

GOVERNANCE

The corporate governance in Hexagon is based on Swedish legislation, primarily the Swedish Companies Act, Hexagon's Articles of Association, the Board of Director's internal rules, the rules and regulations of NASDAQ OMX Stockholm, the Swedish Code of Corporate Governance and the regulations and recommendations issued by relevant organisations.

Hexagon applies the Swedish Code of Corporate Governance (the "Code") which is based on the principle "comply or explain". The Code can be found in its entirety at www.bolagsstyrning.se.

Hexagon does not report any deviations from the Code during the financial year 2011 except one: participants in the warrants programme, resolved on by the General Meeting in December 2011, are entitled to subscribe for shares for a longer period than three years after implementation.

This corporate governance report has been prepared in accordance with the provisions of the Annual Accounts Act and the Code, and has, by virtue of section 6, paragraph 8 of the Annual Accounts Act, been drawn up as a separate document from the Annual Report.

OWNERSHIP STRUCTURE AND THE SHARE

At 31 December 2011, Hexagon's share capital was 78 471 187 EUR, represented by 353 642 177 shares, of which 15 750 000 are of series A with 10 votes each and 337 892 177 are of series B with one vote each. Hexagon AB treasury shares amounted to 1 152 547 shares of series B. The Annual General Meeting 2011 authorised the Board of Directors to resolve on purchases and divestments of own shares equal to no more than ten per cent of the total number of issued shares in the Company. Melker Schörling AB, the single largest shareholder in Hexagon, held at year-end 2011 a total of 15 750 000 class A shares and 78 711 582 class B shares, representing 26.7 per cent of the votes and 47.8 per cent of the capital. No other shareholder has any direct or indirect shareholding representing more than 10 per cent of the total votes.

To the best of the Board's knowledge there are no shareholder agreements or similar agreements between the shareholders of Hexagon with the purpose of exercising joint control of the Company. Neither is the Board aware of any agreements that could lead to a change of control of the Company.

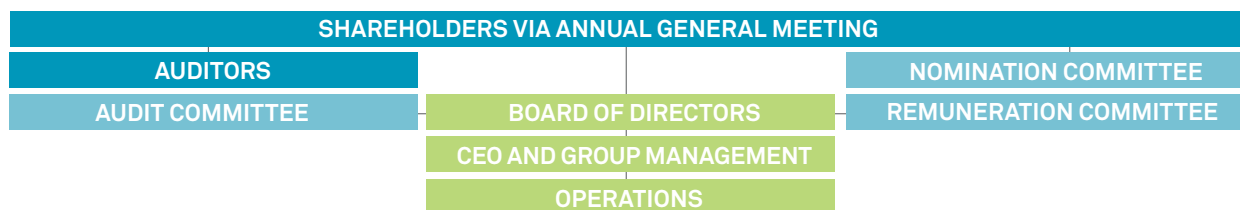
As far as the Company knows there is no shareholder agreement that could prevent the transfer of shares. Nor are there agreements between the Company, directors or employees, other than as described in Note 30, which stipulate the right to compensation if such a person is dismissed with cause or if such a person's employment is terminated as a result of a public offer for shares of the Company.

ANNUAL GENERAL MEETING (AGM)

The General Meeting is Hexagon's supreme executive body in which all shareholders may participate. The Articles of Association of the Company contain no restrictions regarding the number of votes that may be cast by a shareholder at general meetings. At the Annual General Meeting, the Board presents the Annual Report (including the consolidated accounts) and audit report. Hexagon issues the notice convening the Annual General Meeting no later than four weeks prior to the meeting. The Annual General Meeting is held in Stockholm, Sweden, usually in the month of May. The Annual General Meeting resolves on a number of issues, such as the adoption of the income statement and balance sheet, the allocation of the Company's profit and the discharge from liability to the Company for the Board members and the CEO, remuneration to the Board and auditors, the principles for remuneration and employment terms for the CEO and other senior executives, election of members and Chairman of the Board or Directors, election of auditor and any amendments to the Articles of Association, etc.

NOMINATION COMMITTEE

The Annual General Meeting has resolved that the Nomination Committee's assignment shall comprise the preparation and presentation of proposals to the shareholders at the Annual General Meeting on the election of Board members, Chairman of the Board and Chairman of the Meeting and the Company's auditors. In addition, the Nomination Committee presents proposals regarding remuneration to the Board of Directors (including for committee work) and the auditors.



The Nomination Committee shall consist of representatives for major shareholders of the Company elected by the Annual General Meeting. In case a shareholder, who a member of the Nomination Committee represents, is no longer one of the major shareholders of Hexagon, or if a member of the Nomination Committee is no longer employed by such shareholder, or for any other reason leaves the Committee before the next Annual General Meeting, the Committee is entitled to appoint another representative among the major shareholders to replace such member. No fees are paid to the members of the Nomination Committee.

BOARD OF DIRECTORS

In accordance with the Articles of Association, the Board of Directors of Hexagon shall consist of no less than three and not more than nine members, elected annually by the Annual General Meeting for the period until the end of the next Annual General Meeting. The Articles of Association of the Company contains no special provisions regarding the election and discharge of Board members or regarding changes of the Articles of Association. The Annual General Meeting 2011 elected seven members, including the President and CEO. Hexagon's CFO and General Counsel participate in the Board meetings. Other Hexagon employees participate in the Board meetings to make presentations on particular matters if requested.

The Nomination Committee's assessment of the members' independence in relation to the Company, its management and major shareholders is presented on page 49. According to the requirements set out in the Code, the majority of the Board members elected by the General Meeting must be independent in relation to the Company and its management, and at least two of such Board members shall also be independent in relation to the Company's major shareholders.

The Board of Directors is responsible for determining Hexagon's overall objectives, developing and monitoring the overall strategy, deciding on major acquisitions,

divestments and investments and ongoing monitoring of operations. The Board is also responsible for ongoing evaluation of management, as well as systems for monitoring the internal control and the Company's financial position. The Board ensures that the Company's external disclosure of information is characterised by openness and that it is accurate, relevant and clear. Procedural rules and instructions for the Board and the CEO govern issues requiring Board approval, and financial information and other reporting to be submitted to the Board.

The Chairman directs the Board's activities to ensure that they are conducted pursuant to the Swedish Companies Act, the prevailing regulations for listed companies and the Board's internal control instruments.

At all scheduled Board meetings, information concerning Hexagon's financial position and important events affecting the Company's operations are presented.

AUDIT COMMITTEE

The 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, including reviewing and surveying the auditors' impartiality and independence, considering plans for auditing and the related reporting, to quality assure the Company's financial reporting and to meet the 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, the Company's internal control systems, 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.

REMUNERATION COMMITTEE

The 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 on behalf of the Board.

EXTERNAL AUDITORS

The Annual General Meeting appoints the Company's auditors. On behalf of the shareholders, the auditors' task is to examine the Company's Annual Report and accounting records and the administration by the Board of Directors and the CEO. In addition to the audit, the auditors occasionally have other assignments, such as work relating to acquisitions. Hexagon's auditors normally attend the first Board meeting each year, at which the auditors report observations from the examination of Hexagon's internal controls and the annual financial statements. Moreover, the auditors report to and regularly meet with the Audit Committee. In addition, the auditors participate in the Annual General Meeting to present the auditors' report, which describes the audit work and observations made.

INTERNAL CONTROL

The responsibility of the Board of Directors for internal control is regulated in the Swedish Companies Act and in the Code. It is the duty of the Board of Directors to ascertain that the internal control and formalised routines of the Company ensure that the principles for internal control and financial reporting are adhered to, and that the financial reports comply with the law and other requirements regarding listed companies. The Board of Directors bears the overall responsibility for internal control of the financial reporting. The Board of Directors has established written formal rules of procedure that clarifies the Board of Directors' responsibilities and regulates the Board of Directors' and its Committees' internal distribution of work.

CEO AND GROUP MANAGEMENT

The CEO is responsible for leading and controlling Hexagon's operations in accordance with the Swedish Companies Act, other legislation and regulations, applicable rules for listed companies, including the Code, the Articles of Association and the instructions and strategies determined by the Board. The CEO shall ensure that the Board is provided with objective, detailed and relevant information required in order for the Board to make well-informed decisions. Furthermore, the CEO is responsible for keeping the Board informed of the Company's development between Board meetings.

A Group Management team comprised of the CEO, heads of application areas, heads of geographical regions and specific Group staff functions totals seven persons. Group Management is responsible for overall business development and apportioning financial resources between the business areas, as well as matters involving financing and capital structure. Regular management meetings constitute Hexagon's forum for implementing overall controls down to a particular business operation, and in turn, down to individual company level.

OPERATIONS

In financial terms, Hexagon's business operations are controlled on the basis of the return on capital employed. This requires that they focus on maximising operating earnings and minimising their working capital. Hexagon's organisational structure is characterised by decentralisation. Targets, guidelines and strategies are set centrally in collaboration with the business units. Managers assume overall responsibility for their respective business, and pursue the clearly stated objectives.

ACTIVITIES DURING THE YEAR

ANNUAL GENERAL MEETING (AGM)

The AGM was held on 10 May 2011 in Stockholm, Sweden, and was attended by a total of 100 shareholders, who jointly represented 64 per cent of the total number of shares and 74 per cent of the total number of votes in the Company. Melker Schörling was elected Chairman of the AGM.

The following main resolutions were passed:

- Re-election of Directors Melker Schörling, Ola Rollén, Mario Fontana, Ulrika Francke, Ulf Henriksson, Gun Nilsson and Ulrik Svensson
- Re-election of Melker Schörling as Chairman of the Board
- Dividend of 1.40 SEK per share for the financial year 2010 as per the Board's proposal
- Guidelines for remuneration to Hexagon's senior executives
- Amendments regarding the limits of the share capital in order to align them with the change of accounting currency
- Authorisation of the Board to resolve on acquisition and transfer of the Company's shares
- Repurchase of incentive programme 2007/2012 and thereto related repurchase of subscription warrants
- Approval of transfer of shares in Nordic Brass Gusum AB according to Chapter 16 of the Swedish Companies Act

EXTRAORDINARY GENERAL MEETING (EGM)

An EGM was held on 15 December 2011 in Stockholm, Sweden, and was attended by a total of 24 shareholders, who jointly represented 61 per cent of the total number of shares and 72 per cent of the total number of votes in the Company. Melker Schörling was elected Chairman of the EGM.

The following resolution was passed:

- Implementation of a warrants programme for Hexagon management, division management, other senior managers and key employees in Hexagon by a directed issue of 13 665 000 subscription warrants to a wholly owned subsidiary and further transfer of these warrants to participants in the programme

KEY DATA FOR BOARD MEMBERS¹

Board Member	Elected	Independent	COMMITTEE MEMBERSHIP		MEETING ATTENDANCE		
			Audit	Remuneration	Board of Directors	Audit Committee	Remuneration Committee
Melker Schörling	1999	No ²		●	8/8		1/1
Mario Fontana	2006	Yes	●		8/8	6/6	
Ulrika Francke	2010	Yes			8/8		
Ulf Henriksson	2007	Yes			7/8		
Gun Nilsson	2008	Yes	●	●	8/8	6/6	1/1
Ola Rollén	2000	No ³			8/8		
Ulrik Svensson	2010	No ²	●		8/8	6/6	

¹ A complete presentation of the Board Members is included on pages 54-55

² Melker Schörling and Ulrik Svensson are not deemed to be independent of the Company's major shareholders

³ Ola Rollén is not deemed to be independent of the Company as a result of his position as Hexagon's President and CEO

Board and Committee meetings

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec
Board of Directors		●			●●	●		●		●		●●
Audit Committee		●			●			●		●●		●
Remuneration Committee												●

NOMINATION COMMITTEE

In respect of the 2012 Annual General Meeting, the Nomination Committee comprised:

- Mikael Ekdahl, Melker Schörling AB (Chairman)
- Anders Algotsson, AFA Försäkring
- Jan Andersson, Swedbank Robur Fonder
- Henrik Didner, Didner & Gerge Aktiefond

During 2011, the Nomination Committee held two minuted meetings at which the Chairman gave an account of the process of evaluation of the Board of Director's work. The Committee discussed and decided on proposals to submit to the 2012 AGM concerning the election of Chairman of the AGM, the election of Chairman and other Board Members, directors' fees, remuneration for committee work and fees to the auditors. Shareholders wishing to submit proposals have been able to do so by contacting the Nomination Committee via mail or email. Addresses have been available on Hexagon's website.

BOARD OF DIRECTORS' ACTIVITIES

In 2011, the Board held eight minuted meetings, including the statutory Board meeting. At all Board meetings the President and CEO presented the financial and market position of Hexagon and important events affecting the Company's operations. On different occasions, Hexagon senior managers presented their operations and business strategies to the Board. In addition, items such as the adoption of the interim reports and the annual report are part of the Board's work plan and the Company's auditors presented a report on their audit work during the year. At the final Board meeting of the year, the Board approved the operational strategy and the financial plan for 2012.

EVALUATION OF BOARD'S WORK

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 co-ordinated by the Chairman of the Board. The Board is also evaluated within the framework of the Nomination Committee's activities.

AUDIT COMMITTEE

During 2011 the Audit Committee comprised:

- Ulrik Svensson (Chairman)
- Mario Fontana
- Gun Nilsson

In 2011, the Committee held six minuted meetings where the financial reporting and risks of Hexagon were monitored and discussed. The Committee dealt with relevant accounting issues, audit work and reviews, new financing and testing of impairment requirements for goodwill.

REMUNERATION COMMITTEE

During 2011, the Remuneration Committee comprised:

- Melker Schörling (Chairman)
- Gun Nilsson

In 2011, the Committee held one minuted meeting where remuneration and other employment terms and conditions for the CEO and Group Management were discussed. The Remuneration Committee also monitored and evaluated the ongoing programmes for variable remuneration to senior executives as well as the application of the guidelines for remuneration to senior executives and the structure and levels of remuneration in the Company.

EXTERNAL AUDITORS

The 2008 Annual General Meeting re-elected the accounting firm Ernst & Young AB, with the authorised public accountant Hamish Mabon (born in 1965) as chief auditor, as auditor for a term of office of four years. Hamish Mabon possesses the requisite expertise and is a member of FAR. Hamish Mabon 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 President and CEO. Hexagon's auditors attended the first Board meeting of the year, at which they reported observations from their examination of Hexagon's internal controls and the annual financial statements. The auditors met with the Audit Committee on five occasions during 2011.

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

REMUNERATION

PRINCIPLES

The following principles for remuneration to senior executives in Hexagon were adopted by the Annual General Meeting 2011. The guidelines for the remuneration of senior executives essentially entail that such remuneration should comprise a basic salary, variable remuneration, pension and other benefits, and that all in all this remuneration shall be competitive and in accordance with market practice. The variable remuneration is tied to the financial performance of the Group, shall be maximised in relation to the basic salary, tied to such performance that the relevant individual may influence and be based on the outcome in relation to individual targets.

The Board shall annually consider whether a share or share price related incentive programme shall be proposed to the Annual General Meeting.

The notice period shall normally be six months on the part of the employee. If the Company terminates the employment the period of notice and severance pay should not exceed a total of 24 months. Pension benefits shall be either defined benefit or fee-based, or a combination of both, with an individual pension age, however, not lower than 60 years.

It is proposed to the Annual General Meeting 2012 to resolve on the same guidelines as above concerning the remuneration of senior executives, however with the amendment that the variable remuneration will not exceed 60 per cent of the base salary.

REMUNERATION OF GROUP MANAGEMENT

Remuneration of the President and CEO and other senior executives is presented in Note 30 on page 110.

WARRANTS PROGRAMME

A warrants programme has been implemented for group management, division management, senior managers and key employees through a resolution by the Extraordinary General Meeting on 15 December 2011. Under the programme, 13 665 000 subscription warrants entitling to subscription for the corresponding number of new shares of series B in Hexagon AB have been issued to Hexagon Förvaltning AB, a wholly owned subsidiary, and offered for sale to participants of the programme. 121 group managers, division managers, senior managers and key employees in Hexagon have purchased 7 588 512 warrants. Remaining subscription warrants have been reserved for future appointments and recruitments of persons within the above eligible categories in Hexagon. After a market evaluation of the subscription warrants including the issue rate per subscription warrant, it was determined that the strike price for subscription of shares upon exercise of the warrants should correspond to 124 SEK. The warrants were acquired by the participants of the programme at a market value of SEK 10 each. The warrants may be exercised for subscription of shares during the period 1 January 2012 – 31 December 2015.

REMUNERATION OF BOARD OF DIRECTORS

Remuneration to the Board of Directors is resolved by the Annual General Meeting upon proposal from the Nomination Committee. During 2011, the Chairman of the Board and other Board Members received remuneration totalling 367 524 EUR. Remuneration of the Board of Directors is presented in Note 30 on page 110.

REMUNERATION OF EXTERNAL AUDITORS

Remuneration for services in addition to auditing services primarily refers to work related to acquisitions and tax. Remuneration of the external auditors is presented in Note 31 on page 112.

INTERNAL CONTROL PERTAINING TO FINANCIAL REPORTING

The Annual Accounts Act and the Code stipulate 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 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:

1. 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 is comprised of an overall control environment in which the organisation, decision-making routes, authorities and responsibilities have been documented and communicated in control documents, such as 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. Hexagon'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, in combination with the work completed by auditors, satisfy this need. All of Hexagon's subsidiaries report complete financial statements on a monthly basis. This reporting provides the basis for Hexagon'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.

2. 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 ensur-

ing 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, to some extent, 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.

3. 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, 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.

4. INFORMATION AND COMMUNICATION

To ensure the completeness and correctness of financial reporting, Hexagon 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. The Board receives regular feedback in respect of the internal control process from the Audit Committee. 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.

5. MONITORING ACTIVITIES

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 and regular reports on Hexagon'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.

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

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

It is the Board of Directors who is responsible for the corporate governance statement for the year 2011 on pages 46-51 and that it has been prepared in accordance with the Annual Accounts Act.

As a basis for our conclusion that the corporate governance statement has been prepared and is consistent with the annual accounts and the consolidated accounts, we have read the corporate governance statement and assessed its statutory content based on our knowledge of the Company.

Our conclusion is that the corporate governance statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm, Sweden, 27 March 2012

Ernst & Young AB

Hamish Mabon
Authorised Public Accountant

COMMENTS FROM THE CHAIRMAN OF THE BOARD

Melker Schörling



The role of the Board of Directors is to act for Hexagon's long-term development and in the best interests of the Company's shareholders. We establish an overall strategy for Hexagon, but also take into consideration, at the earliest possible time, other circumstances that may affect the Company's performance and development. Upon preparation by Hexagon's management, we establish a direction for the Company and take decisions on how Hexagon's resources are to be used for investments, acquisitions and dividends.

This year, I would like to share with you a few reflections on what happened in 2011 and how our company navigated.

2011 marked the start of Hexagon as a joint technology company combining design, measurement and visualisation solutions. Sales reached a record high in the first quarter. Meanwhile, the macro environment developed less favourably. The fragility of the Euro-zone became increasingly obvious to the financial markets in the second quarter and the fear of another recession escalated. Stock markets reacted strongly in late summer and Hexagon's share price was no exception, falling from an intra-year high of SEK 167 in May to an intra-year low of SEK 80 in October. As I write these comments the share has risen to around SEK 130, which more or less is where it was a year ago.

Under the demanding macro-economic conditions of last year, Hexagon proceeded forcefully with the integration of Intergraph, made further acquisitions while simultaneously delivering a double digit organic growth in sales and a very reassuring increase in operating earnings. This proves the ability of our products and services to create change rather than be a victim of it, the growing demand for Hexagon's offerings and, of course, to the dedication of our employees. With our global footprint, the broadest technology portfolio in the industry and an outstanding customer base, Hexagon's vulnerability to the business cycle has lessened considerably. I am confident that Hexagon has embarked on a new leg of a successful journey.

On behalf of Hexagon's Board of Directors, I am pleased to experience our shareholders' uninterrupted trust and commitment to Hexagon during the year. I am grateful to our management and our highly skilled and dedicated employees – their outstanding work has produced another remarkable year in Hexagon's history.

Stockholm, Sweden, March 2012

Melker Schörling
Chairman of the Board