

# 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.