

Human rights

Recognizing risks and building capacity

(includes GRI indicator HR2,3)

ABB continued to strengthen its human rights performance in 2011, amid growing international pressure on all companies to uphold their responsibility to respect human rights.

Several new standards were introduced, including the United Nations-approved Guiding Principles for Business and Human Rights, which have focused attention on the corporate responsibility to respect human rights. The Organization for Economic Cooperation and Development and the International Finance Corporation also strengthened their human rights recommendations for business during the course of the year.

The Guiding Principles and other standards emphasize the need for companies to perform due diligence on human rights impacts and risks – a process ABB has been pursuing for several years and which we are continuing to develop.

ABB adopted a human rights policy in 2007, and has since concentrated on training employees and embedding human rights in key business decision-making processes – most notably, the divisional risk review process which all major tenders have to go through, supply chain procedures and – significant for a company that has been expanding – the mergers and acquisitions process.

Experts within the company carry out due diligence in different ways. For example, regular meetings are held with managers of the two systems divisions to identify projects at an early stage of pursuit to determine if there might be human rights, social, environmental or security risks or impacts. The aim is to carry out due diligence on potential risks at a very early stage – well before a project pursuit becomes a formal tender subject to risk review procedures.

Depending on the nature of potential impacts, the projects are selected for in-depth due diligence – either in the form of desktop research or through visits to sites and stakeholder engagement. In two recent cases, an ABB human rights specialist examined two projects in Brazil and China, drawing on external support for the work.

ABB has been strengthening its supply chain procedures in recent years, recognizing the potential risks, as well as benefits, of having tens of thousands of first-tier suppliers around the world. Labor and human rights considerations are built into several supply chain procedures, including the supplier code of conduct, supplier qualification requirements and checklists for site auditors.

Supply chain specialists found a total of 11 cases of child labor at two suppliers in 2011. Immediate corrective measures were introduced to safeguard the rights of the children.

Due diligence is also performed as part of the company's mergers and acquisitions (M&A) process. A sustainability work stream has been built into the M&A workflow and potential risks at companies that have been targeted for acquisition are examined in detail. In 2011, human rights due diligence was carried out on several potential target companies – and in one case that included an external review of not just the target company but also its main customers' human rights performance.

ABB has long understood the materiality of human rights, knowing the potential financial, legal and reputational downside to the business if abuses occur, and the benefits of being a force for good. The company has taken considerable steps forward in recent years but recognizes this is work in progress and challenges remain to ensure that human rights risks are fully understood and the right measures are taken.

A global human rights training program, designed to raise awareness of the risks and opportunities in the company's operations, is under way to support these efforts. The latest ABB Group sustainability objectives set a target of training senior managers in ABB's top 12 manufacturing and exporting countries by the end of 2012.

After starting the training in Europe and the Middle East in late 2010, several further training sessions were held in China, Finland, Malaysia and Sweden in 2011. More training sessions are planned – particularly in Asia, the Americas and Europe – in 2012.

Those attending the sessions include business and country management representatives, and members of functions such as Supply Chain Management, Legal and Integrity, Communications and Sustainability. The course, designed and delivered by internal experts, looks at stakeholders' human rights expectations, ABB's journey on human rights so far, the company's main risk areas, ABB case studies, supply chain issues and community engagement programs.

As part of capacity building efforts in 2012, training is being extended within the company to set up a network of human rights specialists in different parts of the world who can advise managers at a local level. Job descriptions are being amended to reflect the expected levels of competence and development.

While we are relatively modest about speaking of our progress, our experts have been involved in international efforts to promote the corporate responsibility to protect human rights. In 2011, our external activities included speaking at a number of international meetings, taking part in podium discussions, and working with university students in Switzerland and Sweden.

ABB works with and supports a number of organizations, including the UN Global Compact and some of its local networks, the Institute for Human Rights and Business, and the Global Business Initiative on Human Rights (GBI). At one GBI-organized event, held in Kuala Lumpur in 2011, ABB's human rights specialists addressed two sessions for Malaysian and South-East Asian businesses. ABB expects to continue such engagement in 2012.

Human rights performance: Other GRI indicators

HR1 Significant investment agreements that include human rights

ABB maintains and regularly reviews a list of sensitive countries where it has, or considers engaging in, business operations. Human rights, as well as legal, financial and security criteria, are included in risk assessments, and are among the factors in deciding whether ABB does business in a particular country.

Based partly or wholly on human rights considerations, ABB has not taken any business with Myanmar or North Korea for several years. ABB completed its withdrawal from Sudan in June 2009.

HR4 Non-discrimination violations

All countries in ABB's sustainability management program are asked to report any incidents of discrimination. Five substantiated cases of discrimination and 32 of harassment were reported in 2011, resulting in six terminations, three resignations and a range of other measures, including warnings, counseling and further training.

HR5, HR6, HR7 Operations at risk

Freedom of association and collective bargaining, child labor, forced or compulsory labor

There were no ABB operations identified during 2011 to be at significant risk concerning employee rights to freedom of association and collective bargaining, incidents of child labor, or incidents of forced or compulsory labor. In ABB's supply chain, 11 cases of underage labor were found at two suppliers in 2011. Immediate corrective measures were introduced to safeguard the rights of the children.

HR8 Training of security personnel in human rights

ABB sees the training of security personnel, as well as ABB country and regional managers, on the human rights dimensions of security work as important. It has been part of general security training in different parts of the world for several years. By the end of 2011 more than 850 managers in more than 90 percent of ABB countries had been trained on crisis management; depending on local needs, some of that training contained sessions on human rights.

New Group-wide security guidelines are being drawn up, based on the Voluntary Principles for Security and Human Rights. They are due to be finalized in 2012. ABB already requires due diligence on all security companies according to ABB and international standards, and the new guidelines will establish standard operating procedures for security providers to include instructions on human rights issues.

In addition, ABB's country and regional security heads have been made aware of growing stakeholder expectations that human rights need to be observed, and of the kinds of human rights issues that could arise in communities where ABB has operations or business activities.

HR9 Indigenous rights violations

All countries in ABB's sustainability management program are asked to report any incidents of indigenous rights violations. No such incidents were reported in 2011.

HR10 Percentage of total number of operations that have been subject to human rights reviews and/or impact assessments

These data are not available. ABB is involved as a supplier in thousands of projects worldwide each year. Depending on the scope and size of the project – such as larger power infrastructure projects – some will require at least an Environmental and Social Impact Assessment performed by the customer. The data are currently not consolidated by ABB.

HR11 Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanism.

ABB has a number of formal grievance mechanisms, including a third-party run Business Ethics hotline available round the clock and an Ombuds program, where employees can report concerns confidentially. Figures are available for cases of discrimination and harassment (HR 4); other data are not available.