2020

Sustainability report

HEXAGON


HEXAGON

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HEXAGON GROUP'S SOLUTIONS HAVE AVOIDED

730,000 metric tons of CO_2 equivalent emissions [1)]

→ Equal to removing 158,000 petroleum cars from the road for a year, or
→ Equal to planting 960,000 acres of forest

1) The Alternative Fuel Life-Cycle Environmental and Economic Transportation (AFLEET) tool from the Greenhouse gases, Regulated Emissions, and Energy use in Technologies (GREET®) model has been used for estimating emission reductions. For more information see appendix report methodologies and assumptions.

ELECTRICITY CONSUMPTION

17 %

reduction in Hexagon Ragasco [2)]

2) 12,250,000 kWh in 2019 vs 10,119,104 kWh in 2020

INNOVATION EFFORTS

13 %

of employees are dedicated to Innovation, R&D and World-Class Manufacturing

DIVERSITY

Workforce made up of more than

30

nationalities

Responsible business

At Hexagon we take ethical, environmental, social, and governance issues into account in every business decision we make. Our vision, "Clean Air Everywhere" and our purpose, "Driving Energy Transformation", drive our business forward.

We believe that clean air is a right not a privilege; that technology is no longer the barrier in enabling clean transport for all; and that change is urgent. We hold ourselves accountable for all our interactions, with our customers, suppliers and owners, our people and the communities in which we operate.

Global challenges and sustainable solutions

One urgent challenge facing the world is climate change. It is disrupting national economies and affecting lives. Although greenhouse gas emissions are projected to have dropped by around 6% [1] in 2020, due to travel bans and economic slowdowns resulting from the COVID-19 pandemic, this improvement is expected to be temporary. Once the global economy begins properly to recover from the pandemic, emissions are expected to return to higher levels unless profound, sustainable actions are taken.

According to the Intergovernmental Panel on Climate Change (IPCC), the transport sector is responsible for approximately 24% of total energy-related CO_2 emissions. Meanwhile, in developing countries, many people rely on biomass such as firewood, charcoal and waste to meet their energy needs. The World Health Organization (WHO) estimates that around 3 billion people still use biomass as fuel for cooking. This often results in unsustainable harvesting practices, as well as illness and premature deaths from indoor pollution.

Part of the solution

The Hexagon Group provides solutions across the clean fuel spectrum. This includes high-pressure cylinders and fuel storage systems for compressed natural gas (CNG), renewable natural gas (RNG), propane and hydrogen as well as battery electric systems.

In 2020, Hexagon's solutions enabled the conversion to cleaner energy in a wide range of mobility, industrial and consumer applications – avoiding the release of 730,000 metric tons of CO_2 equivalent. To put that in perspective, it equates to removing 158,000 petroleum cars from the road for a year or planting 960,000 acres of forest. [2]

1) Source: IAE, Global Energy Review: CO_2 Emissions in 2020
2) The AFLEET tool from the GREET® model has been used for estimating emission reductions. For more information see Appendix: Report methodologies and assumptions.

Hexagon's contribution to the UN's 2030 agenda

Hexagon has prioritized seven of the seventeen Sustainable Development Goals (SDGs) set out in the UN's 2030 Agenda for Sustainable Development. The priorities were selected based on the global challenges the world faces and the solutions to which the Group can contribute.

The seven prioritized SDGs are: (3) Good health and well-being; (7) Affordable and clean energy; (8) Decent work and economic growth; (9) Industry, innovation and infrastructure; (11) Sustainable cities and communities; (12) Responsible consumption and production; and (13) Climate action. The seven prioritized SDGs are closely linked to Hexagon's core operations and are in line with the Group's business strategy, as well as reflecting its stakeholder and materiality analysis. Specific targets and KPIs are presented under the relevant topics in this Sustainability Report.

Materiality approach

Hexagon fulfils its corporate responsibilities by developing and running its operations profitably and in a manner that conforms with fundamental ethical values and respect for individual people, society and the environment as a whole.

Hexagon conducted a materiality analysis to identify and prioritize the most important and relevant sustainability topics throughout its value chain, including the seven SDGs. This process is the foundation for this Sustainability Report. The material sustainability topics for Hexagon were identified through an assessment of key stakeholder expectations, the significance of social, economic and environmental impacts, and their relevance to the Group's strategy. Stakeholders are groups that are impacted by Hexagon, that impact Hexagon and/or that are invested in Hexagon's future development.

Hexagon's stakeholders include:
Employees, investors and lenders, customers, local communities, suppliers, authorities, partners, media

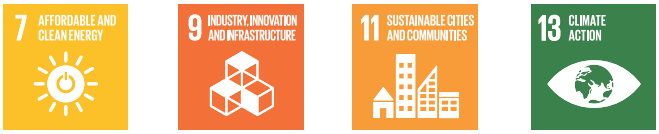
Hexagon also conducted a maturity analysis to map the status and level of internal sustainability of management practices across all its business areas. This process has led to increased cross-function discussion and collaboration, as well as a stronger and more engaged management. It informs Hexagon's sustainability focus in 2021 and the setting of new targets.

This 2020 Sustainability Report is aligned with the Global Reporting Initiative (GRI) standard. In the future Hexagon aims to report in accordance with other international reporting standards and initiatives, such as the Task Force on Climate-related Financial Disclosures (TCFD).

Materiality matrix

Climate and environmental effects of Hexagon's portfolio offering

Hexagon's addressable mobility market is expected to grow by around four times to approximately USD 8 billion by 2025 [1], creating substantial growth opportunities. Through Hexagon's expertise and world-class manufacturing processes, and bringing its cylinders into the digital age, Hexagon aims to further expand its leadership position within gas mobility (g-mobility) and electric mobility (e-mobility).



g-mobility: clean solutions

Renewable and natural gas are part of the solution to climate change

Natural gas is one of the cleanest-burning fossil fuels available today, giving lower greenhouse gas (GHG), nitrogen oxide (NOx) and particulate matter (PM) emissions when compared with petroleum fuels.

Hexagon's CNG storage and fuel systems are used in a wide range of applications. For instance, through Hexagon Agility, CNG fuel storage systems are provided to medium- and heavy-duty original equipment manufacturers (OEMs) and vehicle fleets. A CNG truck running on natural gas emits 13-21% less CO_2, 90% less NOx and almost zero PM versus comparable gasoline and diesel vehicles [2].

As a potentially carbon-negative solution, renewable natural gas (RNG) contributes to reaching climate targets by reducing both CO_2 tailpipe emissions and methane emissions from waste. RNG can be generated from a variety of organic waste substances including municipal solid waste, sewage sludge, yard and crop wastes, food wastes and animal manure. RNG produced from organic sources through anaerobic digestion contains 45-65% [3] methane. Without capture, this methane escapes into the atmosphere, where it is roughly 30 times more potent as a greenhouse gas than CO_2. In contrast, if it is captured and treated to remove moisture, CO_2 and other impurities, it can be fully compatible with the existing natural gas infrastructure.

Did you know

Hexagon Agility's key customer, UPS, has committed to buying more than 250 million gallons of RNG through 2026 to reduce their overall carbon footprint [4].

Hexagon's cylinders and fuel systems can operate with 100% RNG, whilst Hexagon's Mobile Pipeline® modules are a key enabler for transporting this potentially carbon-negative fuel from rural producers to the gas grid and industrial users. Hexagon is well-positioned to drive the transition to CNG and RNG, continuing to maximize positive environmental impacts.

Renewable natural gas
Capturing the methane from the waste of 7,900 pigs is comparable to avoiding the CO_2 emissions from 1,000 passenger cars.

LPG - improving people's quality of life

In the least-developed countries (LDCs)[5] many people, particularly women, cook using wood, charcoal, animal dung or kerosene. These fuels produce hazardous particulates (soot) and air pollution that cause illnesses the WHO estimates kill 4 million people prematurely each year[6]. The majority of people affected are from the world's poorest populations.

The use of LPG for cooking produces practically no particulates. Its CO_2 footprint is 20% lower than that of heating oil and 50% lower than coal[7]. Hexagon subsidiary Hexagon Ragasco participates in organized clean cooking alliances and "cooking for life" programs to promote the use of easy-to-handle composite cylinders across the LDCs. The lightweight, user-friendly cylinders enable people, particularly women, to spend less time cooking and gathering fuel, enabling them to spend more time on education and income generation.

According to the World Bank, Bangladesh - one of Hexagon's key markets - is the eighth-most polluted country in the world. Almost 80% of households there lack access to clean cooking alternatives and more than 70,000 Bangladeshis die every year from diseases related to indoor air pollution[5].

Bio-LPG

Bio-LPG's carbon footprint is up to 80% smaller than that of conventional LPG[9] . It is another low-carbon energy source expected to play an important role on the pathway towards decarbonization. It can be produced from renewable sources and Hexagon Ragasco's LPG cylinders are fully compatible with bio-LPG, lowering the barrier to transition for Hexagon's customers.

E-mobility: zero emission solutions

Hexagon subsidiary Hexagon Purus is a global leader in some of the key technologies needed for zero emission mobility. These include high pressure composite hydrogen storage cylinders, fuel storage and distribution systems and electric drivetrain solutions. Hexagon Purus' technology is proven across a wide range of mobility applications from cars, trucks and buses to maritime, rail and aerospace applications. Despite its recent establishment as a stand-alone company, Hexagon Purus is working with some of the world's largest OEMs and putting storage systems and battery packs on the road, enabling 4,018 metric tons of CO_2 equivalent emissions to be prevented during 2020[10].

Did you know

Since 2016, Hexagon Ragasco has delivered more than 1 million composite LPG cylinders to Bangladesh – and has potentially helped avoid 137,000 metric tons of CO_2 equivalent emissions[8] by replacing dirty and dangerous fuels such as wood.

Digitalization

By using cutting-edge technology, sensors and energy harvesting, Hexagon Ragasco's smart cylinders will enable the transmission of real-time data from customer to distributor, enabling just-in-time and automated supplies – with the potential to rationalize the legacy value chain.

The Hexagon Group's center of excellence for smart technologies, Hexagon Digital Wave, will also access the cylinders' systems in real time. Gathering data via the Internet of Things (IoT), Hexagon Digital Wave will enable real-time health monitoring and service life extension for the cylinders. This, in turn, will give the cylinders a second life, moving from application to application rather than to disposal.

1) Source: Third party consultant
2) Source: NGV America, Argonne GREET® 2019
3) Source: An Overview of Renewable Natural Gas from Biogas, United States Environmental Protection Agency
4) Source: UPS, Environmental Responsibility
5) Source: United Nations Committee for Development Policy
6) Source: World Health Organization, Household air pollution and health
7) Source: World LPG Association
8) Note: Assuming 26.2 liter cylinders in use and refilling rate of 4 times per year
9) Source: Liquid Gas Europe
10) The AFLEET tool from the GREET® model has been used for estimating emission reductions. For more information see Appendix: Report methodologies and assumptions.

Clean air everywhere

Hexagon offers a full spectrum of solutions for g-mobility and e-mobility, including (renewable) natural gas, hydrogen, battery electric and LPG.

Hexagon's products

Product safety

Hexagon's products are used to transport and store highly flammable, pressurized gases. Product safety is essential to the Group's license to operate.

As a pioneer in composite technology and a global leader within composite manufacturing, quality and operational excellence have always been at the forefront of Hexagon's work. Its high-pressure composite cylinders are a better, safer alternative to steel cylinders. They weigh up to 70% less than steel cylinders, are corrosion-resistant and not susceptible to material fatigue - something of crucial importance to the cylinder's life cycle and safety. In addition, composite cylinders are more economically efficient, through lower maintenance requirements and less transportation fuel consumption, thanks to their lower weight.

All of Hexagon's products are tested and approved in accordance with established safety standards. To ensure a continuous focus on quality, Hexagon's global production sites apply well-established quality management systems. Hexagon is certified to a variety of industry-specific standards.

Sharing our expertise

Hexagon possesses significant high-pressure technology expertise. In the arena of regulation, codes and standards it is positioned as a convener, expert, and contributor to many of the global standards for RNG, CNG, hydrogen, LPG and other industrial gases. This leadership and engagement leverages Hexagon's wealth of knowledge about the safety and reliability of its products for the greater good.

Resource use and waste management

Hexagon prizes the resources it uses and constantly looks for innovative ways to optimize the material used in its cylinders, whilst maintaining rigorous quality standards. Hexagon strives to achieve a zero-waste culture through a process of continuous improvement creating a lean, flexible, and highly scalable business, focused on value-added activities.

Most waste related to Hexagon's business activities are at product end-of-life and related to the disposal of the cylinders. The impact relates to the method of disposal, e.g. energy recovery, recycling, etc. Other waste related to Hexagon's operations includes scrap during production, testing etc., as well as regular household-type waste such as packaging, food and so on.

Some of the waste is hazardous. Hexagon employs specialized contractors who dispose of this waste. Waste data is provided by the third-party haulers, confirmed through local environmental health and safety team members, and validated.

Environmental compliance requirements are based on local environmental laws and regulations. No violations or non-compliances were identified in 2020.

Non-renewable materials used to create Hexagon's products include carbon fiber, glass fiber and binding materials. Currently Hexagon does not have figures for the total amount of packaging used in distributing its products but will explore collecting and reporting this data in 2021.

Waste type	2020 volume (metric tons)	2019 volume (metric tons)
Non-hazardous waste	56	74
Hazardous waste	1,872	2,102 [1)]

1) Updated figures due inaccurate data reported

Waste materials include wood, cardboard and metals.

Improving recycling

To address the challenges associated with recycling composite waste, Hexagon is engaged in initiatives locally and in the EU to develop circular value streams for ground composite materials. The Group cooperates with research partners such as SINTEF and the Norwegian University of Science and Technology (NTNU), as well as other manufacturers, to explore potential reuses of composite materials.

The majority of Hexagon's manufacturing sites have recycling programs ensuring landfill diversion. Carbon fiber not used in production is sent for recycling. A recently established partnership with a Polish recycling company is producing new, patented manhole covers from ground composite materials.

Progress has been made in the field of plastic liner waste, which is recycled and reused in new liner products. Furthermore, Hexagon Ragasco offers its customers a spare parts concept for their cylinders' outer plastic casings, which prolongs the service life of the product between 10-year re-certification tests. Internally, equipment for recycling plastic waste from casings into new products was installed in 2020.

Additional initiatives include an investment in grinding equipment which will enable the breakdown of materials, testing and product innovation through in-house mechanical recycling projects.

Product lifecycle and end-of-life

Life Cycle Assessment

In 2014, Hexagon Ragasco performed its first life cycle assessment (LCA) with NTNU and SINTEF. The main aim of the assessment was to understand the environmental impact of Hexagon LPG cylinders, from raw materials to disposal. The assessment also provided a comparative understanding of conventional steel cylinders. These results provide a reference for each phase of the life of the cylinder, which is shared in detail here.

In 2020, Hexagon Ragasco engaged an independent third party, Asplan Viak, to conduct a new LCA [1)] in accordance with ISO 14045:2006. The aim of this LCA was to establish updated figures for the environmental footprint of the production phase of Hexagon's cylinders, enabling the publication of the Group's first Environmental Product Declaration (EPD). Hexagon will also use the LCA to develop an LCA calculation model to be used as a strategic development tool. The implementation of LCA and EPD at Hexagon Ragasco sets an example of best practice for other business areas in the Group.

Environmental impact of the Production Phase

The new LCA focused on the production phase, including the production and transport of raw materials, the production of composite cylinders at Hexagon's Raufoss manufacturing plant in Norway, and the transport of finished composite cylinders from the manufacturing plant to Oslo. The preliminary assessment concluded that the production phase generated 23,200 metric tons CO_2 equivalents (based on 2019 production figures), of which raw materials production accounts for almost 87%. The transport of raw materials to the manufacturing site generated roughly 20% more CO_2 emissions than the cylinder production itself.

The LCA also showed that the CO_2 emissions from the entire production phase would have been 80% greater, had the energy mix been based on coal rather than renewable Norwegian hydropower [2)].

Furthermore, assuming the re-use of 100% of internal plastic waste in the production can enable 60% reduction in CO_2 emissions [3)].

Environmental impact of the Use Phase

The 2014 LCA provided considerable insight into the use phase. Relative to steel cylinders, composite cylinders are lighter to transport. On average, Hexagon's composite LPG cylinders weigh 50% less than conventional steel cylinders. Unlike steel cylinders they do not corrode, and they do not have the same refurbishment needs over their proven service life. Some Hexagon cylinders have, so far, been in service for 21 years. An ongoing research project with NTNU and SINTEF aims to develop mathematical models for predicting the lifetime of the composite cylinders.

Environmental impact of the End-of-Life Phase

The 2014 LCA assumed landfill as the solution for the end-of-life of Hexagon composite cylinders. This resulted in an unfavorable footprint versus steel cylinders, as steel cylinders were fully credited for their recycling options. During the last few years, Hexagon has focused on developing alternative, more sustainable end-of-life solutions such as energy recovery and material recycling through cement production, as well as material recycling in the form of new products, like manhole covers. (See Improving Recycling.)

In 2021, the LCA project continues to look at scenarios for both the use and end-of-life phases which are expected to identify further opportunities for improvement.

Key targets 2020	Result	Comments
Achieve ISO 9001 certification at all manufacturing sites.	Not achieved	8/10 manufacturing sites are ISO 9001 certified. The process for certifying the other two is ongoing.
Establish co-operation with recycling company for composite waste.	Achieved	Composite waste commercially used in manhole covers.
Further development of LCA analysis.	Achieved	Production phase finalized.
Test runs with bio-based raw materials.	Not achieved	Delayed due to challenges associated with COVID-19.

Key targets and ambitions 2021

- Testing and development of new, bio-based materials.
- Engage in different projects with SINTEF, NTNU and other composite manufacturers to explore reuse/recycling solutions for composite waste.
- Publish environmental product declarations (EPDs) for composite cylinders.
- Perform LCA for different use phase and end-of-life phase scenarios
- Develop LCA calculator tool applicable to all business areas.
- Hexagon Ragasco commits to 100% internal re-use and/or external recycling of plastic casings.

- Achieve ISO 9001 certification at all manufacturing sites.
- Achieve LEED certification for new manufacturing buildings.
- Establish roadmap for waste reduction.
- Set site-specific goals for recycling, reduction of waste and using alternative, environmentally-friendly resources.
- Measure amount of packaging used.

Innovation, R&D and world-class manufacturing

While Hexagon's products are of high quality, it acknowledges that continuous improvement is an integral part of its strategy. R&D and innovation are vital to renewing the Group's operations and ensuring its long-term financial and environmental sustainability. Hexagon strives to cultivate a strong relationship between research, material selection, product design, development and world-class manufacturing to ensure it applies the optimum, cost-effective solutions in every phase. Hexagon continues to develop its team of R&D engineers, product development engineers and project leaders.

A key focus for the Group is the cultivation of strong, committed leadership at all levels and a high degree of team member engagement throughout the organization. This includes the upskilling, formal training and qualification of team members as part of their continuous development.

The Group's manufacturing operations consider safety issues and sustainability - including energy sources and consumption - as well as work ergonomics in planning and Lean Line Design workshops.

Through continuous improvement, waste is eliminated, and new competitive standards are set. Smart investments in the Group's value streams, IoT and digitalization are all important enablers. Hexagon has increased the use of new technology and digital solutions to monitor, control and analyze its production systems and its product offering.

Hexagon Ragasco has an ongoing research project with NTNU, SINTEF Manufacturing and Benteler Automotive Raufoss AS to utilize "big data" from Hexagon's fully automated production line to further improve efficiency and waste reduction.

To further enhance its competitive edge, the Hexagon Group is investing in state-of-the-art production technology to support:

- Hexagon Ragasco, extending its digital capabilities and integrating smart technology
- Hexagon Digital Wave, continuing to develop leading-edge technology for the real-time monitoring of cylinders
- Hexagon Agility, furthering manufacturing process optimization at its manufacturing site in Lincoln, NE, USA
- Hexagon Purus, implementing a manufacturing execution system (MES) to access data and create more robust processes

Hexagon's combined spend on R&D, engineering and innovation in 2020 was NOK 137 million. The R&D group's activities are directly tied to Hexagon's world-class manufacturing initiative. In 2020 its 133 product development engineers and project leaders were active in a materials study, in materials optimization studies and in manufacturing process innovation. In conjunction with Hexagon's Operations teams, the R&D group is setting the foundation for process efficiency and stability without sacrificing product performance. They have delivered improvements in efficient composite design, permeation reduction, liquid propane storage, gas storage, hydrogen resistance and damage tolerance.

Indicators	Units	2020	2019
R&D engineers	FTEs	133	132
R&D efforts	MNOK	137	141
Government grants	MNOK	13.8	8.4

1) 2019 volume of 1.5 million 24.5 liter LPG cylinders. CO_2 emissions in production phase equate to 15.5 kg CO_2 equivalent per produced cylinder. Source: Ecoinvent version 3.6
2) All figures and estimates are based on the LCA calculator developed together with Asplan Viak
3) All figures and estimates are based on the LCA calculator developed together with Asplan Viak

Local environment and own emissions

Hexagon actively works to reduce its direct climate, environmental and resource use impacts. Hexagon's overall Environment, Health and Safety (EHS) and climate goals "will contribute to sustainable solutions, with zero harm to people or to the environment". Hexagon's subsidiaries have business-specific EHS guidelines in place that support these goals.

Energy data is monitored and compiled by Hexagon's global EHS team, using location-specific data from the Group's utility providers. In certified business areas, external assessments are conducted to assure adherence to ISO 14001 and ISO 50001.

Did you know

Guided by the principles of its ISO 50001 (energy management) certification, in 2020 Hexagon Ragasco's targeted efforts reduced its energy consumption by 17% to 10.12 MkWh.

Hexagon aims to develop a roadmap outlining its plan to cut direct and indirect emissions associated with the production of its products and solutions (Scope 1 and Scope 2). Hexagon has also identified that emissions from activities in its supply chain (Scope 3) are greater than its Scope 1 and Scope 2 emissions combined. Hexagon has, therefore, started measuring its Scope 3 impact by looking at the purchases of its key inputs: carbon fiber and resin.

Result Emissions scope [1]	2020 greenhouse gas emissions (tons of CO_2 equivalent)	2019 greenhouse gas emissions (tons of CO_2 equivalent)
Scope 1 (direct emissions)	2,825	2,962
Scope 2 (indirect emissions from electricity use – location-based)	7,242	7,322 [2]
Scope 2 (market-based)	11,436	7,322 [2]
Scope 3	61,224	Not reported

Type of energy	2020 own energy use (GJ)	2019 own energy use (GJ)
Non-renewable fuel consumption	51,359	49,584
Renewable fuel consumption	70	2,236
Electricity consumption	90,879	97,059 [2]
Heating consumption	11,471	Not reported
Total energy consumption	153,779	148,879 [2]

1) For more information see Appendix: Report methodologies and assumptions.
2) Updated figures due inaccurate data reported

Key targets 2021

- Establish the roadmap and implementation process for achieving ISO 50001 and ISO 14001 certification at applicable manufacturing sites.
- Establish targets for direct and indirect emissions incl. setting a science-based target.
- Target setting for renewable energy.

Sustainable procurement

Hexagon works with suppliers and business partners around the world. Many of its relationships are well-established and long-term. Hexagon's relationships are built on integrity and mutual respect. Hexagon always aims to obtain products and services at the right quality, delivered in a timely manner and at the best value, whilst complying with its policies.

Hexagon sourced over 3,500 metric tons of non-renewable materials were used to create its products, including carbon fiber, glass fiber and binding materials. Some of those materials with significant environmental considerations are:

- Carbon fiber, predominantly produced in the U.S., France, Japan and South Korea
- Glass fiber, predominantly produced in China
- Plastic resins and accelerants, predominately produced in the U.S. , Netherlands and China
- Injection-molded, blow-formed and extruded plastic components, predominantly produced in the U.S. and Germany
- Valves, predominately produced in Italy
- Aluminum and stainless-steel materials and components, predominately produced in the U.S. and Europe

Assurance of supplier compliance

Hexagon communicates its sustainability requirements and objectives across its supply chain. It uses methods including a supplier code of conduct, supplier quality manual, supplier scorecards and supplier audits. Supplier audits may take several forms, from initial self-assessments to comprehensive on-site reviews. All suppliers are required to adopt and implement Hexagon's requirements as a condition of doing business with the Group.

Selection of new suppliers

The selection of suppliers and sub-contractors has a significant impact on Hexagon's social and environmental performance. Consequently, new suppliers are subject to a set of criteria and risk assessments that covers quality assurance, corporate social responsibility and responsible sourcing.

Hexagon uses tools to ensure suppliers:

- Have adequate management systems to comply with all Hexagon requirements
- Are knowledgeable and in compliance with all applicable laws, regulations, and contractual conditions
- Respect internationally-recognized human rights and commit to supporting international norms related to modern slavery and forced labor, child labor, non-discrimination, fair wages and benefits, and the freedom of association and collective bargaining
- Have a safe and healthy workplace, free from exposure to hazardous conditions and substances
- Are responsible stewards of the environment through efforts to reduce energy consumption, emissions of pollutants, use of hazardous substances, and wastes of all types
- Practice adequate due diligence with respect to responsible sourcing of raw materials
- Conduct their business in an ethical manner free of conflicts of interest and corruption, and with fair competition

Ongoing supplier evaluation

Existing suppliers are subject to the same criteria and risk assessments as new suppliers. Hexagon completes annual scorecards for suppliers covering quality, supply assurance, business interactions and corporate social responsibility. These scorecards serve to measure and drive continuous improvement and provide a mechanism for dialog and feedback from suppliers. The supplier scorecards typically cover:

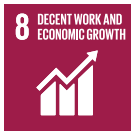
- Commitment to corporate social responsibility
- On-time delivery
- Quality performance
- Responsiveness and communication
- Cost
- Innovation
- Quality support

Reviewing its results from 2019 and 2020, Hexagon recognizes the need to increase its focus on its supply chain. Many suppliers have provided feedback that they are committed to sustainability initiatives, while the number of suppliers reporting specifically on relevant metrics or improvement programs is limited. Consequently, improvement in this area will be a key objective in 2021. Hexagon will conduct environmental and social surveys with key suppliers to determine the necessary actions and sustainability initiatives.

Key targets 2021

- Conduct sustainability surveys with largest suppliers and update existing contracts as appropriate.
- Update supplier code of conduct to ensure it reflects specific and relevant initiatives in all contracts with new suppliers.

How Hexagon works



Health and safety and organizational development

Health and safety

Keeping its employees safe during its operations is a Hexagon value. Hexagon's manufacturing uses complex machinery and industrial processes, rapidly moving parts and equipment, heat, caustic chemicals and pressurized gas. Hexagon has established training and operational requirements to ensure a safe and healthy work environment. Hexagon believes this promotes efficiency and lowers operating costs.

Hexagon carries out quarterly, global, executive management EHS reviews aimed at identifying EHS challenges and establishing initiatives to address them. In addition, the global EHS team meets every two weeks and systematically encourages hazard recognition, assessment and control.

Hexagon's global EHS team discusses a wide range activities and initiatives related to regulatory compliance, the protection of people, property and the environment, and improvement opportunities to align with world-class manufacturing.

Specific initiatives that will lead to lower injuries and illness across Hexagon's global operations are also discussed. A shared performance metric, used as a leading indicator for reducing overall injuries and incidents, has been established for the great majority of Hexagon's facilities in 2020. This coordinated effort will promote the sharing of experience and best practice between the Group's manufacturing facilities.

All Hexagon employees receive annual health and safety training covering incident reporting, identifying hazardous situations and planning potentially-hazardous activities. Where appropriate, employees receive specialist training in hazardous tasks, e.g. working at height. This training is entered into the employee's HR system record and is required before they can begin the work.

Potential hazards are identified and reported, and corrective actions are tracked to closure in Hexagon's incident reporting system. Before any task there is a process for team members to assess and discuss potential work-related hazards. Hexagon's employees have the right to refuse unsafe work without fear of reprisal.

Hexagon's management remains committed to reducing injury. Facility managers and the EHS team monitor safety processes. In 2020, the introduction of a more robust reporting system improved employee participation, hazard recognition and data collection. Continued front-line engagement will emphasize formalized task analysis, work area assessments, peer observations and hazard reporting to recognize and prevent unsafe conditions and unsafe acts.

Indicators	Units	2020	2019
Fatalities	Number	0	0
Work related injuries (WRI)	Rate per 200,000 hours	1.99	1.89
Work related injuries (WRI)	Number	20	19
Lost time incidents (LTI)	Rate per 200,000 hours	0.69	0.49
Lost time incidents (LTI)	Number	7	5
Close calls [1)]	Number	438	340

Managing the business during COVID-19

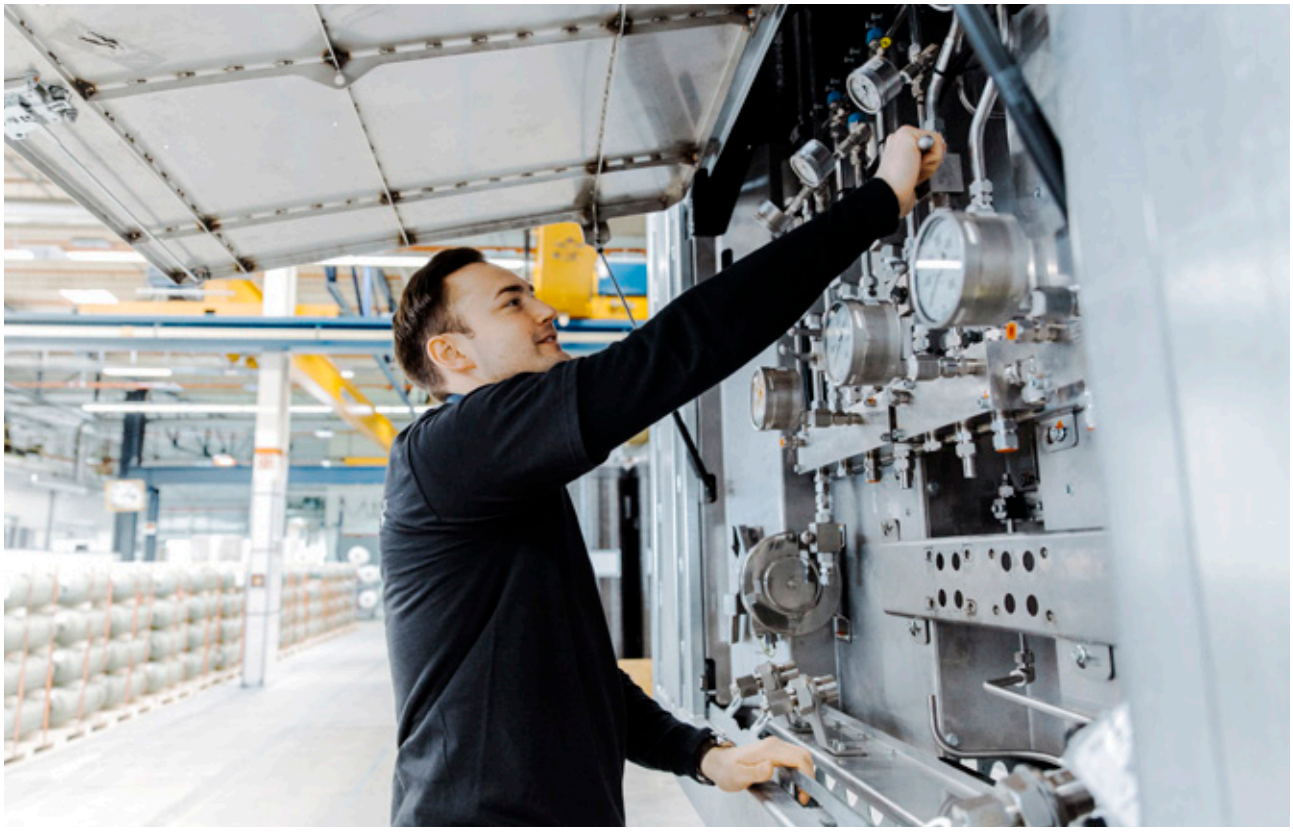
COVID-19 has presented significant challenges to Hexagon's organization. These have included remote working and temporary furloughs as well as constraints within the work environment, and were a powerful test of the Group's management approach.

Each business area built and executed contingency plans. Coordinated, global COVID-19 response calls were held every week with every business area, Human Resources and EHS teams. The Group's Executive Management Committee also held regular weekly meetings and engaged with a variety of communication tools to support its people and address their concerns regarding the pandemic and their work status. Several Hexagon facilities engaged with government-supported stimulus packages for temporarily furloughed individuals, while some locations that continued operations extended "essential worker premiums" to reward and acknowledge the extra work and risk taken on by their people.

Making Hexagon a great place to work

Hexagon is a values-driven organization. Its two core values, integrity and drive, lay the foundation for Hexagon's corporate culture. Hexagon intentionally integrates its purpose and values into its daily business and decision making. Hexagon emphasizes engagement to empower individuals to influence their own work situation. It believes a flat organizational structure ensures visibility and enables employees to develop and thrive.

Hexagon has committed to becoming a great place to work. This is measured not only by its own people's experience, but as evidenced by key stakeholders including customers, suppliers, shareholders and the communities in which Hexagon is so privileged to operate.



Hexagon embraces a culture of empowerment, transparency and continuous improvement. There is perhaps no greater example of this than Hexagon's annual Great Places to Work survey process. This globally-recognized process from the Great Places to Work Institute has been running at Hexagon since 2016.

The Group is transparent in sharing the results of the process, both in positive areas and those in need of attention. In 2020, Hexagon onboarded the remainder of its US operations acquired in 2019, increasing the number of participants in the survey by 60% and expanding the survey to the entirety of the Hexagon Group. In 2020, Hexagon's average Great Places to Work score was 67%. Both scores were down from 2019, reflecting the impact of the expanded group surveyed. It also reflects external factors and particularly the impact of COVID-19.

Great Places to Work is not just a survey. Hexagon engages with its people in continuous improvement teams to address the weaknesses identified by the survey process. Overall, there is a culture of pride within Hexagon. 81% of employees responded that they are proud to tell others they work at Hexagon.

The absence rate in Hexagon was on target in 2020. This was primarily driven by a continued focus on wellness and targeted measures such as the implementation of physical activities and guidance. In support of this key area, Hexagon offered its third annual "Hexagon Global Olympics" to encourage healthy lifestyles in a fun, semi-competitive environment.

Result

Indicators	Units	2020 [2)]	2019
Full time employees	Number	1,060	1,008
Female employees	Number	196	186
Female employees	Percentage	18%	18%
Employees at manager level (at least one direct report)		144	140
Female employees at manager level (at least one direct report)	Number	26	24
Female employees at manager level (at least one direct report)	Percentage	18%	17.1%
Female members of the Board of Directors	Number	2	2
Female members of the Board of Directors	Percentage	40%	40%
Female members of Executive team	Number	1	0
Female members of Executive team	Percentage	12%	0
Turnover	Percentage	15%	10%
Absence	Percentage	4%	4%
Recorded incidences of discrimination	Number	0	0

Organizational development

Through its internal learning and development function "Hexagon University", Hexagon builds and implements a range of programs for its employees. The aim is to bring added value to the development of Hexagon's talented people, in both their professional and personal lives.

"The Hexagon Way" module was developed and introduced in 2019. This flagship offering is an eight-hour, highly interactive and engaging curriculum that focuses on Hexagon's people and their understanding of their role in respect of the Group's purpose and values. The curriculum is delivered by senior Hexagon leaders. While the first European course was held in Hexagon's location at Kassel in Germany in February 2020, the COVID-19 pandemic has unfortunately prevented further offerings of this important program. Plans are in place to safely reintroduce the course during the second half of 2021, COVID-19 safety compliance and regulations permitting.

Diversity

In an increasingly complex and demanding business environment, teams with complementary skill sets, backgrounds and perspectives are vital for success. As a global organization, Hexagon currently employs people of more than 30 different nationalities. Research shows that companies with a more diverse workforce perform better financially. Hexagon believes that people with different approaches and experience drive innovation and ensure a dynamic work environment.

Hexagon has continued to build a diverse internal talent pool. This is achieved both through the Group's selection processes and the work environment it promotes and supports. Preferential treatment or discrimination in working conditions due to gender, religion or ethnic background is strictly prohibited.

Hexagon is proud of its work in diversity. Its 2020 Great Places to Work survey results showed some of the most positive responses were to questions targeting diversity:

	2020 score
People here are treated fairly, regardless of sexual orientation	88%
People here are treated fairly, regardless of their race	86%
People here are treated fairly, regardless of their gender	85%
People here are treated fairly, regardless of their age	82%

Hexagon has prioritized the recruitment of women, despite the challenges of a traditionally male-dominated, industrial operating environment. Hexagon's long-term target is to increase its share of female employees to at least 30%.

The lowest proportion of female employees at Hexagon is in production, while the proportion of women in other areas such accounting and finance, human resources and administration is more balanced.

Key targets 2020	Result	Comments
Harmonize the EHS policy	Not achieved	Ongoing work
5% in absence rate	Achieved	Satisfactory result
30% of female employees	Not achieved	Ongoing work
Turnover rate of 14%	Not achieved	Slightly above target

Key targets 2021

- Roll out common EHS policy and guidelines for the Group
- Complete roll-out of Hexagon University
- Track performance and career development at all levels (performance management process)
- Update whistleblowing policy and procedures
- Expand the "Hexagon Way" program
- Set up third-party whistleblowing hotline for the Group
- Executive leadership to have executive compensation program tied to non-financial KPIs

1) An event that occurred that had the potential to cause harm
2) First full year with data reporting including all Hexagon populations

Anti-corruption

Hexagon fosters an organizational culture based on integrity and high ethical standards, to maintain its high quality of products and be a trusted business partner. The Board of Directors and management of Hexagon are committed to carrying out business fairly and openly, with no tolerance for corruption. Hexagon works proactively to design, implement and monitor procedures to prevent corruption. All Hexagon employees dealing with governments, customers, suppliers and partners are expected to be familiar with the Group's policy and guidelines regarding gifts, benefits and entertainment, enabling them to assess situations that are or may potentially be in violation thereof.

Hexagon has a set of guideline documents for corporate responsibility, a Code of Conduct and ethical guidelines. It also has manuals and more specific guidelines for areas including anti-corruption, responsible sourcing, environment, health and safety, and human rights (see hexagongroup.com for more information).

Hexagon regularly evaluates various risks related to its supply chain. It has assessed the risk of corruption to ensure that relevant anti-corruption measures are in place and complied with. No high-risk corruption factors were identified, and Hexagon received no fines related to corrupt or anti-competitive behaviors in 2020.

Hexagon continues to promote zero tolerance for corruption and anti-competitive behavior.

Whistleblowing

Hexagon strives to maintain a transparent business climate with a focus on business ethics, fostering the open discussion and resolution of difficult or undesirable incidents. However, circumstances can occur which require other channels of communication. In these situations, Hexagon encourages all its employees to contact their line managers, local compliance officers and/or human resources teams. Hexagon Agility has a dedicated hotline from an independent third party, which is available to employees in multiple countries. No incidents were reported through that hotline or through Hexagon's compliance officers in 2020.

Local community

Hexagon strives to have good relations with, and be a positive force in, the local communities in which it operates. In addition to providing employment opportunities, Hexagon's sponsorship policy aims to contribute to stimulating environmental, welfare and preventive health measures. Hexagon engages with its local communities by supporting non-profit organizations that focus on sports and education opportunities for children and youth, as well as humanitarian aid.

Hexagon focuses on supporting reputable partners with local activities. These partners must have a profile that matches Hexagon's values and ethical guidelines. Hexagon places particular emphasis on areas such as equality, non-discrimination, labor conditions, the environment and anti-corruption. Hexagon ensures that all sponsorship decisions are made by impartial employees. The Group's preference is to provide funds for one year at a time, with those funds distributed to as many end-users as possible.

Some of the initiatives Hexagon supported in 2020 included:

- Frelsesarmeen to Norwegian Salvation Army
- Forskerfabrikken (Science lab for children)
- Raufoss Football club
- Gjøvik Handball club
- Food Bank of Lincoln, Nebraska
- Capital Humane Society
- Blood Drive, Salisbury, North Carolina

The ten principles of the United Nations Global Compact

WE SUPPORT

Hexagon complies with the UN Global Compact's ten principles of doing business in the areas of human rights, labor, environment and anti-corruption. The ten principles are derived from the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption.

Since 2019 Hexagon Composites has been committed to the UN Global Compact corporate responsibility initiative and its principles in the areas of human rights, labor, the environment and anti-corruption.

Jon Erik Engeset
Group President & CEO

Human Rights
1. Businesses should support and respect the protection of internationally-proclaimed human rights; and 2. make sure they are not complicit in human rights abuses.

Labor Standards
3. Businesses should uphold the freedom of association and the right to collective bargaining; 4. the elimination of all forms of forced and compulsory labor; 5. the effective abolition of child labor; and 6. the elimination of discrimination in respect of employment and occupation.

Environment
7. Businesses should support a precautionary approach to environmental challenges; 8. undertake initiatives to promote greater environmental responsibility; and 9. encourage the development and diffusion of environmentally-friendly technologies.

Anti-Corruption
10. Businesses should work against corruption in all its forms, including extortion and bribery.

Appendix

Emissions savings from vehicles

The Alternative Fuel Life-Cycle Environmental and Economic Transportation (AFLEET) tool from the GREET® model has been used for estimating emission reductions relating to CNG solutions for vehicle applications including truck, refuse, transit and light duty. The GREET® model is a widely-recognized methodology from the Argonne National Laboratory for estimating greenhouse gas (GHG) emissions from transport. All assumptions are based on figures from AFLEET, including average miles per year for different vehicles, fuel economy and emissions factors. The GHG emissions factors are estimated on a well-to-wheel (lifecycle) basis. See https://greet.es.anl. gov/ for more information.

Emissions from Hexagon operations

Hexagon's own GHG emissions are calculated in accordance with the Greenhouse Gas Protocol corporate reporting standard, using the operational control approach. The scope of reporting therefore is all production sites where Hexagon has operational control. Other offices are not currently included due to lack of data availability. The emissions reported are:

- Scope 1 emissions: direct emissions from fossil fuel consumption such as natural gas and propane. GHG emissions factors are from DEFRA 2020.
- Scope 2 emissions: indirect GHG emissions from purchased electricity and heat. Hexagon uses IEA/EPA factors for estimating location-based emission factors, and AIB/Green-e factors for estimating market-based emissions. For heat consumption Hexagon receive emission factors from the grid operator. In 2020 the AIB market-based emission factor has increased due to an update in the methodology, which will be reflected in the Group's Scope 2 emissions this year. Activity data for calculating emissions is based on invoices and meter readings. Hexagon believes this reporting to be as accurate as practicable, though there is always uncertainty in GHG reporting and this is only the second year of reporting. Hexagon will continue to focus on ensuring data quality. Greenhouse gases included in the climate reporting are CO_2, CH_4, N_2O. We started to report on our GHG emissions in 2019 which is our base year for our calculations.
- Scope 3 emissions: This is Hexagon's first year reporting on Scope 3 emissions. The Group has selected to report on Scope 3 Category 1 – Purchased goods and services, which is the category associated with the most material GHG emissions for Hexagon. The calculations are based on purchased volumes of resin, carbon fiber and glass fiber from suppliers. Hexagon uses emission factors from the ICE Database (Inventory of Carbon and Energy) which is publicly available.

Definitions of hazardous waste are based on local definitions and can vary from region to region. Data sources vary but are generally based on figures from waste collection certificates. Hexagon produces a wide range of waste during its daily operations and is focused on continual improvement of reporting and management of that waste.

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