

Sustainability report



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About this report

Hexagon Composites ASA (“Hexagon” or “the Group”) is a world-leading composite cylinder technology developer and manufacturer. We enable the safe delivery of clean energy in gaseous form to homes and industries, and we decarbonize transportation on land and at sea. We believe that clean air is a right, not a privilege. We are passionate about making clean energy solutions available for all.



¹ Hexagon Agility includes Agility Fuel Solutions, Hexagon Mobile Pipeline® and Hexagon CNG LDV

To date we have delivered over 600 000 high pressure composite cylinders, 70 000 fuel systems and more than 20 million LPG cylinders, building up more than six decades’ experience helping our customers reduce their CO₂ emissions. We are headquartered in Norway, with 23 international locations, including in the world’s most important clean energy markets in Europe, Asia and North America.

Our people constantly strive to make the most responsible and sustainable solutions for our customers and our planet. We have a strong, values-based culture that is committed to transparency, accountability and purposeful impact, which drives our business performance and our decision-making processes. Our core values are integrity and drive, and they guide our behavior and our beliefs.

This Environmental, Social and Governance (ESG) report provides a performance update on our 2021 development, targets and measures. Together, they form an aggregated view of our long-term goals and public commitments. We continue reporting annual progress toward our ESG targets as well as our priority material issues, a practice started in Hexagon in 2019.

In this report, we also set out our updated long-term targets and share the insights that set the foundation for the next stage of our journey. Notably, we have received limited assurance from (EY Norway) on the quality of the content of this year’s ESG report. For more information, see the [Accountant’s assurance report](#).

This report has been prepared in accordance with the GRI Standards: Core option (see www.hexagongroup.com). In it, we explain how we work to embed the 10 principles of the United Nations Global Compact into our operations, and how we align our strategy with selected Sustainable Development Goals (SDGs) to enhance our contribution to sustainable development. This report is also our annual Communication on Progress to the UN Global Compact.

When we reference Hexagon in this report, unless otherwise stated, we are referencing our portfolio of businesses, including Hexagon Agility¹, Hexagon Ragasco, Hexagon Digital Wave and Hexagon Purus. For news, updates, and more details about Hexagon, visit www.hexagongroup.com

A LETTER FROM OUR PRESIDENT AND CEO



Transformation inspired by challenge, driven by purpose

The energy industry is being reimagined. In response to government ambitions around the world, clean energy is growing in the global energy mix. The transformation is gaining momentum and the backdrop for our business could not be better.

Hexagon's purpose is to drive energy transformation. Our customers in every sector have sustainability and clean energy at the top of their strategic agendas. Meanwhile, few companies can offer proven solutions for multiple forms of clean energy technologies. Hexagon is a global leader - we develop, manufacture, and integrate technology that enables a spectrum of clean energy solutions. This includes storage and delivery systems for renewable and compressed natural gas (RNG and CNG), hydrogen, battery electric and LPG, as well as digital solutions.

Diversity matters

At Hexagon, we pride ourselves on our people. Globally, they are among the world's leading experts in clean energy technologies. In these challenging times, we work hard to limit the impact of the COVID-19 pandemic on them, and on our operations. Performing through volatility and ensuring our ability to deliver clean energy solutions to our customers worldwide continues to be our strength.

We recognize that in an increasingly global economy, a diverse talent base is important to remaining competitive. To this end, in 2021 we decided to work strategically to improve our gender balance. We have set ambitious but realistic goals – to ensure women make up 25 per cent of our workforce in 2025 and 30 per cent by 2030.

ESG capability and finance: a stronger connection

We have established a robust internal ESG body, tasked with safeguarding Hexagon's long-term sustainability objectives. It will ensure that our sustainability performance grows with us and consistently reflects the landscape in which we operate. This work is essential, not least because we recognize that we have some way to go. Improving our own performance is a positive first step to a truly sustainable future.

The demand for ESG alignment has increased dramatically over the years, bringing companies like Hexagon a competitive edge as it makes them more attractive to customers, investors,

employees and new recruits. A key milestone on this journey was the launch of the EU Taxonomy for Sustainable Activities, which leaves no doubt: strong ESG performance and transparent reporting will be essential to enable access to green sources of funding. Hexagon's ESG capability puts us in a strong position to take advantage of this.

We are committed to transparency as we work to achieve net-zero

We focus on the total operational footprint of our company's activities. In 2021, we joined the Science-Based Targets initiative and committed Hexagon to reach net-zero as soon as possible before 2050. Already, in 2021, we have expanded our transparent reporting on scope 3 emissions. In 2022, we will establish our short-term reduction targets for scope 1, 2 and 3 emissions and take significant steps towards achieving them.

To read more about our emissions, see [Minimizing our operational environmental footprint](#)

Hexagon is part of the solution

We are living through a defining moment for society – and a defining moment for Hexagon. Our purpose, Driving Energy Transformation drives us, and our strong values guide us. Together, we are creating positive change and forging new opportunity. We harness what we learn, nurture resilience, and pave the way.

As the world accelerates its journey to a sustainable energy future, we will continue to be agile and responsive. We will move early and quickly to address new opportunities and deliver products and solutions enabling the transformation that industries and communities will demand.



Jon Erik Engeset
Group President & CEO

*In 2021, we
committed to the
Science-Based Targets
initiative for our own GHG
emissions. Delivering a
credible, achievable roadmap
to this goal will be one of
our key focus areas
for 2022.*

ESG governance

PURPOSE DRIVES US

Hexagon's purpose is to drive energy transformation.

ESG is integral to our organization, embedded in all our business areas and functions including strategy and business development, operations and reporting. Created in 2021, Hexagon's ESG team is a multidisciplinary group with members drawn from each of our business areas.

The ESG team reports to the ESG steering committee, which is part of the Executive Council that reports directly to the CEO who, in turn, reports to the Board of Directors.

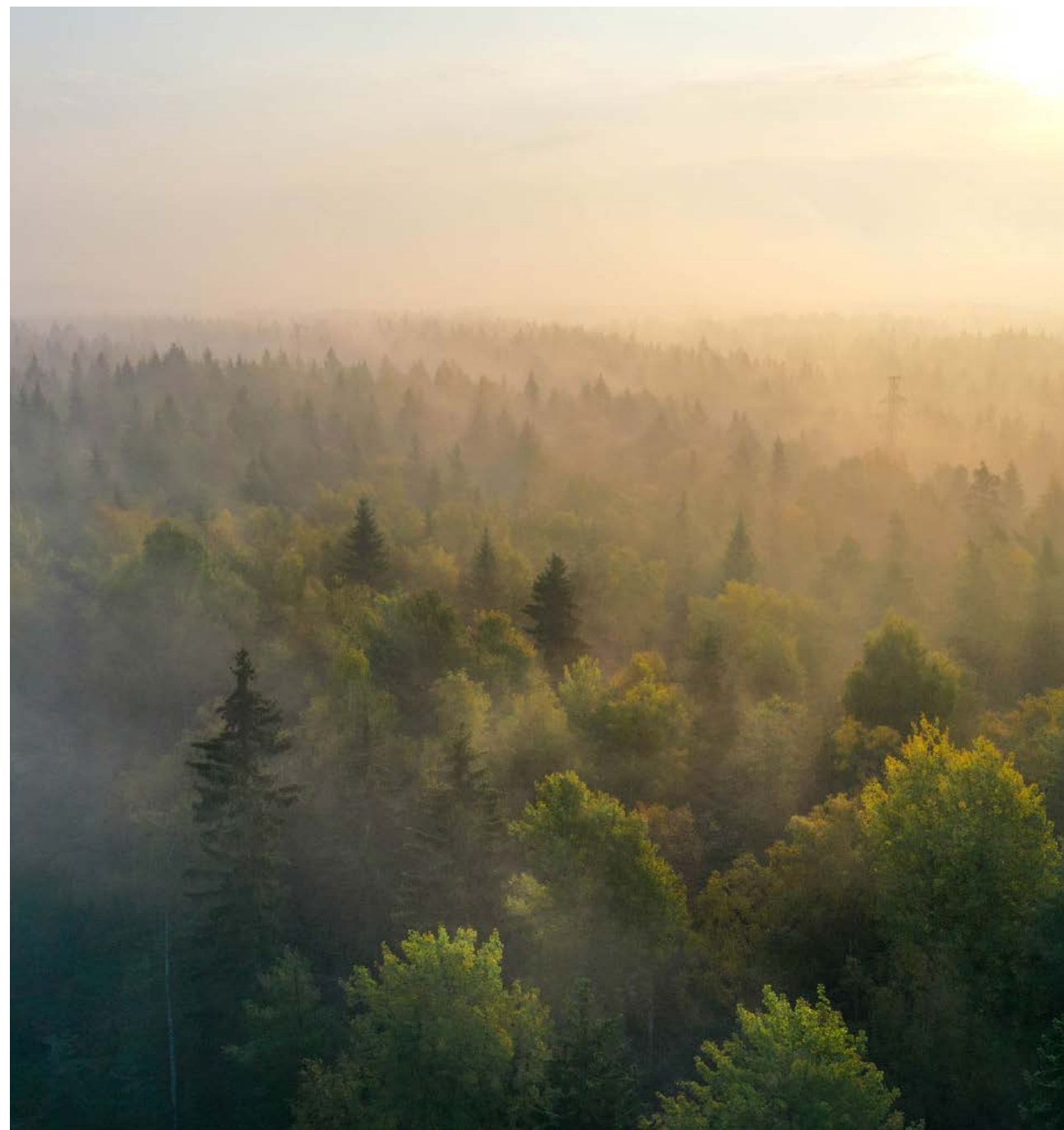
Progress can't wait

Our ESG steering committee provides direction and oversight for the integration of Hexagon's practices in work-related environment and climate, health and safety, learning and development, diversity, equality and inclusion, governance and compliance. The committee challenges our business to better understand our sustainability impacts, to set ambitious targets for

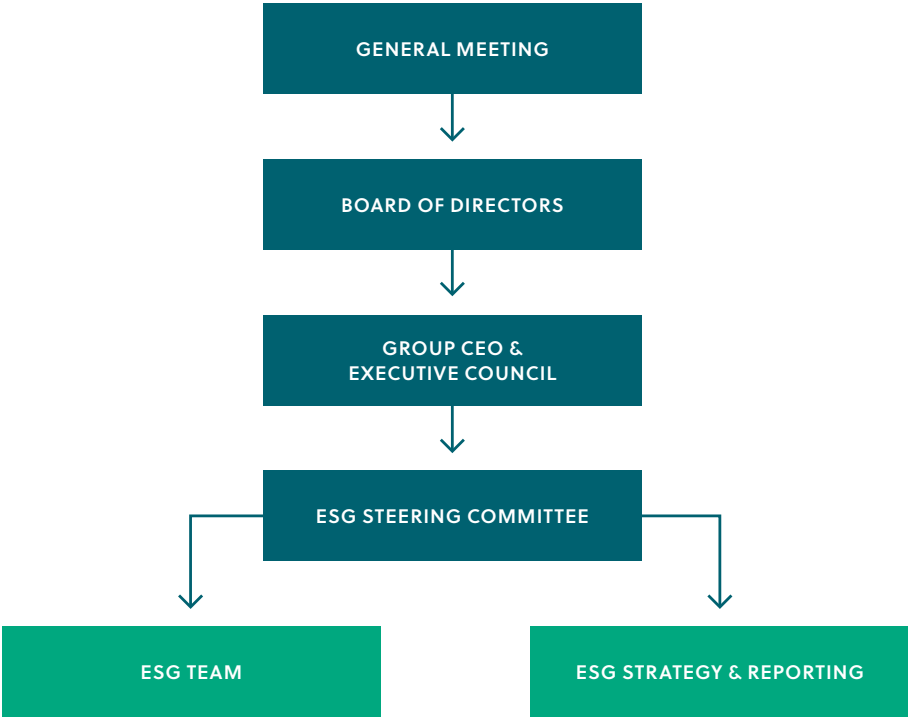
improvement, and to overcome obstacles and drive progress.

The key responsibilities of this committee are to:

- Evaluate and advise on Hexagon's ESG strategy, policy and performance
- Evaluate and monitor annual ESG targets and results
- Discuss and evaluate key ESG strategic decisions and directions
- Discuss and evaluate current and future ESG trends relevant to the Group
- Evaluate the Group's evolving approach to ESG risk assessment and transparency



OVERVIEW OF HEXAGON'S ESG GOVERNANCE STRUCTURE



- Hexagon’s ESG steering committee includes:
- Group President and CEO, Jon Erik Engeset
 - Group CFO and Group Compliance Officer, David Bandele
 - Chair of the committee and Executive Vice President Operations Hexagon Purus, Heiko Chudzick
 - Group SVP Communications, Karen Romer
 - Group SVP Strategy and M&A, George Siedlecki
 - President Hexagon Agility, Seung Baik
 - President Hexagon Ragasco, Skjalg Sylte Stavheim
 - President Hexagon Purus, Morten Holum
 - President Hexagon Digital Wave, George Siedlecki (interim)

Governance at Hexagon

Role descriptions

ESG steering committee: executive leadership and corporate accountability

ESG (focus) team: our ESG focus teams, divided into “E”, “S” and “G” teams respectively, include members (for environment, social and governance aspects) from each of our operative

business areas, who collaborate closely to address a broad range of ESG matters. The “E”, “S” and “G” team members have been selected for their roles by their business area presidents. They are held accountable for the business area’s contribution toward the development of their focus area, and the accuracy of reporting information provided for their business area. The ESG team meets on a monthly basis. An important part of the work of these expert teams is to develop environmental, social and governance key performance indicators (KPIs). The business’ performance against these KPIs is reviewed annually by the ESG steering committee and the Board of Directors. Specific sustainability topics including health and safety, corruption, environmental and social impacts are monitored by the management of each of the business areas on a more frequent basis (every two to four weeks).

ESG strategy and reporting team: together with our ESG focus teams, the Vice President of IR & ESG is responsible for the strategic direction and for transparent and accurate reporting to Hexagon’s key stakeholders.

Hexagon's approach

For more than sixty years, Hexagon has been striving to create a better future for people and the planet by enabling the transition to clean energy technologies. Sustainability, for Hexagon, means generating positive social and environmental impact and business value through our products and solutions, while at the same time ensuring that sustainability considerations are embedded throughout our operations and ways of working.

Stakeholder engagement and material topics

We continuously learn, grow, and refresh our perspective by considering the global points of view of our internal and external stakeholders in our analyses of material sustainability issues. In 2021, we surveyed those stakeholders to re-establish what we would consider the most material topics, anchoring the results at the corporate management level. That process and findings are the foundation for this Sustainability Report.

Hexagon's key stakeholder groups include our employees, customers, investors, suppliers, corporate peers, governments, national and international regulators.











Our material topics were identified based on stakeholder expectations, significant impacts,

and internal strategic priorities throughout our value chain. Our materiality assessment also reflects the alignment of our activities to the United Nations' Sustainable Development Goals (UN SDGs). To read more about the selected SDGs, which are closely linked to our core operations and with which our Group business strategy is closely aligned, see [Appendix 3: Reporting on the UN SDGs](#)

Stakeholder expectations are determined through formal interviews and through dialogs as part of our daily business. We also receive stakeholder feedback at the corporate level through dialogs with investors, financiers and regulators. We assess identified topics for the significance of their environmental, social and economic impacts.



FULL YEAR 2021 MATERIAL TOPICS

<div>Our contribution through our solutions</div> <div></div>	<ul style="list-style-type: none">• Low-carbon technology solutions to our customers• EU taxonomy
<div>Minimizing our operational environmental footprint</div> <div></div>	<ul style="list-style-type: none">• Greenhouse gas (GHG) emissions• Energy• Material waste and circularity• Responsible procurement
<div>Product Safety and Compliance</div> <div></div>	<ul style="list-style-type: none">• Product safety
<div>Responsible employer</div> <div></div>	<ul style="list-style-type: none">• Diversity and Inclusion• Occupational health and safety• Workforce development
<div>Governance</div> <div></div>	<ul style="list-style-type: none">• Business ethics and anti-corruption

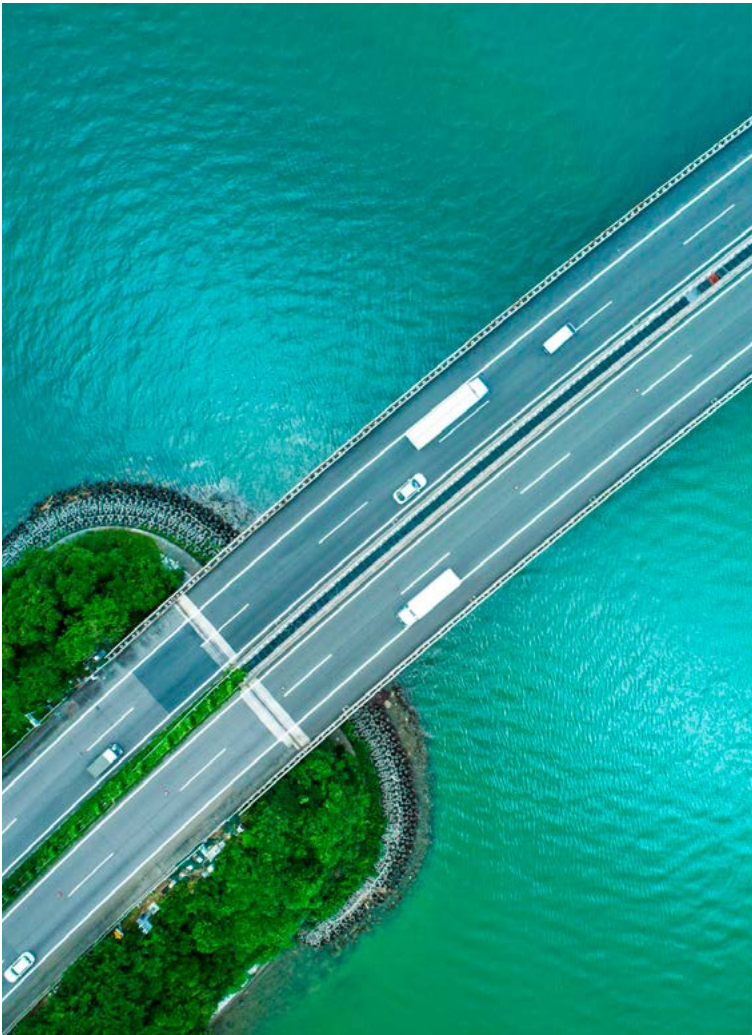
Reconfirmed our material topics

While there was great alignment between this year’s issues prioritization survey and our previous survey results, “Diversity and Inclusion” and “Minimizing operational environmental footprint” were identified as key issues with a strong increase in relevance for both internal and external stakeholders. At Hexagon, we know that our culture is at its best when all our people feel included, respected, and heard. The increased relevance of “Diversity and Inclusion” is consistent with our continued and enhanced internal focus on building an inclusive and accountable culture across our company. Hexagon’s climate opportunities lie in our products. Therefore, our most important contribution will be the further development of those products to meet the growing demand for advanced, safe, long-lasting, climate-friendly and recyclable solutions that help to ensure clean air everywhere.

For material topic definitions, see [Appendix 1: Material topic definitions](#)



SUMMARY OF PROGRESS ON OUR KEY 2021 OBJECTIVES



ENVIRONMENT

- Became a signatory to the Science-Based Target initiative and committed to net-zero by 2050, and have started the process to develop shorter-term, science-based GHG emissions targets, including both direct and indirect emissions
- Our solutions avoided over 1.15 million metric tons equivalent of CO₂¹ emissions , where our mobility solutions contributed to 1.1 million metric tons, and our LPG cylinders contributed to the avoidance of 51 680 metric tons.
- Progressed composite waste solutions:
 - Recycled over 46 metric tons at the Lincoln, Nebraska cylinder manufacturing site
 - Tested mechanical grinding and thermal recycling
- Hexagon Ragasco published Environmental Product Declaration (EPD) for the product stage
- Developed life cycle assessment (LCA) calculator for Hexagon Ragasco
- Roadmap for 100 per cent internal re-use and/or external recycling of plastic casing of LPG cylinders is in progress
- Achieved ISO 9001 and 14001 certifications at all applicable manufacturing sites²

SOCIAL

- Harmonized Global Environment, Health and Safety (EHS) policy and guidelines
- Established Hexagon University – the learning and development platform
- Formalized gender diversity targets: 25 per cent by 2025 and 30 per cent by 2030
- Unsatisfactory Lost Time Incident Frequency (LTIF) of 1.04 per 200 000 hours worked
- Unsatisfactory Total Recordable Incident Frequency (TRIF) of 3.21 per 200 000 hours worked

GOVERNANCE

- Developed and published group-wide policies for:
- Supplier and Business Partner Code of Conduct
 - Diversity and Inclusion
 - Anti-Corruption
 - Whistleblowing and third-party whistleblowing channel
 - Human Rights
 - Product Safety

¹ Based on 2021 production figures from Hexagon Agility, incl. Mobile Pipeline, CNG LDV and Hexagon Ragasco
² Hexagon Digital Wave to achieve ISO 9001 certification in 1H 2022. To see ISO certifications see <https://hexagongroup.com/sustainability/esg-resources>

Hexagon's contribution through its solutions

According to the latest report of the Intergovernmental Panel on Climate Change (IPCC), issued at the end of 2021, global warming causes ever-increasing and, in some cases, irreversible changes in rainfall, ocean and wind patterns in all parts of the world.

The report explicitly underlines the close relationship between CO₂ emissions originating in human activity, because of burning fossil fuels and deforestation, and the planetary warming that is driving climate change. Such a relationship implies that a carbon budget can be used to quantify the mitigation required to restrict warming to specific limits. Most significantly, it may be deduced that, to stabilize human-induced global temperature increases, net anthropogenic CO₂ emissions must be brought to zero. Reducing methane emissions, too, is a critical factor in limiting the global temperature increase.

Our approach

Climate change is among the most important megatrends affecting business across all sectors today. The urgent need for a transition to a resource-efficient, low-carbon economy

increases demand for Hexagon as a solutions provider in this space.

As a provider of clean energy solutions to people and industries around the world, Hexagon plays a key role in the transition towards a more sustainable, decarbonized global society, by enabling our customers to reach their ambitious sustainability goals. We strive to maximize the positive climate impact of our technologies by enabling the avoidance of GHG emissions from both material production and waste management in the application of those technologies.

The most critical factors in Hexagon's own greenhouse gas emissions are its production processes. These emissions, throughout the value chain, must be reduced to further strengthen our business model. We are continuing to engage

We are proud that our clean energy solutions made possible the avoidance of approximately 1.15 million metric tons of GHG emissions in 2021.



with key suppliers to understand and develop their climate ambitions and reporting, and to work with them to enhance our production. This strategic approach is further embedded within our Supplier Code of Conduct.

Results and achievements

We enable low and zero emissions mobility solutions

Our business is essential to tackling climate change, today and in the future. One hard-to-abate sector is transport, a significant greenhouse gas emitter that represents approximately 24 per cent of total energy-related CO₂ emissions¹. In 2021, our clean energy mobility solutions helped avoid approximately 1.1 million metric tons of GHG emissions².

Hexagon provides solutions across the clean energy spectrum, including for transportation. Among them are high-pressure composite tanks and fuel systems for renewable and compressed natural gas (RNG and CNG), (bio)LPG and hydrogen, battery electric and digital solutions. We are experiencing growing demand in our key and emerging markets, where clean energy sources and technologies are desperately needed.

(Renewable) natural gas

For instance, through Hexagon Agility, we provide compressed natural gas (CNG)

fuel storage systems to meet demand from medium- and heavy-duty original equipment manufacturers (OEMs) and vehicle fleets. A CNG truck running on natural gas emits 13-21 per cent less CO₂, 90 per cent less NO_x and almost zero particulate matter (PM) versus comparable gasoline and diesel vehicles.

These same storage systems also operate with 100 per cent renewable natural gas (RNG). As a potentially carbon-negative solution, RNG contributes to reaching climate targets by reducing both CO₂ 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 per cent methane. Without capture, this methane escapes into the atmosphere, where it is roughly 28 times more potent as a greenhouse gas than CO₂. In contrast, if it is captured and treated to remove moisture, CO₂ and other impurities, it can be fully compatible with the existing natural gas infrastructure. In addition to medium- and heavy-duty truck applications, Hexagon's Mobile Pipeline® modules (using Hexagon storage cylinders) are a key enabler for transporting this potentially

carbon-negative fuel from rural producers to the gas grid and industrial users.

Hydrogen & battery-electric solutions

Our listed subsidiary, Hexagon Purus, provides hydrogen Type 4 high-pressure cylinders, battery packs and vehicle systems integration for fuel cell electric (FCEVs) and battery electric vehicles (BEVs). These solutions enable the safe and effective use of hydrogen and electricity as transportation fuel in a variety of applications including light, medium and heavy-duty vehicles, buses, distribution, refueling, rail, maritime, aerospace and ground storage.

In the race for decarbonization, hydrogen has gained considerable momentum as a key energy carrier in the world's future energy mix. This is not just due to its potential to decarbonize the mobility sector but also because of its universal potential to work across the entire energy ecosystem. A significant number of countries, representing more than 70 per cent of global GDP, have announced hydrogen strategies and roadmaps.

Hydrogen and battery-electric technologies are complementary

If you need a vehicle for relatively short ranges of up to 300 miles to carry light loads, and you have a usage pattern that means that your truck can charge overnight, then battery-electric cars and

DID YOU KNOW

Unlike other biofuels, when produced from landfills, wastewater and agricultural waste, RNG does not require large amounts of land to be deforested and does not displace food production. RNG from agricultural waste can provide reductions in carbon emissions of more than 200 per cent compared to baseline diesel and gasoline emissions - or, effectively, negative emissions.

trucks make sense. But if you need to carry heavy payloads over longer distances, then you need the extra range and fast refueling that is offered by hydrogen fuel cell electric vehicles.

Driving the transition to clean cooking and heating

In the least-developed countries many people, particularly women, cook and heat their homes using wood, charcoal, animal dung or kerosene. These fuels produce hazardous particulates (soot) and air pollution that cause illnesses the WHO estimates prematurely kill four million people each year.

DID YOU KNOW

Digital Wave has, through its modular acoustic examination (MAE) technology, inspected and tested more than 7 800 cylinders to date. By extending the life of these cylinders, we successfully avoided more than 235 metric tons of landfill waste.

The use of liquid petroleum gas (LPG) for cooking and heating produces practically no particulates. Its CO₂ footprint is 20 per cent lower than that of heating oil and 50 per cent lower than coal. Hexagon Ragasco participates in organized clean cooking alliances and “cooking for life” programs to promote the use of their easy-to-handle composite cylinders across the least developed countries. 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 is the eighth most-polluted country in the world. Almost 80 per cent of households there lack access to clean cooking and heating alternatives and more than 70 000 Bangladeshis die every year from diseases related to indoor air pollution. Bangladesh is one of Hexagon’s key markets.

Bio-LPG

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

Digitalizing cylinder systems

Hexagon Digital Wave’s technology enables digital transformation in the clean mobility and industrial gas markets. Miniaturizing sensors and embedding them in the cylinders enables the creation of a “digital twin” for each cylinder, and allows it to communicate with host vehicles or infrastructure systems. The real-time or near real-time monitoring afforded by this connectivity enables increased safety, extended cylinder lifetimes, and ultimately a second life for the cylinders through the reuse or repurposing of viable assets – contributing to a circular economy. See [Minimizing our operational environmental footprint](#) to read more about the environmental effects of the use of our products.

Preparing for the EU taxonomy

Sustainable finance is critical for the transition into a low carbon economy and a more just society. The EU taxonomy established a classification system with criteria for which economic activities can be considered sustainable. It is considered an important tool to channel capital into sustainable economic activities.

We have assessed our eligible activities

The EU Taxonomy was approved by the Norwegian Government in December 2021, but it has yet to be incorporated into the EEA agreements (Expected in June 2022). As the regulation

has not entered into force in Norway, Norwegian companies are not under the same obligation to report as companies registered in the EU.

However, for FY 2021 Hexagon has made a focused effort to interpret the EU Taxonomy criteria and apply it to its operations - identifying and assessing the eligibility of each of its activities. In this process, we found that Hexagon contributes to the first environmental objective "Climate Change Mitigation".

As the taxonomy framework is relatively new and not fully completed, it leaves room for interpretation. As a result, our assessments could change as the Taxonomy framework develops and is supplemented with regulatory guidance and recommendations, amendments to the taxonomy framework or court decisions going forward.

Our eligible activities

As a world-leading composite cylinder technology developer and manufacturer, we enable the safe delivery of clean energy in gaseous form to homes and industries, and we decarbonize transportation. The majority of Hexagon's activities are related to the production of composite cylinders. To date we have delivered over 600 000 high pressure composite cylinders, 70 000 fuel systems and more than 20 million LPG cylinders.

All our composite cylinders are deemed eligible as part of (3.6) Manufacture of other low carbon technologies. In addition, our cylinders manufactured specifically for the production and use of hydrogen (3.2) are deemed eligible, as well as our hydrogen fuel storage systems (6.15), Infrastructure enabling lowcarbon road transport and public transport.

In addition, our complete fuel systems for vehicles, and our battery packs and battery pack systems for fuel-cell electric and battery electric vehicles are classified under (3.3) Manufacture of low carbon technologies for transport and (3.4) Manufacture of batteries, respectively.

As we continue to develop our products and service, the majority of our ongoing investments in Research and development (R&D) can be classified under (9.1) Close to market research, development and innovation.

Aligned activities will be reported in Hexagon's 2022 Annual Report

In 2022, Hexagon will continue working to understand and use the EU Taxonomy and will report on the company's alignment in accordance with the regulations.

Our analysis and interpretations

As a manufacturer of key components to several industries, Hexagon Group has found in its assessment of eligible activities that it sometimes falls in between category descriptions in the Delegated Act as it stands today. To interpret the EU Taxonomy criteria, available guidance from the European Commission and the NACE alternate classification mapping has been applied.

We believe the following key assumptions are currently most correct to apply for our business, but we are aware that these assumptions may need to be adjusted in 2022 if they differ from new official guidance expected from the European Commission or from industry standard practices.

Manufacture and assembly

Hexagon's current understanding is that only vehicle manufacture should be part of the economic activity (3.2) Manufacture of low carbon technologies for transport. For Hexagon this means that only system assembly related to vehicle manufacturing is considered eligible under this activity. Manufacture of single components to the vehicle industry is considered eligible under 3.6 Manufacture of other low carbon technologies when aimed at substantial GHG emission reductions.

The lock-in effect

A fundamental concept in the EU taxonomy is to prevent lock-in of carbon intensive assets to ensure that investments are not harming the climate mitigation objective by financing long-lived assets that might contribute to reducing emissions in the short-term but are not compatible with a climate neutral economy by 2050. A range of Hexagon's cylinder products are used for compressed natural gas or liquified gas. However, as the cylinders can be and are used for both renewable natural gas and biogas (also recognized in the EU Renewable Energy Directive III), we take the view that Hexagon's cylinders will not lead to a lock-in of stranded assets.

Mobile pipeline

Hexagon Agility's mobile pipeline systems distribute renewable and compressed natural gas to locations that are not connected to a gas pipeline. We classify the mobile pipelines under 3.6 Manufacture of low carbon technologies. If the mobile pipelines are only manufactured to store fossil fuels, it could be argued that these should be excluded (and reported non-eligible) due to potential lock-in effects.

Cylinder testing and monitoring technology

Hexagon Digital Wave's cylinder testing and monitoring technology enables the life-extension of both metal and composite cylinders and allows

for high pressure cylinders to be repurposed to be used safely for lower pressure purposes over time. It is assumed that this activity will become eligible under the circular economy objective, which is yet to be finalized and published. For the reporting of 2021, this is treated as a non-eligible activity.

EU taxonomy, the work ahead

Hexagon supports the EU’s work on sustainable finance and other sustainability initiatives. Having a common and consistent standard of climate-related disclosure provides a common language for measuring sustainability performance and focuses corporates on investing and delivering returns from these activities. We view EU taxonomy as providing valuable information for our internal risk management, financial planning and strategy processes.

Moving ahead we will continue the assessment of alignment, including evaluation of the Substantial Contribution criteria, the *Do No Significant Harm* criteria and the *Minimum Social Safeguards criteria*. The company will calculate the proportion of aligned activities, by total turnover, capital expenditure and operating expenditure, and report in line with the EU taxonomy requirements for the 2022 calendar year. In addition, the company is closely following the development of the EU taxonomy.

KEY CHALLENGES

- Regulators continue to use CO₂ emission measurement from the vehicle tail-pipe, as opposed to a “well-to-wheel” approach; this de-incentivizes a number of viable options available today to reduce GHG emissions in the harder-to-abate segments, such as medium- and heavy-duty vehicle transportation
- Inconsistency in how the different alternative fuels are categorized within the EU regulatory framework can bar the further development and adoption of specific low-carbon fuel technologies

KEY OPPORTUNITIES

- The increasing penetration of renewable energy into the energy supply mix, the onset of electrification and improvements in energy storage are all key drivers of the energy transition.
- Regulation and commitment to decarbonization continues to increase in importance as investors prioritize environmental, social and governance(ESG) factors. EU taxonomy helps companies, investors and policymakers define economic activities that can be considered environmentally sustainable. In this way, it financially empowers more companies to make the transition to sustainable business. This is creating increased demand from companies of all sizes (small, medium and large) for sustainable and resilient clean energy solutions such as Hexagon’s.

OBJECTIVES AND FOCUS AREAS

- Actively support the education of the relevant regulatory bodies, as well as existing and potential customers on the alternative fuel technologies available today, their impact on GHG emissions reduction and the necessary role they play in reaching net-zero.
- Applying digitalization to the cylinder industry to extend the lifecycle and enhance the safety and circular economy of our cylinders
- Report on our EU Taxonomy-aligned activities effectively – while supporting the further development of EU Taxonomy regulation.

¹ Source: IAE, Global Energy Review: CO₂ Emissions in 2020
² NGV America, Argonne GREET® 2019
³ Source: An Overview of Renewable Natural Gas from Biogas, United States Environmental Protection Agency
⁴ Source: The Environmental Protection Agency, An overview of renewable natural gas from biogas

⁵ Source: United Nations Committee for Development Policy
⁶ Source: World Health Organization, Household air pollution and health
⁷ Source: World LPG Association
⁸ Source: United Nations Committee for Development Policy
⁹ Source: Liquid Gas Europe, What is LPG?



Minimizing our operational environmental footprint

Environment and climate change are material to Hexagon and our stakeholders. We deliver products and services that enable the transition towards clean energy, but to do so responsibly means also mitigating the embodied climate impact of our products. Currently, our main negative environmental impact is emissions from material purchased. Improving environmental benefits and reducing climate risks from our products are therefore at the core of our business model and ESG strategy.

Our approach

Hexagon prizes the resources it consumes. We prioritize innovation that can improve our processes, optimizing the material used in our cylinders, reducing emissions and waste and improving energy efficiency, all whilst maintaining rigorous quality standards. These processes are supported by certified environmental management systems. The relevant manufacturing sites are certified to ISO 14001 Environmental Management (see Hexagon's ISO certifications at www.hexagongroup.com). Emissions from the various manufacturing units are regulated by national and/or local authorities.

We report carbon footprint data for all our business areas. We believe that it is our duty and critical to our long-term success to provide transparent, traceable emissions information. Since 2019 we have reported on our direct emissions, and most importantly the indirect carbon emissions generated from the purchase of energy and raw materials – corresponding with the full range of scope 1, scope 2 and scope 3 emissions as recognized by The Greenhouse Gas Protocol. We utilize financial spend data to account for, and calculate, the climate impact of all economic activities throughout the group caused by purchased goods and services.

For many businesses, Hexagon included, a large portion of carbon emissions are generated in scope 3 activities. It is therefore of high strategic importance to reduce our indirect carbon usage and include it in our long-term commitment: to reach net-zero as soon as possible before 2050. We are currently working on setting shorter-term reduction goals for 2030 in line with the 1.5°C Paris Agreement target, and having them validated by the Science-Based Targets Initiative.

96.2 per cent of our emissions are generated within our value chain, more specifically through key raw materials and other purchased goods and services.

Waste and Circularity

We strive 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 is generated at product end-of-life and is related to the disposal of the cylinders. The impact of the waste relates to the method of disposal, e.g. energy recovery, recycling, landfill etc.

Other waste related to Hexagon’s operations includes scrap during production and testing, such as cardboard, paper, plastic, wood, e-waste and metals, as well as regular household types such as packaging and food waste.

Some of the waste associated with our operations is hazardous. Hexagon employs specialized contractors who safely dispose of this waste. Waste data is provided by 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 2021.

Non-renewable materials used to create Hexagon’s products include carbon fiber, glass fiber and binding materials. Hexagon does not have reportable data for the total amount of packaging used in distributing its products.

Hexagon is in the process of assessing ways to mitigate and reduce the negative impact generated in its value chain – one of its initiatives is to source materials closer to its manufacturing sites. See [Responsible procurement](#) to learn more.

Results and achievements

Our total carbon footprint

In 2021, we substantially expanded our scope 3 emissions reporting to ensure we capture the most significant indirect sources of GHG emissions in our value chain. We also updated our calculation methodology and recalculated our 2020 numbers. This has resulted in a more accurate overview of our GHG emissions. The total GHG emissions from our activities in 2021 amounted to 303 138 metric tons, up from

261 375¹ metric tons in 2020. This includes scope 1 emissions and location based scope 2 emissions, and scope 3 emissions.

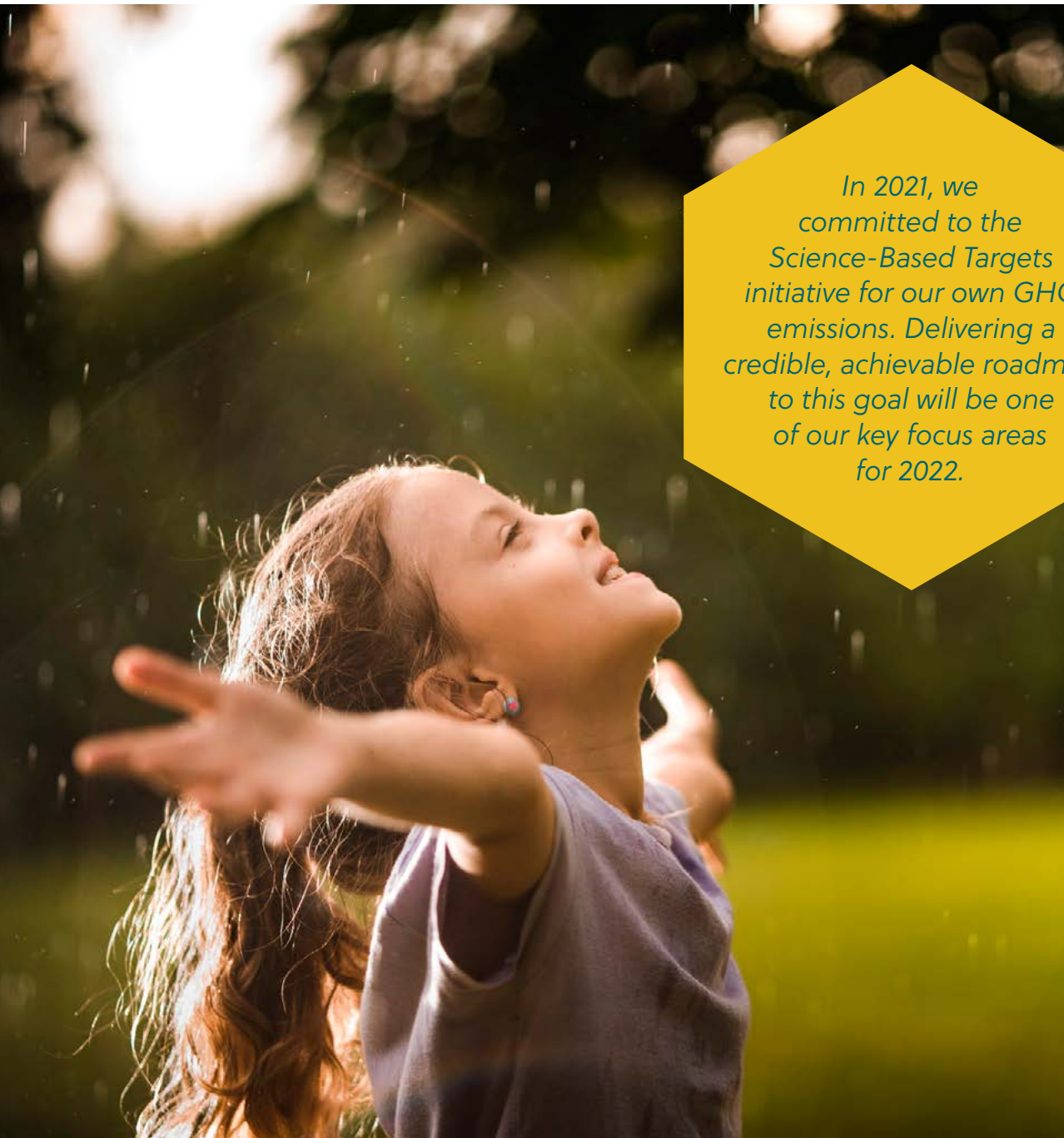
Our scope 3, indirect emissions, accounted for 291 642 metric tons, including of which other purchased goods and services amounted to 167 485 metric tons, including paint & powder, operating supplies and helium gas for pressure testing of products.

	2021 greenhouse gas emissions (tons of CO ₂ equivalent)	2020 greenhouse gas emissions (tons of CO ₂ equivalent)
Emissions scope ¹		
Scope 1 (direct emissions)	3 527	3 227
Scope 2 (indirect emissions from electricity use-location based)	7 969	7 507
Scope 2 (market -based)	12 431	11 832
Scope 3	291 642	250 641

Energy consumption	Unit	2021	2020	2019
Non-renewable fuel consumption	GJ	61 855	56 846	49 584
Renewable fuel consumption	GJ	Not reported	Not reported	2 236
Electricity consumption	GJ	95 282	90 879	97 059
Heating consumption	GJ	1 470 ²	954 ²	Not reported
Total energy consumption	GJ	158 607	148 679	148 879

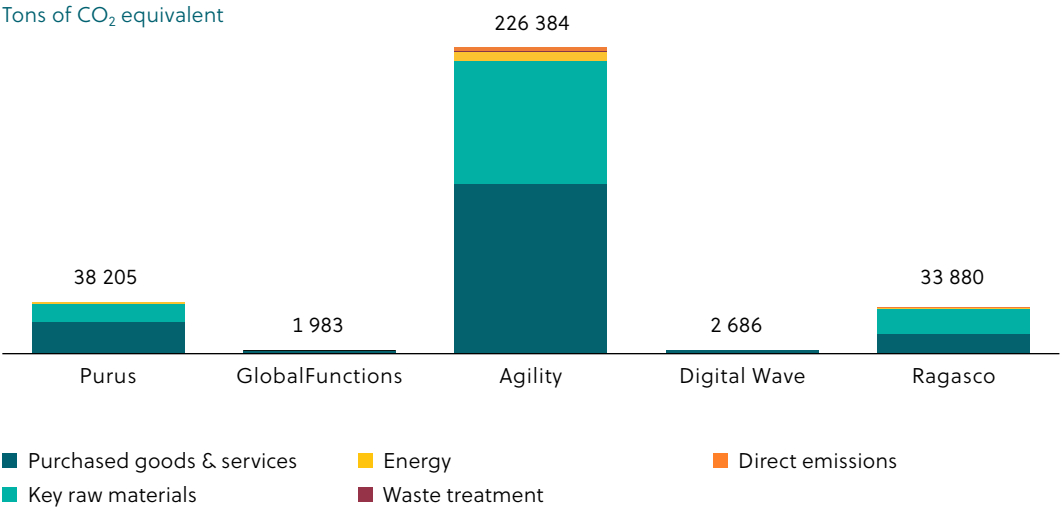
¹ Restatement of numbers. New numbers due to new calculation method

² Inconsistent reporting

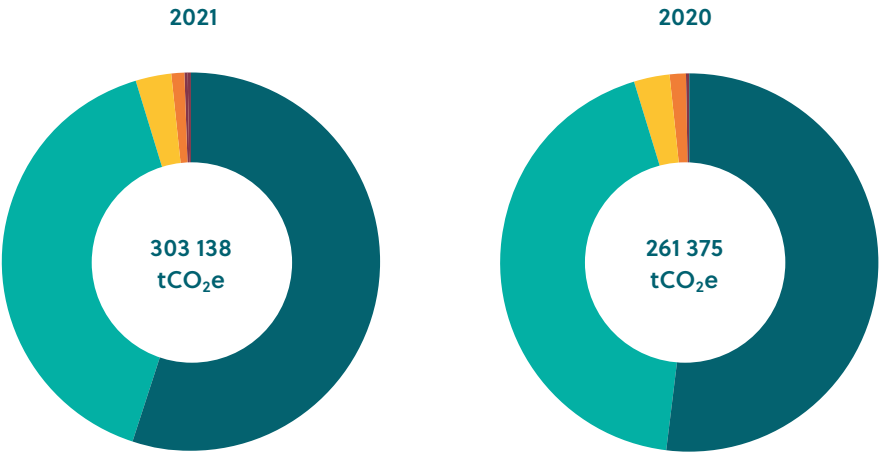


In 2021, we committed to the Science-Based Targets initiative for our own GHG emissions. Delivering a credible, achievable roadmap to this goal will be one of our key focus areas for 2022.

EMISSIONS BY BUSINESS AREA 2021



OUR TOTAL CARBON FOOTPRINT



Scope 3 emissions

Description	Calculation Methodology	Estimated GHG Emissions
Key raw materials Our most used raw materials hold a significant share of our reported GHG emissions, providing ample opportunities to improve in line with our ambitions/goals/targets.	Our sourcing specialists analyzed all raw material transactions across our operational business areas, where the top four raw material categories were found to contribute more than all other raw materials entering our group combined.	Sum of key raw materials 122 065
Carbon Fiber Carbon Fiber emission factors from EuCIA ¹		84 739
Glass fiber Glass fiber emission factor taken from our Environmental Product Declaration composite LPG cylinders. ²		7 378
Extrusions Extrusions consists mainly of high-density polyethylene (HDPE). A global, industry average life-cycle inventory for HDPE was used to calculate the emission factor for this category. ³	Emissions from key raw materials are estimated by multiplying transaction data (mass) from our ERP system with industry average life-cycle emission factors per unit mass of each key raw material. This corresponds with the average-data method provided in the GHG Protocol.	7 723
Ingredients & accelerators Consists mainly of resin. A global, industry average life-cycle inventory for epoxy resin was used to calculate the emission factor for this category. ³		16 443
Aluminum		5 782
Other purchased goods and services This category includes all of our other purchases of goods and services. This includes, but is not limited to, capital goods and investments, upstream emissions from the production of fuels, transportation, operational waste and business travel.	Embodied carbon from other purchased goods and services is estimated by multiplying our spend data with emission factors per monetary unit spent. This enables us to report estimated emissions from all group-wide economic activities.	167 485
Transport costs (internal and outbound)	Emission factors are calculated from multiregional environmentally-extended input output tables, which estimates GHG emissions from different sectors and products. This approach aligns with the spend-based method outlined by the GHG Protocol.	7 157

¹ <https://ecocalculator.eucia.eu>
² <https://hexagonragasco.com/about-us/sustainability/epd>
³ <https://ecoinvent.org>

Life cycle assessment: improving end-of life

Hexagon Ragasco conducted a Life Cycle Assessment (LCA) in 2020. Based on this LCA, Hexagon Ragasco obtained the Group’s first Environmental Product Declaration (EPD) in 2021, issued by the Norwegian certifying body EPD-Norge. This EPD covers the production stage of Hexagon Ragasco’s composite LPG cylinders (including the production of raw materials, transportation of raw materials to our manufacturing plant in Norway, production of the cylinders and transportation of the finished products to the port of Oslo). An extended LCA analysis is now being finalized including the use and end-of-life stages of our products’ lifecycles, focusing on their typical use in the Nordic countries. Based on this extended LCA, a new EPD based on the whole product life cycle will be published in first half of 2022.

Based on the current LCA of the production stage, we have developed an LCA calculator tool which we have started to use for strategic calculations of improvements that will contribute to a lower carbon footprint for our products. The calculator tool will be expanded to encompass the use and end-of-life stages immediately the extended LCA is finished.

The current EPD shows that raw materials contribute 88 per cent of the total carbon footprint of

the product stage. At the same time, the results show the emissions from our own manufacturing are very low, mainly because the production plant in Norway is highly efficient and powered by hydroelectric energy.

The results show the importance of working strategically with the entire value chain and help to secure the commitment of our raw material suppliers to reducing emissions from their production. Hexagon Ragasco has included sustainability as a topic of discussion in our supplier meetings to request information about their strategic work and target setting. We also request specific carbon emission factors for our materials so that we can use more exact data in our LCA calculator. In 2021, Hexagon Ragasco implemented sustainability as a factor in our purchasing criteria. In 2022 we will purchase more raw materials from suppliers closer to our production site where this offers a reduced carbon footprint.

Recycling and zero waste

In 2021, Hexagon Ragasco targeted the implementation of re-use of in-house HDPE waste from casing parts, enabled by investments in infrastructure made in 2020. However, when running trials, it became clear that further investment would be required to ensure the efficient handling of the many differently-colored casing materials in a way that could be integrated with

the rest of the fully-automated manufacturing plant. Further investments were carried out in 2021, with an additional grinder and a de-duster (to improve the quality of the reground material) installed in our plant. Trials were the carried out to identify the optimum material mixes for re-use, ensuring the quality of our products.

Hexagon Ragasco was also awarded external funding to investigate the use of recycled, post-consumer HDPE into our casing parts. This project will be carried out in 2022. Hexagon Ragasco sees a continuous increase in demand from customers for spare parts for the cylinders casing. The availability of such spare parts can significantly prolong the lifetime of our pressure vessels.

In 2021, Hexagon Ragasco was awarded external funding to invest in infrastructure for the

mechanical recycling of our composite pressure vessels. This investment will increase the accessibility of composite waste to be used in a range of applications as fillers and/or reinforcement materials, as well as in higher value products. This project is one of several important initiatives targeting innovative recycling solutions on the path towards a circular economy, both for Hexagon Ragasco and other regional and national partners. Hexagon is running several R&D projects aimed at finding ways to recycle composite materials into other commercial products. We are also testing alternative resin materials in our ongoing efforts to further improve our carbon footprint.

As part of our recycling and zero waste initiative, and in response to our desire to reduce the amount of residual material ending up in landfills, Hexagon’s manufacturing facility in Lincoln, Nebraska recycled 46 metric tons of carbon fiber.

WASTE KPIS

Waste	Unit	2021	2020 ¹	2019 ¹
Total amount of waste generated	Metric tons	3 787	2 636	2 176
Non-hazardous waste generated	Metric tons	3 729	2 580 ²	2 102
Hazardous waste generated	Metric tons	58	56	74

¹ 2019 and 2020 numbers on non-hazardous and hazardous waste were swapped in 2020 reporting. Numbers for are correctly presented in the table above
² Due to incorrect reporting, non-hazardous waste 2020 have been recalculated from 1 872 metric tons to 2 580 metric tons

At our facility in Fontana, California we recovered all of the 24 metric tons of waste that did not get recycled, converting it to energy. No waste went to landfill. We also replaced disposable packaging with reusable packaging for the fuel systems to increase shipping density and reduce waste. This diverts over 363 metric tons of packaging waste from landfill.

Increase in production and activity level has resulted in an increase in non-hazardous waste.

KEY CHALLENGES

- The urgent need for a transition to a resource-efficient, low-carbon economy
- Maximizing the positive climate impact of Hexagon technologies by enabling the avoidance of GHG emissions in the production of those technologies and optimization of waste management
- Effectively and efficiently mitigating the negative impact of indirect carbon emissions generated from the purchase of raw materials for production – such as glass fiber and carbon fiber – while ensuring enough supply and remaining competitive
- Pandemic-driven supply constraints limiting negotiation ability with suppliers

KEY OPPORTUNITIES

- Climate change and the low carbon transition increases demand for Hexagon, as a solutions provider in this space
- Improving end-of-life strategies to reduce waste and further enhance the circularity of our value chain
- Regulatory support and customer demand for greener solutions throughout the supply chain

OBJECTIVES AND FOCUS AREAS

- Develop a climate roadmap to reach our targets for 2030 and 2050
- Continue to explore waste reduction initiatives and establish waste targets
- Establish targets for energy consumption
- ISO 50001 certification (energy management system), for Hexagon Agility’s manufacturing sites at: Lincoln, Nebraska; Fontana, California; Salisbury, North Carolina; and Raufoss, Norway
- Further increase engagement with key suppliers to understand and develop their climate ambitions and reporting, and to work with them to enhance our production
- Further the work on lifetime assessment analysis throughout our businesses

Product safety and compliance

Hexagon's cylinders are used to transport and store highly pressurized gases. The safety of our cylinders is essential to our license to operate, and 100 per cent of our cylinders are tested before being shipped to the customer.

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. Our high-pressure composite cylinders weigh up to 50 per cent less¹ than steel cylinders, are corrosion-resistant and not susceptible to material fatigue - something of crucial importance to the cylinders' life cycle and safety. The lower weight of composite cylinders means they can also be more economically efficient, with fewer maintenance requirements and lower transportation fuel consumption.

Our approach

Building on a safety-first culture

With over six decades of experience in the field of composites, Hexagon has leveraged its expertise to improve the safety of all its cylinders and cylinder systems. A fully integrated business model allows us to utilize knowledge from one market to improve performance and safety in

other markets. Our depth of experience with composite pressure cylinders has enabled us to develop best-in-class fuel systems and gas transportation modules. Our unbeatable track record of comprehensive risk assessments means we know what works - and we use that knowledge to improve safety worldwide.

Training and continuous improvement

We instill our people with a sense of pride in the safety of our products. Employees are trained to identify potential design, engineering, manufacturing and quality risks, and to immediately report such risks to supervisors. We promote transparency along with safety, to ensure diligence in assessing risk. Every Hexagon employee is responsible for doing their part to ensure product safety and quality. Each individual has the authority and responsibility to stop any process (in either production or office environments) to correct quality problems, reestablish process control, or contain defects and errors.



Compliance with standards and regulations

We assure the safety of our products throughout every stage of production in our design review process, every design or design enhancement is subjected to rigorous peer review, allowing for multiple iterations and multi-disciplinary input. We conduct regular product segment reviews and roundtable safety sessions to evaluate potential field issues and consider customer feedback. Forensic evaluations are conducted on select populations of products that have completed their useful life, to understand in-field aging effects and residual performance capabilities. We use this information in continuously improving our products’ safety.

Hexagon is integrally involved in the development of safety codes and standards within the industry. Hexagon personnel hold positions on the standards committees and actively participate in standards evaluations and reviews. As new products are developed, we critically assess how safety codes and standards should be modified or revised to address new risks. Rather than standards driving how our products are designed, we design products that drive more rigorous and stringent standards, thereby promoting safety advancements across the whole industry.

¹ Source: AGA

KEY CHALLENGES	KEY OPPORTUNITIES	OBJECTIVES AND FOCUS AREAS
<ul style="list-style-type: none">• Maintain leading market position as increased demand for zero and low carbon solutions brings with it additional competition• One incident in the industry, is one too many – product safety flaws by our competitors can have as strong an effect on our business (and the entire industry) as our own.• Supply chain challenges including access to enough high-quality green(er) raw materials• Pacing production capacity to meet demand	<ul style="list-style-type: none">• Grow our leading position as a high quality, environmentally-friendly solutions provider in a market that continues to expand• Integral involvement in the development of safety codes and standards, promoting safety advancements across the industry• Increased demand calls for production at scale, which reduces cost per unit	<ul style="list-style-type: none">• Go beyond compliance, push for improvements to international standards and relentlessly strive to improve product safety• Bring leading-edge technology for the real-time monitoring of cylinders and life extension to the market from Hexagon Digital Wave• Further product innovation through digitization

It is not enough that our products obtain the required certifications. We consistently exceed the minimum standards, validating through modeling, analysis and testing to ensure our products are best-in-class. Our cylinder design and development processes include verification of customer and industry requirements, followed by rigorous testing sequences that subject the

product to extreme performance thresholds. When validation testing is complete, the product is certified for operation. Every cylinder is tested at a pressure higher than it will ever experience in the field; this enables Hexagon and its customers to stand behind the safety and reliability of our products.

Hexagon’s business areas are certified to ISO 9001, 50001 and 14001. For a full overview please visit www.hexagongroup.com

Responsible procurement

Hexagon works with suppliers and business partners around the world. We purchase goods and services from a wide variety of suppliers, from large international organizations to specialist local vendors. We primarily source services and components during the development and production phases of our projects. Many of our relationships are well-established and long-term, built on integrity and mutual respect.

Our approach

The sourcing of our goods and services and other supplier interactions must be conducted in a proper manner. Social, environmental, and economic factors are increasingly integrated into our assessment of suppliers and our sourcing decisions, and are therefore embedded in our [Supplier Code of Conduct](#).

When engaging with suppliers, we set out our expectations and requirements regarding sustainability through our contract and bidding documents, including Hexagon's terms and conditions, Supplier Code of Conduct, supplier quality manual, supplier scorecards and supplier audits.

Hexagon communicates its sustainability requirements and objectives across its supply chain to ensure suppliers:

- Have management systems adequate to ensuring compliance 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, the emission of pollutants, use of hazardous substances, and waste of all types
- Practice adequate due diligence with respect to the responsible sourcing of raw materials
- Conduct their business in an ethical manner, free of conflicts of interest and corruption, and with fair competition.

Supplier audits may take several forms, from initial self-assessments to comprehensive on-site reviews. The selection of suppliers and sub-contractors has a significant impact on Hexagon's social and environmental performance. All suppliers are expected to adopt and implement Hexagon's requirements as a condition of doing business with the Group. Our supply chain management work is guided by international standards including the OECD Due Diligence Guidance for Responsible Business Conduct, and the UN Guiding Principles on Human Rights.

Our objective is to actively manage and encourage suppliers to meet governance standards including decent employment conditions for their

employees and responsible stewardship for the environment.

Failure to comply with the Hexagon Supplier Code of Conduct could result in the termination of a supplier's relationship with the Group. We have not yet had reason to terminate a supplier relationship due to sustainability-related misconduct.

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 with, and feedback from, suppliers.

Supplier scorecards cover:

- Innovation
- On-time delivery
- Quality performance
- Responsiveness and communication
- Cost
- Quality support
- ESG programs

Results and achievements

In 2021, the Group developed and rolled out its Supplier Code of Conduct to ensure suppliers and business partners are aware of and comply with all of Hexagon’s expectations and requirements.

We sourced 12 291 metric tons of key raw materials to manufacture our primary products, of which 6.9 per cent is renewable materials. Non-renewable materials includes carbon fiber, glass fiber and binding materials. Some of those materials with environmental considerations are:

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

Hexagon Agility – the Group’s largest business area - conducted supplier audits which included ESG questionnaires for 80 per cent of its spend in 2021. The business used the output from the ESG questionnaire to a limited degree in its decision-making process. This will be a focus area going forward.

The Group focus in this area is to find short- and long-term solutions to mitigate emissions by, for example, using locally-produced raw materials. As an example, Hexagon Ragasco has found that by increasing one of our raw materials to 35 per cent local production in 2022, the company will improve its greenhouse gas footprint by 4.2 per cent in the production stage, per cylinder produced.

KEY CHALLENGES

- Driven by new regulatory requirements, further understanding the total emissions picture from our suppliers’ and sub-suppliers’ operations is of the utmost importance. Our expectation going forward is to capture the emissions in our value chain and enable targeted initiatives with our supplier base to reduce emissions across all scopes.

KEY OPPORTUNITIES

- Hexagon’s climate opportunities lay to a large extent in the development of our products. A substantial portion of our carbon emissions are generated from the raw materials our production consumes. It is therefore of high strategic importance to reduce our indirect carbon usage through a closer collaboration with our partners and suppliers who meet or exceed our expectations.

OBJECTIVES AND FOCUS AREAS

- Reviewing its results from 2019 to 2021, Hexagon will increase its focus on its supply chain to meet our short- and long-term reduction targets, and to work with our suppliers to assure alignment with, and delivery of, our sustainability goals
- Mapping key ESG risks in our supply chain
- Directly engaging with high-impact suppliers to better understand their ESG risks and mitigating activities
- Continuing to map our suppliers’ climate reporting and ambitions
- Expanding our understanding of, and reporting on, the primary indirect sources of GHG emissions in our supply chain
- Develop specific sustainability initiatives and relevant metrics
- Stepping up sustainability risk management to improve supply chain performance and integrate SDG ambitions for climate and labor conditions

Responsible employer

Keeping our employees safe during our operations is vital. Hexagon's manufacturing involves complex machinery and industrial processes, rapidly moving equipment, heat, caustic chemicals and pressurized gas. Hexagon has established training and operational requirements that ensure a safe and healthy work environment.

We believe this promotes efficiency and lowers operating costs, and that a safe, healthy and engaging work environment for all employees is a necessity for a sustainable and profitable business. It is why we conduct our business with respect for human rights and labor standards, including conventions and guidelines related to the prevention of child or forced labor, minimum wage and salary, working conditions and freedom of association.

Our approach

We set out to minimize harm to people and the environment and to secure our employees' active contribution to a positive health and safety culture. We communicate our standards to our employees through local environment, health and safety (EHS) standards.

Hexagon continuously works towards an overall goal of zero injuries and zero impact on people and the environment. To achieve this, we maintain ambitious health and safety standards to prevent hazards and incidents for all our employees and for other parties working on behalf of the Group. We take responsibility, set requirements and monitor performance in both the development and production phases of our products.

All employees in Hexagon are responsible for reporting incidents, near incidents, safety breaches and hazards. Our people are encouraged to report, without fear of retribution, in a no-blame culture. They also have free access to our global, third-party whistleblowing channel, which complies with national and international standards.



DID YOU KNOW

100 per cent of employees are covered by our occupational health and safety management systems.

100 per cent of employees are covered by our occupational health and safety management system. The occupational health and safety management system is intended to enable our organization to provide a safe and healthy workplace, prevent work-related injury and ill health, and continually improve our performance.

We are committed to maintaining a comprehensive, effective and consistent EHS management system across all our business and production areas. Overall responsibility for health and safety resides with the senior management and Boards of their respective business segments in Hexagon. Relevant departments, including EHS, HR and our operational teams, manage and monitor day-to-day implementation.

Our performance and objectives are monitored internally on a quarterly basis. We have adopted

tools and routines to systematically assess hazard recognition and implementation of preventive measures, which are conducted at each site by local EHS responsables. The global EHS team meets every two weeks to evaluate and analyze incidents/hazards. Important lessons learned are communicated amongst the functions and relevant business units through safety reports and meetings.

Results and achievements

Hexagon delivered close to 2.5 million working hours with no fatalities in 2021. Our work-related injuries (WRI) increased to 40 (17) in 2021. The typical injuries involved employees being

struck-by-objects and strains. We are not satisfied with this result and aim to reduce our WRI in 2022.

We have assessed the cause of the increase in incidents and confirmed that it is, to a large degree, attributable to “the great resignation”; the unusually higher-than-normal quit rate of American workers in the spring of 2021, which continued until vaccinations eased the severity of the COVID-19 pandemic in the fall. With a high turnover, it is evident that our onboarding processes, training programs and awareness activities were not robust enough to address the influx of new people and the exit of experienced personnel.

As a mitigating measure we recalibrated our EHS initiatives launched in 2020 and 2021. To date, new improved onboarding programs, more extensive training programs and awareness activities are ongoing. As a result, the rate of injury in the second half of the year and into 2022 has already shown a significant improvement.

To further strengthen the health and safety culture we will introduce new activities in 2022, including reinforcing management commitment, employee participation, and hazard recognition assessment and control. In addition, we will have specific initiatives focusing on hand injury prevention, tool handling and dermatitis prevention.

KEY PERFORMANCE INDICATORS

Indicator	Unit	Target 2021	Actual 2021	Actual 2020	Actual 2019
Fatalities	Number	0	0	0	0
Work-Related Injuries (WRI) ¹	Number	0	40	17	19
TRIF (Total recordable incident frequency) ²	Rate per 200 000 hours	2.0	3.21	1.99	1.83
LTIF (Lost time incident frequency)	Rate per 200 000 hours	1.0	1.04	0.69	0.49
Lost Time Incidents (LTI) ³	Number	1.0	13	7	5
Close calls ⁴	Number	N/A	462	438	340
Working hours incl. full time, part time and agency people ²	Number	N/A	2 491 537	1 710 224	2 072 089

All figures include hours from subcontractors. Rates are calculated per 200 000 hours worked

¹ Work-Related Injuries: A work related incident is recorded as an WRI if it results in one of the following; death, days away from work, restricted work or transfer to another job, medical treatment beyond first aid, loss of consciousness, significant injury or illness diagnosed by a physician or other licensed health care professional
² Total recordable incident frequency: is defined as the rate of work-related injuries per number of hours worked
³ Lost Time Incident Frequency : Is defined as the number of lost time injuries occurring per 200 000 hours worked
⁴ Close calls: an incident where no injury or ill health occurs, but has the potential to do so

Sick leave

Sickness absence levels in Norway and Germany were 5.6 per cent and 6.2 per cent. No occupational disease cases were recorded in the Group. In North America, sickness absence was not recorded as employees are allocated generic paid time off (PTO) of 15 days – which includes but is not limited to sickness absence.

EHS audits

Hexagon’s EHS audit plan for 2021 covered all our manufacturing sites. An ISO audit of Hexagon was successfully completed by DNV (“the independent expert in assurance and risk management”) in 2021, resulting in the retention of existing certifications for ISO 9001 (quality management systems), ISO 14001 (environmental management systems) and ISO 50001 (energy management system)

Response to COVID-19

COVID-19 has had an impact on how we work, but our business and operations have been largely unaffected. The health, safety and well-being of our employees has been the number one priority in our COVID-19 response. Throughout 2021, we have responded both globally and locally to the situation, with communications, site risk assessments, business continuity planning and situation reporting in place for our business areas and local emergency response teams.

In 2022, we will continue to apply appropriate COVID-19 response measures and wellness activities for our employees.

Response to Ukraine Invasion

Hexagon is closely following the tragic events unfolding in Ukraine and the resulting humanitarian crisis.

While we don’t have operations or employees in the Ukraine, we have a sales/distribution entity in Russia staffed by 6 of our dedicated employees.

The Company is closely monitoring the situation and is continuously assessing potential impacts to ensure compliance with international sanctions. In the meantime, Hexagon has stopped all product shipments to Russia. Our offices remain open, and we continue to follow up our Russian colleagues.

Continuous improvement of our zero injury, zero impact culture

The data collected in 2021 demonstrates a need to ensure additional key performance indicators

(KPIs) are in place and the desired outcomes are closely monitored. To achieve our target of zero WRI, we will introduce KPIs covering high-potential incidents, observations, incidents with injury, and close call reporting. Reporting, analyzing underlying causes, implementing measures in connection with near accidents and hazardous situations, as well as frequent inspections at our facilities, will continue in 2022.

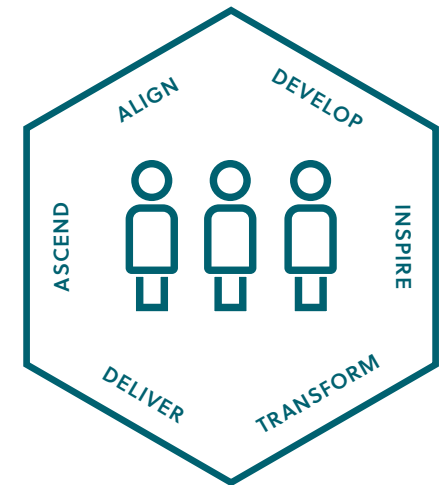
KEY CHALLENGES	KEY OPPORTUNITIES	OBJECTIVES AND FOCUS AREAS
<ul style="list-style-type: none">• Keeping workforce safe in dynamic and challenging manufacturing environments• Continuing to mitigate impact of global pandemic• Minimizing environmental footprint of our value chain and operations	<ul style="list-style-type: none">• Improvement of performance indicators• EHS audit plan to identify areas for greater focus• Raise profile of organizational commitment and leaders-as-role-models for EHS	<ul style="list-style-type: none">• Provide greater opportunity for personal development and training• Continuous improvement of health and safety results and promotion of zero injury culture• Increase employee competence in health and safety behavior through safety engagement activities• Reinforce management commitment, employee participation, hazard recognition assessment and control, and our education and training programs



Workforce development and Hexagon university

We strive to create a culture where our employees feel engaged and motivated. Our ability to drive personal development is critical to delivering on our strategy. We recognize that people are our most important asset, and we strive to create an environment that cultivates excellence, promotes our values and encourages diversity.

Through our internal learning and development function "Hexagon University", we build and implement a range of programs for our employees. The aim is, over time, to bring added value to the professional and personal development of Hexagon's talented people. Our vision is for Hexagon University to be the parent organization where training and development programs - including topics such as strategy, corporate governance, our Code of Conduct, culture and values - are all integrated into a common learning management system.



Our approach

Developing leadership as a competence and a fundamental aspect of our company culture is critical to delivering on our business strategy and reaching our goals. A key leadership development initiative begun in 2021 is our development program, “Drive”. Drive is Hexagon’s leadership accelerator, intended for all our leaders across the Group. It is a comprehensive, two-day workshop that engages our leaders in activities, discussions, and hands-on practice in a variety of leadership competencies, such as feedback, coaching, change leadership, and team development. The vision for Drive, together with Hexagon University, is to unleash the full potential of every member of the Hexagon team.

We believe our leaders play a vital role in driving employee engagement – which is why we start by training their trainers.

Results and achievements

In 2021, we launched the Hexagon University Workplace group, with monthly sponsored events on topics such as “Building Resilience” and roundtables with Hexagon leaders discussing their philosophies and their leadership journeys. We also developed Drive, the first program sponsored by Hexagon University. Furthermore, we created the Hexagon Leadership Path, a roadmap of programming that takes employees

from exploring management on to leadership roles.

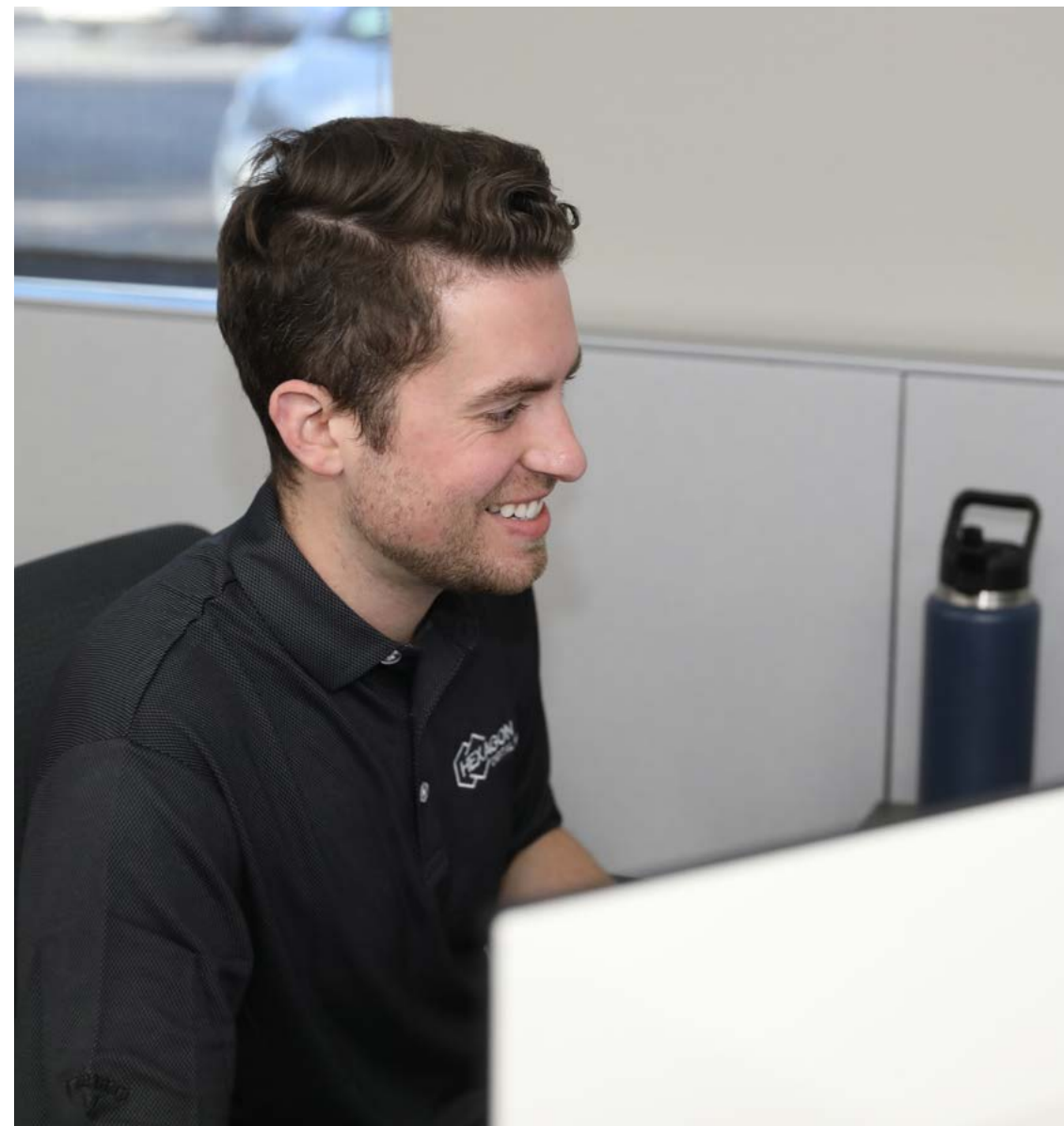
Great Places to Work

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, expanding the survey to the entirety of the Hexagon Group. The results of that survey were reported in our 2020 Sustainability Report.

In 2021, the Group was reorganized and rebranded. During this process, it was agreed to adjust the Great Places to Work survey cycle to occur annually, starting in March 2022.

The 2020 Great Places to Work survey kicked off a process in which we engaged with our people in continuous improvement teams to address the weaknesses the survey results identified. Some of the highlights of those results were:



- 81 per cent of employees were proud to tell others they work at Hexagon
- 88 per cent reported they were treated fairly, regardless of their sexuality
- 86 per cent said they were treated fairly, regardless of their race
- 85 per cent of employees responded that they were treated fairly, regardless of their gender
- 82 per cent said they were treated fairly, regardless of their age

Employee engagement an important element of bonus programs for managers

Every year, two Individual Personal Objectives Review sessions are conducted, in which the senior management is evaluated in terms of how well they succeed with their defined objectives for the year. These sessions cover management, employee engagement, competence building, diversity (including gender equality and equal pay) and strategic staff planning. Financial targets and sustainability goals are followed up in the Business Review, which is also conducted by the CEO twice a year. The achievement of financial and sustainability targets constitutes the basis for the determination of bonuses for the CEO and senior Group management.

KEY CHALLENGES

- The decentralized nature of our business presents challenges for the consistent implementation of a talent development strategy; performance management processes vary across the business and require ongoing partnership with local HR and business leaders
- Employee training and development is owned across many functions and disciplines, so co-ordination of an employee’s full curriculum (job skills, compliance and personal development) is challenging and is currently out of scope for Hexagon University, though it does remain a long-term goal
- Accessibility by way of translation and cultural adjustment of Hexagon University content is a challenge, but one that can be met by engaging local teams

KEY OPPORTUNITIES

- The organization is highly engaged with the idea of personal and professional development; our senior leaders have all given their full endorsement and support to Hexagon University
- Hexagon University is well positioned to be an arm of both our social strategy (ESG) and our global brand strategy
- Expanding Hexagon University’s dedicated resources to assist in our efforts to create a better global learning and development presence
- Through virtual channels like Teams and Workplace, we can better engage our full workforce in Hexagon University offerings

OBJECTIVES AND FOCUS AREAS

- Focus on leadership development across all business areas in 2022, with an emphasis on our leadership accelerator program, Drive
- Continue to explore technology that better tracks, assigns, and delivers training to our growing, global workforce
- Build out the full leadership development curriculum to give the business access to content that is relevant and targeted at key talent gaps within our leadership pipeline
- Maintain a strong connection to HR and business leaders to ensure Hexagon University content is global, accessible, relevant, and engaging
- Create an index for the impact that employee development has on our success and growth
- Establish a learning management system for the organization, incorporating our full employee curriculum

Diversity and inclusion

Diversity is a competitive advantage and a business imperative for Hexagon. With more than 35+ nationalities in our team and operations around the world, we consider ourselves a truly global company. Our people are central to our quest to become a global leader in clean technology solutions.



Our approach

We embrace diversity and inclusion in our practices, policies and procedures, including but not limited to our hiring process, performance and rewards management, learning and development programs and initiatives. Hexagon continues to build a diverse talent pool, both through our selection processes and the work environment we promote and support. Preferential treatment or discrimination in working conditions due to gender, religion or ethnic background are strictly prohibited at Hexagon.

Results and achievements

Hexagon developed and rolled out its [Diversity and inclusion policy](#) in 2021 to further promote a culture of inclusion. We had one reported allegation of discrimination in 2021, which was later resolved with the matter being closed. This related to a former employee’s termination and, after a thorough examination, the City of Lincoln, Nebraska, Commission on Human Rights concluded there was no reasonable cause to believe any discrimination had occurred. No issues were identified, and no remedial actions were taken.

KEY PERFORMANCE INDICATORS

Governance body	Gender (% female)		Age group (%) 2021		
	2020	2021	<30	30-50	>50
Executive Management	-	14%	-	-	100%
Board of Directors	40%	40%	-	-	100%
Headquarters (Norway)	46%	46%	8%	38%	54%
Managers ¹	18%	16%	2%	62%	36%
The Group	18%	19%	21%	55%	24%

¹ Defined as M3 and above plus people with direct reports

At the end of 2021, Hexagon had 1 300 full-time and 28 part-time employees in its workforce¹, of whom 47.9 per cent were categorized as production employees². The remaining 52.1 per cent were employed in administrative roles such as sales, marketing, R&D, procurement, HR and finance. We recruited 434 highly skilled new employees during the year and engaged 80 agency contractors³.

We successfully achieved our 2021 target of increasing the number of women in our workforce. 19 per cent of our workforce in 2021 was female, compared with 18 per cent in 2020.

We launched a number of initiatives in 2021, working across our business areas to focus on recruiting female candidates and promoting women in our leadership programs. While these initiatives have been important, there is still room more improvement. Increasing the share of female employees will therefore remain a priority for 2022. To remain focused, we have set longer-term targets of 25 per cent women by 2025 and 30 per cent women by 2030.

KEY CHALLENGES

- Pandemic driven lockdowns around the world and the impacts on employees’ work pattern and engagement
- Talent recruitment and retention in a manufacturing market that is growing more and more competitive
- Improve gender diversity in a male dominated industry
- Secure employee work-life balance in a company that is in a strong growth phase

KEY OPPORTUNITIES

- Strengthen employer branding as part of new brand roll out
- Strengthen our approach to diversity and inclusion
- Explore new ways of working to facilitate global utilization of talent to our competitive advantage
- Leverage Hexagon University for leadership and skills development
- Reinforce training and awareness through the introduction of new training tool that measures comprehension
- Establish a system to enable deeper analysis of people data as a basis for business decisions and predictions.

OBJECTIVES AND FOCUS AREAS

- Provide greater opportunity for personal development and training for women
- Continue to promote gender diversity and its benefits among leadership
- Create an index for the impact that diversity has on our success and growth
- Further develop detailed roadmap for reaching 2025 and 2030 diversity goals

The previous table provides an overview of gender diversity and age for Hexagon’s Board of Directors and executive management, our managers, headquarters staff and the Group overall.

See www.hexagongroup.com for further detailed data on employees.

¹ When we reference workforce or employees in this report, unless otherwise stated, we are referencing headcount for our Group, including our operating businesses and headquarters as well as other staff functions 2021 numbers exclude Wystrach GmbH
² Includes operators and maintenance
³ Includes agency contractors, temporary workers not on a Hexagon payroll



Business ethics and anti-corruption

Hexagon's corporate culture and sustainability values include standards and objectives for sound business ethics. We have a set of guideline documents for corporate responsibility and a Supplier Code of Conduct, as well as manuals and more specific guidelines for different areas such as anti-corruption, diversity and inclusion, responsible sourcing, environment, health and safety, and human rights (see www.hexagongroup.com for more information). Our ethical guidelines were revised in 2021 in a process that involved many parts of the organization, including the unions. The guidelines were communicated in a mandatory e-learning package that includes an overview of Hexagon's ethical expectations and requirements.

Our ethical guidelines were revised in 2021 in a process that involved many parts of the organization, including the unions. The guidelines were communicated in a mandatory e-learning package that includes practical ethical dilemmas.

Our approach

We continuously work to improve our processes in accordance with the UN Guiding Principles on Business and Human Rights (UNGPs), including updating our policies and strengthening our strategic and operational approach to human rights due diligence.

Anti-Corruption

Hexagon fosters an organizational culture based on integrity and the highest ethical standards, which is essential to maintaining its high product quality and reputation as 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.

Human Rights

Hexagon respects all internationally recognized human rights and our [human rights policy](#) is aligned with the UNGPs, the International Covenant on Economics, Social and Cultural Rights, the International Covenant on Civil and Political Rights and the International Labor Organization’s core conventions to prevent, address, and remedy human rights abuses committed in business operations. Our policy confirms Hexagon’s commitment to respecting human rights across all our business enterprises wherever we operate.

Results and achievements

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 2021. Hexagon continues to promote zero tolerance for corruption and anti-competitive behavior. By the end of 2021, 70 per cent of employees had completed the relevant e-learning course.

KEY CHALLENGES

- Systematically addressing due diligence and auditing measures to cover our suppliers’ sub-contractors to comply with The Norwegian Transparency Act Responsibly engaging with new, higher-risk countries in order to secure supply of raw materials

KEY OPPORTUNITIES

- Ongoing review of relevant best practice, guidance, regulation and legislation to improve understanding and processes
- Developing and rolling out additional educational content with Hexagon University
- Further reaffirm our long-standing commitment to ethical business and human rights, demonstrated through “tone at the top”

OBJECTIVES AND FOCUS AREAS

- Deepening our understanding of human-rights in the supply chain
- Working to improve our processes in compliance with new legal requirements (e.g. the Transparency Act in Norway, coming into force in 2022, which will make human rights due diligence mandatory)
- Adopt an explicit statement on commitment to human rights
- All employees to complete anti-corruption training
- All employees to complete corporate human rights training

While we had no specific concerns related to human rights in 2021, we continue to focus on improving our processes and procedures. Various measures and training programs are being considered to even more deeply embed Hexagon’s commitment to human rights throughout the organization.

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. Employees are encouraged to contact their line managers, local compliance officers and/or human resources teams with any issue or concern, without fear

of any retaliatory behavior In the fall of 2021, Hexagon also engaged a dedicated, independent [third-party whistleblowing service](#) which is available to all its employees and external parties to report issues or concerns anonymously. No incidents were reported in 2021, either through that service or through Hexagon’s own compliance officers.



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To the Board of Directors of Hexagon Composites ASA

Independent accountant’s assurance report

Scope

We have been engaged by Hexagon Composites ASA to perform a limited assurance engagement, as defined by International Standards on Assurance Engagements, here after referred to as the engagement, to report on Hexagon Composites ASA's sustainability reporting as the Hexagon Composites ASA have defined and referred to in the Hexagon Composites ASA's GRI Index (the "Subject Matter") as of 31 December 2021 for the period from 01 January 2021 to 31 December 2021.

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the sustainability reporting, and accordingly, we do not express a conclusion on this information.

Criteria applied by Hexagon Composites ASA

In preparing the Subject Matter, Hexagon Composites ASA applied the relevant criteria from the Global Reporting Initiative (GRI) sustainability reporting standards, "Core" option (the "Criteria"). The Criteria can be accessed at globalreporting.org and are available to the public. Such Criteria were specifically designed for companies and other organizations that want to report their sustainability impacts in a consistent and credible way. As a result, the Subject Matter information may not be suitable for another purpose. We consider these reporting criteria to be relevant and appropriate to review the sustainability reporting.

Hexagon Composites ASA’s responsibilities

The Board of Directors and Chief Executive Officer (management) are responsible for the selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the Subject Matter, such that it is free from material misstatement, whether due to fraud or error.

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EY's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the International Standard for Assurance *Engagements Other Than Audits or Reviews of Historical Financial Information* ('ISAE 3000'). This standard requires that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Our Independence and Quality Control

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants. EY also applies *International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Subject Matter and related information and applying analytical and other appropriate procedures.

Independent accountant's assurance report – Hexagon Composites ASA

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Our procedures included:

- ▶ Review of Hexagon Composites ASA's process for preparation and presentation of the sustainability report to develop an understanding of how the reporting is conducted within the business
- ▶ Interviewed those in charge of sustainability reporting to develop an understanding of the process for the preparation of the sustainability reporting
- ▶ Verified on a sample basis the information in the sustainability reporting against source data and other information prepared those in charge
- ▶ Assessed the overall presentation of sustainability reporting against the criteria in the GRI Standards including a review of the consistency of information against the GRI index.

We believe that our procedures provide us with an adequate basis for our conclusion. We also performed such other procedures as we considered necessary in the circumstances.

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the Subject Matter as of 31 December 2021 and for the period from 1 January 2021 to 31 December 2021 in order for it to be in accordance with the Criteria.

Aalesund, 24. March 2022

ERNST & YOUNG AS

War-André Norvik

State Authorised Public Accountant

Independent accountant's assurance report – Hexagon Composites ASA

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APPENDIX 1

Material topic definitions

Material topic	Description
Our contribution through our solutions	
Low carbon technology solutions for our customers	Enabling our customers to reach their climate targets.
Climate change	An ever-expanding number of companies and other institutions are declaring net-zero ambitions and seeking the solutions to deliver on them. We are experiencing significant demand for our solutions across all business areas.
EU taxonomy	The EU taxonomy helps companies, investors and policymakers define economic activities that can be considered environmentally sustainable. In this way, it financially empowers more companies to make the energy transition. We are experiencing significant related demand for our solutions from small, medium and large businesses.
Minimizing operational environmental footprint	
GHG emissions	Greenhouse gas emissions from energy, transportation, and Hexagon’s other business activities.
Energy	Energy used for electricity, use of fossil fuels and other energy sources.
Product lifetime	Ensuring long product lifetimes, requalification and extended life as well as recycling possibilities.
Material waste	Waste generated throughout Hexagon’s value chain and activities: reduction, reuse or recycling.
Responsible procurement	Ensuring environmental and social considerations are taken into account within our supply chain.

Material topic	Description
Product safety and compliance	
Product safety	Ensuring the highest safety standards and the quality of our products.
Responsible employer	
Occupational health and safety	Worker health and safety practices.
COVID-19	Mitigating actions to ensure a safe working environment.
Diversity and inclusion	Representation of female and minority employees in the workforce.
Workforce development	Training and development for workers to build capabilities and career opportunities – maintaining and attracting talent.
Local community relations	Stimulating good relations with, and being a positive force in, the local communities in which we operate.
Business ethics and anti-corruption	
Material topic	Description
Human rights in our supply chain	Promoting ethical business practices throughout.
Anti-corruption and integrity	Preventive measures and zero tolerance for corruption.

APPENDIX 2

Methodology

In 2021, with the help of sustainability experts from Asplan Viak AS, we set up a comprehensive, group wide GHG reporting system for our operational business areas. Here, we leveraged the benefits of two methodological approaches to report a complete scope 1 – 3 GHG account; physical data collection provides carbon intensities per unit of input consumed by Hexagon, while financial spend-data provides carbon intensities per monetary unit spent on products and services. This approach of capturing specific data where possible and filling the gaps with secondary data is recognized in the Greenhouse Gas Protocol as a hybrid method¹.

Physical data collection, i.e. the approach of collecting and analyzing all inputs of raw materials and energy carriers going into the manufacture of Hexagon's products, highlighted the most material contributors to the GHG account. For these key flows, comprising 40 per cent of our GHG account, life-cycle assessment based GHG intensities were collected.

The spend-based approach ensures that we leave no stone unturned, meaning that all activities included in our financial reporting are attributed a carbon emission intensity. This method allows us to fill the data gaps for the remaining 55 per cent of our GHG account, which for instance are the purchase of facility management services, investments in capital equipment, auxiliaries and so forth. Here we use environmentally extended input-output data, where national GHG emissions are allocated to industry sectors, to derive GHG intensities per monetary unit spent.

The combination of these approaches allows us to report with a high degree of completeness while also ensuring that specific carbon emissions are reported for our material raw materials and energy carriers. This further enables us to set a baseline for carbon mitigation strategies in reaching our climate ambitions.

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 calculated from fossil fuel consumption. Direct emissions from purchased services are reported in Scope 3.
- Scope 2: indirect GHG emissions from purchased energy (electricity and heat). Scope 2 emissions are calculated in two ways. 100 per cent of reported emissions is based on activity data from operational business areas, such as invoices and meter readings.
- Scope 3 emissions: indirect GHG emissions from the purchase of goods and services, including capital goods, upstream emissions from the production of fuels, transportation, operational waste and business travel.

Life-cycle based emissions factors are used to calculate GHG emissions from the most

significant contributors in the Scope 3 category; carbon fiber, glass fiber, high-density polyethylene and aluminum. Emissions from recorded waste are calculated using life-cycle based emissions factors for the respective waste treatment routes. All other Scope 3 emissions are calculated using an environmentally extended input-output method, attributing GHG emissions to spend-data. This allows us to take responsibility for emissions caused by all economic activities in the group.

¹ See GHG Protocol's Technical Guidance for Calculating Scope 3 Emissions: <https://ghgprotocol.org/scope-3-technical-calculation-guidance>

APPENDIX 3

The ten principles of the United Nations Global Compact

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.



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.

A handwritten signature in dark ink, appearing to read "Jon Erik Engeset".

Jon Erik Engeset
Group President & CEO

Reporting on the UN SDGs

Hexagon’ contribution to the UN Sustainable Development Goals in 2021

SDG	Goal	Target (indicators)	Hexagon’s contribution
3	Good Health and Well-being	By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination	Our products and solutions
7	Ensure access to affordable, reliable, sustainable and modern energy for all	<div>7.1 By 2030, ensure universal access to affordable, reliable and modern energy services</div> <div>7.3 By 2030, double the global rate of improvement in energy efficiency</div> <div>7.A By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology</div>	<div>In 2021, we helped avoid over 1.1 million metric tons equivalent of CO₂ from our low carbon emissions portfolio. In addition, our low pressure business helped mitigate 51 000.6 metric ton equivalent of CO₂¹</div> <div>We are committed to the green transition through our continued support for EU policies, EU taxonomy and “Fit for 55” package, which establishes a roadmap to achieve emission reductions by 2030 and net-zero emissions by 2050</div> <div>¹ Based on Hexagon Ragasco 2021 sales volumes and 1x filling of LPG during the year which replaced brown and black coal as well as paraffin</div>
8	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	<div>8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labor-intensive sectors</div> <div>8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value</div> <div>8.7 Take immediate and effective measures to eradicate forced labor, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labor, including recruitment and use of child soldiers, and by 2025 end child labor in all its forms</div> <div>8.8 Protect labor rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment</div>	

SDG	Goal	Target (indicators)	Hexagon's contribution
9	Build resilient infrastructure, promote sustainable industrialization and foster innovation	<p>9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities</p> <p>9.5 Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending</p>	
11	Make cities inclusive, safe, resilient and sustainable	<p>11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management</p>	Our CNG and RNG fuel systems and low pressure LPG cylinders are important when considering the mitigation of climate change as we are part of the value chain which enables a reduction of particular matter NOX and SOX in addition CO ₂ . We also focus on circular economy issues through our development of digital testing and requalification technologies which enable reducing resource consumption and increasing the life-time of assets and the reduction, reuse and recycling of waste wherever possible. communities
12	Ensure sustainable consumption and production patterns	<p>12.2 By 2030, achieve the sustainable management and efficient use of natural resources</p> <p>12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment</p> <p>12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse</p> <p>12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle</p>	
13	Take urgent action to combat climate change and its impacts	<p>13.2 Integrate climate change measures into national policies, strategies and planning (13.2.1 Number of countries that have communicated the establishment or operational status of an integrated policy/strategy/plan which increases their ability to adapt to the adverse impacts of climate change, and foster climate resilience and low greenhouse gas emissions development in a manner that does not threaten food production)</p>	Our contribution to SDG 13 is exemplified by our commitment to reach net-zero by no longer than 2050 and to reduce our GHG footprint substantially in the short term as well as advancing the transportation sector's pathway compatible with a 1.5C global warming target. We intend to go beyond reducing our carbon footprint. Our approach is focused on increasing clean energy solutions, accelerating investment in low carbon and zero-emission mobility, mitigating indirect emissions from our supply chain and decarbonizing our operations.

Glossary

ASA	Public Limited company in Norway	GVW	Gross Vehicle Weight	MOBILE PIPELINE®	Gas distribution products	SCOPE 2 EMISSIONS	Indirect GHG emissions from purchased energy (electricity and heat). Scope 2 emissions are calculated in two ways. 100 per cent of reported emissions is based on activity data from operational business areas, such as invoices and meter readings
BAR	Unit of pressure. 1 millibar = 100 N/m²	HDV	Heavy-Duty Vehicle	NGV	Natural Gas Vehicle		
BIOGAS	Produced from raw materials such as agricultural waste, manure, municipal waste, plant material, sewage, green waste or food waste	HSE	Health, Safety & Environment. Collective term for activities relating to health protection, environmental protection, working environment and employee safety.	OEM	Original Equipment Manufacturer		
BIO-LPG	Propane produced from renewable feedstocks such as plant and vegetable waste material	HYDROGEN	Light, colourless gas (Symbol H), produced on an industrial scale	X-STORE®	High-pressure composite cylinder for bulk transportation and storage of CNG	SCOPE 3 EMISSIONS	Indirect GHG emissions from the purchase of goods and services, including capital goods, upstream emissions from the production of fuels, transportation, operational waste and business travel
BEV	Battery Electric Vehicle	IA	Inclusive Workplace	RESIN	Chemical adhesives for strengthening glass and/or carbon fiber		
CHASSIS	The base frame of a car, carriage or other wheeled vehicle	ISO	International Organization for Standardization – publishes standards in a large number of areas	RNG	Renewable Natural Gas Pipeline compatible gaseous fuel derived from biogenic or other renewable sources that has lower lifecycle carbon dioxide equivalent (CO ₂ -eq) emissions than geological natural gas	STYREN	Organic hydrocarbon used in the production of rubber and plastic components
CHG	Compressed Hydrogen Gas	JOINT VENTURE	Legally signed contractual agreement whereby two or more parties undertake an economic activity			TITAN®	High-pressure composite cylinder for bulk transportation and storage of CNG
CNG	Compressed Natural Gas			SCBA CYLINDER	Self-contained breathing apparatus		
CO ₂	Carbon Dioxide	COMPOSITE	Combination of glass/carbon fibre and thermosetting plastic, exploiting the malleability of the plastic and the stiffness and strength of the glass/carbon fibre	SCM³	Standard cubic meters. Unit for volumetric measurement of oil, natural gas and natural gas condensate at standard conditions defined in the ISO standard ISO 13443	TUFFSHELL®	High-pressure CNG cylinder for heavy duty vehicles
EBIT	Earnings before interests and taxes					TYPE 1	Steel cylinder
EBITDA	Earnings before interest, taxes, depreciation and amortization	LDV	Light-Duty Vehicle			TYPE 2	Steel cylinder, composite-reinforced
EV	Electric Vehicle	LNG	Liquefied Natural Gas			TYPE 3	Composite cylinder with metal liner
FCEV	Fuel Cell Electric Vehicle	LPG	Liquefied Petroleum Gas (propane gas)	SCOPE 1 EMISSIONS	Direct emissions calculated from fossil fuel consumption. Direct emissions from purchased services are reported in Scope 3	TYPE 4	Composite cylinder with polymer liner
GHG	Greenhouse Gas					U.S. DOT	U.S. Department of Transportation

Financial calendar 2022

Annual General Meeting

28 April 2022

1st quarter 2022

12 May 2022

2nd quarter and half year report 2022

11 August 2022

3rd quarter 2022

3 November 2022

4th quarter 2022

17 February 2023

Details

Interim report and presentation material will be released at 07:00 CET and made available on www.hexagongroup.com and www.newsweb.no.

The interim results are presented live at 8:30 am CET. Hexagon Composites ASA reserves the right to change the dates. All presentations are held in Oslo and are open to all interested parties.

Two weeks before the presentation of the interim report Hexagon Composites practice a quiet period where contact with analysts, investors and media are limited. This is done to minimize the risk of information leakage and potential different information in the market.

Contact us

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