

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.