operations and making informed decisions for the future. The digital twin platform is based on Hexagon’s unified geospatial enterprise platform M.App Enterprise, and Hexagon’s proprietary Xalt data integration framework, which together captures and processes all sensor and operational data and extracts useful data from it. Projects like this can be used as best-practice models for how cities can solve today’s most pressing urban challenges, such as sustainability, safety and mobility, through the use of real-time data analysis.

» [Read more about this project here.](#)




CASE STUDY

Automation in construction protects people and resources

Autonomous technologies are important in construction because they can improve efficiency, safety and reliability. By employing advanced sensors, machine learning and artificial intelligence to perform tasks without human intervention, autonomous technologies reduce the risk of human error and improve overall efficiency.

Hexagon's Leica BLK ARC is designed to improve the autonomous navigation of robots and other carrier platforms and delivers fully autonomous mobile laser scanning. Combining its speed, accuracy and versatility with robotics, the BLK ARC addresses the growing demand for autonomous solutions that can safely and repeatedly capture accurate 3D point clouds and panoramic images of changing environments with minimal user intervention.

One application where the BLK ARC has proven a great enabler of safety and sustainability is within construction. One of the larger construction companies in the US is using BLK ARC to keep workers safe by autonomously scanning construction activities such as demolition areas and providing insights in potential dangerous situations.

The BLK2GO laser scanner is also used to scan buildings before they will be demolished in order to estimate materials available, which creates an accurate dataset of existing materials and structures to improve material circularity and save on costs.

The results are fewer injuries and increased amounts of building materials recycled, which in turn reduces the need to extract natural resources to make new buildings, preserving natural ecosystems and biodiversity.

[» Read more about this project here.](#)



CASE STUDY


Managing material movement for significantly reduced emissions

Nearly 80% of the greenhouse gases from the mining industry stem from load and haul operations. Fleet management systems are central to load and haul, and Hexagon's software MineOperate is playing a central role in managing material movement more efficiently to minimise emissions. MineOperate takes a holistic approach to efficiency initiatives and helps mines to better utilise their equipment, improve their workflows, reduce costs and improve productivity.

In practice, the MineOperate portfolio provides a high-precision guidance solution for dozers, drills and loading

equipment. It enables loading equipment to improve bench elevations, reduce dilution and decrease rework. For dozers, the solution provides operators with easy-to-visualise design plans, minimising costs by eliminating the need for grade staking and survey crews. And for drills, the solution enables drilling to the right position and elevation the first time. The sustainability results that help decrease emissions include:

- 13% productivity increase
- 60% lower refueling trips
- 99% correctly routed loads

» [Read more about this project here.](#)





» Success stories from customers

The key sustainability benefits that Hexagon delivers are best seen through the eyes of its customers. By utilising Hexagon’s technologies, customers achieve positive results that benefit both their financial outcome and the world, primarily by reducing negative environmental impact. The following five examples highlight the Hexagon’s positive impact on customer operations and processes.

Reclaiming and repurposing construction and demolition waste with technology - Accsys

Hexagon’s customer, Accsys Engineering Group specialises in building information modelling (BIM), project management, 3D scanning, 3D surveying and special-works projects, and their work is critical in the reduction of construction and demolition waste (CDW), an environmental hardship that is rapidly increasing in urban areas.

As construction spending increases due to a growing population and rapid urbanisation, Accsys sought solutions to combat the environmental burden of construction and demolition waste. Using Hexagon’s best-in-class reality-capture technology, Accsys led a large-scale survey project to salvage building material from an old building to be repurposed in future projects.

In addition, Accsys leveraged Hexagon’s technologies on many projects, including a job to clean and reuse decommissioned power plants. A cartographic survey covering an area of more than 20,000 square metres was conducted to determine the quantity of recyclable materials, thereby minimising the requirement for new building materials made from natural resources. This represented a crucial chance to conserve natural ecosystems and biodiversity. At the same time, they created a geotagged collection of samples for environmental examination.

Accsys used Hexagon reality-capture technology to create point-cloud data for 3D digital twins with high accuracy and detail. The information was then processed, cleansed and exported in two point-cloud formats for modelling and client communication. The final deliverable was a multi-format BIM.

The fully accurate digital survey of the soon-to-be-demolished site allowed the project to be worked on downstream, using only data to improve material circularity and reduce costs.

Empowering farmers to adopt greener business practices - Eau de Paris

Eau de Paris, a French utility company, launched a 10-year aid project in conjunction with the Seine Normandy Water Agency to enhance resource protection in the catchment areas of Paris. The project supports nearly 200 farms and 25,000 hectares of land (nearly 62,000 acres) with 74 million euros in grants. Farmers who were selected to receive grants are expected to reach certain sustainability targets and will be supported for up to seven years — enough time to set the stage for lasting change.

Eau de Paris' sustainable farming project requires large-scale data management and visualisation, workflow management solutions and scalable analytics to support the entire lifecycle of the project. Hexagon's technologies allow farmers, Eau de Paris and the Seine Normandy Water Agency to collaborate throughout the lifecycle of the project with maps, dashboards, smart forms and digital workflows. Integrating farmers' requests from the field with validation and monitoring capabilities empowers Eau de Paris to guide farmers through the entire process, from grant request to transition completion. This ensures that farmers maintain compliance, providing the water company with the ability to control and manage the grants, and also helps them meet required benchmarks throughout the process.

New farming practices have been adopted thanks to the launch of this project. For example, limiting the use of fertilisers, pesticides, growth activator and other non-natural products, along with promoting the development of organic farming and grassland, has resulted in cleaner drinking water and preserved biodiversity in metropolitan Paris.

Putting data to work to better understand wildlife characteristics and preserve species - Kindai University

Kindai University in Japan has a wealth of research facilities for focusing on the preservation of biodiversity, especially in oceans, as the pressure on natural resources increases. Understanding biological characteristics of species helps to preserve and meet the demand in a different way, and Kindai is using Hexagon's technologies to better understand wildlife characteristics in an effort to facilitate preservation efforts.

Bluefin tuna, highly valued by anglers and chefs, are still little understood in terms of their natural habitats as they swim freely in the ocean. Conducting experiments in confined laboratory spaces made it impossible to fully understand their movement. Live, in-ocean tests under changing fluid velocities with the attachment of sensors would be equally if not more challenging, and so a computational modelling approach was chosen.

The goal of this project was to accurately develop computer simulations to better understand the biological characteristics of these fish. 3D models of tuna fish were created from comparatively sized frozen tuna, and Hexagon's computational fluid dynamics (CFD) software was employed to simulate the complex geometries of the fish, enabling the accurate representation of an animal in motion and to generate new insights into the swimming characteristics of the bluefin tuna.

The use of Hexagon's technology at Kindai University provided valuable insights and is helping to optimise the preservation of species, ensuring that conservation efforts are as effective, efficient and sustainable as possible.

Accelerating the installation of floating solar parks - Knoopbv

A leader in inland dredging, nature restoration and anchoring projects in the Netherlands, Knoopbv needed a partner to help them find the right locations to anchor floating solar panels efficiently and cost effectively. Although solar energy is becoming more commonplace, installations in coastal areas can be difficult.

Knoopbv leveraged Hexagon's technology for the installation of 72,000 solar panels covering 20 hectares. This work has presented new opportunities to build solar panels in coastal areas, increasing

the opportunity to use renewables — an important technique for climate change adaptation.

If developed and applied properly, renewables can provide several times more energy than the world currently consumes. At the same time, solar energy can also reduce emissions that cause air pollution and slow down global warming caused by carbon dioxide combustion.

Fighting herbicide runoff in the world's most famous coral reef - SwarmFarm Robotics

Since 2012, SwarmFarm Robotics has led the way in precision agriculture through its development and usage of SwarmBots — completely autonomous robots that use positioning technology to more accurately farm land that was previously inaccessible.

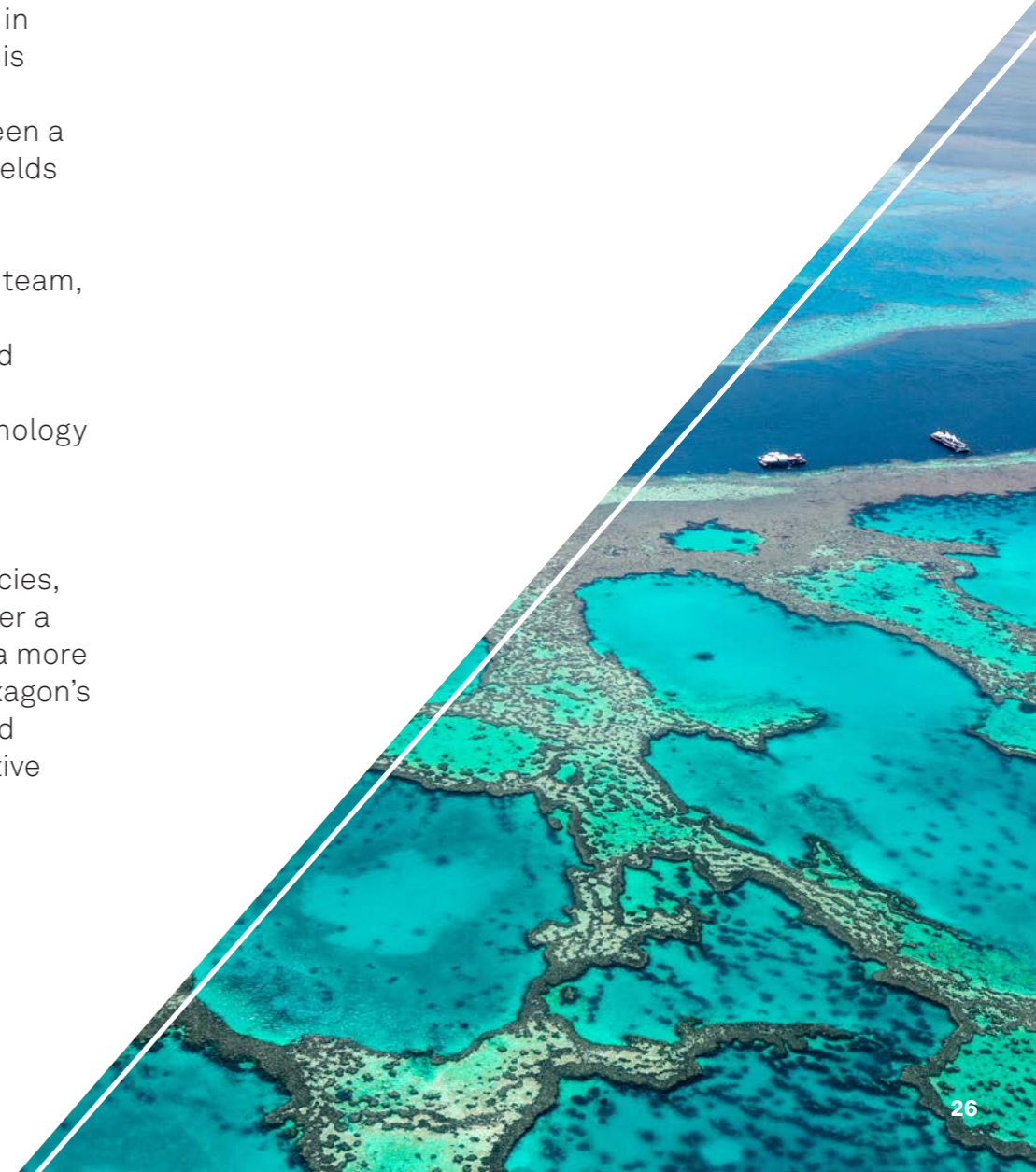
Through a partnership with Hexagon, the SwarmBots utilise state-of-the art, integrated GNSS and positioning technology that allows the bots to work effectively in a compact and affordable fashion, maximising yield and efficiency for customers while also reducing the environmental impact of farming.

As a result, SwarmBots have farmed over 1,000,000 acres and eliminated 431,000 litres of herbicides from the catchment area for Australia's Great Barrier Reef alone — protecting this vital yet threatened aquatic ecosystem.

Through this advancement in affordability and usability of autonomous farming equipment, SwarmFarm has been successful in delivering commercial, autonomous farming machinery into broad scale adoption in agriculture. Farmers have been anticipating this technology for many years and the results are remarkable; in just over three years, there's been a 95% reduction in herbicides sprayed in farm fields draining into the Great Barrier Reef.

This is just the beginning for the SwarmFarm team, which plans to develop future generations of SwarmBots across a wide variety of crops and regions. Their goal is to bring access to environmentally sustainable agriculture technology to everyone.

The application of technology has been demonstrated to enhance operational efficiencies, improve decision-making, decrease waste, lower a business's carbon footprint and contribute to a more sustainable future in numerous industries. Hexagon's technologies are addressing issues globally and fostering innovative solutions that have a positive impact on the world.



STRATEGY

03 People and culture

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.

People and culture

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 24,000 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.

A strong and inclusive 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 in more than 50 countries. With an approach focused on competence development, diversity and inclusion, employee engagement, and health and safety, Hexagon is able to increase its innovativeness and remain competitive with its peers, regardless of where it operates.

This can only be achieved by building a strong and inclusive culture enabling 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 Hexagon Code of Business Conduct and Ethics helps govern issues such as fair employment, diversity, discrimination, harassment, health and safety. All businesses in the company are obliged to adopt and implement the Code to ensure a uniform approach to these issues across Hexagon. All employees and contractors undergo mandatory e-learning in the Code of Business Conduct and Ethics to ensure it is adopted broadly throughout the organisation, which is repeated regularly to ensure adherence.

A company-wide employee survey was launched in 2022, with one section specifically focusing on inclusion topics, with in 14 different areas in total. Overall, Hexagon scored better than its industry norm and high-tech company peers, with an average diversity and inclusion index score of 76%, compared to 71% for the industry peers. The survey results were also consistent across genders. Key areas for improvement were in advancements opportunities and developing people from different backgrounds, which will be target areas when focusing on HR initiatives in the years to come.

Activities to support inclusion and prevent discrimination

In 2022, all employees underwent a mandatory course in diversity, equity and inclusion, focusing on how to create an inclusive workplace, unconscious bias, micro inequities and how to respond to workplace challenges. A total of 19,562 employees conducted the course.

Hexagon strives to develop the competences and skills of its employees to ensure opportunities for professional growth. The attraction, retention and development of employees is central for Hexagon’s competitiveness and crucial for the success of the business. In 2022, the overall retention rate for employees was 89%.

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.

Hexagon also strives to be a gender-diverse workplace across all levels of management. At year-end 2022 the Board of Directors at Hexagon consists of four women and six men while executive management consists of one woman and 12 men. Gender distribution in leading positions, including divisional management and their direct reports, was 23% women and 77% men in 2022. The goal is to reach 30% female managers by 2025, which primarily will be attained through activities that support inclusion such as trainings and mentorship programmes aimed at making Hexagon a more attractive employer for women. No quota initiatives will be implemented.

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 discrimination is part of the Hexagon Code of Business Conduct and Ethics, and the Unfair Discrimination and Harassment Policy implemented in 2022.

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

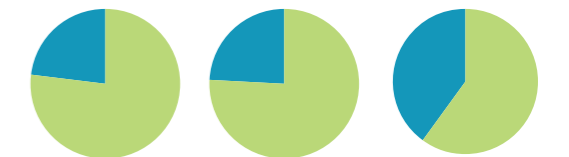


The attraction, retention and development of employees is central for Hexagon’s competitiveness.”



Number of lost days due to work-related injuries

Retention rate



Management split

Male, 77%
Female, 23%

Total workforce split

Male, 76%
Female, 24%

Board of Directors split

Male, 60%
Female, 40%



Number of employees having conducted DEI training



Employee engagement level

Human Resources EVP 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. Employees who may be subjected to unfair discrimination and/or harassment have the right to report it to Hexagon, and there are processes in place to ensure the employee may do so without fear of victimisation and intimidation.

Preventing discrimination and harassment is everyone's responsibility and all employees have an obligation to report such instances harassment to Hexagon. Hexagon understands that reporting unfair discrimination and harassment can be extremely sensitive and, as a result, Hexagon will endeavour to keep such reports confidential to the extent reasonably possible.

Hexagon managers and supervisors have the responsibility and are obliged to report a harassment claim when they know, are notified or have reason to believe that an employee has been subjected to harassment by another employee. Hexagon will either conduct a prompt, fair, and impartial investigation of all reports internally or assign them to an external investigator, if appropriate.

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.

Occupational health and safety

The safety of personnel in the workplace is a top priority for Hexagon. Ensuring that employees work in a safe and healthy environment is the key to any successful business. Hexagon aims to provide 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 jobs 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 mainly focuses on 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 by reducing unnecessary stress and supporting initiatives for work-life balance. During the COVID-19 pandemic, Hexagon implemented strong measures at local level to ensure its employees safety.

Where appropriate, Hexagon supports a flexible workplace and the opportunity to work from home. 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. Two of the sites achieved the ISO45001 accreditation in 2022.

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, and each location is requested to map and mitigate potential risk situations for its employees. Relevant indicators of work-related injuries and illnesses are monitored at a divisional and/or local level. In 2022, the total number of lost days due to injuries were 342 across the company.



04

Enabling change with consciousness

Hexagon has implemented clear sustainability processes built on consciousness within our operations, supply chain and social engagements to enable positive change wherever we operate.

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 production 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 plastics components 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

Environmentally responsible operations

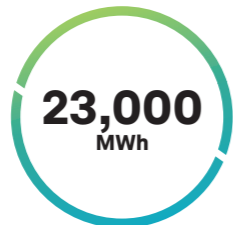
Hexagon is an enabler of a sustainable future, providing solutions that address the main environmental and social challenges that companies and nations face today. In order to work towards the UN Sustainable Development Goals and the 2030 Agenda for Sustainable Development, Hexagon takes accountability for the environmental challenges in its internal operations as well as in all steps of the value chain.

In 2022, Hexagon joined the Business Ambition for 1.5°C and committed to setting science-based targets for its emissions, an important step in increasing transparency and driving change that will benefit the entire planet. 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.

Hexagon is a signatory of the United Nations Global Compact (UNGC) which means that the company supports and actively promote its ten principles on the environment, labor practices, human rights and anti-corruption in our operations and in relation to external stakeholders. This also means that Hexagon seeks to conduct business in a responsible and ethical manner and support the UN Sustainable Development Goals (SDGs).



fewer combustion vehicles in car fleet



Renewable energy produced

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
- Stop and reverse biodiversity loss working with partners to protect different natural ecosystems

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 in order to reduce carbon footprint.

Hexagon has obtained ISO14001 certifications for the majority of its larger production sites. 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 ISO14001 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.

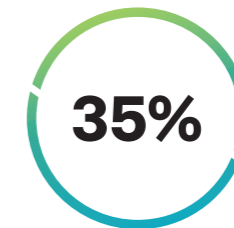
Design process

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 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 2022, Hexagon continued the LCA (Life-Cycle Assessment) from cradle to grave of specific products. The LCA's take into account the full environmental footprint of the product, and the program will be expanded to cover more solutions in the coming years.



Share of renewable energy, Scope 2



ISO14001 certified production sites

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

Hexagon’s Supplier Code of Conduct was updated to reflect the highest business standard in 2022, to include higher requirements on processes for counterfeit materials and working hours. 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.

Supplier risk screening

Processes for supplier screenings depend on the nature of the items being procured. The Hexagon policies related to supply chain management include requirements for (i) screening Hexagon suppliers against applicable sanctions list; (ii) conducting additional due diligence on suppliers that may be developing Hexagon business; (iii) including appropriate anticorruption and

other compliance provisions in supplier agreements; and (iv) prohibiting acceptance of items of value or other benefits while knowing or suspecting that it is offered or provided with an expectation that a business advantage will be provided by Hexagon. Additionally, Hexagon will not purchase from suppliers that procure products originating from sources subject to applicable trade sanctions. Hexagon uses the framework and tools provided by the Responsible Business Alliance, enabling the company to use leading standards and tools for supplier risk screening.

Supplier audits

Hexagon performs audits of both new and existing suppliers based on both desktop research, self-assessments and onsite visits, since 2021 leveraged through internal resources, the Responsible Business Alliance and other third-party auditors. 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 2022, Hexagon performed approximately 80 audits of new and existing suppliers. The audits are targeting suppliers in risk countries, as Hexagon has a goal of conducting sustainability audits on all suppliers in such countries by 2023. Hexagon expect to reach the target by 2023.



Key suppliers in risk countries



Number of audited key suppliers in risk countries 2022


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 compliance

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 by regulations through sourcing products and materials from suppliers and sub-suppliers. In such cases, Hexagon works in close collaboration with the suppliers and uses a rigorous process to collect all necessary data as proof of strict

compliance. Affected business-to-business activities include the provision of OEM (Original Equipment Manufacturer) products purchased by machine manufacturers in the 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.



In 2022, Hexagon performed approximately 80 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. As part of Hexagon's sustainability strategy, the company has committed to implement a CSR programme focused on environment, education, innovation and diversity.

One initiative to support the climate is Hexagon's partnership with global rainforest conservation charity Cool Earth, offering vital funding and support across its projects. The eco-projects partnership brings together Hexagon measurement and digital reality technologies with the expertise of Cool Earth for rainforest conservation. The partnership aims to raise awareness about the importance of taking climate action by funding projects that improve understanding and address the needs of people that live in and protect carbon sink environments. As part of the initiative, Hexagon will provide vital funding to back people-powered conservation across three largest rainforest biomes: the Amazon, Congo and New Guinea forests.

Hexagon is also an avid supporter of quality education. An example of its educational 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 is artificial intelligence community centre named HexArt that is established in the city Hyderabad by the Hexagon Capability Center India (HCCI). The institute offers courses free of charge to school students and engineering graduates, as a step towards democratising Artificial Intelligence knowledge in India.

To support humanitarian efforts in Ukraine and to shelter refugees, Hexagon donated 500,000 EUR in 2022 divided evenly between Doctors Without Borders and UNHCR.

Hexagon is committed to expanding its CSR programme with a global focus 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 Governance

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

Hexagon's Chief Strategy Officer 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 Chief Strategy Officer via the sustainability and strategy 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 are 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 is central to the company's overall sustainability management as Hexagon acquires and integrates new companies.

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

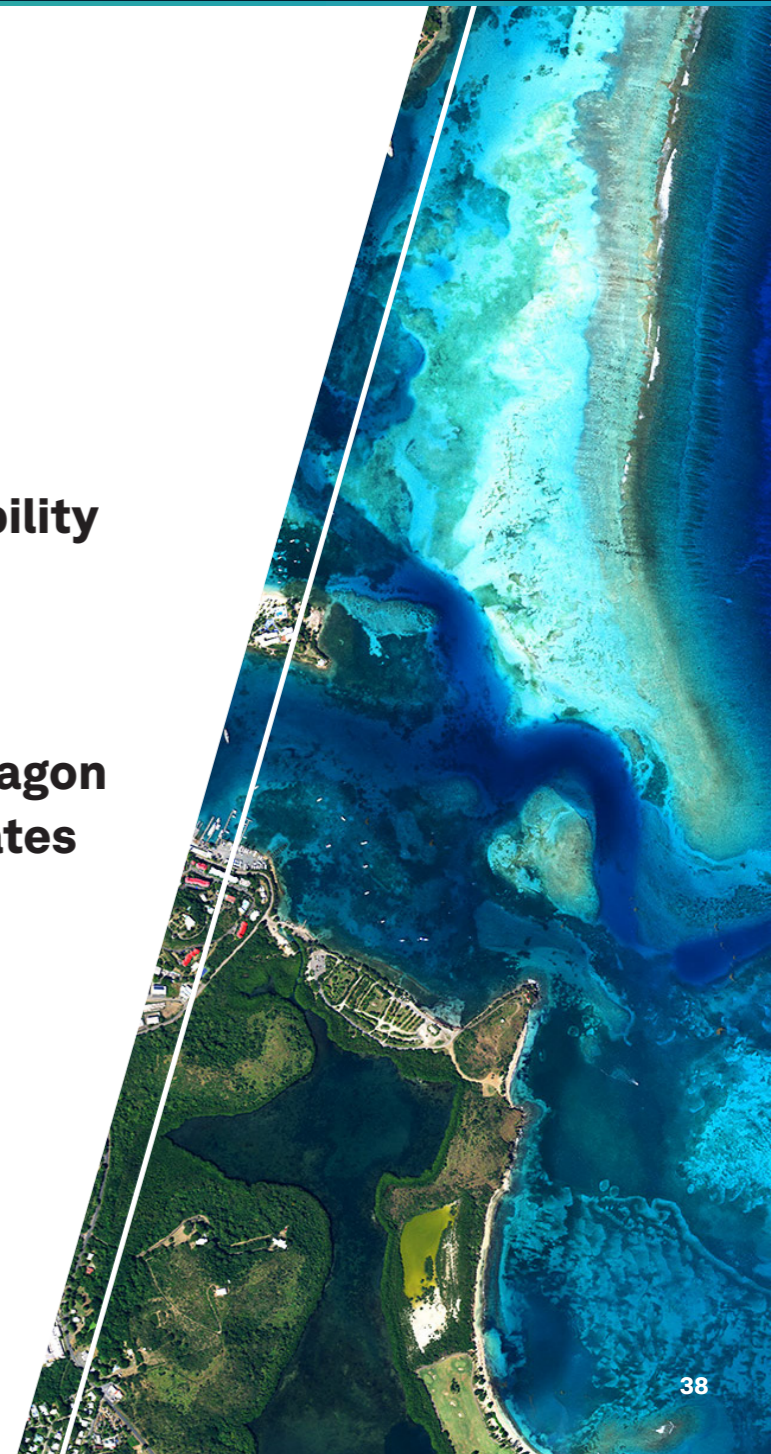
Hexagon considers many sustainability factors in an acquisition process as it enables the company to make better investment decisions, thereby unlocking the potential value of sustainability and reducing the harm resulting from any possible limitations. It also ensures a valuable foundation after the 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, human rights, 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 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



A focus on sustainability is central to the company's overall sustainability management as Hexagon acquires and integrates new companies."





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 and business 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. In addition, Hexagon applies these standards to its various stakeholders such as its suppliers and business partners.

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 Chief Compliance Officer, together with the Compliance Team, manages and supervises business ethics and compliance. The Hexagon Compliance organization is managed by a Group Compliance Director and Divisional / Regional Compliance Officers within each of Hexagon’s divisions and/or regions. Additionally, a Compliance Strategic Cabinet monitors compliance legal developments and sets policy accordingly.

The Hexagon Code of Business Conduct and Ethics (the “Code”) together with the Hexagon Supplier Code of Conduct (the “Supplier Code” revised in 2022) constitute the framework of Hexagon’s Ethics & Compliance System.

The Code 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. The Code, revised in 2021, 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 the highest ethical standards. 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.

Hexagon seeks to positively impact the environment by acting sustainably and addressing environmental challenges through its supply chain. Therefore, the Supplier Code Conduct, revised and updated in 2022, is intended to communicate Hexagon’s minimum requirements for the standards and business practices of Hexagon Suppliers.

All Suppliers must comply with the Supplier Code as well as all applicable laws, regulations, and standards in

every country in which they operate. Further, Suppliers are expected to conduct their business in an ethical and sustainable manner and to act with integrity.

Hexagon managers are responsible for ensuring that employees are fully aware of the Code and take the necessary steps to promote and monitor compliance with the Ethics & Compliance System. With the support from the Compliance Team, each Hexagon manager involved with Hexagon’s supply chain is responsible for implementing the Supplier Code.

Hexagon requires its top executives to certify compliance with Hexagon’s Ethics & Compliance System annually. During 2022, certifications were requested and received from 291 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.

The Hexagon Ethics and Compliance System Administration Manual provides an overview of the structure, roles, and the responsibilities for administering our Ethics & Compliance System. The Compliance team together with Hexagon’s management is responsible for its implementation.

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



In 2022, Hexagon issued a global group-level online employee training focusing on compliance practices”

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 2022, the Procedure for Internal Reporting and Investigations was released as a supplement to the compliance audit procedure. Both procedures allow for better identification of potential compliance risks and handling of whistleblowing allegations. 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 periodically conducted throughout Hexagon, with another enterprise-wide assessment being currently in the planning phase for completion in early 2023. These risk assessments also cover elements of the compliance programme. Each Hexagon division performs risk assessments 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.

Compliance training

In 2022, Hexagon issued a global group-level online employee training focusing on compliance practices and resources at Hexagon in addition to developing other compliance-related courses for use by the global compliance team. Training was also performed for the company's Audit Committee, this year focused on Competition Law compliance. Moreover, Divisional Compliance Officers, Corporate Compliance Counsel and other Hexagon compliance personnel provided training during 2022 on various compliance topics relevant to their respective divisions, both in person and through online conferences. In person training opportunities increased during 2022 over the previous two years as a result of the easing of some COVID-19 pandemic related travel restrictions.

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. Hexagon also tracked and implemented processes in reaction to the various global regulatory developments during 2022.

Hexagon has continuously monitored and updated its internal policy regarding the Ukraine crisis. Those changes are reflected in the Trade Compliance Programme Summary (<https://hexagon.com/legal/compliance>). As has been previously publicly disclosed, Hexagon took the decision to freeze its business operations in Russia in April, 2022.

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.



Employees that was trained in cyber security



Executives certified in Ethics and Compliance

Whistleblowing mechanism

Since 2021, Hexagon has utilised a whistle-blower reporting system to ensure consistent management of whistle-blower reports. Hexagon uses the provider 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 in many languages. It also enables specific case management of each instance and consistent recordkeeping. During 2022, Hexagon received 25 reports through the whistle-blower mechanism: 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. For example, a FAQ on "Conflict of Interests" has been developed and communicated to employees to better understand this topic as a result of reporting activity during 2022.

Hexagon personnel are encouraged and required to report any suspected non-compliance through a whistle-blowing 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.

Hexagon's Board of Directors reviews the activity of the whistle-blower reporting system

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.



Number of whistleblower reports



Resolved whistleblower reports

Data privacy and cybersecurity

Data privacy

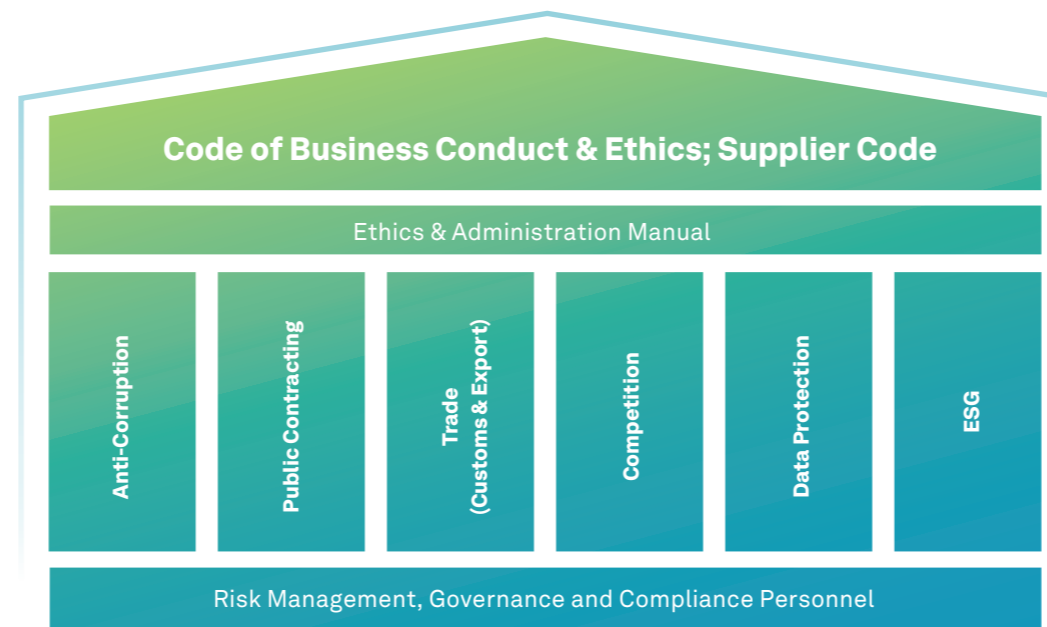
Data Protection is one of the six pillars of Hexagon’s compliance program. Employees, customers, and partners require assurance that their personal information will be handled and managed in a safe and responsible way. Hexagon is committed to ensuring all personal information will be processed in accordance 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.

In 2018, Hexagon selected to adopt 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. Following the introduction of updated Standard Contractual Clauses (SCC) by the European Union in 2021, Hexagon has been working to update all existing contracts and has revised its contracting procedures to implement the new SCCs in all new contracts. Under the SCCs, data transfers from an EU entity to a Third Country that does not provide adequate data protection can only be made after the appropriate risk assessment has been conducted. Hexagon has implemented a standard process to conduct a suitable Data Transfer Impact Assessment (DTIA) in line with the legislation.

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

Hexagon’s Group Cyber Council was established in 2019 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 2022 and included training on all key topics of security. All new employees receive a set of baseline training courses and are then 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.

During 2022, Hexagon realigned its security strategy with a focus on a global, unified approach. Legacy technology solutions are being replaced with next generation security platforms and global service teams to provide improved alignment to business needs and security threats.

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. A critical component of any cyber resilience programme is a robust and rehearsed incident response plan. Hexagon work with global, leading Managed Security Service providers to assist with testing its incident response capability. Response plans are reviewed by external consultants and desktop, scenario based exercises conducted to ensure that both the plans and also that the crisis teams decision making ability are robust. To compliment its technical and organisational controls, Hexagon takes a responsible view to transfer some of the residual 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.

“ Employees with higher levels of responsibility for the protection of personal data are provided with advanced training. ”

Stakeholders



Society



Investors



Customers



Regulators



Suppliers



Employees





Sustainability-related risks

Hexagon’s risk management activities are designed to identify, control and reduce risks associated with its business. The majority of these activities are managed within each division of Hexagon. However, certain sustainability related risks are managed at 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 is based to the ten principles of the UN Global Compact on Human Rights, Labour, Environment and Anti-Corruption. The Hexagon Code of Business Conduct and Ethics covers issues such as fair employment, diversity, non-discrimination, workplace safety, privacy and protection of personal information, the environment, fair competition, and anti-corruption.

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

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

Sustainability-related risks

Hexagon has identified sustainability related risks in human capital, compliance, environment and human rights and defined mitigation measures to address them.



Hexagon has a comprehensive Group wide Compliance Programme and manuals including anti-corruption, data privacy, export controls, government procurement, customs and competition matters.”

Sustainability area

Sustainability-related risk

Mitigation efforts

Employees and human capital related risks

- The resignation of key employees or Hexagon's failure to attract skilled personnel may have an adverse impact on the Group's operations.

- Hexagon works with a structured approach to HR and market-based remuneration to ensure employee satisfaction.

Legal and compliance related risks

- Hexagon's main markets are subject to extensive regulation. Hexagon's operations may be affected by regulatory changes, government legislation and restrictions in the countries where Hexagon is active.
- Any breach of export control regulations, data privacy laws, anti-corruption or anti-trust regulations would be damaging to Hexagon's reputation and sales opportunities, and would have significant legal implications.

- Hexagon has a solid compliance programme in place, covering the entire Group, including policies, processes and training to ensure that compliance with relevant laws and regulations are always top-of-mind.

Environment

- Stricter regulations on environmental matters can result in increased costs or further investments for the companies within Hexagon that are subject to such regulation.
- Significant negative environmental impacts by Hexagon's production companies or suppliers may lead to financial fines, loss of license to operate and reputational damage.

- Hexagon has set ambitious carbon reduction targets and implemented a sustainability programme to increase renewables and decrease environmental stress in its operations. The company 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 and lower biodiversity risks.

Human Rights related risks

- Unmanaged negative impacts on human rights, i.e. through inadequate labour conditions in the supply chain could entail a reputational risk for Hexagon.
- Unmanaged negative impacts in companies owned or acquired by Hexagon could entail a reputational risk.
- On the customer side, Hexagon may face risks if customers misuse the company's products in ways that infringe on human rights. Hexagon provides key products to a number of industries, including the defence industry (4% of sales).

- Hexagon has a Supplier Code of Conduct 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.
- Human rights are addressed in Hexagon's Code of Business Conduct and Ethics as an integrated part of the due diligence process for acquisitions. Hexagon ensures that the target support human rights.
- Hexagon has a solid compliance program in place also covering export control regulations to prevent products from being sold to repressive regimes.

Materiality analysis - Hexagon's key stakeholders and related sustainability issues

Managing sustainability opportunities and risks is a key element in all successful business models, irrespective 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 navigates 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 are 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 24,000 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, irrespective 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 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.

Stakeholder dialogue and 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 dialogue is the basis 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

06 The numbers

Hexagon gathers sustainability-related data on Scope 1, 2 and 3 CO₂ emissions, water, waste, supplier risks, employees, whistleblower reports, and more. In 2022, the scope for all data segments was expanded to cover all entities and employees in the company.

Sustainability data

Hexagon sustainability journey is determined by the role its products and solutions play in the market, as well as its own processes and actions. The overview of key performance indicators for environmental and social data covers all subsidiaries.

Responsible operations

The number of facilities included in the reporting increased significantly¹ to include all of Hexagon's sites in 2022, explaining the total increase in CO₂ emissions. The CO₂ emissions per m² were decreased during the year.

	2022	2021
Stationary combustion energy consumption, (MWh)	14,308	10,078
GHG emissions from stationary combustion (scope 1), (tCO ₂ e)	2,742	1,890
GHG emissions from own vehicle fleet (scope 1), (tCO ₂ e)	10,395	6,335
Share of electric vehicles of total company car fleet, (%)	4.6	n/a
Grid electricity consumption, (MWh)	91,254	53,836
Renewable energy produced by solar farm delivered to grid, (MWh)	23,000	n/a
GHG emissions from electricity (scope 2), location-based, (tCO ₂ e)	30,086	24,100
GHG emissions from electricity (scope 2), market-based, (tCO ₂ e)	27,482	20,157
GHG emissions /m ² , (Scope 1+2 energy consumption), kgCO ₂ e	38	51
Renewable energy from purchased electricity, (%)	34.8	30.5
GHG emissions from business travel (scope 3), (tCO ₂ e)	21,501	17,468
Total waste generated, (tonnes)	8,342	1,193
- of which sent to recycling, (tonnes)	7,490	628
- of which hazardous waste, (tonnes)	212	73
GHG emissions from waste, (scope 3), (tCO ₂ e)	812	271
Water use, (m ³)	363,090	982,000
GHG emissions from water use, (scope 3), (tCO ₂ e)	45	146
ISO 14001 certified production sites, (#)	27	23

Responsible supply chain management

During 2022, Hexagon audited an additional 19.6% of its key suppliers in risk countries. The cumulated share of audited suppliers in risk countries is 52% in 2022, with the goal of reaching 100% by 2023.

	2022	2021
# Key direct procurement suppliers	928	926
# Key direct procurement suppliers in risk countries	56	75
# of audits of key direct procurement suppliers	80	242
# of audits of key direct procurement suppliers in risk countries ²	11	18
# of major non-conformances found in audits of key direct procurement suppliers	64	99
# of solved major non-conformances in audits of key direct procurement suppliers ³	32	63



In 2022, Hexagon was recognized as 'Top ESG performer' out of more than 5,000 companies in Sustainalytics' ratings universe.

1) In 2021, 48 facilities were included in the reporting, covering all larger offices and production sites. In 2022, the reporting scope was expanded to include offices with less than 35 FTEs, explaining the total yearly increase in carbon emissions and total yearly decrease in carbon emissions per m².
 2) Risk countries defined by the United Nations Environment Programme Finance Initiative (UNEPFI) and Transparency International.
 3) All open non-conformances expected to be solved in 2023.

Employees

The share of female managers increased to 23% in 2022 compared to 21% in 2021, moving towards the goal of 30% women in leading positions by 2025.

	2022	2021
Voluntary attrition rate, total workforce, %	11	9
Voluntary attrition rate, men / women, %	11/11	9/9
Gender distribution, total workforce, %	76/24	77/23
Management ¹ split by gender, men / women, %	77/23	79/21
Board of directors split by gender, men / women	60 / 40	60/40
Employee engagement level, %	73	n/a
Average work tenure in years	7	8
Lost days from work-related injury	342	512
Employees trained in diversity, equality & inclusion	19,562	n/a
Employees trained in cyber security	22,560	n/a
Employees trained in Code of Business Conduct	23,531	n/a

Compliance and business ethics

A total of 25 cases were submitted through the third-party whistleblower service in 2022. All cases were fully resolved.

	2022	2021
Ethics & Compliance System, executives certified	230	225
Whistleblower reports	25	7
Solved whistleblower cases	25	7

¹⁾ Management is defined as group management, divisional management, and managers reporting to group or divisional management.

Methodology for GHG emissions and waste.

Hexagon started tracking GHG emissions of its operations in 2020 focusing on production sites and the largest offices. The scope has since been extended yearly by adding more sites and CO₂ inventories, today consolidating CO₂ related emissions of all operations with more than 35 FTE. The data was converted into tCO₂e (tonnes CO₂-equivalents) using an online tool provided by CEMAsys. To capture the CO₂ emissions for the total number of employees globally also including sites with below 35 FTE, the company estimates and adds the remaining emissions by extrapolating the consumption and associated CO₂ emissions for Scope 1 and 2 per employee with comparable facilities and business.

Organisational Boundaries:

Hexagon's organisational reporting boundaries cover all our subsidiaries. These are fully consolidated, following the control-based approach.

Operational boundaries:

Hexagon has completed a company-wide scope 1 and 2 emissions inventory. To calculate the GHG emissions Hexagon has followed the GHG Protocol Corporate Accounting and Reporting Standard – revised edition, and GHG Protocol Scope 2 Guidance from WRI and the WBCSD. The company reporting include certain categories of scope 3 in accordance with the GHG Protocol Corporate Value Chain. The reporting scope currently covers:

- Stationary combustion, electricity consumption, water and waste related emissions from all production all sites and offices.
- Emissions related to company owned vehicles and business travel of all the entities/subsidiaries are being accounted for. A small share of the trips are paid directly by the employee and no central company-wide tracking is currently available for this, meaning there is a risk that not all travel has been accounted for. All employee travel is expected to be reported in the coming years.

EU Taxonomy

This is the second EU Taxonomy report by Hexagon. Hexagon deems its Taxonomy eligible revenue during 2022 to be approximately 1.1% of its total turnover. While being an enabler of sustainability, the significant majority of Hexagon’s business activities are currently not defined in the EU Taxonomy and therefore will not be eligible with the technical screening criteria. Hexagon applied the precautionary principle to determine applicable eligible activities and excluded activities not clearly defined in the EU Taxonomy.

Hexagon used the EU delegated acts and supporting NACE code information to determine its eligible activities. Of the total 2022 revenue, 1.1% is eligible and 0.06 % is aligned with the EU 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”.

Total EU Taxonomy-related eligible revenue, OpEx and CapEx

	2022 MEUR	2021 MEUR	2022 % of total	2021 % of total
Total eligible revenue	57.91	51.25	1.1%	1.2%
Total eligible OpEx	12.15	9.90	0.6%	0.6%
Total eligible CapEx	16.70	17.40	3.0%	4.1%

The eligible economic activities for Hexagon under 4.1. “Electricity generation using solar photovoltaic technology” are associated with the Archidona solar park Hexagon acquired and operated during 2021.

The eligible economic activities 6.14 “Infrastructure for rail transport” and 6.15 “Infrastructure enabling road transport and public transport” are associated with Hexagon’s professional surveying and mapping services.

The eligible economic activity 8.2 “Data-driven solutions for GHG emissions reduction” is associated with 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 using a case-by-case approach in regard to the end usage of the solutions among the customers. This approach ensures the correct revenue, CapEx and OpEx is attributed to each economic activity.

Alignment:

The activity 4.1 Electricity generation using solar photovoltaic technology (the Archidona solar park) fulfils the EU Taxonomy criteria for alignment:

Technical screening criteria:

- The activity has substantial contribution to climate change mitigation as it generates electricity using solar PV technology.

Do No Significant Harm:

- The activity meets the criteria for DNSH to climate change adaptation set forth in Appendix A in the Delegated Act (2021) 2800, by performing a robust climate risk and vulnerability assessment proportionate to the scale of the activity and its expected lifespan. The climate projections and assessment of impacts are based on best practice and available guidance and take into account the state-of-the-art science for vulnerability and risk analysis and related methodologies.
- The activity activity complies with the criteria set out in Delegated Act (2021) 2800 for activity 4.1. for transition to a circular economy as it assesses availability of and uses equipment and components of high durability and recyclability and that are easy to dismantle and refurbish.
- The activity complies with the criteria set out in Appendix D in the Delegated Act (2021) 2800, as an environmental impact assessment was completed and the required mitigation and compensation measures for protecting the environment are implemented.

Minimum Safeguards:

- The company meets the criteria of the Minimum Safeguards set forth in the EU Taxonomy, as it has established processed and policies for due diligence of Human Rights, Corruption, Taxation and Fair Competition based on the EU Guiding Principles.

The activities 6.14 and 6.15 for Hexagon’s professional surveying and mapping services do not meet the technical screening criteria set forth in the EU Taxonomy and are not considered aligned. While the activities support climate change adaptation and do no significant harm to the other environmental goals, there is currently not enough product use data available to fully comply with all technical screening criteria set forth in the Delegated Act (2021) 2800.

The activity 8.2 for Hexagon’s simulation technologies used for modelling with the purpose of enabling GHG emission reductions in sustainability related projects does not meet the technical screening criteria set forth in the EU Taxonomy and is not considered aligned. While the activity support climate change adaptation and do no significant harm to the other environmental goals, there is currently not enough product use data available to fully comply with all technical screening criteria set forth in the Delegated Act (2021) 2800.

Definitions:

- The total turnover corresponds to Net sales in the consolidated income statement in the Hexagon 2022 Annual Report. The turnover KPI represents the proportion of the turnover derived from products or services that are taxonomy-eligible and taxonomy aligned. The taxonomy-eligible activities were screened for associated turnover. Hexagon revenue streams stem from the sales of information technology solutions in which hardware and software are integrated as well as services, licenses and other assignments. Revenue from agreements with customers is reported in the income statement as Net sales.
 - CapEx is defined as investments in intangible assets excluding goodwill 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 2022 Annual Report in notes 14-16 in "line investments and investments of business and line new contract". The CapEx KPI represents the proportion of the capital expenditure of an activity that is taxonomy-eligible and taxonomy-aligned. The taxonomy-eligible activities were screened for associated CapEx using cost types. The taxonomy-aligned CapEx investments mainly consists of intangible assets.
- Own measures and purchased output from suppliers economic activities have not been screened for eligibility in 2022.

- OpEx is defined as direct non-capitalised costs that relate to research and development, building renovation measures, short term lease, maintenance and repair and other direct expenditures relating to the day-to-day servicing of assets of property plan and equipment. The OpEx can be found under Sales expenses, General and administrative costs and non-capitalized Research and Development costs, as detailed in the Hexagon 2022 Annual Report in note 6. The OpEx KPI represents the proportion of the operating expenditure of an activity that is taxonomy-eligible and taxonomy aligned. The taxonomy-eligible activities were screened for associated OpEx using cost types. Own measures and purchased output from suppliers economic activities have not been screened for eligibility in 2022.
- The allocation of the turnover for eligible activities was prepared by using product accounts. CapEx and OpEx were allocated by using cost types. All activities were isolated when allocating turnover, CapEx and OpEx to avoid double counting.

Turnover

Economic activities (1)	Code(s) (2)	Absolute turnover (3), MEUR	Proportion of turnover (4), %	Substantial contribution criteria							DNSH criteria (Do No Significant Harm')							Taxonomy-aligned proportion of turnover, year 2022 (18), %	Taxonomy-aligned proportion of turnover, year 2021 (19), %	Category (enabling activity/transitional activity) (20), %
				Climate change mitigation (5), %	Climate change adaptation (6), %	Water and marine resources (7), %	Circular economy (8), %	Pollution (9), %	Biodiversity and ecosystems (10), %	Climate change mitigation (11), Y/N	Climate change adaptation (12), Y/N	Water and marine resources, Y/N (13)	Circular economy (14), Y/N	Pollution (15), Y/N	Biodiversity and ecosystems, Y/N (16)	Minimum safeguards (17), Y/N				
A. ELIGIBLE ACTIVITIES																				
A.1. Eligible Taxonomy-aligned activities																				
Electricity generation using solar photovoltaic technology	4.1	3.22	0.06	100%	-	-	-	-	-	-	-	Y	-	Y	-	Y	Y	0.06	-	
Turnover of eligible Taxonomy-aligned activities (A.1)	4.1	3.22	0.06	100%	-	-	-	-	-	-	-	-	-	-	-	-	-	0.06	-	
A.2 Eligible not Taxonomy-aligned activities																				
Infrastructure for rail transport	6.14	7.19	0.14																	
Infrastructure enabling road transport and public transport	6.15	40.72	0.79																	
Data-driven solutions for GHG emissions reduction	8.2	6.80	0.13																	
Turnover of eligible not Taxonomy-aligned activities (A.2)		54.71	1.06																	
Total (A.1 + A.2)		57.93	1.12															0.06		
B. NON-ELIGIBLE ACTIVITIES																				
Turnover of non-eligible activities (B)		5102.59	98.88																	
Total (A + B)		5160.52	100																	

CapEx

Economic activities (1)	Code(s) (2)	Absolute CapEx (3), MEUR	Proportion of CapEx (4), %	Substantial contribution criteria							DNSH criteria (Do No Significant Harm')							Taxonomy-aligned proportion of CapEx, year 2022 (18), %	Taxonomy-aligned proportion of Capex, year 2021 (19), %	Category (enabling activity/transitional activity) (20), %
				Climate change mitigation (5), %	Climate change adaptation (6), %	Water and marine resources (7), %	Circular economy (8), %	Pollution (9), %	Biodiversity and ecosystems (10), %	Climate change mitigation (11), Y/N	Climate change adaptation (12), Y/N	Water and marine resources, Y/N (13)	Circular economy (14), Y/N	Pollution (15), Y/N	Biodiversity and ecosystems, Y/N (16)	Minimum safeguards (17), Y/N				
A. ELIGIBLE ACTIVITIES																				
A.1. Eligible Taxonomy-aligned activities																				
Electricity generation using solar photovoltaic technology	4.1	13	2.34	100%	-	-	-	-	-	-	-	Y	-	Y	-	Y	Y	2.34	-	
CapEx for of eligible Taxonomy-aligned activities (A.1)	4.1	13	2.34	100%	-	-	-	-	-	-	-	-	-	-	-	-	-	2.34	-	
A.2 Eligible not Taxonomy-aligned activities																				
Infrastructure for rail transport	6.14	0.56	0.10																	
Infrastructure enabling road transport and public transport	6.15	3.15	0.57																	
Data-driven solutions for GHG emissions reduction	8.2	0	0																	
CapEx for eligible not Taxonomy-aligned activities (A.2)		3.71	0.66																	
Total (A.1 + A.2)		16.71	3															2.34		
B. NON-ELIGIBLE ACTIVITIES																				
CapEx for of non-eligible activities (B)		537.8	97																	
Total (A + B)		554.5	100																	

OpEx

Economic activities (1)	Code(s) (2)	Absolute OpEx (3), MEUR	Proportion of OpEx (4), %	Substantial contribution criteria							DNSH criteria (Do No Significant Harm')							Taxonomy-aligned proportion of OpEx, year 2022 (18), %	Taxonomy-aligned proportion of OpEx, year 2021 (19), %	Category (enabling activity/transitional activity) (20), %
				Climate change mitigation (5), %	Climate change adaptation (6), %	Water and marine resources (7), %	Circular economy (8), %	Pollution (9), %	Biodiversity and ecosystems (10), %	Climate change mitigation (11), Y/N	Climate change adaptation (12), Y/N	Water and marine resources, Y/N (13)	Circular economy (14), Y/N	Pollution (15), Y/N	Biodiversity and ecosystems, Y/N (16)	Minimum safeguards (17), Y/N				
A. ELIGIBLE ACTIVITIES																				
A.1. Eligible Taxonomy-aligned activities																				
Electricity generation using solar photovoltaic technology	4.1	0.056	0.003	100%	-	-	-	-	-	-	-	Y	-	Y	-	Y	Y	0.003	-	
OpEx for of eligible Taxonomy-aligned activities (A.1)	4.1	0.056	0.003	100%	-	-	-	-	-	-	-	-	-	-	-	-	-	0.003	-	
A.2 Eligible not Taxonomy-aligned activities																				
Infrastructure for rail transport	6.14	1.245	0.06																	
Infrastructure enabling road transport and public transport	6.15	7.055	0.34																	
Data-driven solutions for GHG emissions reduction	8.2	3.9	0.19																	
OpEx for eligible not Taxonomy-aligned activities (A.2)		12.2	0.59																	
Total (A.1 + A.2)		12.256	0.593															0.003		
B. NON-ELIGIBLE ACTIVITIES																				
OpEx for of non-eligible activities (B)		2062	99.47																	
Total (A + B)		2074.3	100																	

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 31, 2023
PricewaterhouseCoopers AB

Bo Karlsson
Authorized Public Accounts
Lead partner

Helena Kaiser de Carolis
Authorized Public Accounts

About the report

This is Hexagon's sixth sustainability report, covering the fiscal year of 2022 (1 January - 31 December). The report, published 31 March 2023, 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

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