



# Society

## Contents

---

32 Our people

---

34 Stakeholder engagement

---

37 Human rights

---

39 Safe and secure operations

---

42 Responsible sourcing

# Our people

## Key to our transformation

ABB launched the second stage of our Next Level strategy in 2015 to accelerate the transformation of the company and enable us to better address the needs of our customers. How we reshape the company and ensure our employees have the appropriate leadership, skills and responsibility will help to determine the success of the strategy.

Key measures announced in 2015 included a divisional re-alignment and the reduction of five divisions to four, taking effect at the start of 2016, in order to deliver additional customer value from our unique power and automation offering. Organic growth remains the key focus of ABB's efforts to accelerate sustainable value creation.

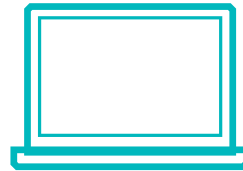
One of the key elements of the transformation is our White Collar Productivity (WCP) program, one of the seven 1,000 day programs supporting the Next Level strategy. The WCP program aims to simplify our organization and make it more agile, to increase our customer focus, and to improve the efficiency of our business and support functions. We have designed a blueprint and a roadmap that will help us drive transformational initiatives across white collar processes, leverage our global scale and streamline processes.

Among other measures, we will be equipping our sales force with better training and tools; we plan to consolidate more of our research and development (R&D) resources into fewer, at-scale centers, using our global R&D network to improve the innovation process, and we plan to better utilize our supply chain expertise by pooling resources across the organization. We will also consolidate our more than 60 shared services centers, many of which are country based, into two global and four regional centers, and we intend to move our businesses closer to the markets.

WCP will result in increased customer focus, standardized processes that will improve the way we work internally and clearer roles and responsibilities for our employees. As a result of this planned transformation, we will also achieve cost savings of \$1billion run rate by the end of 2017, enabling us to better support our growth ambitions.

Based on the strategy and our company values, we finalized a new competency model to better define our expectations of all our employees. This behavioral model is being embedded in all key Human Resources processes, from recruitment to performance management and training.

In parallel, a Group-wide capability and workforce planning process was established, and a pilot was run successfully in one division, setting the stage for its adoption throughout ABB in 2016.



2015: just under  
**500,000**  
online applications  
to work at ABB

The bonus scorecard, rolled out in 2015, was re-designed, balancing company and individual/team objectives. Individual scorecards were submitted to 70,000 employees. An updated performance and development appraisal process was also set up in 2015 to link performance to compensation more effectively. In parallel, greater emphasis has been placed on bottom-up people review sessions, and an improved succession planning process.

As can be seen in the [sustainability objectives dashboard](#), implementation of the many changes is a priority for 2016.

### Diversity and inclusion

As a truly global company operating in over 100 countries on all continents, we see the value of having a highly diverse workforce, and are committed to improving our performance on diversity and inclusion. One of the Group-wide programs being launched in 2016 is a diversity and inclusion framework which is focused on recruiting and promoting more women, and strengthening female representation at every level of the organization.


The framework is based on a three-part strategy – to further strengthen our talent attraction and talent management processes to ensure diversity, to improve work-life balance and implement career life-cycle support systems, and to build internal, as well as external awareness. Central to this are plans to hire and nurture female talent, improve diversity in project management, and review existing support policies and benefits, as well as greater options for flexible working arrangements. The framework also aims to strengthen awareness of diversity and inclusion issues among senior managers and employees.

Complementing this framework, ABB continues to support and sponsor the Women's Forum which we see as an opportunity to contribute to and learn from best practices in other leading business. A total of 650 companies from 92 countries were represented at such meetings in 2015. Among the meetings in 2015 was one in France attended by 10 ABB women, from eight countries, including a member of the Group Executive Committee.

Our headquarters reflects the value we place on a diverse culture. At the end of 2015, 743 people (including 289 women) from 50 different countries worked at headquarters. The same multi-cultural environment is true for many of our operations around the world. It is also reflected in our Board of Directors and our executive management. At year-end 2015, there were eight members of the Board - all from different countries. The Executive Committee comprised 11 people from eight countries.

Diversity can take many forms: They range from individual achievement such as the success of an accomplished female engineer to work on the [Solar Impulse record-breaking solar-powered flight in 2015](#) through to country-wide initiatives such as several programs in India to reinforce development opportunities for women.

ABB in South Africa won an [award](#) from a regional industry organization for the transformation of the company, in particular for increasing the number and roles of women in senior positions, and for the company's efforts to develop women engineers through the newly established ABB Education Trust.

In Australia, ABB is involved in a number of schemes to support the education and development of Aboriginal people. 

### Attraction

ABB remains a highly attractive opportunity for people seeking to develop and promote top-notch power and automation technologies in a multi-cultural environment around the world. In 2015, ABB was voted employer of choice in surveys in several European countries, including Finland, Italy, Switzerland and Sweden, and received recognition as a highly rated employer in countries such as Canada, Germany, Poland and Saudi Arabia.

As a further indication of the attractiveness of the company, ABB received online recruitment applications from just under 500,000 people from 193 countries in 2015 - 10,000 more applications than the previous year. Being able to attract applications from all round the globe highlights the strength of the ABB brand and as an employer of choice.

Considerable focus is placed on attracting talented young people and developing their skills for future leadership roles. An updated employer branding campaign was rolled out in 2015, seeking to attract young people by emphasizing the importance and opportunities for young engineers.

### Development

ABB invests heavily in the development of employees, offering structured career plans and many opportunities to realize potential. We offer employees a wide range of programs run at country, region, function and Group levels. Here are a few examples of Group-level training and development initiatives:

- Our annual appraisal scheme offers an opportunity to review and provide feedback on performance, development opportunities, and career discussions. Over 90,000 employee performance and development appraisals were carried out in 84 countries in 2015.
- Leadership development programs: 90 senior managers attended two courses of the Senior Leadership Development Program held in partnership with the IMD business school in Lausanne, Switzerland.
- The Middle Manager Program and the First Line Manager global programs covered a further 420 middle managers and more than 1,800 first line managers.

### Retention

Our ability to retain our employees is crucial both from a current and future standpoint. All our countries strive to strengthen employee loyalty and engagement. In some countries such as India, turnover levels have come down in recent years and are below the industry average among peer companies.

International mobility strengthens our ability to transfer knowledge, deliver customer value, support individual development and build loyalty. The Group had 922 people on long-term international assignments in 2015. India and China are now established among the top 10 countries in ABB that send employees on international assignments.

As the company moves forward on our transformation process, there will be further challenges. These include ensuring our employees receive strong guidance and support in times of change so they can continue to give their best; we need to be able to continue to attract, develop and retain the best people in an increasingly competitive market; and in years to come we will seek to extend our diversity program, knowing that a highly diverse workforce contributes to business success.

# Stakeholder engagement

## Learning through collaboration

ABB has been making greater efforts in recent years to engage formally with different stakeholders on sustainability issues. It is a recognition that our business success is closely tied to such exchanges, and the potential benefits of acting on the feedback we receive.

Apart from exchanges as part of daily business, we have been formally surveying stakeholders since 2011 to better understand which issues they consider to be material to our business and where we can improve performance. Overall, we see stakeholder engagement as an important enabler to achieve our [sustainability objectives and targets](#). We set up an external [stakeholder panel](#) in 2015 to analyze the objectives and targets, and to review the strengths and weaknesses of our reporting. We also revamped our sustainability website to improve access to performance information.

Here we look at some of the main areas of engagement with key stakeholders:

### Customers

In recent years, customers have sought increasing assurance from ABB that what they buy from us has been ethically produced, and will deliver the business benefits of greater resource efficiency and lower energy use. We continue to meet customers and receive regular requests for information from them about the different sustainability aspects of our offerings and how we are managing different types of risk.

The most frequent inquiries are about the energy efficiency of our products, systems and solutions, how we manage social and environmental risks in our supply chain, and how we implement our policies on the environment, health and safety and human rights. Our ability to provide detailed information on most issues underscores our reputation as a leading-edge and trusted supplier with robust risk management policies and processes in place.


### Suppliers

As a company with a global supply chain, we are naturally in contact with suppliers on a daily basis on business-related issues. Our business aims are clear: We seek high quality, low cost and on-time delivery of products. We work hard to ensure that our suppliers meet not only our business needs, but also our sustainability requirements and standards.

ABB has stepped up oversight of sustainability issues in the supply chain in recent years. These efforts are run through our [Supplier Sustainability Development Program](#), which fo-

cuses on assessing conditions at suppliers, working with them to improve their performance, and training - both our suppliers and in-house auditor teams in different countries. In 2015, we engaged most with suppliers in Brazil, China, India, Mexico and south-east Asia.

### Investors

ABB held sustainability roadshows in London, Paris and Stockholm during 2015, as well as engaging in one-on-one sessions with fund managers and analysts. An increasing number of mainstream, as well as socially responsible, analysts and funds are showing greater interest in our environmental, social and governance (ESG) performance and its impact on our business. 

They focus on how ABB intends to increase our revenues from energy-efficient products and systems, market development for renewable sources of energy, and how ABB manages integrity issues, particularly in high-risk countries.

We also work with export credit agencies and ratings agencies who factor a company's ability to manage potential social and environmental risks into their decision-making models. In 2015, ABB decided not to respond to the Dow Jones Sustainability Index, after ranking as a global sustainability leader for 14 of the past 15 years. We opted to spend more time on direct engagement with stakeholders, including investors.

### Civil society

We engage on an ongoing basis with representatives of civil society, unions and the media as part of our business activities. A company is a core component of society, and our activities are closely monitored to see whether we abide by laws, stakeholder expectations and the high standards we set ourselves. Our approach is to engage in meaningful dialogue and collaboration, to explain ABB's positions and policies and, at times, different viewpoints.

One of our major areas of engagement is with our employees. As a company going through a period of transformation as part of our Next Level strategy, it has been important to inform as many employees as possible about changes within the company over the coming years, and their roles in moving ABB forward. Town hall meetings were held globally in 2015 and online information was published, as part of the company's communication with employees.

ABB also engages with a number of [non-governmental organizations](#) in several countries on individual issues or in partnerships such as humanitarian aid and rural electrification projects.

The academic world is another important partner for ABB. The company has dozens of research and development partnerships around the world, sponsors educational programs for engineering students, and seeks to be an employer of choice among graduates. There is a strong interaction with universities and academic institutions on issues ranging from collaborative research projects to running corporate responsibility courses for students in Sweden and Switzerland.

Involvement in a number of multi-stakeholder organizations in 2015 also provides additional benefit. Taking part in initiatives on ways of strengthening sustainable energy supply and use, run by the World Business Council for Sustainable Development and the United Nations, were valuable platforms for further insights and learning from peer companies and institutions, and also provided opportunities for ABB to showcase our practical research and solutions.


### Tracking progress

As far as the company's sustainability objectives are concerned, we can track progress internally and outside the company. Our many different external stakeholders provide us with formal and informal commentary on where we should be placing greater emphasis or where they might expect greater levels of clarity and ambition. Within the company, the [Sustainability Board](#), made up of the Group Executive Committee, again provided guidance in 2015 on areas where we should be moving forward.

As far as customers are concerned, ABB employed a customer satisfaction survey called the 'net promoter score' program for the sixth consecutive year in 2015. It measures customer feedback to help us improve our business performance. The 2015 result showed customer satisfaction is growing steadily with 48 percent saying they would recommend ABB to a colleague – a four percent increase over 2014.

ABB also compiles, validates, tracks and analyzes all customer complaints in a single, global system that helps to resolve problems quickly and efficiently. This system – the Customer Complaints Resolution Process – also provides valuable pointers for improvement.

### Public policy

ABB strengthened our public affairs capability in 2015 and continued to be active in discussions related to energy and industrial policy in different parts of the world. The main focus in Brussels, for example, has been on European Union energy policy. 

### Community

ABB contributed to 700 community projects and charities worldwide in 2015. A total of 48 countries out of the 66 reporting on their social activities in this report supported community projects and reported them in the Group community engagement tool. About two-thirds of the projects were in North America. Globally, our employees and companies donated approximately \$9.5 million and provided 4,800 person-days in volunteering time.

We focus on supporting education and healthcare. The educational schemes and institutions we support serve to improve learning opportunities, raise ABB's profile and help us to recruit qualified engineers and other staff. Strengthening healthcare can have positive social and economic impacts among key company stakeholders, including our employees, suppliers and customers, as well as the communities around our facilities.

ABB supports  
**700**  
communities  
and charities  
worldwide



Major programs, such as corporate-level agreements with the International Committee of the Red Cross, are decided and run at Group headquarters. Local initiatives are decided at a country level and usually focus on communities where we have operations.

Our contributions can make a difference to people's lives, how welcome we are in the communities where our business operates, and our corporate reputation. We introduced an internal tool in 2014 to measure project impacts; it gives us both an overview of the projects supported and results, and also serves to question whether there is sufficient return on investment for particular projects.

## Education

ABB works with students, schools and colleges in a variety of ways. In the United States, for example, ABB provides both funding and equipment for colleges and universities in areas where we have operations to support those institutions and attract successful graduates. In China, ABB sponsors engineering students through a variety of schemes, as well as providing laboratory equipment for university research. And in countries like Saudi Arabia and South Africa, ABB holds vocational summer schools for budding engineers.

Such support takes many other forms: The refurbishment of school classrooms in Egypt, India and Thailand; participation in a scheme in Sweden to raise young people's technical interest and skills; and extra-curricular schooling at ABB factories in Brazil for children from impoverished neighborhoods to help them prepare for a working life.

ABB also has a focus on helping disadvantaged students. Our [Group-level foundation](#) to support talented but disadvantaged engineering students now has partner universities in 12 countries, having added Egypt in 2015. Several of the student scholars now work at ABB.

## Health

ABB is involved in a range of projects related to health. For example, ABB volunteers in Germany, Italy and the United Kingdom support people with mental disabilities taking part in summer and winter Olympics. Cancer research initiatives receive long-term support from ABB in several countries, including Canada, Mexico, the United States and United Kingdom, with employees giving in different ways – from donations to sponsored golf tournaments.

## Humanitarian assistance

ABB has both a strategic and on-the-ground approach to humanitarian crises. We have a decade-long partnership with the International Committee of the Red Cross (ICRC), and our annual contribution is currently used to support clean water access in areas of humanitarian need in Iraq and the Democratic Republic of Congo. Among other areas of cooperation, ABB engineers lead training sessions for ICRC engineers on technology such as pumps and motors that the ICRC uses in the field.

ABB also provides support in the event of humanitarian and natural disasters. In 2015, ABB in India provided aid after the devastating earthquake in Nepal, while financial support for flood victims was provided in Argentina, Myanmar and Malaysia.

## Access to Electricity

ABB works on a number of rural electrification projects to ensure power reaches off-grid communities. One of the longest-running projects, providing distributed solar power to desert hamlets in the Indian state of Rajasthan, was expanded in 2015, and we also started backing a new project in Myanmar.



## Awards

ABB received a range of awards in 2015 in recognition of our social, environmental and community engagement activities. In one country, Sweden, our performance was recognized by two awards: The country's leading journal for sustainability reporting Miljörapporten named ABB as the winner of the best sustainability report for 2014. In a separate recognition, our country Managing Director won a prestigious award for his sustainability leadership.

These were among 19 awards worldwide in 2015. Several of the awards were won for health and safety, and environmental performance. Such awards are not only valuable recognition of how we are making a difference, but also serve to build employee commitment both to the causes that ABB supports and to the company as a whole.



# Human rights

## Strengthening awareness and processes

ABB made further progress in 2015 on our journey to embed human rights awareness in business activities, and towards the Group objective that by 2020, we will ensure that human rights issues are well understood and managed in all ABB operations along the value chain.

One of the two targets set for human rights - the launch of an international network of human rights advisors at ABB by 2016 - has been achieved ahead of schedule. Progress on the other objective of raising the human rights awareness of 600 managers by the end of 2016 was more modest, but we remain on track.

The aim of launching a network is to ensure there are trained employees in all parts of the world who can advise the business on ways of identifying, mitigating and avoiding human rights risks. The individuals concerned - mostly existing sustainability professionals, but also lawyers, supply chain and business people - are encouraged to share best practice and air dilemmas and challenges. The aim behind the second program - raising awareness among managers - is to ensure they can more readily identify risks at an early stage of the business process and then consult with qualified advisors.

The bottom line is understanding there is a moral imperative for ensuring the best possible performance on human rights, and that failure to do so can have legal, financial and reputation consequences for the company, as well as negatively impacting our ability to attract potential employees. Human rights impact all parts of the value chain – from our relationships with customers and suppliers through to the way we behave within the company and in the communities where we operate.

### Capacity building

As part of the preparatory work to launch a network of advisors, certain employees were invited to take part in a two-part theory and practice training course.

Four such courses were held in 2015 with participants joining via video conferencing from all parts of the world. The first part of the training focuses on the international standards, guidelines and laws covering human rights, and includes a detailed review of the United Nations Guiding Principles on Business and Human Rights (UNGPs).

The second part of the course is very practical, looking at areas where ABB comes into contact with human rights and using case studies from different business areas and regions to illustrate issues such as the importance of due diligence and robust risk management.

A preliminary meeting of the network was held at the end of 2014 with 12 participants focusing mainly on ABB case studies from Asia, and North and South America. Two subsequent meetings in 2015, with 25-30 people involved in each session, focused on a variety of issues affecting or involving ABB.

The subjects covered included the National Action Plans being introduced by governments to operationalize the UNGPs, the implications of human trafficking legislation in the United States and United Kingdom, the different types of labor issues we face in the supply chain, and two cases where ABB engaged with non-governmental organizations on human rights-related issues.

Different aspects of community engagement were also discussed in detail. They included efforts to engage with a community in the US during remediation work for an environmental spill. And in another case, as part of a contract with a customer, ABB was required to work with an NGO on stakeholder relations in a sensitive area of a North African country. These are issues from which advisors in other parts of the world can learn and this helps them to support our business.

Progress on the second objective - to train 600 managers on human rights issues by the end of 2016 - was more modest. This face-to-face training, which has been ongoing since 2011, has now reached about 510 managers. However, training was curtailed in 2015 by travel restrictions.

The Guiding Principles – and what ABB is doing to implement them – are a cornerstone of awareness raising training programs. Such training focuses on understanding what human rights are, the impact on business activities of key international laws and standards, and how ABB can potentially impact human rights, positively and negatively.

### Priorities for 2016

A number of priority areas have been set for 2016. They include:

- Continue to build capacity within the company so that international human rights standards are better understood and can be applied to ABB operations. To achieve this, we will extend awareness raising training to several more of ABB's largest countries and certain business units.
- Consolidate the human rights network so that it is better able to advise the business. This will be done through further meetings, and a new human rights database for the reporting of alleged incidents and any lessons learned.



- Develop a roadmap for further progress towards the goal for 2020. This will include strengthening the framework and criteria of key business decision-making processes, further training schedules and starting to work on human rights impact assessments.

### Challenges

ABB has been working hard to implement the main applicable features of the UNGPs for several years. The early adoption of a [Human Rights Policy](#) in 2007, supported by internal standards, was followed by an increased focus on due diligence, the strengthening of key policies such as the Supplier Code of Conduct, and greater reporting on the issues we face.

In recent years, human rights experts in the company have increasingly been carrying out due diligence on projects as part of the business process. The level of due diligence varies according to the nature and size of the business activity. Some projects are selected for desktop research; others may involve external third-party research, or visits to sites and stakeholder engagement.

One of the challenges we face is having the resources needed to cover the large volume of projects we seek to be involved in, and achieving a consistent approach throughout the Group.

Human rights criteria are already contained in the risk review process for screening major projects, the pre-qualification and assessment work with suppliers, and in our process for examining potential mergers and acquisitions. We will be seeking to make the criteria and processes more robust, and be better able to respond to increasing reporting and legislative requirements.

We are also considering additional ways to address the issue of access to remedy for people whose rights may have been violated, as defined in the third pillar of the UN Guiding Principles.

ABB has a series of hotlines, such as the Business Ethics Hotline, and reporting mechanisms for internal and external stakeholders provide all ABB employees and stakeholders worldwide with a means to report suspected violations of the ABB Code of Conduct or applicable laws. They are mostly used by current employees. Contact details for all stakeholders are provided on ABB's website but few external stakeholders use this mechanism.

As in many large organizations, we also face violations within the company. There were eight substantiated cases of harassment in 2015, resulting in five terminations, and a range of other measures, including formal warnings, counseling and further training.


All countries in ABB's sustainability management program are asked to report any incidents relating to employee rights of freedom of association and collective bargaining, incidents of child or forced labor, or any indigenous peoples' rights violations. None were reported in 2015.

Our reporting also shows that security staff in several countries received training on human rights issues in 2015. Human rights clauses were introduced into new contracts with private security providers, using wording based on the Voluntary Principles on Security and Human Rights and the International Code of Conduct for private security providers.

### Engagement

We engage with a wide variety of stakeholders about our human rights policy, processes and activities. Customers have increasingly been requiring ABB, as a supplier, to detail our work on human rights; export credit agencies want to be satisfied ABB has researched potential social and environmental consequences of major infrastructure projects as a condition for financing them; and an increasing number of investors and ratings agencies are asking about our social and human rights performance, as well as our activities in sensitive countries.

ABB has been involved in consultations with certain governments which are developing National Action Plans. Human rights experts also have both formal and informal contacts with non-government organizations about policy issues and individual cases, during which we exchange perspectives.

We are members of the Global Business Initiative (GBI) on Human Rights and the UN Global Compact and some of its local networks. From the GBI, we learn from peer companies, have an opportunity to discuss dilemmas and receive valuable information about business and human rights developments. 

Our external activities in 2015 also included speaking at a number of international meetings, taking part in podium discussions, and teaching at universities in Switzerland and Sweden.

ABB has been on our human rights journey for over a decade. We have many building blocks in place such as our Human Rights Policy, criteria embedded in decision-making processes and training programs, all of which are helping us to advance. We know we still have quite some way to travel.

# Safe and secure operations Embedded in our culture

Safety, along with integrity, is one of ABB's core value pairs and, as such, determines the way we work. It influences the type of business we accept, the personal responsibilities expected of each employee, and the way we manage people and interact with our colleagues.

Our objective is that by 2020 all ABB operations will have an excellent health, safety and security culture embedded in their day-to-day business, targeting zero incidents.

To achieve this ambition, we have established targeted, Group-wide initiatives to supplement our long-standing safety program. These initiatives are underpinned by key performance indicators (KPIs) with quantitative targets that are tracked and reported regularly to top management.

The KPIs – rate of safety observation tours (SOTs) conducted, rate of hazard reporting, percentage of operations covered by certified health and safety management systems – were deliberately selected as “leading” indicators, with the goal to identify and eliminate hazards before they cause harm or injury. We continue to monitor the outcome of our programs – our safety performance – using “lagging” indicators, such as total recordable incident rates.


## Consistent message from the top

ABB's Next Level strategy explicitly defines responsibilities at all levels of the organization, with accountability for safety assigned along business lines. These responsibilities and accountabilities clearly link business value with the ability to deliver safely and with integrity - prerequisites to achieving our ambitious growth targets.

To reinforce this link, the “hazard reporting rate” KPI has now been included in ABB's internal dashboard that is used to monitor business performance across the Group. The performance improvement of each division and business unit is reviewed annually, according to a defined scoring system, and outcomes are factored into managers' variable compensation.

Additionally, all ABB employees must include a health and safety behavioral goal in their annual objectives. To support consistency and rigor, we have developed a package of defined objectives with appropriate underlying metrics that can be selected according to the individual and their role, responsibilities and seniority.

Our CEO continued to reinforce the Group safety message with the presentation of the inaugural CEO Safety Awards at the Group Leadership Forum in 2015. The awards, open to all ABB employees around the world, acknowledge significant individual and team achievements that promote a strong safety culture.

From more than 150 nominations, winners and runners-up were selected in each of three categories. Catherine King, Health, Safety and Environment (HSE) Manager at ABB in Australia was named winner of the Safety Leader award for demonstrating exceptional HSE leadership in the workplace. The ABB team responsible for the Al-Rayyan Village substation project in Qatar won the Project Safety Performance award, while the Team Safety Improvement award went to the ABB Shanghai Motors Co. Ltd. for major progress in HSE workplace improvement. 

Following the success of ABB's first global Safety Week in 2014, Safety Week 2015 more than doubled the number of training sessions delivered globally (5,600 compared to 2,500 in 2014), and also expanded its reach from 140,000 participants to 186,000 in 2015. Training sessions included three main topics - key safety risks, safe ways of working, and working safely with contractors - while additional trainings were prepared according to locally identified needs, such as office ergonomics, use of defibrillators, first aid training, health awareness and stress management, among many others.

## Programs and tools supporting our strategy

To support the achievement of our safety objectives, we prioritized three work areas during 2015: development of safety master-classes for line management, strengthening of safety instructions and standards, and development of enhanced internal HSE audit arrangements.

The safety master-classes are leadership and HSE competence workshops for line managers, designed to extend their HSE knowledge and leadership skills, and helping them to apply impactful leadership practices in their daily work. The workshops will train managers to identify hazards and manage risks, to identify the roles and responsibilities required to achieve a culture of excellence in HSE and to influence behaviors to achieve these outcomes. The workshop format and content were developed in 2015, with pilots and initial roll-out to plant, local business unit (BU) and product group managers planned for 2016.

We also conducted a global review of our safety instructions and standards, to create a high profile, common base for improved alignment, and as the common base for a comprehensive audit program to drive compliance and continuous improvement in HSE. Additionally we have developed and implemented a new Lessons Learned process, underpinned by an assurance procedure that requires review, gap analysis and action by each local BU manager. This process helps

## Injuries, lost days, diseases and fatalities

	2015	2014	2013 <sup>a</sup>	2012 <sup>b</sup>	2011
Employee work-related fatalities <sup>c</sup>	0	1	0	1	0
Incident rate <sup>d</sup>	0.00	0.01	0.00	0.01	0.00
Employee business travel fatalities <sup>c,f</sup>	0	0	0	1	0
Incident rate <sup>d</sup>	0.00	0.00	0.00	0.01	0.00
Contractor work-related fatalities <sup>c,e</sup>	2	2	7	2	0
Contractor business travel fatalities <sup>c,f</sup>	0	0	0	0	0
Members of the public fatalities <sup>c</sup>	1	0	1	0	0
Employee total recordable incident number <sup>e,g</sup>	1,310	1,500	1,664	1,750	1,505
Incident rate <sup>d</sup>	8.79	9.95	10.94	13.04	13.17
Contractor total recordable incident number <sup>e,g</sup>	343	333	310	348	307
Incident rate <sup>d</sup>	8.02	7.76	7.52	8.21	7.47
Employee lost time incident number <sup>e</sup>	531	652	686	683	722
Incident rate <sup>d</sup>	3.55	4.34	4.70	4.80	5.70
Contractor lost time incident number <sup>e</sup>	163	200	158	159	148
Incident rate <sup>d</sup>	3.81	4.65	3.83	3.76	3.60
Employee lost days due to industrial incidents <sup>h</sup>	7,831	8,415	10,591	10,345	9,478
Days lost rate <sup>d</sup>	52.56	55.22	77.50	74.64	69.56
Employee occupational health diseases	46	17	10	10	7
Employee occupational health disease rate <sup>d</sup>	0.31	0.11	0.14	0.07	0.06
SOT number <sup>e</sup>	139,124				
SOT rate	0.92				
Hazard number <sup>e</sup>	520,942				
Hazard rate	3.51				

<sup>a</sup>Data from Thomas & Betts, a company acquired by ABB during 2012, does not include contractors.

<sup>b</sup>This data does not include incidents from Thomas & Betts, a company acquired by ABB during 2012.

<sup>c</sup>Fatalities also include deaths occurring within one year as a result of injuries sustained.

<sup>d</sup>Incident rates are according to the ILO rate per 1,000 employees.

<sup>e</sup>Data covers incidents that happened at workplace (ABB facility, customer site, project site).

<sup>f</sup>Incidents during air travel on business trips are excluded.

<sup>g</sup>Total recordable incidents include fatal, lost time injuries, serious injuries, medical treatment injuries, occupational diseases and restricted work day cases.

<sup>h</sup>Days lost are calendar days and are counted from the day after the incident.

ensure critical lessons are shared across all our operations, with line managers accountable for full application of required actions. A further tool and process to help businesses share good practices across the Group was also launched during the year.

To strengthen HSE governance and reinforce line management accountability, we developed an HSE audit protocol to be applied in the Group internal audit program, trained all internal auditors and conducted audits in all regions and in all divisions. During 2016, we plan to expand the scope and application of the audit program. This new program will facilitate peer to peer auditing to promote sharing and learning across operations, identification of improvement opportunities and standardization of HSE processes across ABB to best practice level.

## Occupational hygiene

The impact of an infectious disease in the workplace can be significant, even when few employees are affected. ABB takes action to protect our employees from such occurrences and has developed a Sanitary Threat Tool and Pandemic Guidebooks designed to give our operations the tools to cope with fast-moving incidents of infectious disease, such as MERS-CoV, Ebola or Zika virus. The guidebooks contain generic corporate action plans applicable to most commonly occurring infectious diseases in ABB's areas of operations, and ensure local adaptation to meet legal and medical requirements and best practice. The tools were rolled out to all ABB country and region crisis task forces during 2015.

## Our health and safety performance

We saw significant improvement in many of our key safety metrics in 2015, but sadly we recorded two fatal incidents involving ABB contractors working at project sites in India and Saudi Arabia.

Ensuring safe ways of working with contractors is an ongoing challenge, which we are addressing at many different levels: in our supplier qualification and classification processes, in our contractor management and safety leadership training and through project safety audits.

In other areas, we are already seeing the benefits of our increased focus on safety performance. We have seen a significant reduction in severity of incidents, as measured by the days lost rate, while the employee total recordable incident rate declined by 10 percent from 2014 and has improved by more than 30 percent since 2011.

We also made good progress towards the 2020 targets for our leading indicators. The rate of hazard reporting exceeded the 2020 target of 2 per employee, while the Safety Observation Tour rate showed the target of 1.2 per employee is within reach. Certified health and safety management systems are in place at 421 of our 602 reporting locations (70 percent), providing an excellent platform from which to work towards our 95 percent 2020 target. Progress on this target will be pursued following the release of the new ISO 45001 occupational health and safety management system standard and following a review of our current strategy.

### Secure operations

ABB has strengthened its security capability in recent years to better protect our people and assets, and to ensure business resilience.

In common with many global enterprises, we face a series of threats, ranging from terrorism, crime and kidnapping through to natural disasters and cyber security. Whereas in the past the likelihood of threats could be mapped relatively easily or was likely to be confined to high-risk areas, this is no longer the case.

The terror attacks in Paris in 2015, as well as violent incidents and social unrest in the Middle East, North Africa and other parts of Africa underline that a company increasingly has to factor in security into its policies, processes, project planning and costs.

Mapping the movement of ABB travelers - there may be several thousand people on the move at any one time - is vital. Our security personnel need to be able to warn staff members away from certain areas at short notice, to stop travel, to evacuate or advise a lockdown in the event of an incident. For this reason, significant progress has been made on online tools to advise and track the movement of our employees and contractors. Travelers who have booked their journeys through our preferred travel agents can be located and accounted

for at short notice, and be kept informed about rapidly changing events.

Training on different aspects of security is vital to our ability to exercise our duty of care. We have ongoing training programs at Group, region and country levels to help our employees to understand how to act and react under exceptional circumstances.

The face-to-face training sessions in 2015, led by internal corporate security staff, focused on country management crisis training (22 conducted), physical and personal security, travel and project security, workplace violence, extortion awareness and family liaison in which selected employees are briefed on how to approach and work with the family members of victims of violence. In many cases, training is tailored to perceived threats in a region: There are countries where workplace violence is perceived as a more likely occurrence; in other areas, the threat of kidnap for ransom or extortion are seen as a greater risk.

All these training sessions are supported by online learning. The most frequently used online tools in 2015 were those focusing on travel security, project security and crisis management.

While it is not advisable to go into detail about security challenges that ABB was confronted with in 2015, we demonstrated our ability to proactively prepare for risk and manage difficult situations in different parts of the world. We helped to safeguard our people, protect our assets and meet our customers' needs - but we know the need for such efforts is likely to increase in the future.



# Responsible sourcing

## Standardized processes, building relationships

ABB is committed to improving its supply base. Our strategy is geared towards building relationships with best-in-class suppliers in the areas of sustainability, business ethics, quality, on-time delivery and total cost, ensuring compliance with ABB standards and continuous sustainable improvement.

With operations in approximately 100 countries, ABB manufactures products in over 300 product lines and has approximately 70,000 direct material and project service suppliers. We view these suppliers as an extension of our global enterprise and an integral component of our long-term success.

ABB is, therefore, committed to providing skilled resources to support our suppliers' development and enable them to achieve a sustainable competitive advantage. Together, this moves us towards our goal to provide our customers with a competitive and sustainable supply chain.

ABB takes a structured approach to supplier qualification, performance evaluation, classification and development. Our process to register and pre-qualify new suppliers is operated through our partner Achilles, while supplier performance evaluation is conducted in-house, covering quality, delivery, commercial, sustainability and risk management topics. The results of these evaluations drive supplier development processes.

### Strengthening processes

To support ABB's strategy to build strategic relationships with the best-performing suppliers, we developed and launched new, common supplier qualification and classification processes during 2015. These processes are mandatory for all suppliers of direct material or project services where annual ABB spend is above \$5,000. The new procedures are now being implemented step-wise, with initial focus on medium and high risk suppliers.

The supplier qualification process ensures that a supplier has the 'basics' in place and satisfies ABB minimum requirements. The new process is designed to reduce risks, improve supplier on-time delivery, quality performance and compliance, and enable sharing of qualification activities across different parts of ABB's business.

An initial company risk evaluation, covering sustainability, compliance, quality, supply chain and financial risks, determines the required steps in the qualification process, with a higher risk rating leading to more stringent qualification steps. All suppliers now must be certified according to ISO 9001 or a similar quality management standard and suppliers of materials or services classified as high HSE risk are strongly



777

in-depth supply chain sustainability assessments since 2010

recommended to be certified to ISO 14001 and OHSAS 18001 for environmental and health and safety management.

The new qualification process ensures consistency when ABB defines and implements standards, such as our Supplier Code of Conduct and conflict minerals requirements. It will strengthen relationships with our key suppliers as we work with them to achieve this.

The supplier classification process takes into account the supplier's qualification status, compliance status, actual performance and overall strategic fit. It enables ABB to clearly identify the suppliers best aligned to our sourcing strategies and standards, and channel spend to those classified as 'Preferred' and 'Approved.'

Implementation of the new processes has also been supported by the launch of the MyABB Supplier portal, a new self-service, single entry point for suppliers to access relevant information, tools and training materials across ABB applications. The portal offers greater flexibility in the training process, providing 24/7 access to materials and helping suppliers identify and prioritize applicable training.

### Developing supplier sustainability performance

In early 2015, ABB presented the GF foundry in Leipzig, Germany with the Global ABB Supplier Sustainability Award to honor the supplier's commitment to health and safety, social responsibility and efficient use of energy. With multiple units supplying ABB, GF - based in Switzerland - has adopted robust and effective practices and represents a model to which all ABB suppliers can aspire. 

ABB initiated the Global Supplier Sustainability Award to recognize sustainability leaders in our supply chain and will continue to identify award candidates using our supplier qualification, development and performance data.

ABB's [Supplier Sustainability Development Program](#) (SSDP) helps us to focus our efforts further to support improvement in the sustainability performance of our suppliers. The program prioritizes suppliers according to a risk matrix combining country risk, commodity risk based on operations charac-

teristics, criticality of the supplier and spend volume. Training on sustainability priorities is provided for both suppliers and ABB employees, on-site assessments evaluate performance status, and improvement plans are monitored to ensure timely completion. We focus on tier one suppliers in priority countries, mainly Brazil, China, India, Mexico and South Africa.

### Expanding activities in 2015

During 2015, we launched the SSDP assessment program in Indonesia, Thailand and Vietnam and expanded the SSDP to Poland with training sessions and on-site assessments. The ABB internal assessor program continued, with additional supply chain specialists in Brazil, China and India obtaining third-party certification.

We also enhanced support material for the program during 2015 with the launch of SSDP e-learning courses for suppliers and providing local translations of SSDP training material for Indonesia, Poland, Thailand and Vietnam. E-learnings on responsible sourcing and the SSDP were also developed for ABB employees during the year, while training on root cause analysis and action plan preparation was conducted for ABB teams.

The following table summarizes SSDP activities during 2015 and achievements since the start of the program.

Supplier Sustainability Development Program	2015	2010-2015
Number of ABB employees trained	259	1,634 <sup>a</sup>
Number of suppliers trained	421	3,222 <sup>a</sup>
Number of suppliers assessed <sup>b</sup>	179	777 <sup>a</sup>
Number of risks identified	441	1,523
Number of risks mitigated	311	986

<sup>a</sup> Historical data has been corrected following internal review

<sup>b</sup> Number does not include reassessments

After on-site assessments, suppliers are assigned a risk rating based on the assessment findings. The risk rating determines the required pace of corrective action and whether an on-site reassessment is required for the closure of corrective actions. The 10 most frequent non-compliance issues identified during assessments are shown in the table below. ABB uses this information to further develop the program and associated support processes.


While we see significant performance improvement through implementation of corrective action plans, we continue to assess how well suppliers maintain those improvements. In 2015 we revisited 22 suppliers who had successfully closed all corrective actions from previous assessments. As in 2014, we discovered some repeat findings, and are assisting those suppliers with root cause analysis to prevent recurrence.

### Top 10 sustainability non-compliance issues

<b>General management</b>	— Procedures not in place to evaluate and select sub-suppliers and sub-contractors based on their ability to meet ABB sustainability requirements
<b>Labor and human rights</b>	— Excessive working hours and overtime
<b>Health and safety</b>	— Unsafe / unhealthy working conditions — Lack of health and safety reporting procedures and data — Inadequate first aid and firefighting equipment — Insufficient emergency preparedness, eg, fire, evacuation, first aid — Lack of health and safety risk assessment
<b>Environment</b>	— Lack of environmental risk assessment — Lack of environmental competence and training — Non-compliance with relevant environmental regulations

### Addressing challenging issues

As we have reported previously, some of the issues identified during supplier assessments require analysis to understand the root causes and it can take time to develop lasting solutions. One such issue is excessive working hours, which is often categorized as a social compliance issue, but is at the core, a business and financial issue.

Working with a peer company and external consultant, in 2015 we developed the ABB Training and Development Program for Factory Working Hours, a detailed training program that enables factories to conduct root cause analysis, and to define and implement changes that result in positive business value, not simply working hours compliance. The program was piloted with 15 suppliers during 2015, with outcomes to be evaluated in early 2016. 

While ABB focuses on working with suppliers to improve performance, there are consequences for suppliers unwilling to align their performance standards with ABB requirements. During 2015, 20 suppliers were blocked due to unsatisfactory progress on their corrective action plans, bringing the total number of blocked suppliers to 43.

### Moving forward in 2016

We will continue to scale up and replicate the SSDP in 2016, with plans to roll out the program in Argentina, Colombia, Peru and Turkey. Training for suppliers will be further enhanced with the development of new training materials and an increased number of trainings.

Once the updated supplier qualification and classification system is fully implemented in 2016, we will review the supplier base selected for inclusion in the SSDP and aim to develop new quantitative targets for the program.