

Governance

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Sustainability governance

Embedding in the day-to-day

ABB's vision is to provide "Power and productivity for a better world." Our technologies help to make the world a better place by contributing to the economic success of our customers, the development of society and the reduction of environmental impact.

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.

Our sustainability strategy is aligned with corporate strategy and is supported by objectives that address ABB's activities and impacts along the value chain. Progress towards our objectives is driven through all levels the business, from Executive Committee endorsement, through operational review and target setting in business units and countries to local training and execution at site, supported by sustainability specialists at Group, country and local level.

Sustainability Board

Our Sustainability Board, comprising the ABB Executive Committee, oversees sustainability policies and programs, reviews developments and monitors progress towards our targets on an annual basis. Executive Committee Member Jean-Christophe Deslarzes is responsible for the ABB Sustainability Affairs organization. He succeeded Gary Steel who held this position since 2003 and under whose watch many improvements – including ABB's global health and safety program – were initiated.

In 2013, the Sustainability Board reviewed and approved new Group sustainability objectives for 2014–2020. The objectives were developed as a result of extensive consultations about sustainability expectations across our businesses and with a range of external stakeholders. This process and the objectives are described in [more detail](#) later in this report.

Group sustainability team

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. The team coordinates internal reporting across these disciplines and is responsible for the development of the Group Sustainability Performance Report.

During 2013 we continued our work to enhance career development and to strengthen the capability of our sustainability network. Our comprehensive sustainability competency man-

360+ locations certified to ISO 14001 and OHSAS 18001

agement program, covering the fields of environment, occupational health and safety, security and corporate responsibility, was successfully piloted in several countries and global roll out is scheduled during 2014. We also worked to reinforce the sustainability governance framework at all levels of our business, with the goal to ensure sustainability responsibilities are simple, effective, well understood and embedded in day-to-day business.

Global sustainability network

A network of sustainability specialists worldwide reports to – and supports – 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, to implement our sustainability objectives and gather the data consolidated in this report. All eight regions where ABB operates have regional 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 900 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 assessments and development), Internal Audit and ABB's bid evaluation committee (customer and project risk assessments).

Sustainability policies, principles and external initiatives

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.



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.

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 benefits from involvement in such organizations.

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

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 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, health and safety and quality issues, with more than 350 sites and offices now using integrated systems. Globally, we have achieved external certification for environmental management systems at 360 sites and offices and for health and safety management systems at 362 locations.

Approach to sustainability reporting

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. Thomas & Betts (T&B), a company acquired in May 2012, is now integrated into this system. Integration of companies acquired during 2013 is continuing and data collection for environmental parameters, health and safety and corporate responsibility will be implemented during 2014.

Data in this report relating to social performance covers 94 percent of ABB employees, whereas data relating to environmental performance was sourced from more than 550 ABB sites and offices, covering 88 percent of employees. The environmental performance of the remaining employees, located in non-manufacturing entities without significant impacts, is covered by estimated data.

We use three online 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 which consolidates inputs from all entities in the respective country.

Risk management

Managing different challenges

ABB has a global integrated and Group-wide risk management process. Once a year, the executive management and the Board of Directors perform a risk assessment in accordance with the company's risk management processes and take appropriate actions where necessary.

We have implemented a comprehensive top-down and bottom-up approach to Enterprise Risk Management (ERM) and are committed to further develop and improve the process through regular reviews and the incorporation of best in class practices. The process directly involves all ABB Group functions, regions, divisions and the majority of our country organizations and global business units.

The process is designed to support ABB's business needs. Management of the risks that have been identified is clearly material to the company's business success.

The ERM process is supported by a common ABB risk catalogue and training sessions for the participating entities. The number of participating entities increased in 2013 to more than 100 units around the world.

500 senior managers trained in crisis response in 2013

The common risk catalogue covers a wide range of issues including external, financial, organizational, operational, employee and cultural risks, as well as the legislative environment and topics related to climate change.

Participating entities are expected to organize ERM roundtables 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 roundtable 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.

Training to mitigate risk

As far as sustainability risks are concerned, ABB has made considerable efforts in recent years to strengthen proactive management of areas such as health and safety, environmental and social impacts, human rights and security challenges. Failure to understand and manage such risk can lead to legal consequences, missed opportunities, negative impacts to society and the environment, potential additional costs to the company, and damage to reputation.

To support good risk management, ABB carries out dozens of training sessions each year designed to improve the company's ability to understand and mitigate risks to our people and assets, and to ensure business continuity.

In health and safety, where ABB continues to face significant risks, training continued throughout the company in 2013 to try to ensure that employees and contractors recognize potential dangers and follow the rules in high-risk areas such as working with electricity, working at height and road travel. The training takes many forms and is targeted to meet the specific needs of different cultures, while taking into consideration the maturity of health and safety capability in a given country. Risk-specific training was, for example, carried out in the Power Products division in Russia, Thailand and China in 2013.

Emphasis is also placed upon occupational health. Annual vaccination projects and dietary checks are run for the benefit of employees in a number of countries; there are programs to combat stress at ABB units, particularly in Europe; occupational hygiene workshops were held in 2013 in many parts of South America and Southeast Asia; and wellness opportunities were provided in a number of countries, including the United States, and parts of the Middle East and Asia.

The aims of such programs are clear: to minimize operational risks and improve health and well-being in the workforce.

ABB faces some of its greatest risks to our people and business when we work in hostile environments, and a highly-developed security capability has been built up to support our employees and contractors. Training and processes, as well as providing the right kind of security infrastructure and information, are key to the ability to work in such environments.



In 2013 alone, about 500 senior managers in 25 countries were given training to help them ensure the safety and security of employees and contractors in a time of crisis and the ability of ABB to continue carrying out business.

A global human rights training program, launched in 2010, was extended in 2013 to improve understanding of potential risks in the business of complicity in human rights abuses. Training sessions were held with senior managers in China, several parts of Southeast Asia and the Middle East. A new capacity building program, designed to ensure sustainability professionals can work more effectively in their countries on human rights issues, is being launched in 2014.

As part of our efforts to ensure sustainability risk management is embedded 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.

Our due diligence processes also include core sustainability issues: In 2013, 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.

These are all areas where we will maintain and strengthen focus. We know the ability to identify, mitigate and manage risk in all its forms is vital for our employees and for business success.

Material issues

Refining our priorities

We have undertaken considerable work in recent years to understand what internal and external stakeholders expect of ABB's sustainability performance and where they consider that we should focus our strategy and improvement goals.

In 2010/2011, we conducted the widest-ever sustainability stakeholder survey undertaken by ABB. We sought input from nearly 600 people, including senior ABB executives and employees from all parts of the business in different countries, as well as from our customers and external stakeholders specialized in key sustainability areas – the environment, climate change, human rights, health and safety, and security.

We also benchmarked key sustainability focus areas of peer companies and mapped regulatory risks and macro trends to help us establish a comprehensive sustainability issues landscape. We then scored the relevance to stakeholders of the key issues that had been identified and mapped ABB's material sustainability-related issues, as shown in the materiality matrix on page 21.

Most of these issues were already priorities for ABB, namely energy efficiency, climate change, managing environmental impacts, product innovation, health and safety, human rights, sustainability in our supply chain and working in the community. This materiality matrix then shaped the development of our sustainability strategy.

In 2013, we undertook a further review with our stakeholders to update our assessment of material aspects and to seek their views on how best to report on our sustainability strategy, performance and progress.

We engaged a third party to interview a total of 40 stakeholders from four broad categories: ABB employees, investors, customers and sustainability experts. All external interviewees had an existing relationship with ABB and, for continuity, 35 percent of these stakeholders had already participated in the stakeholder survey undertaken in 2011. We aimed for a regional and gender balance, with 12 countries across North America, Europe, Asia and Africa represented and 15 women included among the interviewees.

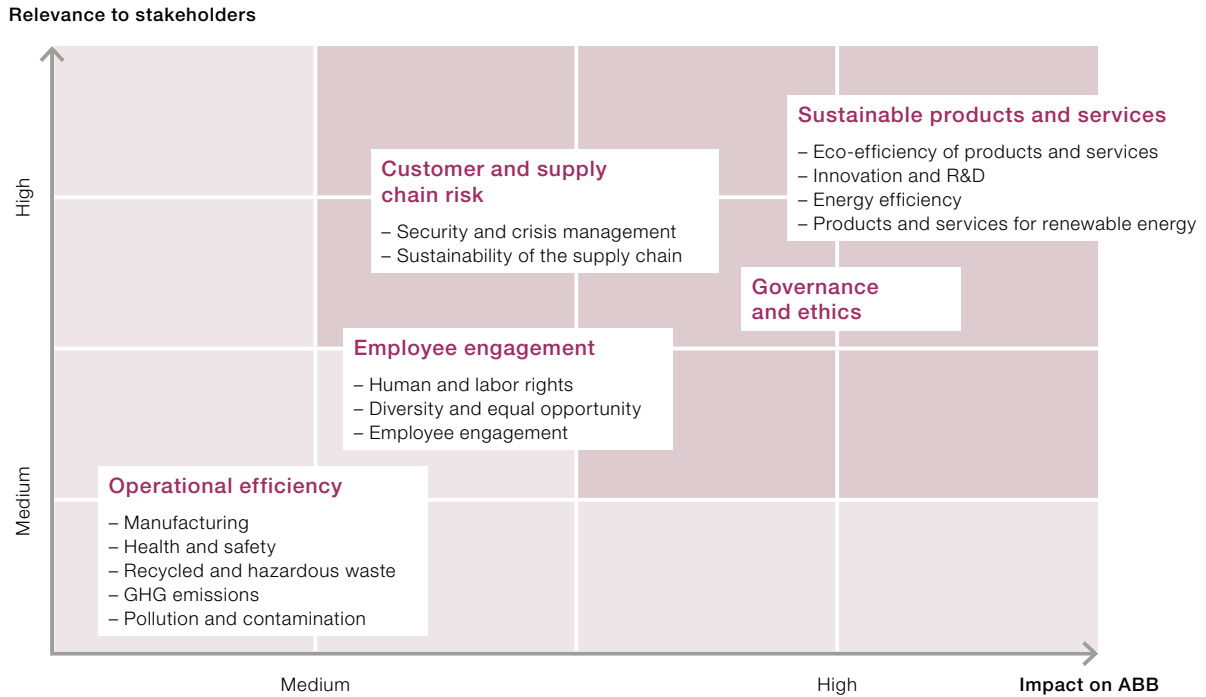
Interviewees were asked to prioritize the material topics identified by ABB as well as any additional topics or trends they believe ABB should address. The results, in the main, confirmed the conclusions from our 2011 consultation. Energy efficiency, governance and integrity, sustainability in the supply chain, health and safety, security, and innovation continue to be considered of high significance for ABB and of high interest to stakeholders.

Other issues showed a broader spread of views. We have placed these issues in the materiality matrix based on further review and validation.

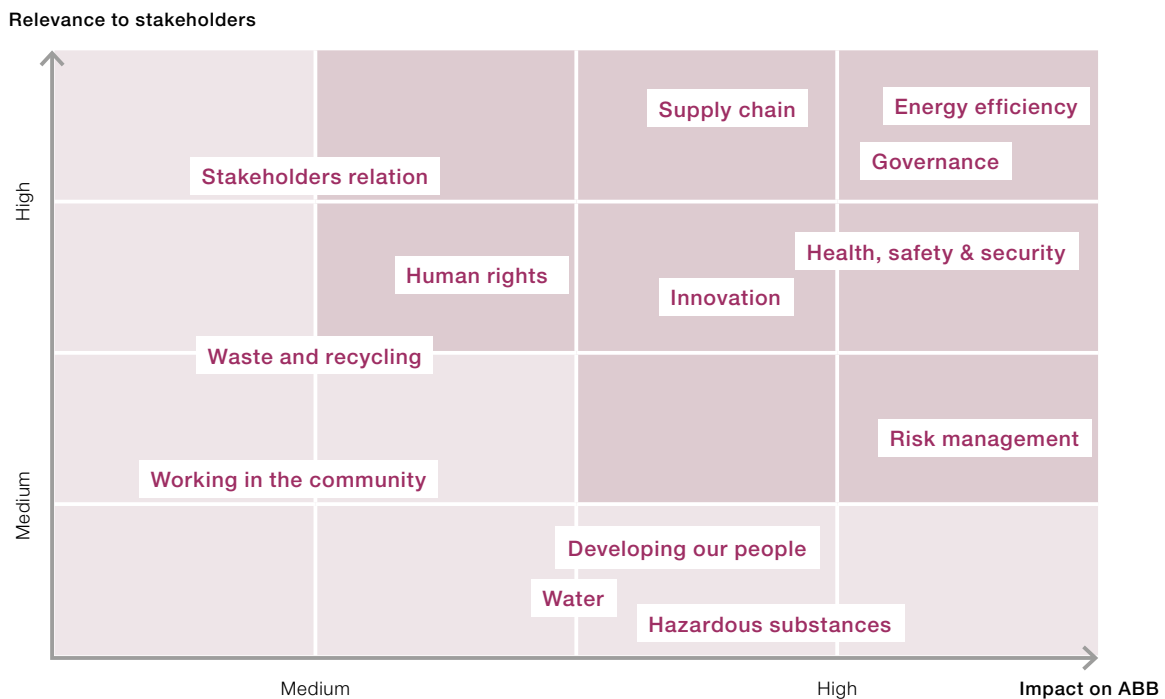
In addition to the material aspects identified by ABB, stakeholders indicated that they expect more detailed information about ABB's energy efficiency solutions for cities, holistic solutions towards decentralized energy, and how ABB is providing access to electricity in rural areas. Other areas of increasing interest are how we create value and measure our impacts in the communities where ABB and our customers operate.

These stakeholder views have helped us to shape our Sustainability Objectives 2014–2020, which in turn have determined the structure and content of this report. We will continue to review these issues with our stakeholders at regular intervals and will use this input to inform our improvement goals and reporting activities.

2011 materiality matrix



2013 materiality matrix



Sustainability objectives 2014–2020

Planning for the future

ABB's new sustainability objectives, designed to guide our improvement efforts through to 2020, are the result of a thorough review of existing programs and challenges, and extensive stakeholder consultation both inside the company and externally.

We analyzed our stakeholders' input regarding issues material to ABB and their expectations of how we could improve performance. As a next step, we worked with external sustainability experts to develop a framework for the content of the objectives and reviewed the challenges we had received from stakeholders on our levels of ambition.

We concluded that the five sustainability focus areas we had selected for 2013 had evolved, and our new objectives should cover a broader range of material issues. These conclusions were then discussed and refined with senior business, region, country and function heads within ABB.

The outcome is a series of nine focused objectives which apply to the whole ABB Group and impact all areas of our value chain.

As part of ongoing work, individual targets and key performance indicators are being developed and rolled out in the company. Progress will be reported in the annual Group Sustainability Performance Report in coming years.

Products & services

Responsible relationships

- Integrity
- People and society
- Human rights

Responsible operations

- Energy efficiency and climate change
- Responsible sourcing
- Safe and secure operations

Right resources

- Resource efficiency
- Right materials

Products and services for a

better world: ABB is a world leading supplier of innovative, safe and resource efficient products, systems and services that help customers increase productivity while lowering environmental impact

Integrity: ABB has a strong and consistent reputation as a world leader in integrity and ethical business practices

People and society: ABB attracts, retains and develops dedicated and skilled people from diverse backgrounds, and engages with a wide range of stakeholders, including communities, to maximize benefits for our business and society

Human rights: Human rights issues are well understood and managed in all ABB operations along the value chain

Energy efficiency and climate change: ABB is an industry leader in energy efficiency, use of low-carbon fuels and renewable energy. We cut greenhouse gas emissions. ABB to reduce its energy use by 20% by 2020

Responsible sourcing: Social and environmental risks and impacts of sourcing practices are well understood and managed

Safe and secure operations: Safety is a core value. All ABB operations have an excellent health, safety and security culture embedded in day-to-day business, targeting zero incidents

Resource efficiency: Materials and water use is optimized. Facilities in water stressed regions to reduce water use by 25% by 2020. We target zero waste

Right materials: We aim for materials that are sustainable. Hazardous substances are used in closed loops or not at all