

ABB in summary

ABB is one of the world's leading power and automation technology companies. We are present throughout the entire renewables value chain, from power generation to transmission, distribution and electric mobility.

We provide solutions for secure, energy-efficient generation, transmission and distribution of electricity, and for increasing productivity in industrial, commercial and utility operations.

Sustainability considerations cover how we design and manufacture products, what we offer customers, how we engage suppliers, how we assess risks and opportunities, and how we behave in the communities where we operate and towards one another, while striving to ensure the health, safety and security of our employees, contractors and others affected by our activities.

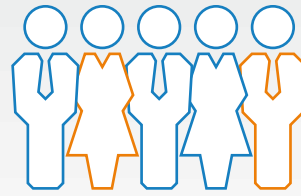
Our portfolio ranges from switches and sockets to robots, and from large transformers to control systems that manage entire power networks and factories.

We help our customers meet their challenges with minimum environmental impact. That's why ABB stands for "Power and productivity for a better world."

Our sustainability performance reporting is guided by the Global Reporting Initiative's (GRI) G4 Guidelines. A summary table of numerical performance indicators is included. The independent assurance provider DNV GL has provided assurance of selected indicators and reviewed key data and claims in the report. Its assurance statement appears on p. 58 of this report.



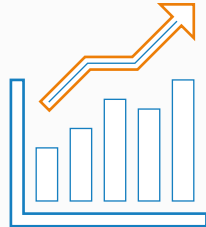
\$ 1.5
billion
invested in R&D in 2014



140,000
employees

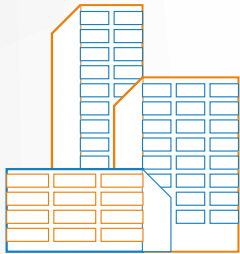
445
TWh energy saved
by ABB drives

150
nationalities



\$ 41.5
billion
orders
in 2014

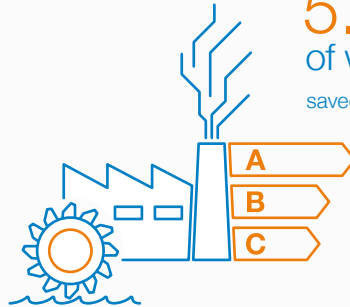
51%
of revenues
related to energy efficiency
and renewable energy



1 company delivering
power and productivity
for a better world



\$ 9
million
spent on community
projects in 2014



5.2 million m³
of water
saved through reuse and recycling

200+
energy efficiency
projects under way

28
awards
for good corporate
citizenship worldwide



500
managers trained
on human rights

175
supply chain
assessments in 2014



94,000+
employees
trained on anti-bribery principles in 2014

2,500+
critical suppliers trained
since 2011

Sustainability is part of our growth strategy



In 2014, ABB introduced its new “Next Level” corporate strategy, aimed at accelerating sustainable value creation, and charting our plans to improve our business and strengthen growth from 2015–2020. Sustainability considerations and values, particularly our efforts to improve health, safety and environmental performance, are a crucial part of the strategy.

In developing the Next Level strategy, we took into account our Sustainability Strategy, endorsed by our Executive Committee at the end of 2013, and see sustainability as an integral part of our overall strategy.

Our company vision “Power and productivity for a better world” reflects a commitment to our customers in utilities, industry, infrastructure and transportation that the automation and power products, systems and services we supply can make a global contribution to reducing energy use and lowering environmental impact. In short, we will contribute to decoupling economic growth from environmental impact.

Embedding sustainability considerations into our daily business helps us in different ways to create value and to manage risk. In terms of value creation, our ability to innovate and manufacture energy-efficient products has a significant impact on what we can offer customers and on our success. We believe we can go further. One of our strategic targets is to increase revenues from our energy-efficient portfolio by 20 percent by 2020.

Good risk management strengthens business performance and resilience. We took many additional steps in 2014 to improve our health and safety, security, environmental and social performance within the company, at project sites and in the communities where we operate. ABB carries out project work in some high-risk areas around the world so it is crucial we have appropriate security to protect our people and assets, and that we understand, avoid or mitigate potential environmental, social and human rights impacts.

A top priority for ABB is to ensure the health and safety of our employees and contractors. Under the overall theme of “Don’t look the other way,” we launched many additional activities in 2014 – from the very top of the company through to our employees in the factory and field – and saw some improvement in certain areas. However, as the results show, we are still on an improvement journey. Three people died and we had a slightly improved total recordable incident frequency rate for employees and contractors of 9.5 per 1,000 persons. Our target is always zero incidents.

We are driving our initiative to strengthen health and safety behavior, not just in terms of observing the rules but through a greater sense of personal leadership and responsibility, and to ensure it is universally recognized as a core company value. We have made safety and integrity primary corporate values and don’t accept compromise in either of these areas.

Among the many measures taken, which you can read about in this report, we held our first-ever global health and safety week which resulted in widespread engagement. We recorded more than 140,000 participants at 2,500 training sessions and workshops held in around 40 countries – with many employees and contractors attending more than one session. While we are fully behind such initiatives, we are very aware that health and safety is a 52-week priority each and every year, and that much remains to be done to ensure we perform better.

Turning to the environment, ABB has the products, systems and services to support efforts to increase resource efficiency, and reduce our customers’ emissions and energy costs. As I said at the United Nations Climate Summit in 2014, we have to decouple economic growth from environmental impact, which means less energy per unit of GDP, and lower emissions per unit of energy.

This requires progress in three areas: Technology, policy and behavior. Our core area of expertise is clearly energy-efficient technology. Much of this technology is already available and proven, with relatively short payback times.

As an example, our installed base of variable speed drives, which regulate motors to the speed at which they need to operate rather than running constantly at a pre-set, more wasteful speed, make a significant contribution to reducing energy use. Operating rather like the gearbox of a car, the drives save the same amount of energy used by 110 million European Union households every year. This is just one of many areas where we currently make a difference, for our customers and for society.

ABB invests heavily in sustainable innovation and won further international recognition for technology breakthroughs in 2014.

For example, we recorded a significant breakthrough in switch-gear technology with the development of a solution that deploys a new insulation gas mixture as a substitute for the potent sulfur hexafluoride (SF₆). ABB's gas-insulated switch-gear with the new gas mixture now has the potential to lower carbon dioxide equivalent emissions by up to 50 percent through the lifecycle of the equipment, compared to its predecessor with the same rating.

We unveiled the world's first truly collaborative robot, YuMi®. It is a human-friendly dual arm robot designed for a new era of automation, such as in small parts assembly, where people and robots work safely together on the same tasks. The high-precision robot, with the ability to feel and see, has safety built-in to its functionality so that it can work without a protective cage.

Furthering our contributions to a more sustainable world, we entered into partnerships in 2014 which will yield major business and sustainability benefits. In China, we will jointly develop new solutions for energy storage in collaboration with BYD. We also agreed to a strategic partnership with Shenzhen BYD Daimler New Technology Co. to supply direct-current fast chargers over the next six years for the DENZA electrical vehicle. This builds on other country-wide agreements in Europe for ABB to set up EV fast-charging networks.

In a different kind of collaboration, we signed a partnership agreement with the global wind energy company Vestas to deploy our technologies jointly to help rural communities in developing markets gain access to affordable and clean electricity. This project, part of Vestas' Wind for Prosperity initiative, will start with off-grid communities in Kenya. The provision of power drives economic and social progress in communities large and small, and can lead to the fulfillment of human rights such as employment, education, health-care and housing.

“When we speak of taking business to the next level, sustainability is an integrated part of that journey.”

In 2014, ABB formed an innovation and technology alliance with Solar Impulse, a groundbreaking project to fly a solar-powered aircraft around the world. Our alliance reflects a common goal: To develop sustainable solutions which demonstrate that economic growth is feasible without increasing energy consumption and carbon emissions. Solar Impulse shows what is possible with a pioneering spirit and a passion to venture beyond the boundaries of convention; ABB shows how breakthrough innovation can be transformed into tangible technologies and solutions for a better world.

“Power and productivity for a better world” is ABB's way of combining our strong business focus with sustainability as an integral part of what we do and stand for. It reflects our commitment to develop innovative products, systems and solutions which contribute to improved and more energy-efficient performance by our customers. Or, in simple terms, to run the world without consuming the earth.

So when we speak of taking our business to the next level, sustainability is an integrated part of that journey.



Ulrich Spiesshofer
CEO

Implementing our objectives

After launching a new set of sustainability objectives at the end of 2013, we have placed considerable focus on setting more detailed targets and making progress towards achieving them. The latest materiality survey in 2014, covering external stakeholders, provided a strong endorsement of our goals and further encouragement to make concrete progress towards full implementation.

The sustainability objectives for 2014–2020 cover nine areas and highlight how ABB does and can contribute to a more sustainable world. These are detailed elsewhere in the report but overall they include such areas as our products and services, climate change, resource efficiency, integrity, sourcing, safety and security, and our role as an employer and in society. All of these issues have a direct or indirect impact on ABB's business success.

The objectives are being driven by different parts of our organization, both functionally and directly along business lines. In 2014, we put further numbers on the objectives, developing targets and key performance indicators, and began the process of implementation.

Setting targets

Our sustainability objective on products and services, for example, highlights our ambition of being a world leading supplier of innovative, safe and resource efficient products, systems and services that help customers increase productivity while lowering environmental impact. With our business, we have now set a target to increase revenue from our energy-efficient portfolio by 20 percent from 2014 to 2020. In addition, we have committed to reducing our own energy intensity by 20 percent per dollar sales in our objective on energy efficiency and climate change.

In other areas, we have clarified either target figures or the criteria on which our success in implementing the objectives will be based. We set these targets after considerable work with internal and external stakeholders. For example, external stakeholders urged us to develop more detailed targets on our energy-efficiency portfolio, and report how this will impact our business and environmental performance.

As this work continues, we expect further targets to be defined and further milestones towards achieving our goals in 2020 to be set. For example, one of our aims is to set up a human rights network to advise the business by 2016. Capacity building training sessions were held in 2014 and more are scheduled in 2015 to meet this target.

Progress on objectives

Improving safety performance – one of the sustainability objectives – was one of the highest profile focus areas within the company in 2014. A leadership initiative to drive a change of culture, called “Don't look the other way,” kicked off early in the year. The initiative, focusing on ensuring that employees and contractors fully observe the rules and develop a greater sense of personal leadership and responsibility, was driven throughout the company in a series of events, culminating in the Group's first-ever global safety week.

Our first quantitative targets and key performance indicators on safety reflect this drive to strengthen the company's safety culture. We are focusing on lead rather than lag indicators – emphasizing positive personal behavioral change – in our efforts to become a best-in-class performer by 2020. This is why we have chosen to set rates for factory and site safety observation tours, levels of hazard reporting and the number of facilities certified with health and safety management systems. We will, of course, continue to report fully on the lag indicators of our health and safety performance.

Steady and quantifiable progress was made in 2014 on a number of other objectives such as integrity, security, supply chain, human rights and how we develop our people. Details of the programs and training sessions are covered later in the report.

All such areas underpin business success and resilience. Failure to maintain the highest standards can result in major costs – human, financial and reputational.



Focus for 2015

We have also been setting priorities for 2015. These focus areas can be found in our sustainability objectives dashboard in this report. For example, we will be working to ensure that a health, safety and environmental checklist, which was updated in 2014, is fully integrated in the development of new products and systems in 2015 and beyond.

As part of our efforts to achieve zero waste, all ABB sites are being encouraged in 2015 to increase the amount of waste that is re-used or recycled, and reduce the amount of waste sent for final disposal.

Stakeholder feedback

In common with previous years, ABB consulted external stakeholders again in 2014 to better understand perceptions of the company's sustainability objectives and levels of ambition, as well as to test our assumptions about the materiality of key areas of focus.

We received useful guidance on certain issues. While the consensus is that the nine objectives are the right areas of focus, and the most material ones for ABB, there was a clear desire among external stakeholders for ABB to provide greater detail on how our products and services are benefitting society, how they are contributing to the "better world" of ABB's tagline.

We were also told ABB should build on existing partnerships for increased customer value and further investigate collaborative efforts along the value chain, such as working more closely with suppliers. As can be seen in the chapter on sourcing, this is already happening with different aspects of sustainability included in training sessions for a further 760 suppliers in 2014, and another 175 supplier assessments carried out.

A materiality matrix for 2014, published in this report, was drawn up on the basis of these and other consultations with stakeholders. There is a broad alignment between our objectives and the matrix. But one of our key takeaways is that ABB needs to demonstrate the value of implementing our sustainability objectives more effectively.

Assurance




As part of ABB's efforts to achieve higher sustainability standards, we agreed with our external assurance providers DNV GL that they would take a broader look at our reporting, performance and sites than in previous years. Their assurance statement appears towards the end of this report.

Our latest materiality survey provides a strong endorsement of our goals.

In short, our sustainability efforts and objectives are part of our business and our success, and they are aligned with the corporate strategy that will take ABB through to 2020. We know how much work lies ahead to deliver the objectives but we are determined to make a further, significant contribution to "a better world" in the years ahead.

Performance against targets 2014

Issue Area	Ambition and Targets	Main Activities, Achievements and Challenges 2014
Products & services	<p>Ambition 2020: 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</p> <p>Targets: 20% revenue increase from energy efficiency-related products, systems and services</p> <p>Qualitative assessment of technology contribution to environment, profit, society</p>	<p>51% of ABB revenues relate to energy efficiency and renewable energy in 2014. Same level as 2013</p> <p>Innovations released in 2014 include: – New cable, doubles power flow and extends range significantly with reduced losses – Switchgear technology with eco-efficient insulation gas, cuts carbon footprint of GIS – SmartVentilation for underground mines, cuts energy use and improves safety</p> <p>Updated Health, Safety and Environment (HSE) checklist and guidelines for Research and Development (R&D) – 132 R&D engineers trained on HSE checklist; over 80% of project leaders at largest R&D center trained</p> <p>Additional guidance provided on Conflict Minerals and Rare Earths</p>
Integrity	<p>Ambition 2020: ABB recognized as one of the most ethical companies by customers, suppliers, investors and employees</p> <p>Targets: 100% of employees trained on integrity issues and processes</p>	<p>ABB again recognized by Ethisphere Institute as one of The World's Most Ethical Companies; Compliance Leadership Verification as well as Anti-corruption Program Verification seals also awarded in 2014 for the 2015–2016 period</p> <p>Global anti-bribery e-learning module rolled out – more than 92% completion, 94,000+ people trained</p> <p>Integrity training and communications programs at Group, regional and country levels – monthly communication updates distributed through Group; integrity updates and cases of consequence published internally</p> <p>Implementation of integrity programs formally reviewed in individual countries</p> <p>Training and extension of Ombuds program – currently more than 80 trained Ombuds persons in 50 countries</p>
People and society	<p>Ambition 2020: 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</p> <p>Targets: Percent of personal development actions implemented versus plan</p> <p>ABB community engagement tool implemented in major ABB countries</p>	<p>People Strategy developed to support corporate strategy, nine core areas defined</p> <p>Increased number of formal white and blue collar personal performance and development appraisals to 90,700 white collar and 11,000 blue collar appraisals</p> <p>Integration of acquired companies into ABB Human Resources processes</p> <p>Extended learning and development programs for different levels of employee – further 3,000 people took part in Leadership Challenge Program, one of several targeted training programs</p> <p>Increased use of community engagement measurement tool to better understand impact of social projects – nearly 70% of reporting countries provided detailed feedback on social spending</p>
Human rights	<p>Ambition 2020: Human rights issues are well understood and managed in all ABB operations along the value chain</p> <p>Targets: Network of sustainability employees trained on human rights by 2016</p> <p>600 managers trained by end of 2016</p>	<p>Further capacity building training in four countries; first meeting of network focusing on issues from Asia, and North and South America</p> <p>Awareness-raising training in three more countries; another 100 senior and middle managers trained, bringing total to date to 500</p> <p>Development and release of human rights awareness raising e-learning module for all employees</p>

-  On schedule
-  Started
-  Behind schedule

Status end of 2014	Focus 2015	Link to material issues
↑	<p>Ensure that ABB's HSE Checklist (focusing on energy efficiency and environmental issues) is applied in development of products and systems</p> <p>Expand scope of energy efficiency portfolio, formalizing processes and definitions for ABB's "green" product portfolio and making methodology auditable</p>	<p>Products and services</p> <p>Also includes: Energy efficiency and climate change; resource efficiency, right materials and responsible sourcing</p>
↑	<p>Full completion of anti-bribery training</p> <p>Continue to promote management initiative "Don't Look the Other Way" (safety and integrity) as part of Next Level strategy</p> <p>Further promote hotline reporting using ABB's reporting channels and Ombuds program</p> <p>Continued focus on ABB's training and communications efforts at Group, regional and local level</p> <p>Continue to enforce business accountability and tone from top and middle management</p> <p>Further work to ensure thorough implementation of ABB rules and policies in countries where ABB has operations</p>	<p>Integrity</p> <p>Also includes: Developing our people, stakeholder engagement, human rights, safe and secure operations, products and services, responsible sourcing, right materials</p>
↑	<p>Establish Group-wide process for capability management and workforce planning</p> <p>Full alignment of competency framework to corporate Next Level strategy</p> <p>Strengthen succession planning as part of organizational development reviews</p> <p>Take measures to increase links between compensation and personal performance</p> <p>Improve reporting of community engagement activities in order to develop Group-level KPIs</p>	<p>Developing our people</p> <p>Stakeholder engagement</p> <p>Also includes: Integrity, human rights, safe and secure operations, products and services</p>
↑	<p>Build further capacity to expand human rights network with representatives from more countries</p> <p>Work with key businesses on identifying and avoiding potential risks</p> <p>Further awareness-raising training in countries and functions</p> <p>Roll out of e-learning module</p>	<p>Human rights</p> <p>Also includes: Stakeholder engagement, integrity, safe and secure operations, responsible sourcing, energy efficiency and climate change, products and services, developing our people, right materials</p>

Issue Area	Ambition and Targets	Main Activities, Achievements and Challenges 2014
Safe and secure operations	<p>Ambition 2020: Safety is a core value. All ABB operations have an excellent health, safety and security culture embedded in their day-to-day business, targeting zero incidents</p> <p>Targets: Safety Observation Tour (SOT) rate = 1.2 per employee, run rate 180,000</p> <p>Hazard reporting rate= 2 per employee, run rate 300,000</p> <p>>95% certified Health and Safety Management Systems</p>	<p>Total recordable incident rate of 9.95 for employees and 7.76 for contractors</p> <p>Implementation of internal leadership campaign "Don't Look the other way" program (safety and integrity)</p> <p>Personal safety commitment signed by Executive Committee and 200 top managers</p> <p>First-ever global safety week, involving 2,500 training sessions and around 142,000 attendees</p> <p>SOT training conducted throughout Group. Hazard and near miss training rolled out</p> <p>Code of Practice for Safe Working covering 50 safety topics launched</p> <p>Certified health and safety management systems at 378 of 578 locations</p> <p>Ongoing mandatory security and crisis training for country management teams – further 250 people trained in 25 countries</p>
Responsible sourcing	<p>Ambition 2020: Social and environmental risks and impacts of sourcing practices are well understood and managed</p> <p>Targets: Number of suppliers assessed (internal / by third party)</p> <p>Total number of risks identified</p> <p>Total number of risks mitigated</p>	<p>Ongoing supplier sustainability training and development program:</p> <ul style="list-style-type: none"> – Supplier Code of Conduct now available in 15 languages, Implementation Guide in 4 languages – 762 suppliers trained; total since 2011 is more than 2,500. Scope expanded to Thailand, Indonesia and Vietnam – Further 264 ABB people trained; total since 2011 is over 2,000 Lead assessor certification program expanded to Brazil, South Africa, India – 175 suppliers formally assessed, mainly in China, India, Brazil, Mexico and South Africa; total since 2010 is around 600 – Assessed 375 risks; nearly 1,100 assessed since start of program – Mitigated 152 risks; 675 risks mitigated since start of program
Energy efficiency and climate change	<p>Ambition 2020: ABB is an industry leader in energy efficiency, use of low-carbon fuels and renewable energy. We cut greenhouse gas (GHG) emissions.</p> <p>Targets: 20% decrease in energy intensity per \$ sales from 2013 (megawatt hours/million \$ sales)</p>	<p>Energy intensity cut by 1.6%</p> <p>More than 200 energy saving projects under way at ABB sites</p> <p>ABB in Egypt obtains ISO 50001 certification; ABB inaugurates unified energy management system for six centers in Spain</p> <p>GHG emissions rose by 4% due to increased SF₆ emissions and increased scope of air travel data</p> <p>Sites handling SF₆ gas implementing action plans to control and reduce SF₆ emissions</p>
Resource efficiency	<p>Ambition 2020: Materials and water use is optimized. Facilities in very scarce, scarce and water stressed areas to reduce water use. We target zero waste</p> <p>Targets: Cut water consumption by 25% in water scarce/water stressed areas</p> <p>Reduce waste sent for final disposal by 20%</p>	<p>Water saving projects under way in individual countries and sites; overall, small reduction in water withdrawals recorded</p> <p>Waste reduction, recycling and reuse projects under way in many sites; proportion of waste sent for final disposal increased and total waste generated decreased significantly, primarily as result of divestments</p>
Right materials	<p>Ambition 2020: We aim for materials that are sustainable. Hazardous substances are used in closed loops or not at all</p> <p>Targets: Reduce amount and type of hazardous substance used/emitted</p> <p>EU REACH compliance</p>	<p>Projects to reduce hazardous substances under way at individual sites; reduced lead in solder by 24%</p> <p>Worked to improve quality of hazardous substances reporting; significant increase in phthalates and lead in rubber compounds due to improved reporting</p> <p>ABB list of prohibited and restricted substances updated to meet legislative changes</p> <p>ABB's internal network supports Business Units on material compliance; eight training sessions on different aspects of REACH regulation conducted</p>

Status end of 2014	Focus 2015	Link to material issues
	<p>Internal SOT reporting mandatory from 2015</p> <p>Mandatory “Don’t look the other way” safety master-classes for all Business Unit heads and senior managers. Training to be cascaded in key countries by ABB personnel and external trainers</p> <p>Improved communications: Introduction of enhanced process for sharing and implementation of lessons learned from incidents</p> <p>Health and safety management to be included in internal audit protocols</p> <p>Define scope of certified management systems target</p> <p>Continue to improve business resilience through crisis training and project security training program</p>	<p>Safe and secure operations</p> <p>Also includes: Integrity, human rights, stakeholder engagement</p>
	<p>Extension of the Supplier Sustainability Development Program (SSDP) to cover suppliers in Indonesia, Thailand and Vietnam</p> <p>Re-assessment of suppliers with closed corrective action plans</p> <p>Further capacity building of suppliers and ABB employees</p>	<p>Responsible sourcing</p> <p>Also includes: Products and services, resource efficiency, right materials, energy efficiency and climate change integrity, human rights, developing our people, safe and secure operations, stakeholder engagement</p>
Energy 	<p>All ABB manufacturing, workshop and office facilities to continue energy efficiency efforts according to energy savings plan in local management system</p> <p>All ABB manufacturing, workshop and office facilities to continue to assess main sources of greenhouse gas emissions and develop action plan to cut emissions</p>	<p>Energy efficiency and climate change</p> <p>Also includes: Products and services, responsible sourcing, resource efficiency, right materials</p>
GHG 	<p>Sites handling SF₆ gas shall measure, control and reduce emissions of SF₆ according to action plan</p>	
	<p>Update facility mapping according to watershed and define initial 30 facilities included in water reduction commitment</p> <p>Continue to monitor and support implementation of ABB’s water efficiency target at ABB sites</p> <p>All sites to implement plans to increase share of waste reused or recycled</p> <p>All sites to implement plans to reduce amount of waste sent for final disposal in absolute terms</p>	<p>Resource efficiency</p> <p>Also includes: Products and services, right materials, energy efficiency and climate change, integrity, stakeholder engagement</p>
	<p>Ensure compliance with and track development of EU REACH</p> <p>Ensure formal acceptance procedures are in place for any new substances or components used in ABB products and production</p> <p>Conduct training on how to comply with legislation on hazardous substances</p>	<p>Right materials</p> <p>Also includes: Products and services, resource efficiency, energy efficiency and climate change integrity, human rights, developing our people, stakeholder engagement</p>