

MATERIAL ISSUES

Refining our priorities

ABB's sustainability vision is that, by 2020 and beyond, we will be recognized as a leading contributor to a more sustainable world through our unique business offering and sustainable business practices.

We have undertaken considerable work in recent years to understand what internal and external stakeholders expect of ABB's sustainability performance and where they consider that we should focus our strategy and improvement goals.

We regularly review and evaluate these material issues to determine if they remain consistent and relevant, and if there are any new and emerging issues we need to address.

In 2010/2011, we conducted the widest-ever sustainability stakeholder survey undertaken by ABB to fundamentally reassess our material issues. We sought input from nearly 600 people, including senior ABB executives and employees from all parts of the business in different countries, as well as from our customers and external stakeholders specialized in key sustainability areas – the environment, climate change, human rights, health and safety, and security.

We also benchmarked key sustainability focus areas of peer companies and mapped regulatory risks and macro trends to help us establish a comprehensive sustainability issues landscape. We then scored the relevance to stakeholders of the key issues that had been identified and mapped ABB's material sustainability-related issues. The resulting materiality matrix shaped the development of our sustainability strategy during 2011.

We undertook further reviews with a smaller selection of stakeholders in 2013 and in 2014 to update our assessment of material aspects and to seek their views on how best to report on our sustainability strategy, performance and progress. These reviews were conducted by a third party who interviewed representatives across our key constituencies: ABB employees, customers, suppliers, investors, civil society, including NGOs, international organizations, sustainability experts and young people. The results from the interviews confirmed the main conclusions from our 2011 consultation and led to better definition of our material issues.

These stakeholder consultations have helped us to develop and further refine our Sustainability Objectives 2014–2020.

External stakeholder panel: Deeper conversations

In order to continue and enrich our stakeholder consultation process, we set up a sustainability report review panel in 2015 to replace the third-party stakeholder interviews. The panel's objective is to challenge the company's approach to sustainable development, review the most material issues and form an opinion on the company's sustainable development performance and reporting.

Panel members represent the key market and non-market stakeholders of the company and were selected for their level of knowledge and skills regarding sustainable development issues relevant to the company. We sought to achieve both geographical and gender balance, as far as was possible. Three of the eight original panel members also participated in stakeholder interviews in previous years.

Meetings with the panel are held virtually and chaired by an external facilitator. The majority of panel members join these calls and those unable to participate are interviewed separately at a later date.

During our meetings regarding the 2015 sustainability report, we received extensive feedback on ABB's Sustainability Objectives, input regarding material issues, as well as commentary on ABB's 2014 sustainability reporting and online sustainability presence.

This feedback regarding material issues and narrative helped us to determine the structure and content of the 2015 report and led to a slightly updated materiality matrix. Panel recommendations regarding longer term issues, such as adjustments to objectives, targets and KPIs helped to guide some of our work during 2016.

The panel's consensus statement was published in the 2015 report and ABB's response to the panel's recommendations, covering activities during 2016, appears [online](#).

Six of our eight original panel members graciously agreed to continue their participation in the panel to review ABB's 2016 sustainability performance and sustainability report. We followed a similar process to 2015, using virtual meetings to provide updates about

ABB’s business, sustainability governance, performance against targets and progress with our various initiatives.

Once again, the panel’s feedback helped to shape our sustainability report and provided input for further development of our programs. The panel’s statement appears later in this report, along with individual comments from the panel members.

For 2016, we have not updated our materiality matrix, as we will soon embark on a comprehensive materiality review to provide a foundation for the development of ABB’s post-2020 sustainability objectives.

Sustainable Development Goals

ABB welcomes the adoption of the UN Sustainable Development Goals (SDGs), believing they provide a framework for tackling a number of core economic, social and environmental challenges in the coming years. ABB’s business focus on utilities, industry, infrastructure and transportation correspond to several of the improvement areas prioritized in the SDGs.

During 2015, we conducted a first analysis to understand where ABB can best support the realization of the SDGs. We reviewed current ABB material issues, programs and

objectives versus SDG underlying objectives and targets, mapped ABB activities to the relevant SDGs and developed a first list of ‘priority’ SDGs, which were reviewed by our stakeholder panel.

“ABB’s approach to the Sustainable Development Goals” was published in the 2015 Sustainability Report, focusing primarily on ABB’s existing activities and contributions.

In 2016, we conducted further internal and external consultation to refine our approach. As a result, we determined that the most material SDGs for ABB are SDG 7 Access to energy for all, SDG 9 Sustainable industrialization, SDG 13 Climate change action and SDG 8 Decent work and economic growth. In this report, we have explicitly linked the ABB sustainability objectives with the relevant SDGs in our Performance against targets dashboard, to demonstrate ABB’s contributions.

However, importantly, our stakeholder panel reminded us during our consultations that it is important to balance consideration of opportunities with the challenges posed by the SDGs. We will incorporate these considerations into our assessment of future work programs and activities from 2017 and beyond.

2016 materiality matrix

