

UN Global Compact Communication on Progress for 2018

The company

ABB (ABBN: SIX Swiss Ex) is a pioneering technology leader in power grids, electrification products, industrial automation and robotics and motion, serving customers in utilities, industry and transport & infrastructure globally. Continuing a history of innovation spanning more than 130 years, ABB today is writing the future of industrial digitalization with two clear value propositions: bringing electricity from any power plant to any plug and automating industries from natural resources to finished products. As title partner in ABB Formula E, the fully electric international FIA motorsport class, ABB is pushing the boundaries of e-mobility to contribute to a sustainable future. ABB operates in more than 100 countries with about 147,000 employees. new.abb.com

Statement of support

Ulrich Spiesshofer, ABB Chief Executive Officer

"At ABB, how we do business is just as important as meeting our financial targets. As a founder member of the UN Global Compact, ABB is committed to honoring the core principles of the Compact and to helping its customers and stakeholders do the same. In 2013, ABB issued nine sustainability objectives, covering environmental, human rights and labor issues, with clear targets that were updated in 2017. Our businesses make a significant contribution to the UN Sustainable Development Goals, in particular SDG 7 on providing affordable and clean energy. ABB supports the Paris Agreement, with more than half its global revenues coming from technologies that directly address the causes of climate change, and with our commitment to reduce ABB's own carbon footprint."

Human rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights

- Human rights policy and public statement adopted by ABB Group in 2007. Policy updated in 2016.
- Further work to embed human rights into business decision-making processes, including risk review for projects. Human rights considerations integrated in supply chain questionnaire, the Supplier Code of Conduct, Supplier Sustainability Development Program (SSDP) and the mergers and acquisitions process.
- Human rights considerations embedded in internal protocol for deciding where ABB should have business activities. Protocol was reviewed and updated during 2018.
- Global human rights training continued in 2018. An awareness-raising program for senior managers has so far been delivered in 18 countries; the training is aimed at business

managers, and key functions such as Supply Chain Management, Human Resources, Legal and Integrity, Communications and Sustainability. Specific training for Supply Chain Management specialists was also conducted and preparation for Marketing & Sales personnel training was initiated.

- A capacity building program to raise human rights capability continued in 2018 with further targeted training for our network of internal specialists. A detailed development curriculum was also prepared, for delivery in early 2019. An e-learning human rights module, launched in 2015, continues to provide fundamental guidance on human rights at ABB.
- Excessive overtime work was identified as one of the key areas of concern among suppliers, as part of ABB's Supplier Sustainability Development Program (SSDP). Excessive overtime by workers jeopardizes their work-life balance, adversely impacts safety, physical and mental health and has several far-reaching social effects. However, its resolution mechanisms are often perceived to have negative operational impacts on lead times, operational costs among others. During 2018, ABB initiated collaborative projects with suppliers in India, China, Bulgaria and Turkey to analyze and find innovative, practical solutions for this chronic challenge.
- ABB actively participates in international meetings, organizations and workshops seeking to promote business awareness and respect for human rights.

Principle 2: Make sure they are not complicit in human rights abuses

- Human rights policy adopted in 2007 and amended in 2016, is designed to raise performance and avoid complicity. Specifically, the issues of human trafficking and slave labor were added to a number of policies in 2016.
- ABB published its second response to the UK Modern Slavery Act in 2018.
- Global human rights training continued in ABB in 2018. The target groups are as above in Principle 1. Central to all such trainings is the issue of potential complicity.
- Ongoing work to understand and limit ABB exposure to Conflict Minerals, as defined by section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. For the fourth year running, ABB was recognized for responsible sourcing of minerals by an independent benchmark study.
- In-depth due diligence carried out on a number of proposed projects and business partners to avoid potential complicity.
- As part of Supplier Sustainability Development Program, several rounds of supplier trainings were conducted to extend awareness about ABB's expectation on human rights and fair labor conditions as contained in ABB Supplier Code of Conduct. In addition, specially designed legal awareness trainings were also conducted for suppliers in India, China, Saudi Arabia and Indonesia. The trainings correlated various ABB requirements of the Supplier Sustainability Development

Program, including decent working and fair labor conditions, with local/country specific legal requirements, common observed challenges and sharing of best practices.

Labor

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining

- Embedded in Code of Conduct, Principle 1 of ABB Human Rights Policy and Principle 6 of ABB Social Policy. All countries were asked to formally report on this principle. No violations were reported in 2018.
- In countries where law does not permit this right, ABB facilitates regular consultation with employees to address areas of concern.
- The right of employees to freely associate and bargain collectively is also included in ABB's Supplier Code of Conduct and in the protocol for supplier sustainability audits. A total of 190 audits of suppliers were carried out in 2018 and no violations were reported.

Principle 4: The elimination of all forms of forced and compulsory labor

- Covered by ABB Group Code of Conduct, Principle 1 of ABB Human Rights Policy and Principle 4 of ABB Social Policy. Additions were made to both policies in 2016 to cover human trafficking and slave labor. All countries were asked to formally report on this principle. No violations were reported in 2018.
- The principle of "no forced or compulsory labor" is included in ABB's Supplier Code of Conduct and in the protocol for supplier sustainability audits. A total of 190 audits of suppliers were carried out in 2018. We uncovered one instance where a supplier retained the passports of migrant workers and withheld payments for one month, while the workers went on vacation. The payment was released only once the workers came back and resumed work. ABB immediately engaged the supplier management on this issue and the supplier agreed to stop both the practices with immediate effect. Follow up site visits in 2019 will confirm the corrective actions are implemented.

Principle 5: The effective abolition of child labor

- Included in ABB Group Code of Conduct, Principle 1 of the ABB Human Rights Policy and Principle 3 of ABB Social Policy.
- All countries were asked to formally report on this principle. No violations were reported in 2018.
- The principle of "no child labor" is included in ABB's Supplier Code of Conduct as well as a protocol for supplier audits. A total of 190 audits of suppliers were carried out in 2018, and no violations were reported.

Principle 6: Eliminate discrimination in respect of employment and occupation

- Contained in ABB Group Code of Conduct, Principle 1 of the ABB Human Rights Policy and Principle 7 of ABB Social Policy. All countries were asked to formally report on this principle. There were 25 substantiated cases of harassment and one of discrimination in 2018, resulting in 12 terminations of employment.
- ABB also has country-specific procedures and programs to ensure that policies are fully observed and comply with national legislation.
- Equal opportunity and freedom from discrimination are

embedded in ABB's Supplier Code of Conduct, as part of fair labor conditions. It is also part of the supplier sustainability audit protocol. A total of 190 supplier audits were conducted during the year and no violations were reported.

Environment

Principle 7: Business should support a precautionary approach to environmental challenges

- Environmental considerations are mandatory in the ABB GATE model for product and process development. Supporting tools and training materials have been developed to further improve application of checklist. A new, more robust standard with training material was rolled out in 2018.
- Standardized Life Cycle Assessment (LCA) procedures are used to assess new products' environmental impact throughout their life cycle. A comprehensive LCA of a full HVDC Light transmission system was completed in 2018, helping customers evaluate the environmental benefits of ABB's HVDC Light technology.
- Group-wide list of prohibited substances for products and processes is regularly reviewed and updated. The phasing out of hazardous substances is part of ABB sustainability objectives.
- ABB is committed to reducing its environmental footprint, with a target to reduce greenhouse gas emissions by 40% by 2020, from a 2013 baseline, and increase focus on resource efficiency (namely improve materials and water use and reduce waste).
- Environmental experts at country and Group level provide environmental expertise, guidelines and tools to business units to ensure they meet upcoming environmental requirements and challenges, and customer demand for compliance and other environmental information.

Principle 8: Undertake initiatives to promote greater environmental responsibility

- ABB works with international organizations and initiatives, such as the World Business Council for Sustainable Development, ISO, the United Nations Environment Programme and Sustainable Energy for All, the Alliance of CEO Climate Leaders and Fossil-free Sweden.
- ABB has implemented strengthened environmental minimum standards, common to all operations and promotes best practice examples across its operations. Environmental awareness training was delivered across the Group in 2018, along with focused training on reduction of hazard substances.
- Key internal environment programs were developed in 2018, including: Circular economy, Climate action, Product stewardship and Resource efficiency.
- In 2018, ABB's environmental reporting process was reviewed, simplified and updated to further improve the quality of reported data and allow better business-line reporting and analysis. A Climate KPI was also introduced in our quarterly sustainability dashboard to help ABB businesses track their performance on greenhouse gas reduction.
- ABB has implemented a robust protocol for auditing of suppliers' environmental performance, auditing a further 190 suppliers during 2018.
- ABB issued an updated statement on climate change and global warming in support of the Paris agreement and climate policies that encourage early adoption of clean technologies and energy efficiency.

Principle 9: Encourage the development and diffusion of environmentally friendly technologies

- Covered by ABB's Code of Conduct.
- Energy-efficient products, renewable energy equipment and e-mobility identified as a key driver for ABB's business opportunities. In 2018, ABB was ranked #8 on Fortune's list of companies that change the world for our e-mobility technology. At COP24 in Katowice, ABB was recognized for our e-mobility contribution, while the Polish Alternative Fuels Association and PwC ranked ABB as the "Electromobility Leader 2018".
- Transfer of technologies and best practices between countries to ensure same level of environmental performance throughout Group.
- Group-wide list of prohibited substances for products and processes is continually reviewed and updated. The phasing out of hazardous substances is part of ABB sustainability objectives.
- ABB GATE model for product and process development contains defined steps for considering improvements in environment and safety performance. The processes supporting the health, safety and environment checklist for the GATE model were strengthened during 2018.

Anti-corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery

- Covered by ABB Group Code of Conduct, the ABB Supplier Code of Conduct (updated in 2018), Principle 4 of ABB Human Rights Policy, and Principle 13 of Social Policy.
- Underpinned by zero tolerance policy on non-compliance.
- During the second quarter of 2018 ABB rolled out a new "Integrity Starts with You" Code of Conduct e-learning module across ABB Group to all employees with an e-mail address (the white collar community). At 2018 year-end we achieved over 98 percent completion for the e-learning, covering nearly 98,000 employees.
- In 2018, in addition to the usual Integrity e-learning curriculum, we rolled out a training course on Global Data Protection to nearly 98,000 employees; at the end of 2018 over 96 percent had completed the course.
- ABB offers a number of different reporting channels, including a third party-held Business Ethics hotline available 24/7 where employees can report concerns confidentially.
- As part of the anti-corruption program, ABB continued to carry out several additional training and communication initiatives in 2018, focusing on company leadership and middle management, and including Code of Conduct and anti-bribery e-learning, integrity leadership development sessions, Value Pair workshops, and case studies provided through our "Integrity on the Business Agenda" initiative, and proactive action such as anti-bribery compliance reviews of ABB units around the world.
- The "Integrity on the Business Agenda" program promotes ownership and accountability for integrity at local business level. The Group Integrity team has developed Group-wide and Division-specific case materials for team discussions led by local business unit managers. The Divisions are responsible for making sure that the topics are discussed and relevant actions implemented across their business, and progress and completion is tracked. In 2018, further case studies were developed based on feedback gathered from the Anti-Bribery and Integrity Awareness Assessment (Survey) that was conducted during the year.

- ABB's integrity program is recognized externally for its continued excellence. For the sixth consecutive year, in 2018, we retained our Ethisphere Compliance Leader Verification seal of recognition.
- During 2018, Ethisphere conducted a review and analysis of ABB's anti-corruption and anti-bribery programs and practices ("Anti-Bribery Management System or ABMS"). Ethisphere's assessment process utilizes the recently-released ISO 37001:2016 standards, and involves a comprehensive review and evaluation of ABB's existing anti-bribery management systems, corporate governance systems and practices, and includes a survey deployed to a statistically significant cross-sample of ABB employees with bribery and corruption risk exposure. Ethisphere determined that ABB's ABMS and relevant programs and initiatives meet or exceed the Verification criteria. As such, Ethisphere licensed to ABB the use of its Ethisphere Anti-Bribery Management Systems Verification logo.
- ABB is one of the founding members of Ethics and Compliance Switzerland (ECS; May 2014). ECS promotes the development of a compliance community across all sectors and organizations in Switzerland and the establishment and sharing of compliance best practices. It is the first NGO in Switzerland connecting private and public-sector organizations and their officers and employees who share an interest in best practice on integrity and compliance management.
- ABB in Brazil remains recognized as a Pró-Ética (Pro-Ethics) company by Instituto Ethos and the Brazilian government, an initiative recognized by the OECD. The next evaluation will be conducted during 2019.

Additional information

Policies

ABB has Group-wide policies: The Health, Safety, Environment, Security and Sustainability Policy, Social Policy, Human Rights Policy, as well as a Code of Conduct. These can be found online and are also referenced in ABB Group's annual Sustainability Performance Report.

Reporting

ABB's sustainability performance is compiled in an annual Sustainability Performance Report which measures the company's performance against the Global Reporting Initiative's indicators. The 2018 Sustainability Performance Report is published in March 2019. Further detail on ABB's environmental, social, human rights, and health and safety performance can be found on www.abb.com/sustainability

Main partnerships

ABB is a member of many international groups and organizations, apart from the Global Compact. Listed below are some of the principal associations and initiatives with which ABB is involved in the area of sustainability:

- Global Business Initiative on Human Rights
- Global Reporting Initiative
- Institute for Human Rights and Business
- Ethics and Compliance Switzerland
- International Committee of the Red Cross
- World Business Council for Sustainable Development
- World Economic Forum