

Corporate Governance Report

Hexagon is a listed company on NASDAQ OMX Stockholm. The company applies a transparent approach to the dissemination of information to shareholders and capital markets and applies the Swedish Code of Corporate Governance.

During 2008, deviations from the Swedish Code of Corporate Governance (the Code) were as follows:

Rule	Rule from the Code	Comments
10.1	The Board of Directors shall establish an audit committee that must comprise at least three Members of the Board.	In order to ensure active and efficient work by the Board of Directors, Hexagon has a limited number of Board Members. Accordingly, the Audit Committee only comprises two Board Members.

The Corporate Governance Report 2008 has not been audited by Hexagon's auditors and is not part of the formal annual report.

Articles of Association

Hexagon's current Articles of Association were adopted on 2 May 2007, and state that the objective of the company's operations is to own and manage shares in industrial, trade and service companies and to own and manage real property, securities, and to manage administrative operations for the subsidiaries as well as to carry on other operations compatible therewith.

The Articles of Association formalise issues such as shareholders' rights, the number of Board Members and auditors, that the Annual General Meeting (AGM) is to be held within six months of the end of the financial year, the structure of the notice convening the AGM and that the company's Board has its registered office in Stockholm, Sweden. The current Articles of Association are available on the company's website.

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Comments from the Chairman of the Board

The role of the Board of Directors of Hexagon is to work for Hexagon's long-term development and in the best interests of the company's shareholders. This means working out an overall strategy for the Group, but also to take into consideration, at the earliest possible time, other circumstances which may affect the company's performance and development. Together with Hexagon's management, we establish a direction for the company and make overall decisions on how Hexagon's assets are to be used for investments, acquisitions and dividends. All of our decisions are taken with care and seriousness of purpose.

On 5 May 2008 Hexagon's Annual General Meeting resolved in accordance with our proposal to distribute all shares of the polymers business to Hexagon's shareholders, whereby ten shares in Hexagon entitled to one share in the polymers business, renamed Hexpol AB. Hexpol was de-consolidated from Hexagon as of 1 June 2008 and listed on NASDAQ OMX Stockholm with 9 June 2008 as the first day of trading.

The second half of 2008 was exceptional and was not like anything I have ever experienced. We experienced financial



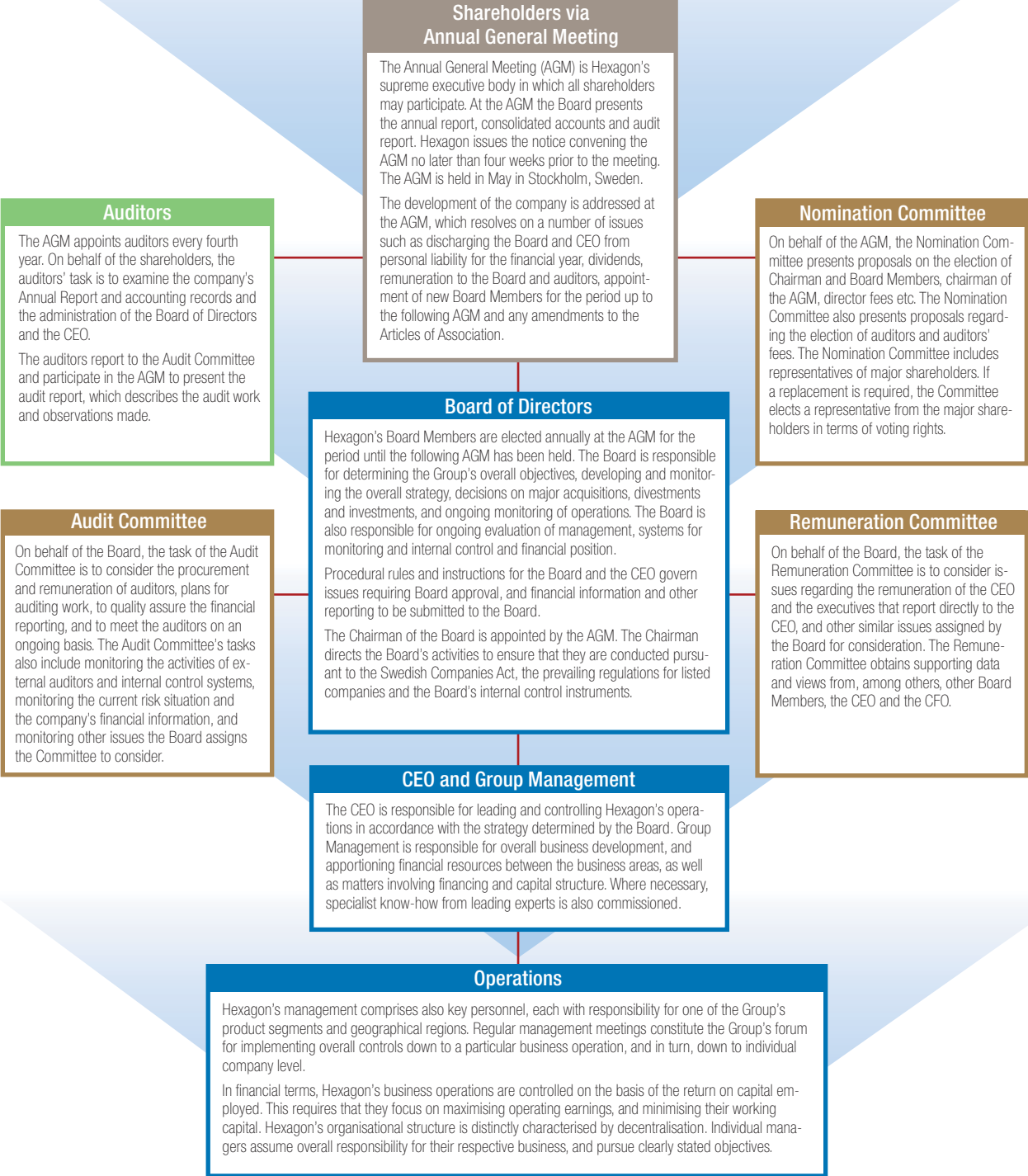
turmoil working its way through the economies of the world, extreme movements in the stock markets and a downturn in the global economy. Hexagon has taken actions to meet the tougher market situation in order to maintain its position as a leading global measurement technologies company and the innovator of the industry.

On behalf of Hexagon's Board of Directors, I would like to thank you for the continued trust and support during 2008, and for your commitment to Hexagon. I would like to thank Hexagon's employees for the outstanding effort they have shown even in these turbulent times. We face 2009 with trust in our strengths and our potential.

Stockholm, Sweden, January 2009

MELKER SCHÖRLING
Chairman of the Board

Hexagon Corporate Governance



Annual General Meeting

The 2008 AGM was held on 5 May 2008 in Stockholm, Sweden, and was attended by a total of 150 shareholders, who jointly represented 65 per cent of the total number of shares and 75 per cent of the total number of votes. Melker Schörling was elected Chairman of the AGM.

Resolutions

The following main resolutions were passed:

- Re-election of Directors Melker Schörling, Maths O. Sundqvist, Ola Rollén, Mario Fontana and Ulf Henriksson, and new-election of Gun Nilsson.
- Re-election of Melker Schörling as Chairman of the Board.
- Total Directors' fees of 2 425 000 SEK to be allocated with 650 000 SEK to the Chairman and 350 000 SEK to each of the other Directors elected by the AGM but not employed by the company. It was resolved that the Chairman of the Remuneration Committee would receive 75 000 SEK and that each member of this Committee would receive 50 000 SEK and that the Chairman of the Audit Committee would receive 150 000 SEK and that each member of this Committee would receive 100 000 SEK.
- Re-election of Ernst & Young AB, with the authorised public accountant Hamish Mabon as chief auditor, as auditor for a term of office of four years, whereby it was also resolved that the auditor shall be remunerated on current account.
- Payment of a dividend of 2.35 SEK per share for 2007 as per the Board's proposal.
- Distribution of all shares of the wholly-owned subsidiary Hexpol AB (previously named Hexagon Polymers AB) to Hexagon's shareholders, whereby ten shares in Hexagon entitled to one share in Hexpol.
- Guidelines for remuneration to Hexagon's senior executives.
- Issue in kind, whereby the company's share capital was to be increased by a maximum of 630 000 SEK by a new issue of not more than 315 000 class B shares. The background to the issue in kind was that, in connection with Hexagon's acquisition of Leica Geosystems Holdings AG in October 2005, there were approximately 90 000 outstanding options which had been awarded employees within the former Leica Geosystems Group.
- Authorisation of the Board to resolve on acquisition and transfer of the company's own shares.

The notice, minutes and documents presented at the 2008 AGM are available in Swedish and in English on Hexagon's website.

Nomination Committee

In accordance with the resolution at the 2008 AGM, five representatives of the company's major shareholders were by the end of the third quarter asked to become members of the Hexagon Nomination Committee. The composition of the Nomination Committee ahead of the 2009 AGM is:

- Mikael Ekdahl, Melker Schörling AB (Chairman)
- Anders Algotsson, AFA Försäkring
- Marianne Nilsson, Swedbank Robur fonder
- Fredrik Nordström, AMF Pension
- Carl Rosén, Andra AP-fonden

During 2008, the Nomination Committee held three minuted meetings at which the Chairman made a presentation of the evaluation process. The Committee discussed desirable changes and decided on proposals to submit to the 2009 AGM concerning the election of Chairman of the AGM, the election of Chairman and other Board Members, directors' fees, remuneration for committee work and to the auditors.

Shareholders wishing to submit proposals have been able to do so by contacting the Nomination Committee via post or e-mail. Addresses have been available on Hexagon's website.

Board of Directors

At the 2008 AGM, all members were re-elected. Gun Nilsson was elected as a new Member of the Board. During the year Maths O. Sundqvist resigned at his own request. Due to this resignation the Board Members are fewer than as decided at the 2008 AGM. However, the number of Board Members remains within the limits set by the Articles of Association.

The Board Members possess excellent financial know-how and broad international experience of the engineering technology business.

All Board Members are shareholders of Hexagon, which ensures considerable personal commitment to Hexagon's development. Chairman of the Board Melker Schörling is the principal owner of Melker Schörling AB, which controls slightly more than 49 per cent of the voting rights in Hexagon.

Hexagon's CFO Håkan Halén, Strategy Director Gert Viebke and General Counsel Frederick London attend the Board meetings. Other Hexagon employees participate in the Board meetings to make presentations on particular matters if requested. Hexagon's auditors attend the first Board meeting of the year and report their observations from their examination of the Group's internal controls and financial statements. At all scheduled Board meetings information concerning the Group's financial position and important events affecting the company's operations are presented.

Board activities

In 2008, the Board held nine minuted meetings, including the statutory Board meeting. The major matters included:

4 February	Financial statements for 2007
5 May	Interim report, first quarter, decision concerning acquisition
5 May	Statutory Board meeting
15 May	Allocation of shares, issue in kind resolved at the 2008 AGM
18 June	Decision concerning acquisition
7 August	Interim report, second quarter
27 October	Interim report, third quarter
14 November	Decision concerning repurchase of Hexagon shares
18 December	Budget 2009 and strategic discussion

The Board continuously evaluates its work and the format of its activities. This evaluation considers factors such as how the Board's work can be improved, whether the character of meetings stimulates open discussion, and whether each Board Member participates actively and contributes to discussions. The evaluation is coordinated by the Chairman of the Board. The Board is also evaluated within the framework of the Nomination Committee's activities.

Remuneration Committee

Hexagon's Remuneration Committee is appointed by the Board annually, and its task is to consider issues regarding remuneration to the CEO and executives that report directly to the CEO, on behalf of the Board, and other similar issues that the Board assigns the Committee to consider. The Committee has not been authorised to make any decisions of behalf of the Board.

During 2008, the Remuneration Committee comprised the Board Members Melker Schörling (Chairman) and Maths O. Sundqvist. In August, Maths O. Sundqvist resigned from the Board at his own request and thus also from the Remuneration Committee.

During 2008, the Remuneration Committee held one meeting:

2 June	Terms of employment for the CEO and Group Management
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Audit Committee

Hexagon's Audit Committee is appointed annually by the Board, and its purpose is to consider issues regarding tendering and remunerating auditors on behalf of the Board, considering plans for auditing and the related reporting, to quality assure the company's financial reporting, other information, and meet the

Composition of the Board of Directors 2008

Name	Position	Elected	Attendance			Independence ¹	Shares ²
			Audit Committee	Remuneration Committee	Board Meetings		
Melker Schörling	Chairman	1999	–	1	9	In relation to the company and management	A: 11 812 500 ³ B: 66 374 551 ³
Mario Fontana	Member	2006	3	–	8	In relation to the company, management and the company's major shareholders	B: 62 000
Ulf Henriksson	Member	2007	–	–	9	In relation to the company, management and the company's major shareholders	B: 56 350
Gun Nilsson ⁴	Member	2008	3	–	7	In relation to the company, management and the company's major shareholders	B: 1 000
Ola Rollén	Member President and CEO	2000	–	–	9	In relation to the company's major shareholders	B: 2 761 152
Maths O. Sundqvist ⁵							

¹ The assessment of the independence of the Board Members has been made in accordance with NASDAQ OMX Stockholm's rule book for issuers and criteria for independence.

² At 31 December 2008.

³ Shares owned through Melker Schörling AB.

⁴ Elected in May 2008.

⁵ Resigned from the Board at his own request in August 2008.

company's auditors on an ongoing basis to stay informed on the orientation and scope of the audit. The Audit Committee's tasks include monitoring external auditors' activities, and the company's internal control systems, monitoring the current risk situation and the company's financial information, and other issues the Board assigns the Committee to consider. The Committee has not been authorised to make any decisions on behalf of the Board.

During 2008, the Audit Committee comprised Gun Nilsson (Chairman) and Mario Fontana. The Committee members are independent of the company, its management and the company's major shareholders.

During 2008, the Audit Committee held three meetings:

4 February	Annual accounts 2007
10 September	Focus of the audit in 2008
5 December	Preparation of annual accounts

Auditors

At the 2008 AGM, Ernst & Young AB, with the authorised public accountant Hamish Mabon as chief auditor, was re-elected auditor for a term of office of four years. Ernst & Young AB possesses the requisite expertise and is a member of FAR SRS.

Hamish Mabon (born in 1965) has participated in the assignment of auditing Hexagon since 2001. In addition to Hexagon, he conducts auditing assignments for such companies as Vattenfall AB, Relacom Holding AB and Scania Sverige AB. Hamish Mabon has no active assignments in companies that are closely related to Hexagon's major shareholders or CEO.

During 2008, in addition to the audit, the auditors had other assignments in the form of work connected to acquisitions. Hexagon's auditors attended the first Board meeting of the year, at which they reported observations from their examination of the Group's internal controls and the annual financial

statements. Moreover, the auditors met the Audit Committee on three occasions during 2008.

The address of Hexagon's auditors is Ernst & Young AB, P. O. Box 7850, SE-103 99, Stockholm, Sweden.

Group Management

The CEO is responsible for leading and controlling Hexagon's operations in accordance with the strategy determined by the Board. The CEO has appointed a Group Management comprising heads of business areas and Group staff functions, a total of six persons. Group Management is responsible for overall business development, and apportioning financial resources between the businesses, as well as matters involving financing and capital structure.

Information to the capital market

Hexagon provides the market with ongoing information on the company's progress and financial position. Hexagon aims to utilise openness, objectivity and a high level of service in its financial reporting, in order to enhance the market's trust in the company and increase the interest of current and potential investors in the Hexagon share. During 2008, Hexagon regularly met investors and capital market players to explain and clarify the value of the Group's operations.

The company's information policy was adopted by the Board on 5 May 2008 and is updated annually. The policy satisfies the communication standards set by the stock market, and is designed in accordance with NASDAQ OMX Stockholm's recommendations that complement the rule book for issuers.

Hexagon regularly publishes financial information in Swedish and English in the form of Interim Reports, the Annual Report and press releases on news and share price sensitive events, arranges presentations and telephone conferences for financial analysts, investors and the media when interim reports are published and/or publishes other significant information disclosures.

Remuneration to Group Management

SEK 000s	Year	Basic salary	Variable remuneration	Other benefits ¹	Pension	Other remuneration	Total
President and CEO	2007	9 111	4 000	–	1 370	–	14 481
	2008	10 135	4 000	–	2 027	–	16 162
Other senior executives (three people) ²	2007	6 747	3 677	78	1 515	–	12 017
	2008	9 619	4 175	149	1 927	–	15 870

¹ Other benefits comprise company car.

² Two people during 2007.

Published information on the Group's progress, other information intended for the stock market and other important data is available on Hexagon's website.

Remuneration

Principles

The 2008 AGM resolved on the adoption of guidelines for the remuneration of senior executives, essentially entailing that such remuneration should comprise a basic salary, variable remuneration, other benefits and pension, and that in total this remuneration should be commercially viable and competitive in the market. The variable remuneration should be maximised in relation to the basic salary, be connected to the Group's earnings trend in terms of what the particular individual can affect and be based on individually established goals.

The executive must normally provide six-months notice of termination of employment. If the company terminates the executive's employment, the period of notice and severance pay should not exceed a total of 24 months. Pension benefits shall be based on either defined-benefit or defined-contribution plans, or a combination of such plans, with individually set retirement ages, although not lower than 60 years.

Incentive programmes

In order to create the conditions for recruiting and retaining valuable skills within the company, an option programme has been formulated that provides the option holder with the right to participate in the potential future value growth in the company's share. This programme also aims to enhance interest in the company's progress and stimulate continued loyalty to the company.

In connection with the acquisition of Leica Geosystems, the Leica Geosystems Group already had existing option programmes designed for the company's senior executives.

In 2007 Hexagon implemented a subscription warrant programme for senior executives and key employees in the Group by means of a directed issue of 2 500 000 subscription warrants to be transferred to approximately 80 senior executives and key employees identified by the Board, at a price of 20 SEK per warrant, and the remaining warrants to be reserved for future recruitment of senior executives and key employees in the Group.

The design of the outstanding incentive programmes is described in the section on the Hexagon share on page 31.

Remuneration to Group Management 2008

Remuneration to the President and CEO, as well as other senior executives, comprises basic salary, variable remuneration, other benefits and pension. Variable remuneration is set in relation to individual targets. For 2008, remuneration was paid as per the table on page 42.

Remuneration to Board of Directors 2008

Remuneration to the Board of Directors is resolved by the AGM on the proposal from the Nomination Committee. During 2008, the Chairman of the Board and other Board Members received remuneration totalling 2 425 000 SEK. The Chairman received 650 000 SEK and the other Board Members each received 350 000 SEK, apart from the CEO, who does not receive any director's fees. For 2008, remuneration was paid as per the table below.

Remuneration to Auditors 2008

Remuneration for services in addition to auditing services primarily refers to work related to acquisitions. For 2008, remuneration was paid as per the table below.

Remuneration to Board of Directors 2008

SEK 000s	Position	Directors' fee	Committee fee	Total
	Melker Schörling	650	75	725
	Mario Fontana	350	100	450
	Ulf Henriksson	350	–	350
	Gun Nilsson ¹	350	150	500
	Ola Rollén	–	–	–
	Maths O. Sundqvist ²	175	25	200

¹ Elected in May 2008.

² Resigned from the Board at his own request in August 2008.

Remuneration to Auditors

MSEK	2008	2007
Auditing	20	19
Assignments other than auditing	15	11
Total	35	30

The Board of Directors' report on internal control pertaining to financial reporting for the financial year 2008

The Code stipulates that the Board of Directors must submit a report on the key aspects of the company's systems for internal controls and risk management regarding financial reports. Internal control pertaining to financial reporting is a process that involves the Board, company management and other personnel. The process has been designed so that it provides reasonable assurance of the reliability of the external reporting. According to a generally accepted framework that has been established for this purpose, internal control is usually described from five different perspectives. These five perspectives serve as subheadings below.

Control environment

Hexagon's organisation is designed to facilitate rapid decision-making. Accordingly, operational decisions are taken at the business area or subsidiary level, while decisions concerning strategies, acquisitions and company-wide financial matters are taken by the company's Board and Group Management. The organisation is characterised by well-defined allocation of responsibility and well-functioning and well-established governance and control systems, which apply to all Hexagon units.

The basis for the internal control pertaining to financial reporting comprises an overall control environment in which the organisation, decision-making routes, authorities and responsibilities have been documented and communicated in control documents, such as in Hexagon's finance policy and reporting instructions and in accordance with the authorisation arrangements established by the CEO.

Hexagon's financial-control functions are integrated by means of a Group-wide reporting system. The Group's financial control unit engages in close and well-functioning cooperation with the subsidiaries' controllers in terms of

the financial statements and the reporting process. The Board's monitoring of the company's assessment of its internal control includes contacts with the company's auditor. Hexagon has no internal audit function, since the functions described above satisfy this need. All of Hexagon's subsidiaries report complete financial statements on a monthly basis. This reporting provides the basis for the Group's consolidated financial reporting. Each legal entity has a controller responsible for the financial control and for ensuring that the financial reports are correct, complete and delivered in time for consolidated financial reporting.

Risk assessment

The significant risks affecting the internal control of financial reporting are identified and managed at Group, business area, subsidiary and unit level. Within the Board, the Audit Committee is responsible for ensuring that significant financial risks and the risk of error in financial reporting are identified and managed in a manner that ensures correct financial reporting. Special priority has been assigned to identifying processes that, relatively speaking, give rise to a higher risk of significant error due to the complexity of the process or of the contexts in which major values are involved.

Control activities

The risks identified with respect to the financial reporting process are managed via the company's control activities, which are designed to prevent, uncover and correct errors and non-conformities. Their management is conducted by means of manual controls in the form of, for example, reconciliations and audits, automatic controls using IT systems and general controls conducted in the underlying IT environment. Detailed analyses of financial results and follow-ups in relation to budget and forecasts supplement the business-specific controls and provide general confirmation of the quality of the financial reporting.

Information and communication

To ensure the completeness and correctness of financial reporting, the Group has formulated information and communication guidelines designed to ensure that relevant and significant information is exchanged within the business, within the particular unit and to and from management and the Board. Guidelines, handbooks and job descriptions pertaining to the financial process are communicated between management and personnel and are accessible electronically and/or in a printed format. Via the Audit Committee, the Board receives regular feedback in respect of the internal control process. To ensure that the external communication of information is correct and complete, Hexagon complies with a Board-approved information policy that stipulates what may be communicated, by whom and in what manner.

Follow-up

The efficiency of the process for risk assessment and the implementation of control activities are followed up continuously. The follow-up pertains to both formal and informal procedures used by the officers responsible at each level. The procedures incorporate the follow-up of financial results in relation to budget and plans, analyses and key figures. The Board obtains current reports on the Group's financial position and performance. At each Board meeting, the company's financial position is addressed and, on a monthly basis, management analyses the company's financial reporting at a detailed level.

The Audit Committee follows up the financial reporting at its meetings and receives reports from the auditors describing their observations.