

HUMAN RIGHTS

Moving ahead on human rights

ABB made further advances on integrating human rights into the business in 2016, both as part of ongoing programs to strengthen awareness and best practice, and also in response to regulatory requirements and increasing stakeholder expectations.

Since the adoption of the United Nations Guiding Principles on Business and Human Rights (UNGPs) in 2011, there has been increasing stakeholder pressure on companies to do due diligence on their human rights impacts and risks, and report on performance.

This momentum is reflected in a range of international standards, regulatory changes at a national level to encourage companies to improve performance, and increased civil society monitoring and reporting on the impacts of corporate projects and activities around the world. The focus to date has been on conflict minerals, child labor and human trafficking in the supply chain.

Challenges

One of the key topics for ABB in 2016 was how to recognize and prevent potential human trafficking and modern slavery in its value chain, in response to new legislation and increased international focus on the issue.

Considerable work was undertaken in 2016 across the company, coordinated by Legal and Integrity, Supply Chain Management and Sustainability functions, to ensure a coherent approach to the issue. Policies were updated, among them the Supply Chain Code of Conduct, and the Human Rights and Social Policies; questionnaires covering sourcing and contracted labor were made more robust; training was given to supply chain managers around the world on the issues involved, including how to identify and respond to risks.

This was vital preparatory work in advance of the publication of ABB's first response to the UK act, [published](#) in February 2017.

At ABB, human rights specialists carry out due diligence work to ensure the company understands its risks and avoids causing or contributing to negative human rights impacts. This due diligence – a cornerstone of the UNGPs – ranges from desktop research to the commissioning of specialized third-party reports, and on-the-ground visits. Considerable emphasis is placed on internal risk assessment processes and research into potentially high risk

projects in high risk countries. With ABB interested in or bidding for many projects each year, the level of detailed due diligence depends on available resources.

Another challenge is how to build awareness in the company of human rights issues, and the potential human, legal, financial and reputation consequences of poor performance.

Training and capacity building

ABB has been on its human rights journey for more than 15 years, publishing a formal policy in 2007, carrying out different forms of due diligence, and starting to embed human rights criteria in business processes before the UNGPs took effect in 2011.

Another milestone was achieved when human rights were made part of the Group's Sustainability Objectives 2014-2020. Raising awareness among managers to ensure human rights are understood and well managed is our corporate 2020 objective.

Both of the key performance indicators set for 2016 were reached. One of them - the launch of an international network of human rights advisors at ABB by the start of 2016 – was achieved a year ahead of schedule.



650 managers

trained on human rights principles by end of 2016

The aim of the network is to ensure there are trained employees in different parts of the world who can advise the business on ways of identifying, mitigating and avoiding human rights risks, and who also exchange best practice, as well as dilemmas and challenges. At one meeting in 2016, the issues reviewed included human trafficking legislation, an update on efforts to improve labor and human rights standards in the supply chain, and a report on a corporate initiative to counter sexual discrimination in South Africa.

The other sustainability objective was to train 600 managers on human rights by the end of 2016, following several years of mainly face-to-face sessions in different parts of the world.

The training in 2016 was focused on key target groups who had not received it before, such as the country management team in Germany, and the newly-designated Business Unit Health, Safety and Environment managers who will also be overseeing and advising on human rights and community relations performance in their respective businesses and projects.

In addition, there were also sessions for the country management in South Africa, and members of the ABB sustainability network. By year-end, more than 650 managers had been trained.



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Engaging with different stakeholders

Stakeholder engagement on labor and human rights issues is of vital importance in ensuring strong performance and the social license to operate. ABB speaks to and works with a wide variety of stakeholders, including customers, investors, suppliers, civil society representatives and international organizations to understand their expectations and improve performance.

The areas of engagement are very different: In recent years, customers have increasingly been requiring ABB, as a supplier, to provide details of our labor and human rights policies particularly with reference to the supply chain. ABB has increasingly been working with suppliers not only to assess whether they follow and meet ABB standards, but also to help them improve working conditions.

ABB speaks regularly to investors and ratings agencies about a wide range of sustainability issues. While human rights does not come up as frequently as, for example, environmental performance, they seek re-assurance that ABB is aware of and is managing human rights risks in its value chain. In 2016, issues such as how ABB works to ensure fair working conditions in the supply chain, and to avoid potential child labor issues, were raised.

The company also engages with and learns from human rights specialists. Such activities include peer learning reviews in the Global Business Initiative on Human Rights, lessons drawn from the annual United Nations stakeholder forum in Geneva, and participation in UN Global Compact meetings such as the 2016 summit and local network meetings. The International Labour Organization is also a valuable source of information and occasional advice.

ABB also meets representatives of non-governmental organizations on a formal and informal basis to understand their concerns, and where appropriate, to lay out

ABB's position on a particular issue. Such engagement in 2016 included meetings on a popular initiative in Switzerland covering corporate human rights and environmental impacts, as well as a meeting in Sweden on migrant labor issues in the Gulf.

Access to remedy

ABB has different ways of reporting alleged incidents or negative impacts. They range from an internal process to report allegations of abuses through to hotlines, which are publicly available to internal and external stakeholders worldwide, for reporting suspected violations of the ABB Code of Conduct or applicable laws.

The hotlines are mostly used by current employees. While contact details for all stakeholders are provided on ABB's web site, few external complaints or allegations are registered on them.

Within the company, sustainability specialists around the world, who have received human rights training, carry out formal annual reporting on issues that may have arisen in the value chain. For 2016, no incidents of child or forced labor were reported.

However, as in many large organizations, violations do occur within the company. There were five substantiated cases of harassment in 2016, resulting in four terminations and one resignation.

ABB has also been 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 UNGPs.

Looking ahead

There is a clear moral imperative, as well as many business reasons, for strengthening human rights due-diligence yet further. We are continuing that journey.

ABB is reviewing its human rights program in 2017 to see where further steps can be taken in order to reach the 2020 objective. While human rights criteria are already embedded in key decision-making processes such as supply chain, the review of project bids, and mergers and acquisitions, there is room for strengthening some of the criteria to be reviewed in project bids. This is an area of focus in 2017.

Training and capacity building are one important way of driving better performance but there are other areas to be worked on to make the approach more coherent across the company and to embed human rights into company culture. This will require more work in different parts of the business and increased employee engagement.

Recognizing the extremely complex nature of human rights, we will continue to emphasize the importance of collaboration and learning from others.