

# 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).