

UN GLOBAL COMPACT

Communication on Progress for 2016

The company

ABB (ABBN: SIX Swiss Ex) is a pioneering technology leader in electrification products, robotics and motion, industrial automation and power grids, serving customers in utilities, industry and transport & infrastructure globally. Continuing more than a 125-year history of innovation, ABB today is writing the future of industrial digitalization and driving the Energy and Fourth Industrial Revolutions. ABB operates in more than 100 countries with about 135,000 employees. www.abb.com

Statement of support

Ulrich Spiesshofer, ABB Chief Executive Officer

“Since joining the UN Global Compact as a founder member in 2000, ABB has been working to embed its 10 core principles into our business operations and company as a whole. ABB’s Sustainability Objectives for the coming years reflect these principles, covering environmental, human rights and labor issues, and integrity among other areas. In addition, ABB’s business operations and strategic goals also support a number of the UN Sustainable Development Goals, including those aimed at ensuring access to affordable, reliable and sustainable energy for all, and efforts to combat climate change. As part of our ongoing commitment to the Global Compact, ABB was also actively involved in 2016 in the UNGC summit and in focused initiatives at a local network level.”

Human rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights

- Human Rights Policy and public statement adopted by ABB Group in 2007. Policy updated in 2016
- Further work to embed human rights into business decision-making processes, including risk review for projects. Human rights considerations integrated in supply chain questionnaire, the Supplier Code of Conduct, and the mergers and acquisitions process.
- Human rights considerations embedded in internal protocol for deciding where ABB should have business activities.
- Global human rights training continued in 2016. An awareness-raising program for senior managers has so far been delivered in 16 countries; the training is aimed at business managers, and key functions such as Supply Chain Management, Human Resources, Legal and Integrity, Communications and Sustainability.
- A capacity building program to raise human rights capability continued in 2016 with further targeted courses for Business Unit specialists on Health, Safety and Environment and for country sustainability specialists. A network of internal specialists was launched

towards the end of 2014. An e-learning human rights module was launched in early 2015.

- Active participation in international meetings, organizations and workshops seeking to promote business awareness and respect for human rights.

Principle 2: Make sure they are not complicit in human rights abuses

- Human Rights Policy adopted in 2007 and amended in 2016, is designed to raise performance and avoid complicity. Specifically, the issues of human trafficking and slave labor were added to a number of policies in 2016.
- Global human rights training continued in ABB in 2016. The target group is as above in Principle 1. Central to all such trainings is the issue of potential complicity.
- Ongoing work to understand and limit ABB exposure to conflict minerals, as defined by section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.
- In-depth due diligence carried out on several proposed projects and business partners to avoid potential complicity.

Labor

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining

- Embedded in Code of Conduct, Principle 1 of ABB Human Rights Policy and Principle 6 of ABB Social Policy. All countries were asked to formally report on this principle. No violations were reported in 2016.
- In countries where law does not permit this right, ABB facilitates regular consultation with employees to address areas of concern.

Principle 4: The elimination of all forms of forced and compulsory labor

- Covered by ABB Group Code of Conduct, Principle 1 of ABB Human Rights Policy and Principle 4 of ABB Social Policy. Additions were made to both policies in 2016 to cover human trafficking and slave labor. All countries were asked to formally report on this principle. No violations were reported in 2016.
- The principle of “no forced or compulsory labor” is included in ABB’s Supplier Code of Conduct and a protocol for supplier audits.

Principle 5: The effective abolition of child labor

- Included in ABB Group Code of Conduct, Principle 1 of the ABB Human Rights Policy and Principle 3 of ABB Social Policy.
- All countries were asked to formally report on this principle. A total of 240 audits of suppliers were carried out in 2016, and no violations were reported.

- The principle of “no child labor” is included in ABB’s Supplier Code of Conduct as well as a protocol for supplier audits.

Principle 6: Eliminate discrimination in respect of employment and occupation

- Contained in ABB Group Code of Conduct, Principle 1 of the ABB Human Rights Policy and Principle 7 of ABB Social Policy. All countries were asked to formally report on this principle. There were five substantiated cases of harassment in 2016, resulting in four terminations and one resignation.
- ABB also has country-specific procedures and programs to ensure that policies are fully observed and comply with national legislation.

Environment

Principle 7: Business should support a precautionary approach to environmental challenges

- Environmental considerations mandatory in the ABB GATE model for product and process development. Supporting tools and training materials have been developed to further improve application of checklist.
- Standardized Life Cycle Assessment procedures used to assess new products’ environmental impact throughout their life cycle.
- Group-wide list of prohibited substances for products and processes is continually reviewed and updated. The phasing out of hazardous substances is part of ABB Sustainability Objectives.
- ABB continuing its internal energy efficiency program, with target to reduce energy use by 20 percent by 2020, and increase focus on resource efficiency (namely improve materials and water use, and reduce waste)
- Environmental experts at country and Group level provide environmental expertise, guidelines and tools to business units to ensure they meet upcoming environmental requirements and challenges, and customer demand for compliance and other environmental information.

Principle 8: Undertake initiatives to promote greater environmental responsibility

- Work with international organizations and initiatives, such as the World Business Council for Sustainable Development, ISO and the United Nations Environment Programme.
- ABB has implemented a strengthened protocol for auditing of suppliers’ environmental performance, auditing a further 240 suppliers during 2016.
- ABB’s ongoing Access to Electricity rural electrification program in India.

Principle 9: Encourage the development and diffusion of environmentally friendly technologies

- Covered by Code of Conduct and Principle 5 of ABB Environment Policy.
- Energy-efficient products and renewable energy equipment identified as key driver for ABB’s business opportunities.
- Transfer of technologies and best practices between

countries to ensure same level of environmental performance throughout Group.

- Group-wide list of prohibited substances for products and processes is continually reviewed and updated. The phasing out of hazardous substances is part of ABB sustainability objectives.
- ABB GATE model for product and process development contains defined steps for considering improvements in environment and safety performance. The processes supporting the health, safety and environment checklist for the GATE model were strengthened during 2016.

Anti-corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery

- Covered by ABB Group Code of Conduct, the ABB Supplier Code of Conduct, Principle 4 of ABB Human Rights Policy, and Principle 13 of Social Policy.
- Underpinned by zero tolerance policy on non-compliance.
- During the third quarter of 2016 ABB rolled out a new global anti-bribery essentials e-learning module across ABB Group to the white collar community. The blue collar community received face-to-face training during 2016. The completion status at year-end was an average of just over 90 percent for the e-learning and face-to-face training.
- ABB offers a number of different reporting channels, including a third party-held Business Ethics hotline available 24/7 where employees can report concerns confidentially.
- As part of the anti-corruption program, ABB continued to carry out several additional training and communication initiatives in 2016, focusing on company leadership and middle management, and including Code of Conduct and anti-bribery e-learning, integrity leadership development sessions, Value Pair workshops, and case studies published on the intranet, and proactive action such as anti-bribery compliance reviews of ABB units around the world.
- ABB was recognized as one of The World’s Most Ethical Companies by the Ethisphere Institute in the first quarter of 2016. The NYSE Governance Services reviewed ABB’s integrity program in 2014 and, as a result, ABB was once again recognized with the Ethisphere Anti-corruption Program Verification and Compliance Leader Verification seals covering 2015 and 2016.
- ABB is one of the founding members of Ethics and Compliance Switzerland (ECS; May 2014). ECS promotes the development of a compliance community across all sectors and organizations in Switzerland and the establishment and sharing of compliance best practices. It is the first NGO in Switzerland connecting private and public sector organizations and their officers and employees who share an interest in best practice on integrity and compliance management.