

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.