

# UN Global Compact Communication on Progress for 2019

## The company

ABB (ABBN: SIX Swiss Ex) is a technology leader that is driving the digital transformation of industries. With a history of innovation spanning more than 130 years, ABB has four customer-focused, globally leading businesses: Electrification, Industrial Automation, Motion, and Robotics & Discrete Automation, supported by the ABB Ability™ digital platform. ABB's Power Grids business will be divested to Hitachi in 2020. ABB operates in more than 100 countries with about 147,000 employees.

[www.abb.com](http://www.abb.com)

## Statement of support

**Peter Voser, Chairman and Chief Executive Officer**

“For ABB, being a good corporate citizen is a top priority. We maintain the highest standards concerning integrity and ethical business practices and we have a zero-tolerance approach to unethical behavior. As a founder member of the UN Global Compact, ABB remains committed to honoring the core principles of Compact. ABB has always put sustainability at the center of our activities and our value proposition. Nearly 60 percent of our global revenues are related to energy efficiency, renewable energy and resource conservation and our technologies contribute directly or indirectly to all 17 of the UN Sustainable Development Goals. Since 2013, we have reduced our own greenhouse gas emissions by almost 40 percent. In January 2020, we introduced a new governance model to further improve transparency and accountability across our organization.”

## 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 and updated in 2016.
- Human rights considerations are integrated in a range of business decision-making and review processes, including supply chain qualification questionnaires, the Supplier Code of Conduct, Supplier Sustainability Development Program (SSDP), risk review for projects and the mergers and acquisitions process.
- Human rights considerations are also embedded in our internal protocol for deciding where ABB should conduct business activities. This protocol was reviewed and updated during 2019.
- Global human rights training continued in 2019, with a focus on developing human rights capacity and capability at different levels in ABB's businesses. An awareness-raising program for senior managers was delivered to the management teams of all but four ABB global business lines during 2019, with the remainder of the training to be concluded in early 2020. The training is aimed at business decision makers, including key functions such as Supply Chain Management, Human Resources, Legal and Integrity, Communications and Sustainability.
- A targeted capacity building program to raise human rights capability of our network of internal specialists was expanded in 2019 with the roll out of a new, detailed development curriculum. More than 80

health, safety & environment and procurement specialists, along with representatives from legal, communications and marketing functions participated in the detailed training. These human rights 'champions' are tasked to provide first line advice on human rights within their business, assist with due diligence processes and deliver further further training according to their business needs.

- During 2019, we also developed more detailed awareness training for targeted roles: Procurement, Marketing & Sales, and Operations. These training sessions will be delivered during 2020.
- 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 2019, ABB initiated collaborative projects with a number of suppliers 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 third response to the UK Modern Slavery Act in 2019.
- Global human rights training continued in ABB in 2019. 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 fifth 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.
- Through the Supplier Sustainability Development Program, multiple supplier trainings were conducted to extend awareness about ABB's expectations on human rights and fair labor conditions as contained in ABB Supplier Code of Conduct. Additionally, specially designed thematic workshops were conducted for suppliers in China on 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 2019.
- In countries where law does not permit this right, ABB facilitates regular consultation with employees to address areas of concern. ABB also conducted a global employee engagement survey in 2019 to further improve our engagement culture.
- In addition to the local employee representatives on country level, ABB has a European Works Council, which is governed by a voluntary agreement.
- 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 168 audits of suppliers were carried out in 2019 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 2019.
- 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 168 audits of suppliers were carried out in 2019. In 2018, we uncovered an instance where a supplier retained the passports of migrant workers and withheld payments for one month, while the workers went on vacation. Follow up onsite audits were conducted in 2019 to confirm the corrective actions had been implemented and passports had been returned to the workers. During 2019, we identified another instance where a supplier retained passports of foreign workers. ABB has asked the supplier to return the passports to the respective employees and follow up visits will be done in 2020 to ensure effective implementation of corrective measures.

**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 2019.
- 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 168 audits of suppliers were carried out in 2019, 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 19 substantiated cases of harassment and eight of discrimination in 2019, resulting in varying levels of corrective action including five terminations of employment.
- ABB also has country-specific procedures and programs to ensure that policies are fully observed and comply with national legislation. For example, in India ABB established an internal Prevention of Sexual Harassment (POSH) committee that reviews all reported sexual harassment concerns reported internally, in accordance with the POSH Act.
- 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 168 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 the checklist.
- Standardized Life Cycle Assessment (LCA) procedures are used to assess new products’ environmental impact throughout their life cycle.
- 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).

- In 2019, ABB launched its first carbon neutral and energy self-sufficient production site in the world. Featuring a solar power plant which will deliver around 1100 MWh of climate-neutral solar power a year and ABB's energy management system OPTIMAX®, setting an example to customers and to other parts of our company.
- Also in 2019, ABB initiated a project for an all-electric ABB delivery fleet in Switzerland by the end of 2022. After a test phase of several months with two trucks, ABB's current fleet of eleven diesel vehicles will be superseded over the next three years by a single-operator fleet of E-trucks. ABB will be the first company in Switzerland to trial fully electric truck deliveries.
- 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 training was delivered across the Group in 2019 to raise awareness and advise on how to reach our 2020 Objectives. Our network of materials experts continued its focus on reduction of hazard substances.
- Key internal environment programs were further developed in 2019 to meet the needs of our businesses, including: Circular economy, Climate action, Product stewardship and Resource efficiency.

- In 2019, we launched global reporting of environmental hazards in ABB, which helps us identify and reduce environmental risks in our operations and better prevent incidents from occurring. We are also strengthening our global processes for the investigation and reporting of environmental incidents, ready to be launched early in 2020.
- ABB has implemented a robust protocol for auditing of suppliers' environmental performance, auditing a further 168 suppliers during 2019.
- ABB issued an updated position paper on climate change and global warming for COP25 in Madrid 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.
- Nearly 60 percent of ABB's global revenues are derived from technologies that directly address the causes of climate change through energy efficiency, renewables integration, and resource conservation.
- ABB is set to invest around \$23 billion in innovation between its signing of the Paris Agreement and 2030, and at COP25 ABB urged policymakers to adopt sound climate policies to encourage innovation and create secure investment conditions.
- 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.

## 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, 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). This e-learning campaign continued into 2019. At 2019 year-end we achieved nearly 98 percent completion (97.7%) for the e-learning, covering nearly 101,000 employees.
- 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 the Welcome to ABB initiatives in 2019 informing new employees about our Integrity program requirements, focusing on company leadership and middle management by conducting Integrity leadership sessions to Business leadership teams 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.
- ABB's integrity program is recognized externally for its continued excellence. For the sixth consecutive year, in 2019, 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. This license also applied to 2019.
- 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. During December 2019 it was confirmed that ABB is one of only eight companies in Brazil that have been recognized again, since the Government recreated the seal in 2015. In this latest 2019 review, almost 400 companies applied and only 26 were granted the seal. No other company in our industry was recognized. The Pro-Ethics review is now a bi-yearly process, therefore the next review will happen by the end of 2021.
- During 2019 we upgraded our reporting channel options through a new web-portal available to employees to enable web-based reporting and making enquiries.

## **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 2019 Sustainability Performance Report is published in March 2020. Further detail on ABB's environmental, social, human rights, and health and safety performance can be found on [www.abb.com/sustainability](http://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
- Responsible Minerals Initiative
- World Business Council for Sustainable Development
- World Economic Forum