

Governance and integrity

The way we run our business

(includes GRI standard disclosures 3.6, 3.9, 4.1, 4.8, 4.9, and 4.12)

For ABB, sustainability is about balancing economic success, environmental stewardship and social progress to benefit all our stakeholders.

Sustainability considerations cover how we design and manufacture products, what we offer customers, how we engage suppliers, how we assess risks and opportunities, and how we behave in the communities where we operate and towards one another, while striving to ensure the health, safety and security of our employees, contractors and others affected by our activities.

Statement of business principles

Our behavior, in our teams, with customers, other business partners and in the communities where we operate, is guided by our business principles – responsibility, respect and determination.

Standards of business conduct: ABB integrity program

ABB sets high standards of integrity, which are expected of every employee and in every country where we do business. We use a systematic approach, supported by tools and processes and a zero tolerance policy for violations.

Integrity is driven by the businesses with division heads and financial controllers regularly reviewing and reporting on integrity developments. The divisions' business performance evaluations also include consideration of integrity.

The ABB Code of Conduct is the integrity framework that describes the behavior expected of employees and stakeholders, based on the ABB principles of responsibility, respect and determination. It contains practical instructions to help employees in their day-to-day work and is underpinned by standards and policies covering issues such as corruption and illegal payments.

The Code of Conduct has been translated into 45 languages. All current and new employees are required to take Code of Conduct face-to-face and e-learning training, and to acknowledge their commitment to adhere to the Code of Conduct. Managers also have to re-acknowledge the Code of Conduct on a regular basis.

Multiple channels are available to all employees to report integrity concerns. A multilingual Business Ethics Hotline is available 24 hours per day, seven days per week, run by a third party. Calls are treated confidentially and people with information can choose to remain anonymous. A Stakeholder Hotline is available to our external business partners.

ABB also has an Ombuds program as an additional route for compliance reporting. The ABB Ombudspersons are respected, experienced business colleagues available for discussion and to provide confidential guidance.

ABB investigates all potential integrity concerns and cooperates fully with law enforcement agencies. There is a strict zero tolerance policy for violations of the law or the ABB Code of Conduct, which is enforced through systematic disciplinary actions.

Overall, the ABB integrity program is supported by a team of some 290 employees, full-time and part-time, at headquarters and around the world.

Other policies, principles and procedures

We have also implemented environmental, social, human rights, and health and safety policies and a Supplier Code of Conduct. These [policies](#) include references to international standards to which they relate. For example, the human rights and social policies draw on the Universal Declaration of Human Rights, the ILO Core Conventions on Labor Standards, UN Global Compact, the OECD Guidelines for Multinational Enterprises and the Social Accountability 8000 standard.

Sustainability governance

Ultimately, every ABB employee is responsible for sustainability. The commitment of line managers to implement our objectives is key to achieving ABB's sustainability and business goals.

Accountability for the sustainability performance of ABB lies within the brief of Gary Steel, member of the Group Executive Committee (EC). The ABB Sustainability Affairs organization, covering health and safety, environment, corporate responsibility and security and crisis management, reports directly to the EC member.

A network of sustainability specialists worldwide reports to the Sustainability Affairs management team. In countries where ABB entities have or could have significant sustainability impacts, we have appointed country sustainability controllers, country health and safety advisors and country security managers responsible for ABB's sustainability management program and for gathering the data consolidated in this report. Where needed, regional responsibilities have also been assigned.

The country and regional specialists are supported by local sustainability officers and health and safety advisors. Overall, the ABB sustainability network is supported by a team of some 800 employees, full-time and part-time, at headquarters and around the world.

Sustainability risks and opportunities are also investigated in coordination with business divisions and other Group functions, e.g. Mergers and Acquisitions (due diligence), Real Estate and Insurance (real estate liabilities, security and site risk), Internal Audit and ABB's bid evaluation committee (customer and project risk assessments).

ABB's formal sustainability reporting system covers all ABB Group companies, wholly owned subsidiaries and majority-owned joint ventures worldwide that have significant sustainability impacts. We use three computerized data reporting questionnaires to measure and collect performance data throughout the Group via the ABB intranet – an annual social report from every country, an annual environment report from every site and a monthly health and safety report from every country.

The data relating to social performance covers 95 percent of ABB employees, whereas data relating to environmental performance covers 87 percent of employees. The environmental performance of the remaining 13 percent of employees, located in non-manufacturing entities without significant impacts, is covered by estimated data.

Externally developed charters, principles and initiatives

ABB subscribes to externally developed charters and principles for sustainability management. Applying such principles is helping ABB to make progress in core areas. These charters and principles include the International Chamber of Commerce Business Charter for Sustainable Development which ABB signed in 1992, and ISO 14000 standards and technical reports.

ABB has adopted ISO 14001 for environmental management systems; ISO/TR 14025 for Environmental Product Declarations; ISO 14040-45 for Life Cycle Assessments; and ISO 19011 for environmental auditing of organizations.

ABB has incorporated the principles of OHSAS 18001, the International Labour Organization (ILO) guidelines on occupational health and safety management systems, and the ILO Code of Practice on Recording and Notification of Occupational Accidents and Diseases into its health and safety program.

ABB facilities are encouraged to implement integrated management systems for environmental and quality issues, and for occupational health and safety. Around 240 sites now use integrated systems, many of which have been externally certified.

ABB is a signatory to the World Economic Forum's "Partnering Against Corruption Initiative" (PACI), signed by 128 companies committed to strengthening efforts to counter corruption and bribery. ABB was one of 10 companies to also sign the forerunner of this initiative at the WEF's annual meeting in 2004 in Davos, Switzerland.

In addition, ABB has taken note of ISO 26000 on social responsibility, using its recommendations to assess expectations of corporate behavior.

As a founder member of the United Nations Global Compact, ABB has been closely involved in its development. ABB's human rights understanding and work benefits from involvement in such organizations.

Other GRI indicators

SO2 Business units analyzed for corruption risks

ABB's internal auditors carry out an annual risk assessment as the basis for their audit planning for the following year. Anti-fraud risk assessment is part of this. ABB's internal auditors also carry out anti-bribery compliance reviews of business units and countries globally. In these reviews, ABB's internal auditors review business processes, accounts and balances, and test transactions to assess robustness of controls and identify possible violations of ABB's anti-bribery procedures. In addition, every significant project is included in a risk review process, which also covers corruption risk considerations.

SO3 Employees trained in anti-corruption procedures

Substantially all employees have completed training on ABB's Code of Conduct. In addition, approximately 95 percent of all employees have received training on anti-corruption procedures.

In 2010, ABB expanded its Ombuds program to additional countries, now covering 26 countries with more than 40 Ombudspersons.

SO4 Actions taken in response to corruption

ABB applies a strict zero tolerance policy to combat corrupt payments. Every incident is sanctioned, and may include termination of employment. In 2010, ABB identified one new incident of corruption of a government official, still under investigation at year-end. During the year, no employee was dismissed or disciplined for incidents of corruption.

SO5 Public policy and lobbying

ABB provided input to the European policy process on transmission, distribution and on smart grid technologies, as well as on all aspects of resource efficiency and industrial competitiveness. ABB made a strong case for the further integration of the European energy market and for the necessary interconnections. ABB supported the pursuit of ambitious binding targets for renewable energy sources, as well as their integration in the power grids in European Union energy policy. ABB helped advance and create the necessary regulatory environment for offshore wind and solar energy projects and lobbied for the promotion of available "green" technologies through procurement and in international agreements to achieve a low carbon economy.

In the United States, election results in 2010 changed the make-up of Congress, which will have a significant effect on energy and climate policy discussions. ABB continues to promote the benefits of incentivizing technology applications in both the energy and efficiency policy areas and plays an active role in the Business Roundtable organization.

SO6 Political contributions

Under ABB's Code of Conduct, contributions to political parties, politicians and related institutions are to be made only in exceptional cases and only with the approval of the Chief Compliance Officer. In 2010, ABB Inc in the United States made employee-raised donations through its Political Action Committee (PAC).

SO7 Legal actions for anti-competitive behavior

ABB has been cooperating with various antitrust authorities regarding their investigations into certain alleged anti-competitive practices in the gas insulated switchgear business, the power transformer business, the cables business, and the flexible alternating current transmission system (FACTS) business. For further information, please refer to the Commitments and contingencies note in the Notes to the Consolidated Financial Statements contained in the ABB Group Annual Report.

Compliance – society

SO8 Significant fines and sanctions for non-compliance with laws and regulations

On September 30, 2010, ABB announced settlements of anti-bribery investigations conducted by the U.S. Department of Justice ("DOJ") and the U.S. Securities and Exchange Commission ("SEC"). ABB Ltd and ABB Inc paid a total of \$58.3 million in disgorgement, prejudgment interest and penalties to the DOJ and the SEC to resolve charges arising from the anti-bribery investigations. ABB cooperated fully with the DOJ and SEC and has put in place a global comprehensive compliance and integrity program and will report on its continuing compliance efforts and the results of the review of its internal processes through September 2013. For further information, please refer to the Commitments and contingencies note in the Notes to the Consolidated Financial Statements contained in the ABB Group Annual Report.

PR4 Non-compliance concerning product information and labeling

During 2010, ABB received one injunction in Hungary related to the obligation to provide manuals both in original language and in Hungarian translation. The required documents and manual were immediately translated from English to Hungarian and no fine was levied.

PR8 Complaints regarding breaches of customer privacy

No complaints regarding breaches of customer privacy were received during 2010.

Compliance – product responsibility

PR9 Significant fines for non-compliance with laws and regulations concerning products and services

We identified one injunction received during 2010 related to product labeling, as reported in PR4 above. The complaint was resolved and no fine was levied against the company.

Stakeholder relations

Listening and learning

(includes GRI indicator PR5, and GRI standard disclosures 2.10, 4.14–4.17)

Stakeholder engagement is essential to understanding trends and performance improvement. In 2010, we held our widest-ever sustainability stakeholder survey of internal and external perceptions of our sustainability performance, the changing expectations of the company, and potential improvements for ABB.

Data was collected via interviews and written questionnaires from about 400 employees, including 25 top executives and representatives from different businesses, functions and regions. In addition, questionnaires were sent to dozens of external stakeholders, including customers, suppliers, investors, governments, academics and students, and a number of specialists involved in key areas of ABB's sustainability focus – the environment, climate change, human rights, health and safety, and security.

A benchmarking survey of competitors was carried out from open sources to determine how we perform and are perceived. The results are being assessed and follow-up actions are being developed in 2011.

Overall, ABB seeks to engage with organizations or individuals who may be affected by our business operations, and whose actions may, in turn, affect ABB. In addition to our surveys, ABB engaged with a wide variety of stakeholders around the world in 2010. Some of the meetings were formal round-table discussions or many were face-to-face meetings with specialists.

The most frequent discussions reported in 2010 involved customers and suppliers, as well as ABB employees. There were also meetings with politicians, unions, NGOs, media representatives and academics at a community, national and corporate level.

Among the most common themes raised during the discussions were ways of raising social performance throughout the value chain, ongoing efforts to improve the company's health and safety record, ways of reducing environmental impact through energy-efficient products and systems, and other issues such as diversity and community engagement.

In Europe alone, stakeholder engagement took on many forms in 2010: In Germany, for example, a forum was held with business representatives, politicians and journalists on how innovation in power supply can help mitigate climate change; in the Finnish city of Vaasa, where ABB is a major employer, our management meets officials from the city and

surrounding municipalities every year to outline and discuss the company's performance and situation. In Hungary and the Czech Republic, ABB engages with customers and contractors on ways of improving health and safety performance. And in Sweden and Switzerland, there is strong interaction with universities on a range of issues – from research projects to teaching students about the corporate responsibility to respect human rights.

ABB also participates in and learns from involvement in a number of multi-stakeholder organizations. We are members of the World Business Council for Sustainable Development's electricity utilities working group, and participate in the energy and climate focus area. At the United Nations Global Compact, we are members of the human rights working group, as well as participating in initiatives in the local networks.

In recognition of our stakeholder and community engagement activities, ABB won 16 awards worldwide in 2010. They included awards for corporate social responsibility activities in China, health and safety performance in different countries, environmental protection and new initiatives in the United Arab Emirates, an HIV/AIDS education program in South Africa, and an honor for the best corporate working environment in Saudi Arabia.

Customer relations

Throughout 2010, we explored how to better measure and monitor customer satisfaction in a way that is also straightforward for the customer and easy for our managers to interpret, track and act upon. The outcome is a simple metric that has become one of the key performance indicators that we will monitor in 2011.

This new metric is part of ABB's overall commitment to building a culture of quality and continuous improvement that drives growth through customer loyalty.

Customer representatives systematically share the results of the surveys with their customers to create action plans to prioritize improvements or to leverage customer loyalty. Further investigation to examine the root cause of any customer dissatisfaction and the subsequent follow-up action are managed through local quality management systems.

ABB compiles, validates, tracks and analyzes all customer complaints in a single, global system that helps resolve problems quickly and efficiently. This system – the Customer Complaints Resolution Process (CCRP) – also provides valuable pointers for improvement.

Other GRI indicator

4.13 Memberships in associations

Listed below are some of the principal associations and initiatives with which ABB is involved in the area of sustainability:

- Chalmers University of Technology, CPM, Sweden
- CSR Europe, Belgium
- Global Business Initiative on Human Rights, U.K.
- Global Reporting Initiative, GRI, Netherlands
- Hunger Project, Switzerland
- Institute for Human Rights and Business, U.K.
- International Committee of the Red Cross, ICRC, Switzerland
- International Institute for Management Development, IMD, Switzerland
- Swedish Standards Institute
- oikos International, Switzerland
- Pew Center on Global Climate Change, U.S.
- Transparency International, TI, Germany
- United Nations Global Compact, U.S.
- World Business Council for Sustainable Development, WBCSD, Switzerland
- World Childhood Foundation, Sweden
- World Economic Forum, Switzerland
- WWF, Switzerland

Risk management

Adding business value

(includes GRI standard disclosure 4.11)

ABB recognizes that good risk management is essential to business success. There are many different aspects to risk management – and on the sustainability side, considerable efforts have been made in recent years to ensure improvements in environmental, health and safety, social, human rights, and security risk analysis and performance.

Overall, ABB has a global integrated risk management process. Once a year, the executive management and the Board of Directors perform a risk assessment in accordance with the company's risk management processes and take appropriate actions where necessary.

We take a comprehensive top-down and bottom-up approach to Enterprise Risk Management (ERM). The process directly involves group functions, regions, country management, divisions and large global business units, and is supported by a common ABB risk catalogue and training for the participating entities. The number of participating entities increased in 2010.

The common risk catalogue specifically includes consideration of external, strategic and operational risks, including the legislative environment and topics related to climate change. Participating entities are expected to organize ERM round tables where risks are identified and reported along with a detailed risk description, the likelihood of such risks occurring, the potential impact on profitability, and mitigation plans. The risk management approaches of Group ERM and Internal Audit are aligned. The Group ERM team consolidates results, which are discussed and analyzed at the Group level.

We have integrated Group-wide sustainability criteria into our risk assessment process for projects, our supplier selection guidelines, and a mergers and acquisitions checklist, as part of our ongoing efforts to minimize risks and potentially negative impacts.

The company seeks to identify potential risks at an early stage and where appropriate carries out due diligence on environmental, social and human rights, health, safety and security issues. The risk review process for projects may also require an environmental or social impact assessment carried out by or for the customer for the overall project. These impact assessments should be transparent, and in compliance with applicable regulations and international agreements.

As part of efforts to identify and, if appropriate, mitigate potential risks at an even earlier stage than at present, members of the sustainability management team have started working

with key divisions to input sustainability perspectives as early as possible in the business process. Some projects are now being looked into at the pursuit – rather than pre-tender – stage. This work is part of our sustainability objective to assess potential risk as early as possible in the business process.

Similarly, regular consultations between mergers and acquisitions and sustainability experts have been established to identify risks at an early stage of project evaluations for both acquisitions, investments and divestments.

Sustainability due diligence is regular and can take many forms: In 2010, environmental specialists were involved in acquisitions as well as project assessments; security at a number of production sites and buildings in areas of high risk was reviewed and enhanced; and, as part of the process for identifying risks, the social, environmental and human rights aspects of a potentially large power infrastructure contract were investigated on the ground over an extended period. There are many such examples.

Effective risk management on sustainability issues supports business goals and continuity; failure to understand and manage such risk at an early stage can lead to additional cost and reputation damage.

One area of major improvement in recent years has been security and crisis management. Our global security team has strengthened its presence in risk-rated countries to ensure security for ABB employees and contractors, to develop a robust rapid response capability and to enable ABB to carry out business operations in challenging security environments.

Our security experts have put in place a number of systems for secure and safe travel, which includes the capability to respond to medical and security incidents. The travel security system is integrated into daily business procedures, and into the ABB crisis management system. Further improvements were made in 2010 as part of ABB's objective on the issue.

Security and crisis management exercises were held for 450 managers in 18 countries in 2010 to raise awareness of potential risks and to ensure employees know how to respond to potential threats and incidents.

One of the main challenges – from a sustainability perspective – in a multinational company is to ensure employees are fully aware of the multitude of risks they may face as part of daily business life, and the processes and procedures already in place to avoid and mitigate them. ABB is working hard in different areas to anticipate and mitigate risks of all kinds.