

DNV GL assurance statement



Independent assurance statement

Scope and approach

ABB Asea Brown Boveri Ltd (“ABB”) commissioned **DNV GL Business Assurance Services UK Limited** (“DNV GL”, “we” and “our”) to undertake independent assurance of its Sustainability Report 2016 (the “Report”) for the year ended 31 December 2016. The scope of the Report is set out on page 74.

We performed our work using DNV GL’s assurance methodology VeriSustain™, which is based on our professional experience, international assurance best practice including the International Standard on Assurance Engagements 3000 (ISAE 3000), and the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines. We evaluated the Report for adherence to the VeriSustain™ Principles (the “Principles”) of stakeholder inclusiveness, materiality, responsiveness, completeness, neutrality and reliability.

We evaluated selected performance data using the reliability principle together with ABB’s data protocols for how the data are measured, recorded and reported. The performance data in scope were: The data reported for the indicators noted in the summary of main performance indicators table starting on page 68 (GRI Indicators: EN3 EN5 EN15 EN16 EN17 EN21(VOC) EN23 LA6 and Materials) and the data reported for 2016 achievements against the nine Group Sustainability Objectives for 2020 (see objectives dashboard on pages 10-13 of the Report). We agreed to exclude lost days (LA6) from scope this year, as although it is reported to complete the relevant GRI indicator, the consolidation of this data has less focus internally.

Our scope included the selected performance data within the pdf version of the Report, but excluded additional information and case studies hyperlinked from the Report, to illustrate the sustainability programme.

We understand that the reported financial data and information are based on data from ABB’s Annual Report and Accounts 2016, which are subject to a separate independent audit process. The review of financial data taken from the Annual Report and Accounts is not within the scope of our work.

We planned and performed our work to obtain the evidence we considered necessary to provide a basis for our assurance opinion. We are providing a ‘limited level’ of assurance. A ‘reasonable level’ of assurance would have required additional work at Group and site level to gain further evidence to support the basis of our assurance opinion.

Responsibilities of the Directors of ABB and of the assurance providers

The Directors of ABB have sole responsibility for the preparation of the Report. In performing our assurance work, our responsibility is to the management of ABB; however, our statement represents our independent opinion and is intended to inform all ABB stakeholders. DNV GL was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement.

DNV GL provides a range of other services to ABB, none of which constitute a conflict of interest with this assurance work. This is the third year that we have provided assurance over the full Report.

DNV GL’s assurance engagements are based on the assumption that the data and information provided by the client to us as part of our review have been provided in good faith. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

Independence

DNV GL’s established policies and procedures are designed to ensure that DNV GL, its personnel and, where applicable, others are subject to independence requirements (including personnel of other entities of DNV GL) and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals.

Basis of our opinion

A multi-disciplinary team of sustainability and assurance specialists performed work at headquarters and site level. We undertook the following activities:

- Review of the current sustainability issues that could affect ABB and are of interest to stakeholders;
- Review of ABB's approach to stakeholder engagement and recent outputs although we had no direct engagement with stakeholders;
- Review of information provided to us by ABB on its reporting and management processes relating to the Principles;
- Interviews with seven selected Directors and Senior Managers responsible for management of sustainability issues and review of selected evidence to support issues discussed. We were free to choose interviewees and interviewed those with overall responsibility for the programmes to deliver the nine Group Sustainability Objectives for 2020. We also interviewed management responsible for sustainability in India, China, USA and Finland;
- Site visits in: Mysore, India; Xiamen, China; Vaasa, Finland; and Athens, USA. The objectives of the site visits were to review the process and systems for preparing site level sustainability data and implementation of ABB's sustainability strategy. We were free to choose the sites we visited and they were selected based on the significance of their contribution to ABB's overall environmental impacts, to provide a geographical and divisional spread in 2016, and a complementary geographical footprint to the 2014 and 2015 site visits. The selected sites were all within the top 20 sites for impacts based on the data in scope;
- Review of supporting evidence for selected claims and data in the Report. Our checking processes were prioritised according to the materiality of issues at a consolidated corporate level; and
- Review of the processes at Group level for gathering and consolidating the specified performance data and, for a sample, checking the data consolidation.

Opinion

On the basis of the work undertaken, nothing came to our attention to suggest that the Report does not properly describe ABB's adherence to the Principles. In terms of reliability of the performance data, nothing came to our attention to suggest that these data have not been properly collated from information reported at operational level, nor that the assumptions used were inappropriate.

Observations

Without affecting our assurance opinion, we also provide the following observations.

Stakeholder inclusiveness

The participation of stakeholders in developing and achieving an accountable and strategic response to sustainability.

ABB continued to work with a multi stakeholder Report review panel in 2016 and has reported its response to feedback provided by the panel on the 2015 Sustainability Performance Report. This is a good example of how the company demonstrates it is responding to stakeholder input and adds to the transparency of the Report.

We restate our recommendation that ABB consider extending its stakeholder engagement arrangements to more clearly include requirements with respect to local engagement. The outcomes of these engagements should be integrated into decision making at a global level.

Materiality

The process for determining the issues that are most relevant to an organisation and its stakeholders.

ABB has an established and appropriate Group level materiality process. The Group's intention to undertake a comprehensive materiality review to provide a foundation for the development of ABB's post 2020 sustainability objectives is appropriate. We recommend that this review also considers the extent to which different material issues are relevant at local level across the organisation.

The initiative to introduce a balanced dashboard of KPIs for internal quarterly reporting is positive. We would encourage ABB to ensure its quarterly reporting and long term targets are aligned.

The management approach for priority issues is well embedded within the business at a Group and local level. The initiative to launch a single global management system covering all aspects of the sustainability programme is positive and should help clarify minimum standards, and improve consistency of approach at local level.

We support the intention to review the target for products and services and consider alternatives that measure impacts. We recommend considering whether the impacts from the whole lifecycle of products can be measured as part of this review.

Responsiveness

The extent to which an organisation responds to stakeholder issues.

The "Performance against targets" table (pages 10-13) provides an important overview of the ambitions of the Sustainability programme. However, some targets reported are neither specific nor measurable, whilst others are indicators rather than targets. We recommend reviewing the suite of targets to ensure all are specific and measurable, and ensure associated indicators are reported alongside each target.

The report maps ABB's ambitions against the Sustainable Development Goals (SDGs) they contribute towards and this helps demonstrate alignment. Reporting against SDGs is an evolving area and the next step will be for ABB to consider how they will report against the targets that underlie the headline goals. We also recommend considering where targets should take account of other appropriate external frameworks, such as science based targets, to demonstrate ABB's contribution to addressing global sustainability challenges.

Completeness

How much of all the information that has been identified as material to the organisation and its stakeholders is reported.

ABB follows good practice for calculating and reporting on its Scope 2 GHG emissions by using both market based and location based emissions factors, adopting dual reporting for these emissions. ABB should work on improving the precision of its market based reporting, by increasing the proportion of sites using emissions factors from instruments higher in the data hierarchy as presented in the GHG protocol.

As stated last year, although ABB has a target for decreasing energy intensity, there is currently no target for reducing Green House Gas (GHG) emissions. We recommend establishing a target for reducing GHG emissions and note that ABB has identified this as a priority for 2017.

Neutrality

The extent to which a report provides a balanced account of an organisation's performance, delivered in a neutral tone.

Overall the report is balanced and the emphasis on the various topics reported is proportionate to their relative materiality. The CEO letter covers the main challenges faced during 2016. We recommend expanding on the challenges faced in the topic chapters, for example expanding on the two targets that are not on track.



Reliability

The accuracy and comparability of information presented in the report, as well as the quality of underlying data management systems.

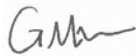
This year ABB established a new system for the collection and consolidation of environmental and social data from sites and countries. It enables prompt access to site level information, thus helping ABB analyse its performance. Going forward, we recommend that the business considers collecting data throughout the year to allow more frequent and ongoing review. This should include defining review responsibilities at site, regional and group level. This will reduce the burden of checking at year end and help to further improve data accuracy.

The indicators relating to the nine Group Sustainability Objectives have been internally developed and the definitions for most have been described or implied within the report. We recommend ABB follow best practice and include these definitions in a single "Basis of Reporting" document. Where data collection processes have already been established for reporting these indicators, the processes were clearly described by data owners. We restate our recommendation to ensure these processes are documented to ensure consistency of reporting from year to year.

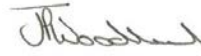
Last year we recommended that the basis of the estimated data for "CO₂ emissions from transport by own fleet" was reviewed, given that it represents around 20% of the Group carbon footprint. ABB is currently implementing processes to identify, collect and report on its CO₂ emissions from transport by own fleet, thus moving away from estimated data. At the time of our assurance, we were unable to test its progress but are supportive of this intent.

**For and on behalf of DNV GL Business Assurance Services UK Limited
London, UK**

2nd October 2017



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