

SUSTAINABILITY GOVERNANCE

Streamlining and clarifying for better performance

Sustainability principles and considerations are embedded in ABB's business strategy and guide what we manufacture, how we operate the company and the way we behave towards our stakeholders.

These considerations help us to capitalize on market opportunities and to reduce safety, security, social and environmental risks, for the benefit of our customers, employees and all other stakeholders. 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.

ABB's sustainability strategy is aligned with corporate strategy and is supported by objectives that address our activities and impacts along the value chain (see page 10). Progress towards our objectives is driven through all levels of ABB's business, from Executive Committee endorsement, to operational review and target setting in business units, to local training and execution at site, supported by sustainability specialists at Group, country and local level.

Sustainability policies, principles and external initiatives

We have implemented environmental, social, human rights, and health and safety policies and a Supplier Code of Conduct. These [policies](#) include references to the relevant international standards. For example, the human rights and social policies draw on the Universal Declaration of Human Rights, the ILO Core Conventions on Labor Standards, the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the Social Accountability 8000 standard.

ABB has adopted ISO 14001 for environmental and OHSAS 18001 for health and safety management systems, and will transition to the newly-released ISO 45001 for health and safety. We have incorporated the principles of the International Labour Organization (ILO) guidelines on occupational health and safety management systems, and the ILO Code of Practice on Recording and Notification of Occupational Accidents and Diseases into our health and safety program.

All ABB facilities are encouraged to implement management systems for health and safety, environmental and

quality issues, while manufacturing and service sites are required to implement such systems. Globally, we have achieved external certification for health and safety management systems at 408 of 583 reporting locations, covering 81 percent of employees, and for environmental management systems at 392 locations.



390+

locations certified to ISO 14001 and OHSAS 18001

ABB is a founder member of the United Nations Global Compact (UNGC) and has been closely involved in its development. Close collaboration with the UNGC, the Global Business Initiative on Human Rights and other such organizations helps ABB's understanding of human rights and benefits our day-to-day business. We have been working to implement the UN Guiding Principles on Business and Human Rights and use the recommendations to assess expectations of corporate behavior.

During 2016, ABB amended a number of key policies and processes to extend our existing efforts to ensure there is no child or forced labor within our operations nor our value chain. These include the [ABB Supplier Code of Conduct](#), the [ABB Policy Combating Trafficking in Persons](#), our [Human Rights policy and statement](#), our [Social policy](#), our supply chain and contractor questionnaires, as well as certain internal directives and guidelines. The revised policies make clear that there is no place in ABB business or within the operations of our contractors and suppliers for modern slavery and human trafficking.

Sustainability governance structures and processes

ABB's Sustainability Board, comprising the ABB Executive Committee, oversees sustainability policies and programs, reviews developments and monitors progress towards our targets.

The ABB Health, Safety, Environment and Sustainability Affairs (HSE/SA) organization is responsible for the

development and coordination of policies and programs covering health and safety, environment, corporate responsibility and security. HSE/SA reports directly to Executive Committee Member and Chief Human Resources Officer, Jean-Christophe Deslarzes.

A network of HSE, security and sustainability specialists worldwide reports to and supports the HSE/SA management team. In countries where ABB entities have or could have significant HSE, security and sustainability impacts, we have appointed HSE managers and security managers responsible for ABB's HSE and sustainability management program and for gathering the data consolidated in this report. All regions where ABB operates have region HSE managers and security managers. The country and regional specialists are supported by site level HSE advisors.

Transformation: Streamlining and standardizing

During 2016, we continued our work to ensure that we have the right HSE and sustainability resources and structures in place to support our businesses with the implementation of the corporate Next Level strategy. Following comprehensive workforce mapping and consultation, we developed an HSE and sustainability network operating model to reflect the required resource allocations and the changes in ABB Group structure.

Consistent with the Next Level strategy to ensure business line accountability, HSE managers have now been appointed for all business units and divisions. By the end of 2017, regional and country HSE and sustainability organizations will transition to virtual HSE/SA Centers of Expertise (CoE). The CoEs will optimize and standardize support services and provide expertise in strategic competence areas to support our businesses.

Country HSE/SA experts will maintain their country responsibilities and ensure fiduciary risks are managed through new Country HSE/SA Boards. The Country HSE/SA Boards will monitor performance, support management of risks and provide assurance that HSE/SA risks are managed in an effective way by local business.

As part of our ambition to transform the HSE/SA organization, work started in 2016 to create and establish a single management system for the function, setting out how we manage HSE/SA at ABB.

Due to launch in 2017, the "ABB Way" is a management system for HSE/SA that will provide a common structure for the management of all HSE/SA risks and create clear expectations of our minimum standards. Implementation of the ABB Way will not only improve governance processes, but will also reduce costs by consolidating more than 300 different management systems into one.

The ABB Way will be coupled with an HSE/SA assurance strategy, tools, processes and programs that will



ensure continual improvement and drive positive change throughout our operations. A Group-wide comprehensive audit and assurance program is in development, designed to engage and include line management and to streamline and drive efficiency. To drive the process, a Group HSE audit and assurance manager was appointed in 2016, Group standard audit protocols are being developed and piloted and the audit team is being recruited during 2017, with full program deployment planned for 2018.

To further support our businesses to track their HSE/sustainability performance throughout the year, we developed a "balanced dashboard" during 2016, for roll out in 2017. The dashboard contains selected indicators for health, safety, environment, security and corporate responsibility, consistent with ABB's Sustainability Objectives. The dashboard will be available quarterly and will be able to show progress at Group level, by division or business unit and by region.

This transformation of ABB's HSE and sustainability governance structures and the development of global, standardized support processes will help to drive the achievement of ABB's vision to be a leading contributor to a more sustainable world.