

# Making progress in different fields

ABB took further steps in 2012 towards achieving our strategic goal of becoming a leader in the field of sustainability through measures to improve our environmental, social, health and safety and security performance.

Some of those steps were unspectacular but vital; others demonstrated how sustainability considerations are increasingly becoming part of our day-to-day business and are essential to overall success.

In 2012, this progress was evident in different aspects of our business:

- Resource efficiency and emissions reduction have increasingly become a consideration across ABB's value chain – from research and development and supply chain through to sales
- Sustainability experts worked on numerous occasions with sales teams to engage with customers or respond to customer queries, and to carry out risk assessments of proposed and existing projects
- Business units increasingly factored in health, safety and security training and measures as part of their duty of care to employees and contractors, particularly in high-risk environments
- Sustainability specialists worked more frequently alongside Investor Relations colleagues to engage with investors on the company's sustainability agenda
- Dedicated sustainability staff are now embedded in functions such as supply chain management, delivering a Supplier Sustainability Development Program, and the mergers and acquisitions process, carrying out due diligence on the sustainability performance of targeted companies

There are many such examples. They constitute further evidence that we are moving towards one of our sustainability strategy targets – where sustainability considerations and values are seamlessly embedded in business practice. We are not there yet, but we are moving firmly in the right direction.

## Materiality

We have been involved in considerable work in the past three years to understand what internal and external stakeholders expect of the company's sustainability performance and what our strategy should focus on. The widest-ever sustainability stakeholder survey by ABB, with detailed input from nearly 600 people in 2010/2011, helped to determine which sustainability considerations are material to ABB's business, and shaped the development of our strategy.

Our sustainability strategy, known as Sustainability Strategy 2015+, is designed to ensure that sustainability considerations and values are understood, implemented and communicated across ABB's value chain and become a seamless part of business practice, and help our customers become more successful.

Our areas of sustainability focus – covering the environment, health and safety, security, and social and human rights issues – are all material both to ABB's success and to our diverse stakeholders.

For this reason, considerable space is devoted in the 2012 Sustainability Report to examining our performance in three areas deemed material to the company's success: governance, resource efficiency and people.

Good governance and integrity underpin everything we are trying to achieve as a company and so we report on this in detail. The measures we have taken to strengthen governance, the ways in which we manage risk, how we engage with our stakeholders, our efforts to improve sustainability in the supply chain and our impacts on communities are material to our everyday business and results. Best practice contributes to our ability to deliver on our corporate tagline of "Power and Productivity for the better world."

Under resource efficiency, we examine the sustainability dimensions of innovation, and how our technology is improving energy and resource efficiency for our customers, as well as our efforts to reduce the use of hazardous substances, and improve our own manufacturing and waste management processes. All these issues help us to meet our customers' needs and have a direct bearing on our business performance.

How we attract and develop people, and our efforts to ensure their health, safety and security, all have a direct influence on our ability to carry out successful and resilient business, and contribute to societal progress. More detail on materiality and the process for defining report content can be found under Global Reporting Initiative Standard Disclosure Indicator 3.5 in this report.

#### **Governance improvements**

We have further strengthened the company's sustainability governance structure. The ABB Sustainability Board, made up of the entire Executive Committee, met for the first time in 2012 to oversee how sustainability policies and programs support business goals and aspirations, and to monitor progress.

In addition, there was regular reporting of individual issues such as health and safety, and security performance to the Executive Committee and Board of Directors.

Work also started to update a series of internal directives and instructions which provide the framework for our performance on the environment, health and safety, security, social and human rights issues. These are applied throughout the group, and will provide greater clarity and consistency of performance.

#### **Sustainability strategy implementation**

We took further steps in 2012 to implement our strategy and achieve our overall goal for 2015 and beyond of being a leading contributor to a more sustainable world and being recognized as a top-performing company in terms of sustainable business practice.

Three work streams are helping us to implement the strategy. One of them aims to develop business-relevant objectives, backed by key performance indicators, across different parts of the business. Proposals to develop these objectives through work with a number of business units were approved by the ABB Sustainability Board in 2012.

A second work stream is charting a competence and organizational development program to ensure that our sustainability professionals around the world have the skills necessary to meet growing and changing demands.

In addition, several projects are under way as part of a communications and engagement work stream to raise awareness of the role of sustainability in the business, to measure progress, and to strengthen ABB's position as a sustainability leader. This includes projects to build up internal and external communications, improve the scope of stakeholder engagement, and measure the benefits of our community support programs.

### Way forward

A number of programs are being driven forward to improve performance. These include:

- Health and safety training and awareness raising will continue at all levels of the business in 2013. Following a fatality-free period in 2011, there were four fatal incidents in 2012 – three at the workplace and one during road travel.
- Among environmental improvement initiatives, more ABB facilities are looking to implement the voluntary international standard ISO 50001 which was established to improve energy use in industrial plants and commercial organizations. ABB facilities in Argentina and Germany received ISO 50001 certification in 2012.
- As part of our Supplier Sustainability Development Program, we conducted 121 audits and trained more than 1,000 suppliers and 1,255 ABB employees in 2012, focusing on Brazil, China, India and Mexico. We plan to train 50 percent more suppliers in 2013 and also include countries in Eastern Europe.
- Efforts to ensure the security of our people and assets continued in different parts of the world, including the Middle East and North Africa, throughout 2012. As part of ongoing work, a program to further improve security at ABB facilities, particularly in high-risk areas, is under way in 2013. The project will provide guidelines for both physical and procedural security measures at factories, warehouses and offices.
- Further training is being given in different countries in 2013 to raise awareness among senior managers of human rights, following courses in India and Brazil in 2012. A project is also under way to build capacity within the company so that more sustainability specialists around the world are able to advise local business units on human rights issues and impacts.

We know considerable work remains to be done to achieve our goals. But we are confident that the progress made in 2012 is contributing to ABB's business success, and will continue to do so in the future.

# Working in the community

## Helping people in different ways

(includes GRI indicators EC8, SO1 and EC9)

ABB focuses on two main areas of work in communities: supporting education and health. This engagement in different parts of the world is part of our social license to operate. We know we can make a difference, and it is good for our business to be welcome in the areas where we operate.

Our activities include supporting schoolchildren and students in Brazil, China, India and many other countries, and promoting health care causes in different parts of Asia, Europe, North America and the Middle East. We also work in partnerships with non-governmental organizations to support rural and relief projects in Africa and Asia.

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ABB's high-voltage cables factory in the Swedish town of Karlskrona faced a problem: a shortage of skilled labor in an area of high youth unemployment. In agreement with unions, ABB started a job induction project to give unemployed young people who had no previous work experience and, in some cases, no qualifications work on a trial six-month basis. All but two of the 36 people who went on the intensive course in the first year now have contracts with ABB.

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Our community work is key to ABB's business success. The educational schemes and institutions we support serve to improve learning opportunities, raise ABB's profile and help us to recruit qualified engineers and other staff. Strengthening health care can have positive social and economic impacts among key company stakeholders, such as employees, suppliers and customers, and the communities around our facilities. A healthy environment has a clear business benefit.

We participated in a wide variety of projects in 2012.

- In the United States, ABB supports a range of causes, including support for scholarships for students, cultural institutions, sports events in aid of cancer relief, disaster relief, different charities, and an exhibition designed to explain Smart Grids to children. In Canada, financial contributions are raised in a variety of ways, including auctions and a special breakfast served by the country manager.
- To address the skills gaps of students who leave college with little prospect of employment in industry, ABB works

with the Swiss-South African Co-operation Initiative to provide workplace experience for engineering students at further education and training colleges. About a dozen students come to ABB every year under the scheme, and several have been hired.

- In India, ABB outsources part of its electrical relay sub-assembly work to centers for differently-abled people. Dozens of people benefit from training and earn between \$45–70 a month, providing them with an income and increased self-respect.
- ABB has an innovative scheme in Brazil in which children aged between eight and 16 are brought into schools that are set up at factories in São Paulo, and given an extra half day of tuition and medical care as a way of preparing them for a working life. The program now covers 200 children a year, and about 70 percent go on to gain employment.
- In Finland, a local business unit delivers unused or malfunctioning equipment to a recycling organization which employs long-term unemployed people. The proceeds from the sale of repaired products helps fund the organization.

In total, ABB employees and companies were involved in nearly 300 projects worldwide in 2012. They donated approximately \$5.5 million in cash and provided about 5,000 man-days in volunteering time.

About half a million people benefited as a result of these efforts. ABB is introducing a Group-wide method of measuring the impacts of our community projects in 2013 which is designed to strengthen the link between identified community needs, business benefits and the objectives of the projects.

### Education

We support schools, students and universities in different ways. There are schemes in countries such as Brazil, Chile, China, Colombia, India, Peru, Poland, South Africa and Thailand to help young people and schools in disadvantaged areas.

The kinds of ABB contribution vary considerably. In China, for example, we support students through involvement in a scholarship scheme called the New Great Wall project which provides funds to needy students. In India, ABB supports six government schools in communities where we operate. Some 3,400 children from disadvantaged backgrounds benefited in 2012 through improved education, medical check-ups and a midday meal paid for by ABB employee contributions.

In the Peruvian capital, Lima, ABB contributes to a program – financially and through training and equipment – to teach young people with few employment prospects to become electrical specialists. About 97 percent of young men and women go on to find work after the training.

There is clear business value in contributing to technical schools and universities, raising skill levels and brand awareness among potential recruits. We give equipment and support training programs at such institutions in Australia, Estonia, France, Latvia, Saudi Arabia, Turkey and the United States.

At another level, ABB in Sweden is one of four main sponsors of Mattecentrum, an organization which helps young students to improve their mathematics skills. Volunteers help to teach the students in their spare time.

#### Health care

The company is also involved in a range of projects focusing on health care. Cancer charities are the focus of fund-raising activities in Denmark, the United States and United Kingdom; employees improve the homes of elderly people in Shanghai and Singapore; in South Africa, we support a project to help orphans of HIV/AIDS victims; and in Egypt, the company helps a leading pediatric hospital in Cairo.

Some of ABB's main volunteering activities have a health focus. Every year about 150 ABB employees in Germany spend a week of their holidays helping people with mental disabilities take part in the Special Olympics, a rich experience for the athletes, volunteers and an increasing number of customers who take part. A similar program is supported in the United Kingdom. In the Czech Republic, all employees are given a day off each year to volunteer for a variety of activities, many of which include helping people with disabilities in activities such as skiing.

Employees in Italy support people with Multiple Sclerosis and their families to ensure that those affected are not marginalized by the illness. Employees spend a day a year helping people with the illness to take part in public activities, family weekends and national events.

#### Corporate programs

At a corporate level, more than 100 students from around the world have now received scholarships from the ABB Jürgen Dormann Foundation for Engineering Education, which helps talented engineering students in need of financial support. Students from Indonesia entered the program in 2012, joining colleagues from Brazil, India, China, Malaysia, Mexico, Poland, Turkey and Vietnam in the scheme. A total of 30 scholars attended the biennial international meeting held in Switzerland in 2012.

ABB has a number of Group-level sponsorships which have major impacts on the ground. The largest such agreement is with the Geneva-based International Committee of the Red Cross (ICRC) which came into effect at the start of 2012. It is the second six-year agreement ABB has signed with the ICRC.

ABB's annual contribution in 2012 supported the ICRC's programs to supply clean water to thousands of people in Iraq and the eastern Democratic Republic of Congo. A number of exchanges of expertise are also ongoing and in 2012, for the second consecutive year, ABB engineers contributed to a training session on electromechanical engineering for ICRC staff members in Geneva.

We also continued our partnership with WWF, the global conservation organization which covers three ongoing projects in India, China and Tanzania. In the India project, which started in 2012, a solar-powered battery charging station has been set up to provide poor communities in a coastal area of West Bengal with access to a clean and reliable source of electricity. Initial results are encouraging with dozens of households and small stores benefiting from electricity, and efforts are under way to expand the project.

The importance of ongoing, in-depth stakeholder consultation in community projects was underlined in one of ABB's "Access to Electricity" rural electrification programs in India. With the support of an external consultant we carried out a detailed survey of the social and economic impacts of distributed solar energy electricity in an 8,000-strong community we have been supporting for the past six years. There has been increased access to health care and more schooling but the benefit of increased earnings is not uniform. The survey's conclusions will inform the next steps in the project.

In these and other projects, ABB seeks to make a difference to the communities where we operate. We will continue to build on such activities with further engagement and contributions.

# Human rights

## Working on dilemmas

(includes GRI indicator HR2, 3)

ABB continued to build on its human rights work in 2012 focusing on internal training, capacity building, and further steps to embed human rights into business decision-making processes.

Given the variety of our business activities and areas of operation, many different issues can arise. Here are two brief examples of the kinds of human rights issues and dilemmas we faced in 2012 and which required extensive due diligence.

- **New markets:** ABB put in place a process covering human rights when considering re-entry into Myanmar in 2012 after many years absence. This includes appropriate levels of due diligence on proposed business partners and end-users and on-the-ground discussions with different stakeholders. The situation is being closely monitored.
- **Mergers and acquisitions:** As part of due diligence on a company targeted for acquisition, there was a lack of clarity over the conditions of homeworkers currently employed by the target company. Mitigation measures were included in the business case for the potential acquisition.

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.

ABB has been working on some of the substantive issues contained in the UN Guiding Principles on Business and Human Rights for some years. For example, internal human rights experts have increasingly been carrying out due diligence on projects as part of the business process. Depending on the nature of potential impacts, some projects are selected for in-depth due diligence – either in the form of desktop research or through visits to sites and stakeholder engagement.

A second area of focus is internal awareness training and capacity building. A global program, designed for senior managers in our main manufacturing and exporting countries started in 2010 and is ongoing. Training was held in Brazil and India in 2012, and has so far taken place in nine countries. Several more sessions are scheduled in 2013.

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.

A further program of internal capacity building was launched in 2012 in order to increase the number of people who are able to advise managers at a local level on business and human rights issues in different parts of the world. More than 40 people received a first round of training; further in-depth sessions will be held in 2013 to deepen knowledge and capabilities.

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An external audit showed that a supplier in the Gulf region was retaining the passports of its 250-strong migrant workforce. The practice was not illegal in that country but, depending on circumstances, may run counter to international standards. Following intervention by ABB, the supplier ended that practice and the passports were returned to the employees.

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ABB is continuing to look at the third pillar of the UN Guiding Principles – the issue of access to remedy for victims of human rights abuses. Among other measures, ABB has a Business Ethics Hotline, which was introduced in 2006 to provide all ABB employees and stakeholders worldwide with a means to report suspected violations of the ABB Code of Conduct or applicable laws. Contact details are published on ABB's internal and external websites.



ABB has also 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 carried out 121 audits in 2012. A number of cases related to employment conditions were found and are being addressed in corrective action plans. No cases of child labor were reported. ([See Sustainability in the supply chain](#)).

ABB has long understood the materiality of human rights, knowing that association with or contribution to human rights violations can have legal, financial, human and reputational consequences – all of which are bad for business and inconsistent with our standards. 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 throughout the company and the right measures are taken.

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 2012, 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.

Among the international meetings addressed by ABB experts: a European Union conference in Denmark on implementation of the UN Guiding Principles, a UN Global Compact event at the Rio+20 summit in Brazil, a session at the UN Working Group's annual stakeholder forum in Geneva and a meeting on business and human rights organized by the United Arab Emirates government.

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.

#### **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 in Sudan or North Korea for several years.

#### **HR4 Non-discrimination violations**

All countries in ABB's sustainability management program are asked to report any incidents of discrimination. There were 13 substantiated cases of harassment and two of discrimination in 2012, resulting in one termination, one resignation and a range of other measures, including formal 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 2012 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 no cases of underage labor were found in 2012.

#### **HR8 Training of security personnel in human rights**

ABB recognizes the importance of training security personnel, as well as ABB country and regional managers, on the human rights dimensions of security work. It has been part of general security training in different parts of the world for several years.

As far as security personnel are concerned, ABB recognizes it is essential that they observe human rights. We require due diligence to be carried out on security companies according to ABB and international standards. This is an area of focus for our regional and country-level security staff, and will continue in 2013.

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

In 2012, nearly 40 crisis management training courses were held for country managers in different parts of the world. More than 1,200 managers in more than 90 percent of ABB countries have now been trained on crisis management; depending on local needs, some of that training contains sessions on human rights.

Work is also under way to strengthen ABB's Group-wide security guidelines, taking the Voluntary Principles for Security and Human Rights into account. These internal guidelines, which form the basis of ABB's security activities worldwide, will be finalized in 2013.

#### **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 2012.

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

This data is 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 is 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 to internal and external stakeholders, and an Ombuds Program, where employees can report concerns confidentially. Figures are available for cases of discrimination and harassment (HR 4).



# Innovation

## Investing in the future

ABB is first and foremost a technology company, and every year we devote more than \$1 billion to research and development activities. We maintain seven corporate research centers, employ 8,000 scientists and support 70 university collaborations around the world.

Sustainability remains a top priority for most of our customers, and for ABB as a company, so it commands a significant share of our R&D budget.

Innovation is at the heart of ABB's success and crucial to our long-term competitiveness. Through continuous development of our product and solution portfolio, ABB helps customers improve their operating performance, grid reliability and productivity while saving energy and resources, and lowering environmental impact.

ABB's approach to innovation consists of three pillars: Corporate research and development (R&D), alliances with academic and research institutes, and our corporate venture capital unit, ABB Technology Ventures (ATV).

At the heart of it are our people, in R&D and beyond, together with our partners: customers, suppliers and leading technology institutions around the world. Our R&D centers around the globe are close to both our customers and our technology partners. In recent years, we have strengthened our research presence in growing markets like India and China, as well as in the United States.

### The power grid revolution

The growing global population is driving an even greater increase in the demand for electricity. Added to this, governments around the world are focusing on reducing CO<sub>2</sub> emissions by increasing the use of renewable energy sources in the power chain.

Whereas traditional power plants were typically located close to centers of consumption, emerging renewable generation often requires transmission from remote areas. Existing grids are under pressure to meet growing demand for power, as well as provide a stable and sustainable supply of electricity, often over long distances.

High-voltage direct current (HVDC), pioneered by ABB's predecessor company ASEA in the 1950s, is the technology of choice for bulk power transmission over long distances with minimal losses. HVDC lines also require less space and can transmit electricity underwater or underground.

Deployment of HVDC has led to an increasing number of point-to-point connections in different parts of the world. The logical next step is to connect the lines and optimize the network. However, a major stumbling block has been the absence of an HVDC circuit breaker that acts quickly enough to interrupt current and isolate faults and at the same time keep losses to a minimum.

ABB has now developed a solution to this century-old challenge – the world's first circuit breaker for HVDC. It combines very fast mechanics with power electronics, and will be capable of interrupting power flows equivalent to the output of a large power station within 5 milliseconds; that is, 30 times faster than the blink of a human eye.

Considered a game-changing technology, ABB's new breaker will enable the development of HVDC transmission grids. These grids will enable interconnection and load balancing between HVDC power superhighways, integrating renewables and transporting bulk power across long distances with minimal losses. We are now in discussions with power utilities to identify pilot projects for the new development.

In recognition of this groundbreaking development, ABB has been selected as one of the world's 50 disruptive companies by the MIT Technology Review, a publication of the prestigious Massachusetts Institute of Technology in the United States.

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Conclusions of a two-year joint research project with General Motors show that the batteries in electric vehicles on the road today could find a new life down the road as energy storage systems in the power grid. The project demonstrated that a device combining five battery packs from plug-in hybrid Chevy Volts is capable of providing enough electricity to power three to five American homes for up to two hours and could serve the grid for at least 10 years.

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### Collaboration to grow our knowledge

ABB has long recognized the value of teaming up with other pioneers. Investments in research initiatives, fellowships and strategic partnerships have enhanced the ABB portfolio and led to international and cross-industrial cooperation in almost every ABB business.

In addition to our support for 70 university collaborations across the globe, we have recently announced the ABB Research Grant Program, intended to support promising graduate students and senior researchers working on projects with industrial applications in the power and automation area.

We selected 40 research projects for funding from over 500 proposals submitted by more than 250 universities in 46 countries. Grants typically range from \$50,000 to \$80,000 per year. Funding is initially for one year, but the program is designed to fund projects over multiple years.

Through this university collaboration program, we reinforce our commitment to an open innovation approach. By partnering researchers from the ABB Corporate Research Centers with the best graduate students and professors from around the world, ABB plans to support a truly collaborative innovation ecosystem.

Within ABB, we launched a program in 2012 to support more ambitious and larger internal collaborative research projects called “big bet projects.” These “big bets” are expected to deliver breakthrough technologies that have a significant impact on ABB’s business – for example, by delivering a significant cost reduction or performance improvement, or even a new functionality or product. ABB has selected nine such research projects to pursue in 2013, including the further development of bulk power transmission, active management of local energy flows from renewable energy sources, and potential life-cycle cost reduction in transformers.

### **Investing in technology leadership**

The third pillar of ABB’s technology approach is the corporate venture capital unit, ABB Technology Ventures (ATV). ATV investments are used to build technology leadership strategically and drive growth. We make early- and growth-stage investments in novel companies introducing new technologies or improvements to existing technologies. This both complements and adds to the activities of our existing R&D programs.

In 2012, we made a key investment in TaKaDu, a provider of advanced monitoring solutions for water distribution networks. This investment gives ABB access to a field-proven monitoring system that complements our automation portfolio for the water sector. This includes a range of power and automation products and integrated solutions that allow customers to produce, transport, distribute, treat and use water efficiently, reducing energy consumption, minimizing losses and improving reliability.

Girish Nadkarni, managing director at ABB Technology Ventures, has recently been selected for the Global Corporate Venturing Powerlist 100, an inaugural selection made by the monthly magazine “Global Corporate Venturing” that recognizes the most influential corporate venturing units around the world.

This sort of acknowledgement, along with the recognition by MIT and other innovation awards, confirm our commitment to innovation and the future success of ABB and our customers.

### **GRI indicators**

#### **PR1 Health and safety impacts of our products**

ABB products generally help improve users’ health and safety. They do this, for example, by improving industrial environments (automation control products), reducing exposure to aggressive, repetitive or hazardous operations (robotics), and reducing potential explosions, fire risks and oil pollution (oil-free capacitors and cables). Products with a potentially negative impact are those that could contribute to global warming (leak of SF<sub>6</sub> gas from substations), require deforestation and present a visual impact (transmission lines), cause losses of energy (most electrical products), or cause electrocution if misused.

#### **PR2 Number of non-compliance incidents relating to product health and safety**

All countries in ABB’s sustainability management program are asked to give details of any non-compliance incidents, including those concerning health and safety impacts of products and services. One potential violation was reported for 2012, concerning certification of an ABB supplier’s product. This case is still under investigation.

#### **PR3 Product and service information**

ABB’s goal is to produce Environmental Product Declarations (EPDs) for our core products. They describe and quantify the environmental impact and performance of ABB products through every phase of their life cycles, covering raw material extraction, component manufacture, transportation and use over their full operating lifetime. They can also contain recovery, recycling and disposal instructions for when the product has completed its useful life. The EPDs are published on ABB’s website and help customers to select products that will improve their own environmental performance. ABB also engages with customers with particular reporting needs, to ensure clarity and completeness of environmental data.

#### **PR6 Adherence to marketing communication regulations PR7 Non-compliance concerning marketing communications**

This is not an issue for ABB, which works in the field of advanced technologies and does not supply to the consumer product market.

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# UN Global Compact reporting for 2012

## The company

ABB ([www.abb.com](http://www.abb.com)) is a leader in power and automation technologies that enable utility and industry customers to improve performance while lowering environmental impact. The ABB Group of companies operates in around 100 countries and employs about 145,000 people.

ABB has been a member of the UN Global Compact since 2000. In common with other members, ABB reports every year on progress on the Compact's ten principles. This is the Communication on Progress for 2012.

## Statement of support

### Joe Hogan, ABB Chief Executive Officer

"ABB is a founding member of the UN Global Compact and remains committed to its principles and goals. We work with the Global Compact to ensure that its initiatives and ten principles reach a wider audience, and seek to embed the principles into our own business practice. As part of our on-going commitment, ABB is involved in different initiatives and local networks, and continues to be a member of the Human Rights Working Group."

## 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.
- Further work to embed human rights into business decision-making processes, including risk review for projects. Human rights considerations integrated in supply chain questionnaire, Supplier Code of Conduct, mergers and acquisitions process.
- Human rights considerations embedded in internal protocol for deciding where ABB should have business activities.
- Global human rights training workshops started in ABB in 2010 with sessions in three countries: it continued in 2011 in four other countries with training in two more countries in 2012. In all, training was carried out in nine countries, three fewer than foreseen in a group sustainability objective for the period. A further training objective has been set for 2013. The training is aimed at business managers, and key functions such as Supply Chain Management, Human Resources, Legal and Integrity, Communications and Sustainability.

- A capacity building program to raise human rights capability began in 2012 with a first round of training for more than 40 sustainability specialists.
- Active participation in international meetings, organizations and workshops seeking to promote business awareness and respect for human rights. In 2012, ABB was an active participant at an EU conference in Denmark, a UNGC event at the Rio summit in Brazil, a business and human rights conference in the United Arab Emirates, and the UN Working Group meeting in Switzerland. ABB continues to be an active member of the Global Business Initiative on Human Rights, UN Global Compact Human Rights Working Group, and the Global Agenda Council of the World Economic Forum.

### Principle 2: Make sure they are not complicit in human rights abuses

- Human rights policy adopted in 2007 is designed to raise performance and avoid complicity.
- Global human rights training workshops continued in ABB in 2012 with internal training in Brazil and India. Training includes issue of complicity. Target group as above in Principle 1.
- A capacity building program to raise human rights capability began in 2012 with a first round of training for more than 40 sustainability specialists.
- Further work with ABB's two systems divisions in 2012 to monitor projects at very early stage of pursuit to check for possible complicity issues.
- Due diligence carried out on several potential projects to avoid potential complicity.
- Due diligence carried out on a potential target for acquisition.
- Due diligence work done in advance of entry into two new markets in Asia and Africa.

## 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 2012.
- In countries where law does not permit this right, ABB facilitates regular consultation with employees to address areas of concern.

#### **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. All countries were asked to formally report on this principle. No violations were reported in 2012.
- The principle of “no forced or compulsory labor” is included in ABB’s Supplier Code of Conduct, and protocol for supplier audits.

#### **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. A total of 121 audits of suppliers were carried out in 2012. No cases of child labor were reported.
- The principle of “no child labor” is included in ABB’s Supplier Code of Conduct as well as protocol for supplier audits.

#### **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 13 substantiated cases of harassment and two of discrimination in 2012, resulting in one termination, one resignation, and a range of other measures, including formal warnings, counseling and further training.
- ABB also has country-specific procedures and programs to ensure that policies are fully observed.

#### **Environment**

#### **Principle 7: Business should support a precautionary approach to environmental challenges**

- Environmental considerations mandatory in the 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 procedures used to assess new products’ environmental impact throughout their life cycle.
- Ongoing program to phase out use of hazardous substances in manufacturing and products.

- ABB continuing its internal energy efficiency program, with target to reduce energy use by 2.5 percent per year.
- A support unit in ABB’s Corporate Research organization provides 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**

- Work with international organizations and initiatives, such as the World Business Council for Sustainable Development, German Climate Service Center, ISO and Chalmers University’s Swedish Life Cycle Center.
- ABB has implemented new and strengthened protocol for auditing of suppliers’ environmental performance, auditing 121 suppliers and training more than 1,000 suppliers during 2012.
- ABB’s ongoing Access to Electricity rural electrification programs in India and Tanzania.
- ABB is investigating environmental impact of logistics and business air travel, as part of sustainability objectives.

#### **Principle 9: Encourage the development and diffusion of environmentally friendly technologies**

- Covered by Code of Conduct and Principle 5 of ABB Environmental Policy.
- Energy-efficient products and renewable energy equipment identified as key driver for ABB’s business opportunities. More than 50 percent of research efforts are aimed at increasing energy efficiency.
- 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 strengthened in 2007, and continually reviewed and updated since then. 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 Principle 4 of ABB Human Rights Policy, ABB Group Code of Conduct and Principle 13 of Social Policy, and Supplier Code of Conduct.
- Underpinned by zero tolerance policy on non-compliance.
- During 2012 ABB conducted face-to-face Integrity training, covering both anti-corruption as well as anti-trust risk areas, to over 130,000 employees.
- ABB offers a number of different reporting channels, including a third party held Business Ethics hotline available 24/7 and an Ombuds program, where employees can report concerns confidentially. The Ombuds program was introduced mid-2009 to complement existing ways of raising compliance issues. The program now numbers 70 Ombuds-persons in 48 countries.
- As part of the anti-corruption program, ABB also carried out several additional training and communication initiatives in 2012, focusing on company leadership and middle management, and including integrity films, biweekly case studies published on the intranet, and proactive action such as anti-bribery compliance reviews of ABB units around the world.

## Additional information

### Policies

ABB has Group-wide policies: the Social Policy, Environment Policy, Human Rights Policy, Health and Safety Policy, as well as a Code of Conduct and Ethics Policy. These can be found online, and are also contained 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 2012 Sustainability Performance Report is published in March 2013. 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
- International Committee of the Red Cross
- Transparency International
- World Business Council for Sustainable Development
- World Childhood Foundation, Sweden
- WWF