

GOVERNANCE AND INTEGRITY

Living our values

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ABB's value pairs were introduced in 2014 along with Next Level strategy and during 2016 we worked at all levels of our Group to enrich understanding of their significance. For example, the Group Leadership Forum (GLF) meeting in March 2016 was structured around the value pairs, giving ABB's top leaders a clear appreciation of how our new value pairs support the execution of our strategy and can improve performance at every level of the business.

ABB then launched a series of interactive workshops to ensure that all employees have the opportunity to explore what the value pairs mean for them and their teams. The workshops focus on bringing the values to life, leading to a common understanding of how our values help us to drive growth and performance across ABB. To reinforce the importance of living our values, ABB's short-term incentive plan now includes requirements for behavior targets related to the value pairs.



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Integrity

The value pair "Safety & Integrity" is the bedrock of our organization. We do not accept business if it means putting people at risk or engaging in unethical practices.

ABB's high standards of integrity are expected of every employee in every country where we do business. Our expectations are described in the ABB Code of Conduct and Supplier Code of Conduct, which are underpinned by a robust set of internal standards and policies. These policies include the prohibition of facilitation payments, zero-tolerance of any involvement in bribery or corruption, and robust policies on gifts, entertainment, and expenses and third party representatives.

The Codes of Conduct and underlying policies also define our wider social responsibilities as a corporate citizen. These responsibilities include compliance with applicable laws and regulations. This includes providing transparent and comprehensive information to tax administrations to facilitate their understanding of the tax-related decisions taken by ABB. Further information about our [tax policy](#), as well as our [integrity standards and policies](#) are available on our website.

Prevention

ABB's integrity program is based on three pillars: prevention, detection and resolution. Our primary focus for all employees is on training and communication, which are key to ensure that ABB's values are understood and to prevent non-compliant behavior.

Within three months of joining, every new ABB employee must complete online e-learning and face-to-face training on the ABB Code of Conduct. Thereafter, all employees must complete an integrity training cycle every two years. In addition, employees in sensitive roles receive specialized trainings for specific integrity risk subjects. All third party representatives acting on behalf of ABB must also participate in mandatory integrity training.

In 2016, more than 93,000 of the ABB employees holding email accounts (96 percent) completed the new e-learning Global Anti-Bribery Essentials: Don't look the other way, while more than 39,000 employees (98 percent of target group) completed face-to-face integrity training.

We also rolled out a new cloud-based tool for pre-approval of gifts, entertainment and expenses, helping us to provide globally consistent review and transparent advice for our employees.



97%

employees trained on
anti-bribery principles

During the year, ABB re-aligned our integrity strategies with the new structure of our businesses and our value pairs, resulting in a new integrity priority plan. We are

now investigating new technical opportunities for monitoring and reporting on these activities.

Detection

Multiple channels are available to all employees to report integrity concerns, including web-based reporting and a business ethics hotline run by a third party, available 24 hours a day, seven days a week, in over 180 languages. Reports are treated confidentially and reporters can choose to remain anonymous, with whistleblowers promised protection from retaliation. A stakeholder hotline for external business partners is also available, with details shown on our [website](#). All hotline reports are subject to initial review and are brought to full closure using systematic investigation processes and tracking systems.

Anti-bribery reviews of business units and countries are also conducted throughout the year by ABB’s internal audit department. The anti-fraud program is monitored by internal audit, which regularly evaluates fraud risk exposure and developing trends.

Multiple reporting channels



Resolution

ABB enforces a strict zero tolerance policy for violations of the law or the ABB Code of Conduct. All allegations and reported issues are appropriately investigated, exposures mitigated and disciplinary actions taken as applicable and appropriate, including termination of employment.

The Office of Special Investigations, part of ABB’s Legal and Integrity team, investigates reported integrity concerns. Where disciplinary action is required, the process is governed by ABB’s Human Resources Disciplinary

Protocol and administered by Human Resources Disciplinary Committees at headquarters and in the regions. Following a systematic review, we implemented improved processes for incident investigation and resolution during 2016, to ensure consistent practices across ABB’s global organization.

In 2016, there were no substantiated corruption cases and the company did not face any significant fines or sanctions for non-compliance with laws and regulations. For further information, please refer to the Commitments and contingencies note in the Notes to the Consolidated Financial Statements contained in the ABB Group Annual Report.

In early 2017, ABB uncovered a sophisticated criminal scheme related to a significant embezzlement and misappropriation of funds in its South Korean subsidiary. The company immediately launched a thorough investigation, involving internal and external parties. We have reinforced financial processes and new disciplinary measures and rules are already in effect.

Engagement and external recognition

ABB supports international efforts to embed integrity into the industries where we are active; ABB is a founding member of the UN Global Compact and Ethics and Compliance Switzerland and is a signatory to the Partnering Against Corruption Initiative. This engagement allows us to benchmark our internal practices against global best practice through peer exchange and learning and to participate in collective action initiatives against corruption.

ABB’s integrity program is also recognized externally. In 2016, we maintained the Ethisphere Compliance Leader Verification and Anti-Corruption Program Verification seals and for the fourth consecutive year, we were recognized as one of the World’s Most Ethical Companies. ABB in Brazil was recognized for the second year as a Pró-Ética (Pro-Ethics) company by Instituto Ethos and the Brazilian government, an initiative recognized by the OECD.

Risk management

In addition to the risk identification processes conducted by the Internal Audit and the Legal and Integrity departments, ABB maintains a global, integrated risk management process. This comprehensive top-down and bottom-up approach to Enterprise Risk Management directly involves all ABB Group functions, regions, divisions and the majority of ABB’s country organizations and global business units.

We have also integrated Group-wide sustainability criteria into our risk assessment processes for projects, our supplier selection guidelines, the due diligence processes for potential acquisitions and into our product design and development model.

→ [Read more at abb.com/sustainability](http://abb.com/sustainability)