

Governance and integrity

Our framework for business

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

ABB's technology makes a major contribution to businesses and communities around the world. However, it is not only what we do, but how we do it that determines our reputation with stakeholders and ensures our continued success.

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

Standards of business conduct: ABB integrity program

The ABB Code of Conduct is the integrity framework that describes the behavior expected of employees and stakeholders. The Code of Conduct contains practical instructions to help employees in their day-to-day work and has been translated into 45 languages to ensure it is accessible to everyone at ABB.

All current and new employees are required to take Code of Conduct face-to-face and e-learning training. Both the basic and advanced training sessions cover the ABB integrity directives, including anti-bribery and anti-trust. A variety of case studies to illustrate both desirable and undesirable behaviors, as well as discussion of the various reporting channels, are available to employees. Code of Conduct training is also a key element of post-merger acquisition integration activities.

The Code of Conduct is underpinned by a strong set of internal standards and policies that provide specific guidelines for implementation of the Code in daily activities. These directives cover issues such as bribery and corruption; gifts, entertainment and expenses; appointment of ABB representatives; political and charitable contributions; agreements with sub-contractors and consortium partners; and mergers and acquisitions due diligence.

During 2012, these directives were further strengthened with the release of a series of anti-trust guidance notes. These guidance notes, along with the key elements of our integrity standards and policies, are publicly available on our [website](#).

The chief responsibility for ensuring that employees are aware of these messages lies with the businesses. Division managers and financial controllers regularly review and report on integrity developments in their business, and the issues are a regularly required agenda item for division reviews.

Prevention and detection

ABB also maintains additional programs to prevent non-compliant behavior and to detect integrity concerns. Anti-bribery reviews of business units are conducted frequently throughout the year by the internal audit department. Internal surveys are conducted to understand employee attitudes, awareness and perceptions of integrity at ABB, and enhanced integrity processes have been developed to address certain areas with greater compliance risk.

Multiple channels are available to all employees to report integrity concerns. A multilingual business ethics hotline, run by a third party, is available 24 hours a day, seven days a week. Calls are treated confidentially and people with information can choose to remain anonymous. A stakeholder hotline is available to our external business partners. For more information on our reporting channels please see details on our [website](#).

In 2012 ABB embarked upon a new global, face-to-face Integrity training program for all employees covering a variety of risk areas such as anti-bribery and anti-trust. A total of 132,000 employees completed the training, representing approximately 95 percent of all ABB employees worldwide. The remaining employees who did not receive training in 2012 under this initiative are being covered at the beginning of 2013.

ABB also has an Ombuds program as an additional route for integrity reporting. This program was expanded during 2012, with 70 trained Ombuds persons now available in 48 countries. The ABB Ombuds persons 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 approximately 500 employees, full-time and part-time, at headquarters and around the world.

Sustainability governance

Sustainability principles and considerations are embedded in ABB's business strategy and guide what we manufacture, how we operate the company and the way we behave towards stakeholders.

As we strive to balance economic success, environmental stewardship and social progress to benefit all our stakeholders, we rely on every employee to take responsibility to help us achieve our goal: a better world.

During 2012 we took a number of steps to reinforce ABB's sustainability governance structure and to further develop the capacity and capability of our sustainability network. We are broadening the scope of our sustainability competency management program to deliver improvement and enhance career development in the fields of environment, occupational health and safety, security and corporate responsibility. We are also updating our sustainability governance framework to ensure sustainability responsibilities are embedded in day-to-day business.

Our Sustainability Board, comprising the ABB Executive Committee, now oversees sustainability policies and programs, reviews developments and monitors progress to our targets on an annual basis. At a meeting in 2012, the Board reviewed and approved plans to develop new sustainability objectives and key performance indicators with the support of a number of business units.

The ABB Sustainability Affairs organization is responsible for the development and coordination of policies and programs covering health and safety, environment, corporate responsibility and security and crisis management. Sustainability Affairs reports directly to Executive Committee member, Gary Steel.

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. All eight regions where ABB operates have region health and safety advisors and corporate security managers.

The country and regional specialists are supported by local sustainability officers and health and safety advisors. Overall, the sustainability network is supported by a team of some 830 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), Supply Chain Management (supplier audits), Internal Audit and ABB's bid evaluation committee (customer and project risk assessments).

We aim to cover all ABB Group companies in our formal sustainability reporting system, including wholly owned subsidiaries and majority-owned joint ventures worldwide that might have significant sustainability impacts. Baldor Electric Company, acquired in January 2011, is now integrated into this system. Integration of Thomas & Betts (T&B), acquired in May 2012, is continuing and data collection for environmental parameters, health and safety and corporate responsibility will be implemented during 2013.

Data in this report relating to social performance cover 89 percent of ABB employees, whereas data relating to environmental performance were sourced from more than 390 ABB sites and offices, covering 82 percent of employees. The environmental performance of the remaining non-T&B employees, located in non-manufacturing entities without significant impacts, is covered by estimated data. We have not estimated environmental impacts for T&B employees who constitute approximately seven percent of the ABB workforce.

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.

Sustainability policies, principles and procedures

We have 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, the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the Social Accountability 8000 standard.

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. We have also taken note of non-certifiable ISO 26000 on Social Responsibility.

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 our health and safety program.

ABB facilities are encouraged to implement integrated management systems for environmental and quality issues, and for occupational health and safety. More than 260 sites now use integrated systems, with external certifications achieved for 287 environmental management systems and for 276 health and safety management systems.

ABB is a signatory to the World Economic Forum's "Partnering Against Corruption Initiative" (PACI). The initiative is focused on activities that are likely to deliver the greatest impact and build on the global momentum to fight corruption.

In addition, ABB has taken note of the UN Guiding Principles on Business and Human Rights and is 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 understanding of human rights and day-to-day business benefit from involvement in such organizations.

During 2012, ABB became a lead supporter of TRAC, a global platform that captures, assesses and shares baseline due diligence information on organizations and individuals across the supply chain. TRAC is a tool provided by TRACE International, Inc., a non-profit membership association that pools resources and cost-effective anti-bribery compliance solutions for multinational companies and their commercial intermediaries.

Other GRI indicators

SO2 Business units analyzed for corruption risks

ABB's internal audit team carries out an annual risk assessment as the basis for their audit planning for the following year. They 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.

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 received training on anti-corruption procedures during 2012.

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 2012 ABB identified five incidents of corruption of a government official (of which three incidents are still under investigation). During the year four employees were dismissed.

SO5 Public policy and lobbying

In a period of challenging economic conditions in Europe, ABB provided continuous input to the EU policy process, supporting measures that help Europe in regaining competitiveness and reaching its ambitions in climate change mitigation, renewable energy supply and energy efficiency.

ABB argued for a common European approach on energy policy, in particular with a view to further developing and strengthening the power grid, which is necessary to harness the increasing renewable energy sources in the European energy mix. ABB's innovative technologies – for example in the fields of High Voltage Direct Current (HVDC), smart grids or energy efficiency – can foster a sustainable, secure and affordable energy system in Europe. We maintained a dialogue with EU institutions aimed at working toward political and regulatory conditions which enable the uptake of these technologies and encourage further research and development.

ABB is providing active policy input through key European business associations, such as the European Association of the Electricity Transmission and Distribution Equipment and Services Industry (T&D Europe), the European Engineering Industries Association (Orgalime), the European Round Table of Industrialists (ERT) or the European Wind Energy Association (EWEA).

In the United States, a divisive presidential election campaign and debate over public spending kept much of Washington policy activity in check for 2012. Despite this environment, ABB was successful in strategically working with our trade associations to accomplish many tasks. Of note is our work with two of our trade groups, the National Electrical Manufacturers Association (NEMA) and the American Wind Energy Association (AWEA), to secure an extension of a critical wind energy tax credit, passage of energy efficiency legislation, and full funding for energy research and development programs.

We launched a new public policy and political branding campaign targeted at Washington DC stakeholders. It focused primarily on our smart grid and energy efficiency capabilities and was conveyed through media advertisements, participation in a congressionally-hosted renewable energy forum and release of technology white papers.

Working with the Business Roundtable (BRT), we participated in and contributed to the development of a new policy blueprint for America's energy and environment future and engaged the National Association of Manufacturers (NAM) in planning an energy-related tax reform strategy for 2013.

In China, ABB supported government activities in the areas of energy conservation and environmental protection in line with China's 12th Five-Year Plan. ABB continued to contribute products with the latest technology, introducing our worldwide solutions and expertise in smart grids and energy efficiency solutions to government agencies and key stakeholders.

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 after a rigorous approval process which includes the approval of the Chief Integrity Officer. In 2012, ABB Inc. in the United States made employee-raised donations through its Political Action Committee (PAC). In addition two contributions took place in Australia through one of the companies acquired by ABB. The various donations have been vetted as part of ABB's approval process. In addition they have been disclosed/lodged with the relevant government authorities in both Australia and the United States.

SO7 Legal actions for anti-competitive behavior

ABB has been cooperating with various anti-trust authorities regarding their investigations into certain alleged anti-competitive practices. 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

ABB did not face any significant fines or sanctions for non-compliance with laws and regulations in 2012. 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 2012, ABB did not receive any injunctions or complaints related to product information or labeling.

PR8 Complaints regarding breaches of customer privacy

No complaints regarding breaches of customer privacy were received during 2012.

Compliance – product responsibility

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

No significant fines were levied against the company during 2012 for non-compliance related to products and services.