

# UN Global Compact Communication on Progress for 2020

## The company

ABB is a leading global technology company that energizes the transformation of society and industry to achieve a more productive, sustainable future. By connecting software to its electrification, robotics, automation and motion portfolio, ABB pushes the boundaries of technology to drive performance to new levels. With a history of excellence stretching back more than 130 years, ABB's success is driven by about 105,000 talented employees in over 100 countries.

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

## Statement of support

### Björn Rosengren, Chief Executive Officer

ABB is a long-standing and active member of the UN Global Compact, having joined the initiative as a founder member in 2000. Our company Purpose and sustainability goals support the 10 core principles of the Compact and, through our leading technologies and responsible business practices, we contribute to the UN Sustainable Development Goals, of which ABB has always been a strong advocate.

As a technology leader with operations in more than 100 countries, our 2030 sustainability strategy focuses on those areas in which we can make the biggest impact – enabling a low-carbon society by reducing greenhouse gas emissions, preserving resources, and promoting social progress through our own operations and in our communities around the world, including championing human rights across the value chain. We measure progress through our comprehensive governance framework, based on integrity and transparency – the foundation of everything we do.

## This report

ABB's Sustainability Report 2020, the following summary text and our online Communication on Progress at the UN Global Compact webpage describe the progress we made during the 2020 reporting year.

## Human rights

- Principle 1: Support of human rights
- Principle 2: Exclusion of human rights abuses
- Principle 3: Assurance of freedom of association
- Principle 4: Elimination of all forms of forced labor
- Principle 5: Abolition of child labor

## Systems and measures

ABB's commitment to responsible business practices underpins our promise to respect and promote human rights as expressed in the International Bill of Human Rights.

Furthermore, we are committed to implementing the United Nations Guiding Principles on Business and Human Rights throughout our operations and along the value chain.

Respect for people, integrity and transparency is the basis of the behaviors we expect from every individual who works for us as a direct ABB employee or who engages with us as a business partner or through our supply chain.

In 2020, we reinforced these expectations with the introduction of a new ABB Code of Conduct, a new ABB Purpose, and a new human rights control standard for ABB's Health, Safety Environment and Sustainability management system. The ABB Supplier Code of Conduct, the ABB Policy Combating Trafficking in Persons, our Human Rights policy and our Social policy further describe our expectations.

ABB's Code of Conduct requires all employees, suppliers, contractors and other business partners to respect rights related to freedom of association, collective representation, fair compensation, equal treatment, and safe and healthy workplaces. We do not knowingly work with any supplier or business partner who engages in forced labor, modern slavery, human trafficking or the exploitation of or discrimination against anyone, including children and vulnerable groups.

These requirements are reflected in the ABB Supplier Code of Conduct, which also provides links to our anonymous complaint mechanisms.

Human rights considerations are integrated in a range of business decision-making and review processes, including supply chain qualification questionnaires, Sustainable Supply Base Management (SSBM) program, 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 is regularly reviewed and updated.

To more deeply integrate human rights principles into all of ABB's business processes, we launched an advanced awareness and competence building program in 2019. The program consists of different trainings targeting management and functional roles. These trainings are geared to build understanding of human rights and raise awareness of the human rights risks connected to respective Business Areas and areas of responsibility.

#### 2020 achievements and plans

In 2020, we released a new human rights control standard as a component of our Health, Safety, Environment and Sustainability (HSE/SA) management system and designed a new human rights internal audit process, for deployment in 2021. The aim of the audit process is to assess aspects of human rights performance at ABB facilities covering both ABB employees and contractors. The internal audit program will consist of a self-assessment for all sites and a periodic audit to be conducted by an internal ABB auditor. This program will help ensure proper assessment, management awareness and implementation of improvement plans where needed.

During the year, we continued expansion of our human rights champions network, training a further 41 candidates from different functions, including HSE, integrity, marketing & sales, human resources and procurement. The human rights champions

supported our most important training initiative of 2020: the launch of customized programs for three specific job roles exposed to human rights risks – marketing & sales, procurement and operations. We trained our champions to deliver these customized courses and as a result, 530 managers received general human rights awareness training, plus 185 marketing & sales managers, 120 operations managers and 142 procurement managers received targeted human rights training. Despite the COVID-19 pandemic, 15 of the targeted 18 divisions received at least three of these customized training sessions from our champions.

In 2020, we conducted on-site sustainability audits with 112 suppliers, identifying 427 risks and mitigating 364 risks during this period. In other activities to support responsible sourcing, we trained 128 ABB employees and 285 suppliers during the year. Due to the COVID-19 pandemic, we were not able to conduct as many assessments and follow up audits as were originally scheduled for 2020.

In addition to our pre-assessment training for suppliers new to our program, we also developed customized training courses to address the root causes of common instances of non-compliance that we had observed in 2019. These courses, which we delivered to 117 suppliers in China, Indonesia, Malaysia, Thailand and Vietnam, covered topics such as recognizing forced labor and modern slavery, best practices for workplace safety and environment, and updates on safety and environmental regulations.

In 2020, ABB contributed \$10.1 million to more than 340 community projects and charities worldwide, with the aim to provide assistance for the most vulnerable and help sustain progress in the fields of education, diversity & inclusion, and care in the community.

Looking to the future, our five-year plan for human rights (2021-2025) includes conducting an updated salient human rights risk analysis and reinforcing our due diligence processes, based on the UN Guiding Principles and emerging legislation. The plan also entails deployment of our new human rights internal audit process in 2021.

Also during 2021, we will start to expand the scope of our supplier assessments to cover more supplier categories and, in time, more countries.

*Further information:*

[ABB Code of Conduct](#)

[ABB Supplier Code of Conduct](#)

[Human rights policy and statement](#)

[Social policy](#)

[Modern Slavery and Human Trafficking Statement](#)

[Human rights - ABB Sustainability Report 2020](#)

[Responsible sourcing - ABB Sustainability Report 2020](#)

[Community engagement - ABB Sustainability Report 2020](#)

[COVID-19 - ABB Sustainability Report 2020](#)

[Safe operations - ABB Sustainability Report 2020](#)

[We promote social progress - Sustainability](#)

## **Diversity and inclusion**

### Principle 6: Elimination of discrimination

#### Systems and measures

In ABB, we do not discriminate on any grounds: gender, ethnic, sexual orientation, cultural, social, religious or other. We see diversity as a core strength and seek to create an inclusive environment, in which everyone is safe, treated with respect and can succeed. Processes, policies and tools enable an environment of diversity, inclusion and equal opportunities.

ABB's Code of Conduct requires all employees, suppliers, contractors and other business partners to respect rights related to freedom of association, collective representation, fair compensation and equal treatment. We do not knowingly work with any supplier or business partner who engages in the exploitation of or discrimination against anyone, including children and vulnerable groups.

These requirements are reflected in our Human Rights and Social policies and in the ABB Supplier Code of Conduct, which also provides links to our anonymous complaint mechanisms. ABB also has country-specific procedures and programs to ensure that policies are fully observed and comply with national legislation.

#### 2020 achievements and plans

Gender diversity is a core priority embedded in ABB's people strategy and by the end of 2020, 13.5 percent of the senior managers at ABB were women, up from 11.7 percent in 2019 and 10.5 percent in 2018. We also achieved our gender diversity goals of identifying 100 female candidates for succession to senior leadership positions and of ensuring that females comprise at least 30 percent of our early talent hires.

In 2020, ABB was among more than 50 leading European companies in the industrial and technology sectors to reaffirm its pledge to EmbraceDifference, a pan-European diversity and inclusion (D&I) initiative that aims to spur progress in the creation of diverse and inclusive work environments.

Regarding the Lesbian, Gay, Bisexual, Transgender, Questioning and all of the communities encompassed by the "LGBTTTQQIAA" acronym (herewith LGBTQ+), ABB kicked off its LGBTQ+ strategy in 2020, which included trainings, awareness raising campaigns and benefits reviews, among other actions. The company also signed the UN Standards of Conduct for Business Tackling Discrimination against Lesbian, Gay, Bisexual, Trans and Intersex People (LGBTI), in addition to signing a partnership with Stonewall, Europe's largest LGBT rights organization, to help develop a roadmap on LGBTQ+ for our employees.

In 2020, ABB also joined the Gender and Diversity KPI Alliance together with more than 50 large companies; the alliance supports the use of a common set of key performance indicators to accelerate diversity in corporations.

Looking to the future, by 2030 we will double the number of women in senior management roles to 25 percent.

*Further information:*

[ABB Code of Conduct](#)

[ABB Supplier Code of Conduct](#)

[Human rights policy and statement](#)

[Social policy](#)

[Our people – culture, diversity & inclusion - ABB Sustainability Report 2020](#)

[Diversity and Inclusion – ABB Group](#)

[We promote social progress - Sustainability](#)

## **Environment**

Principle 7: Precautionary approach to environmental protection

Principle 8: Specific initiatives to promote environmental protection

Principle 9: Development and diffusion of environmentally friendly technologies

### Systems and measures

ABB provides products, systems and service solutions that not only enhance our customers' businesses, but also lessen their environmental impacts, through improved energy efficiency and increased industrial productivity. We are committed to conducting our operations in an environmentally sound manner and always in compliance with applicable legislation. We apply environmental management systems and continually improve performance.

ABB's global management system for HSE and Sustainability sets the minimum standards that must be implemented across all ABB operations and activities and includes a comprehensive global audit assurance program. The structure of the management system is based on internationally recognized sustainability standards, principles and commitments, including ISO 45001 and 14001:2015.

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. Standardized Life Cycle Assessment (LCA) procedures are used to assess new products' environmental impact throughout their life cycle.

A 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 targets to:

- Reduce greenhouse gas emissions by 40% by 2020, from a 2013 baseline
- Reduce absolute water withdrawals by 25 percent from 2013 to 2020 at facilities located in watersheds with medium to extremely high baseline water stress
- Reduce the share of waste ABB sends to final disposal – both hazardous and non-hazardous – by 20 percent from 2013 to 2020
- Reduce ABB's emissions of volatile organic compounds (VOCs) by 25 percent from 2013 to 2020.

ABB's leading technologies represent our main contribution to the global effort to mitigate climate change. Many of ABB's products, services and solutions directly address the causes of climate change by facilitating increased energy efficiency, the integration of renewables into the energy mix, and the conservation of natural resources. We set ourselves the target to expand our eco-efficiency portfolio to account for 60 percent of ABB's total revenue by the end of 2020.

### 2020 achievements and plans

#### *Climate action*

ABB's 2020 target for climate action was to reduce its GHG emissions by 40 percent from a 2013 baseline. In 2020, ABB's total GHG emissions (Scope 1 and 2) amounted to 561 kilotons, achieving a 58 percent reduction from 2013. This reduction was achieved through reducing GHG emissions from fossil energy and transportation, as well as improved handling of sulfur hexafluoride gas (SF<sub>6</sub>).

The ABB Real Estate function's energy savings program resulted in 174 completed, ongoing and planned energy-saving projects in ABB buildings between 2018 and 2020; these projects enable us to cut our greenhouse gas emissions by 19.5 kilotons per year. In 2020, we introduced an effective new tool called Rapid Energy Review, which enables us to quickly identify opportunities to save energy at ABB sites. Through this new, targeted approach we can reduce on-site energy consumption by as much as 5 percent.

We took action in 2020 to help our suppliers reduce the climate impact of their operations. The Supplier Sustainability Rating program, created by ABB's Smart Power (ELSP) division in 2019, is a good example of our proactive approach to cutting ABB's upstream Scope 3 emissions and should have an impact from 2021.

In line with ABB's 2018 commitment to the Science Based Targets initiative, we will announce ABB's 2030 GHG emissions targets in 2021. Our key goals are to partner with our customers and suppliers to reduce their emissions and to achieve carbon neutrality in our own operations by 2030.

#### *Resource efficiency and reduction of hazardous substances*

For all ABB sites in stressed watersheds, total water withdrawals in 2020 amounted to 1,178 kilotons, representing an 18 percent reduction from 2019 and a 39 percent reduction from 2013. Closed-loop processes and other projects to recycle or reuse water comprise our primary water-saving practices.

In 2020, ABB reduced the amount of total waste it generates by 25 percent and reduced its disposed waste by 27 percent compared to 2013.<sup>2</sup> Over the past year, in-house recycling and reuse, mainly of packaging materials and thermoplastics, reduced the amount of waste ABB generates by 1,700 tons.

Since 2013, ABB has reduced its VOC emissions by 29 percent by using low-VOC paints and varnishes and installing active carbon filters and other equipment at our production sites.

Across ABB, we have also taken steps to implement the principles of the circular economy to reduce waste. To drive this process further, in 2020, ABB joined the Ellen

MacArthur Foundation, whose mission is to accelerate the transition to a circular economy.

Looking to the future, by 2030, at least 80 percent of ABB products and solutions will be covered by our circularity approach. We will also make sure that zero waste from our own operations is disposed of in landfills, wherever this is compatible with local conditions and regulations.

By 2030, we will systematically improve circularity in our supply chain through our supplier sustainability framework, which focuses on environmental, social and governance performance.

*Further information:*

[ABB Code of Conduct](#)

[ABB Policy on Health, Safety, Environment, Security and Sustainability](#)

[Climate action - ABB Sustainability Report 2020](#)

[Resource efficiency - ABB Sustainability Report 2020](#)

[Right materials - ABB Sustainability Report 2020](#)

[Leading technology - ABB Sustainability Report 2020](#)

[Environmental Product Declarations](#)

[ABB List of Prohibited and Restricted Substances](#)

[We enable a low carbon society - Sustainability](#)

[We preserve resources - Sustainability](#)

## **Anti-corruption**

Principle 10: Measures against corruption

### Systems and measures

ABB's robust integrity program helps ensure compliance with laws and regulations; its guidance enables our employees to make fair and honest decisions every day. ABB's governance framework, policies and procedures, risk assessment processes, trainings, approach to managing third parties, and our monitoring, investigation and reporting mechanisms are structured to ensure that everyone who works with or for ABB is personally accountable for upholding the highest moral and ethical standards.

The ABB Code of Conduct, and related Supplier Code of Conduct, is the linchpin of ABB's governance framework, defining how we work, collaborate and do business across our organization. ABB has zero tolerance for any form of retaliation, retribution or wrongful dismissal.

Our wide range of integrity reporting channels includes the ABB Business Ethics Helpline, which provides both employees and stakeholders with web portal and telephone access for reporting suspected violations of the ABB Code of Conduct, the Supplier Code of Conduct, or applicable laws and regulations.

The Integrity function uses a variety of resources to ensure the appropriate investigation and resolution of concerns in a prompt, fair and consistent manner. ABB internally tracks and reviews a variety of case metrics beyond case volume and utilizes the data to continually improve our culture of integrity and internal controls.

2020 achievements and plans

The Code of Conduct was revised and simplified in 2020 and links to underlying policies and procedures. It is available in more than 25 languages. Also in 2020, we launched a new mobile app that makes it easy for employees to refer to the ABB Code of Conduct. The app, which also includes reporting channels, key trainings and links to underlying policies, makes the Code fully accessible to all of our stakeholders.

To raise internal awareness of the integrity risks ABB employees face, we continued to offer the “Integrity Starts with You” training course on the ABB Code of Conduct. We also continued to run a data protection course and our global anti-bribery essentials course, “Don’t Look the Other Way.” The cumulative completions on these courses since their global roll out reached 99, 97 and 98 percent, respectively, in 2020.

In 2021, we are launching an organizational justice campaign for the benefit of our employees, enterprise culture and internal controls. As part of this campaign, we will incorporate lessons learned and new trends into employee learning tools, and associated root-cause analysis into our risk-monitoring activities.

We will also strengthen due diligence processes by including automated pan-integrity screening, weighted risk scoring and ongoing monitoring for medium to higher risk third parties on both the buy- and sell-side of our value chain.

*Further information:*

[ABB Code of Conduct](#)

[ABB Supplier Code of Conduct](#)

[Integrity - ABB Sustainability Report 2020](#)

[Integrity at ABB Group](#)

[Antitrust Guidance Notes](#)

[Integrity reporting channels](#)