



Governance and stakeholder relations

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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.

Stakeholder relations

A business reminder from stakeholders

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

The business value of sustainability is increasingly at the heart of many of the discussions with both internal and external stakeholders.

As we seek to integrate sustainability further into day-to-day business thinking and processes, we are seeing more evidence that sustainability considerations are playing a greater role in business decisions by key stakeholders.

In 2012, we have seen

- Increasing pressure from customers to demonstrate that our products, systems and solutions can deliver resource and energy efficiency
- An increasing flow of questionnaires to ABB for us to assure the sustainability of our products and our supply chain
- Slow but mounting interest among mainstream investors about how we manage sustainability risks
- Social, environmental, ethical and security factors underpinning decisions to enter new markets
- Engagement with export credit agencies to review the social and environmental dimensions of major infrastructure projects

Working with customers

Sustainability experts joined sales managers on numerous occasions in 2012 to support potential business opportunities, answer customer inquiries and review customers' processes.

Detailed discussions were held, for example, with an international company on potential sustainability risks associated with a major infrastructure project in Africa. Among the subjects reviewed: the potential health and safety, security, environmental and human rights risks in the project, and ways of mitigating those risks.

On another occasion, a potential business partner asked for a presentation of ABB's sustainability approach as part of discussions on a tender to upgrade an automation system for a bioprocess testing plant in Europe. The customer was seeking reassurance that its partners and suppliers were committed to good sustainability performance.

In a further example, a security manager engaged with a customer in the oil industry to ensure that security and health and safety measures foreseen at installations in a particular country met ABB's standards and whether additional costs would have to be factored into contracts to meet any shortfall. These are not infrequent examples.

ABB sustainability experts had a formal meeting with about 20 Swedish investors in mid-2012 to present the company's sustainability agenda and to take questions. Compliance was an area of investor focus, along with energy efficiency, health and safety, security and human rights. ABB learned more about investors' priorities; investors heard more about how sustainability risks are managed proactively in the company.

Our most important stakeholder engagements are with our customers. Gauging customers' levels of satisfaction with our performance is central to our overall success.

For the third year running, ABB employed a customer satisfaction initiative called the "net promoter score" to measure customer feedback to help us improve our business performance. The results for 2012 show a further rise in the percentage of our customers who are enthusiastic about our service and a decrease in those unhappy with our service.

The net promoter scorecard is part of ABB's overall commitment to building a culture of quality and continuous improvement that drives growth through customer loyalty.

ABB also 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.

Developing our engagement process

As part of ABB's sustainability strategy, work is under way to create a more standardized engagement process with stakeholders on sustainability-related issues. The aims are to ensure a more consistent approach to such dialogues, and see how stakeholders' views are captured, evaluated – and acted on – at a national and Group level.

ABB engaged with a wide variety of stakeholders around the world in 2012, seeking contact with organizations and individuals who may be affected by our business operations, and whose actions may, in turn affect the company. Some of the meetings were formal round-table discussions but many were face-to-face meetings with specialists.

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

The subject matter and consequences vary widely:

- In many countries, our engagement with suppliers focuses on improving their performance. This can take the form of supplier audits, as in Brazil, China, India and Mexico in 2012 or discussions with suppliers about environmental, and health and safety requirements.
- In the Finnish city of Vaasa, where ABB is a major employer, senior company and key figures from the community meet on an annual basis to discuss issues such as the use of land, infrastructure, the employment situation and future perspectives.
- Internal or improvement processes are often the focus of attention. In South Africa, a formal roundtable in 2012 focused on ABB's community engagement projects in the country, and a new tool being introduced in 2013 to measure the benefits and value of such projects.
- In a number of countries, external input helps ABB to strengthen its internal processes. In Italy, for example, external dialogues have prompted further efforts to strengthen corporate volunteering for social projects and to provide more work opportunities for disabled people.

The academic world is another area of strong focus for ABB. There is a strong interaction with universities and academic institutions on issues ranging from collaborative research projects to teaching students in Sweden and Switzerland 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. We were also part of two access to energy initiatives run by the WBCSD and the UN Global Compact in the run-up to the Rio+20 summit in 2012.

Events such as the Rio summit or WBCSD meetings are useful opportunities to hear more about other companies' views and initiatives, and gauge progress on trends such as the move towards integrated reporting.

Awards

In recognition of our social, environmental and community engagement activities, ABB won 22 awards worldwide in 2012. Several of these were in the United States where our health and safety efforts at different sites were recognized by local authorities.

ABB also won an award for an internal awareness-raising campaign run throughout the India, Middle East and Africa region aimed at preventing accidents and minimizing hazards in the workplace.

Activities spanned every office across the region with sessions such as electrical safety training, blood donation campaigns, training with automatic external defibrillators to treat cardiac arrests, yoga and stress management, safety observational tours, office safety training and road safety. Elsewhere in the region, ABB in Oman was recognized as one of the top Corporate Social Responsibility practitioners in the Middle East and North Africa in the Arabia Corporate Social Responsibility Awards in 2012.

The types of award won by ABB varied considerably. In China and India, there were several awards for environmentally-friendly practices and social responsibility; in Peru, there was recognition for best practice in human resources management.

There were also a number of environmental awards. ABB in Australia received a prestigious environmental and business award for green technology. The Australian Banksia Award in Clean Technology recognized ABB's new SF₆ (sulfur hexafluoride) gas recycling technology; in the United Kingdom, the Engineering Employers Federation's Future Manufacturing Green Growth Award was a reward for the company's efforts to persuade customers to adopt energy-saving measures for motor-driven processes.

And in Estonia, ABB was named Green Economy Promoter of the Year for 2012 for the company's environmentally-friendly business processes. These awards represent both recognition of good performance and an additional impulse to make further progress.

Other GRI indicator

4.13 Memberships in associations

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

- Chalmers University of Technology, Sweden
- Global Business Initiative on Human Rights
- Global Reporting Initiative
- Hunger Project, Switzerland
- Institute for Human Rights and Business
- International Committee of the Red Cross
- International Institute for Management Development, IMD
- Swedish Standards Institute
- oikos International, Switzerland
- Transparency International
- United Nations Global Compact
- World Business Council for Sustainable Development
- World Childhood Foundation, Sweden
- World Economic Forum
- WWF

Risk management

The benefits of good planning

(includes GRI standard disclosure 4.11)

Good management of risk is essential to a company's success and resilience. ABB has made considerable efforts in recent years to strengthen proactive management of sustainability risks, including health and safety, environmental, social, human rights and security challenges.

We know that failure to understand and manage such risk at an early stage can lead to negative impacts to society and the environment, potential additional costs to the company, and damage to reputation.

There were a number of examples in 2012 of how training and preparatory work pays off. In the United States, for example, security and crisis training programs helped ABB prepare for Hurricane Sandy at our offices and manufacturing sites on the east coast before the devastating hurricane struck.

ABB was able to maintain business continuity, and in addition contributed to our customers' business resilience through a specially-organized emergency recovery task force led by Power Products division, front-end sales and manufacturing teams. The team helped to assess hurricane damage to electrical infrastructure, rushed emergency equipment to where it was needed, and supported utilities in their efforts to get the lights back on as soon as possible.

ABB carries out dozens of security and crisis response training sessions around the world every year to ensure that managers are as prepared as they can be for the different types of emergencies that may occur. Nearly 40 sessions were held in different countries in 2012, tailored to local needs and likely threats. These were complemented by travel security briefings and general security awareness training sessions.

As a company with global operations, the security of our employees and contractors is paramount. By the end of the year, more than 1,200 managers in nearly all of the countries where ABB has operations had received training on crisis management, and a new three-year training cycle began in 2013. This training was put to good use in 2012 amid ongoing instability in parts of the Middle East and North Africa when it became necessary to adapt to fast-changing circumstances and temporarily re-deploy staff in a few locations with minimal disruption to our business.

Proactive risk management training is ongoing in a number of other sustainability areas. Health and safety training continued throughout the company in 2012 to try to ensure that employees and contractors can recognize potential dangers and follow the rules in high-risk areas such as working with electricity, working at height and road travel.

A global human rights training program, launched in 2010, was extended in 2012 to improve understanding of potential risks in the business of complicity in human rights abuses, and to build greater capacity among sustainability professionals within the company.

As part of our efforts to ensure sustainability risk management in the business, we have integrated Group-wide sustainability criteria into our risk assessment process for projects, our supplier selection guidelines and processes, and into the due diligence performed on potential acquisitions. Sustainability experts work in the supply chain teams and mergers and acquisitions processes.

Sustainability due diligence can take many forms: in 2012, environmental specialists were involved in company acquisitions, as well as project assessments; health, safety and security specialists helped to assess our own and customer sites and processes; and human rights specialists in the company reviewed a number of issues and dilemmas before making recommendations to the business.

Overall, ABB has a global integrated and Group-wide risk management process which received an international award for excellence in 2012. The Enterprise Risk Management (ERM) process won the 2012 Risk Management award for innovation and excellence from Treasury Management International magazine.

Under the ERM, the executive management and the Board of Directors perform a risk assessment once a year, 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 ERM. The process directly involves all ABB group functions, regions, divisions and the majority of our country organizations and global business units.

The ERM is supported by a common ABB risk catalogue and training sessions for the participating entities. The number of participating entities increased in 2012 to more than 100.

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 top risks are identified, assessed and reported along with a detailed risk description, the likelihood of such risks occurring, the potential impact on profitability, and mitigation plans. Participating entities also report key performance indicators that they will use to measure their progress on mitigating the risk and reflect on their risk profile in 12 months (residual risks).

The risk management approaches of Group ERM and Internal Audit are aligned. The raw and residual risks are consolidated and analyzed at a Group level by the Group ERM team and discussed at the Group ERM round table which involves senior managers from different parts of the Group, including the sustainability function.

The ongoing instability around the world and emergence of different types of challenges underline the value of good risk management in contributing to an agile and resilient organization. We will maintain our focus on identifying, managing and mitigating risk in all its forms.

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.

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.

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.

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.

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).

Sustainability in the supply chain

Facilitating change

(includes GRI indicators EC6 and HR2)

ABB took further steps in 2012 to develop suppliers into strategic business partners who share our commitment to sustainability and to strengthen our supply chain management to ensure appropriate support for improving supplier performance.

Under our global Supplier Sustainability Development Program (SSDP), we conducted 121 audits and trained more than 1,050 suppliers and 1,255 ABB employees in 2012, focusing on Brazil, China, India and Mexico. A customized internal training program was also launched during the year, enabling ABB employees to achieve certification as sustainability auditors.

The training includes classroom instruction, assignments and on-site audits under the supervision of accredited third parties. Supplier audits in Mexico are now conducted solely by qualified ABB employees, enabling us to follow the development of suppliers more closely throughout the audit and improvement process.

Our program is structured around a combination of training for both suppliers and ABB employees, on-site auditing and monitoring of performance improvement plans. The ABB Supplier Code of Conduct underpins the SSDP, defining minimum standards regarding fair and legal labor conditions, occupational health and safety, environmental responsibility and business ethics.

Suppliers are selected for participation in the SSDP using a risk-based approach, according to country risk, purchasing volume, commodity risk and criticality of the supplier. Country risk, related to issues such as business ethics and human rights, is assessed based on publicly-available data from third parties, including Amnesty International and the International Labour Organization. Commodity risk is related to the potential environmental or human rights impacts of certain processes, such as the risks of labor violations associated with piece-workers on assembly lines.

We are starting to see steady progress. Capacity-building has resulted in improved audit performance by suppliers who have participated in our training programs. However, audits continue to reveal a number of situations where ABB's standards are not met. Similar to 2011 audit findings, the issues discovered during 2012 included excessive overtime, inadequate remuneration, poor waste storage and disposal practices, and a lack of appropriate protective equipment for workers. No cases of child labor were detected during 2012.

In Mexico, participants in the ABB Supplier Sustainability Development Program have seen the business benefits of improving their sustainability performance and have taken further action to embed sustainability in their businesses. One supplier relocated operations to enable a new layout and installation of new equipment to assure worker safety and compliance with regulations. Other suppliers have opted to invest in additional staff and training, or to set their own ambitious environmental and health and safety improvement targets.

At the completion of audits, suppliers are assigned a risk rating based on the findings from the assessment. The risk rating determines the required pace of corrective action and whether a re-audit is required for the closure of corrective actions.

ABB supply chain or quality managers are assigned to follow up the corrective action plans. Should a supplier fail to comply with their corrective action commitments, ABB commences a process to de-source that supplier. During 2012, four suppliers were blocked due to unsatisfactory progress with corrective actions. Purchases from these suppliers were suspended pending satisfactory progress by a defined date. Should these suppliers not meet these requirements, then the next step will be their removal as ABB-approved suppliers.

The SSDP will continue to expand in 2013. We plan to train 50 percent more suppliers than in 2012, to roll out the internal sustainability audit certification training in more countries, and to increase the scope of the SSDP to include some countries in Eastern Europe.

Another area of focus for 2013 will be the supplier qualification and approval process. When qualifying suppliers, ABB has long considered sustainability principles alongside the more traditional aspects of quality, cost and on-time delivery. This process will be further strengthened during 2013 with the launch of a new global online supplier registration and pre-qualification system.

ABB has engaged an experienced external supplier to manage the collection of extensive supplier information and to improve the quality, completeness and global availability of supplier information. This will help us to identify and minimize supplier risks, including legal, compliance, health, safety and environmental issues.

As part of our ongoing commitment to integrity and transparency, ABB has agreed to support TRAC, a global platform that allows efficient verification of entity information. Suppliers are invited to submit information, including ownership details and responses to compliance questions related to issues such as bribery and forced labor. Approved applicants receive a unique TRAC number and are then continuously screened against international sanctions and watch lists. In 2013, ABB will test and evaluate TRAC.

In addition to the SSDP, ABB's global sustainability network conducts focused environmental audits of suppliers, as part of our own facilities' ISO 14001 management systems. Almost 1,100 documented environmental audits of suppliers were performed during 2012. Overall, more than 50 percent of approximately 1,700 key suppliers are externally certified to ISO 14001 and a further 11 percent have implemented "self-declared" environmental management systems.

Strong supplier performance ensuring resilient, cost-effective and sustainable supply chains is a key factor in business success, and critical to growth plans. Our Supplier Sustainability Development Program is helping us to embed sustainability principles along our supply chain. The results are encouraging but we still have work to do. We will continue to build capacity within our own organization and our supply base in the belief that improved sustainability performance of our suppliers contributes to ABB's own success.

Country	No. of audits			No. of suppliers trained			No. of ABB persons trained		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
China	48	36	11	820	145	0	1,000	96	0
India	20	39	17	96	0	0	60	37	0
Mexico	21	14	0	61	0	0	10	0	0
Brazil	23	4	0	75	0	0	35	0	0
Rest of world	9	38	0	0	0	0	150	0	0
Total	121	131	28	1,052	145	0	1,255	133	0