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CEO LETTER



We can run the world without consuming the earth

Sustainable technologies lie at the heart of ABB's business. More than half of our global revenues come from solutions that directly address the causes of climate change, and a large part of our value proposition is centered on improving the energy efficiency of our customers' operations while reducing downtime and waste.

With our ABB Ability™ offering of digital solutions, launched in 2017, we have an innovative and truly digital portfolio for customers in utilities, industry and transport & infrastructure that is based on two clear value propositions: bringing electricity from any power plant to any plug; and automating industries from natural resources to finished products.

As a pioneering technology leader, ABB contributes to the delivery of many of the United Nations' Sustainable Development Goals (SDGs). We have identified seven where we can have the most impact and we are seeking to maximize our contribution to the specific targets of these SDGs. Our technologies are transforming the way energy is generated and delivered; helping industries increase productivity to generate more jobs and greater prosperity; and improving the urban environment with e-mobility and smart buildings and infrastructure.

For ABB, 2017 was a transition year. We streamlined and strengthened ABB, in accordance with our Next Level strategy, further executing on the plan that began in 2014. Key milestones were the acquisition of B&R (Bernecker + Rainer Industrie-Elektronik GmbH), which closed a historic gap in our automation portfolio, giving ABB the most comprehensive industrial automation offering in

the industry; and our white-collar productivity program, which has delivered a simpler, more agile ABB, increased our customer focus, and improved the efficiency of our business and support functions. The launch of ABB Ability – with more than 210 digital solutions – strengthened our global leadership in energy-efficient automation and control for industry, as well as in electrification and power transmission and distribution.



75% lowering
of carbon emissions
through our microgrid
on Robben Island

These advances were exemplified by the microgrid system we installed on South Africa's Robben Island, the World Heritage Site and museum where Nelson Mandela was imprisoned during apartheid. The island previously relied on diesel generators but now uses ABB technology to run a solar-hybrid microgrid, operated remotely from Cape Town, nine kilometers away. The microgrid is expected to lower fuel costs and carbon emissions by 75 percent.

Complementing ABB's expertise in power grids is our leadership in electric-vehicle charging solutions.

We have one of the world's largest installed base of fast-charging stations for electric vehicles, with more than 6,000 in 57 countries, and we are partnering with cities and bus companies all over the world to install high-power charging solutions for electric buses. In 2017, our innovative "TOSA" flash-charging technology, which recharges buses in 20-second bursts at stops while passengers are embarking and disembarking, went into service in Geneva and was chosen for a new bus line in the French city of Nantes.



40% reduction
in the need for onboard
fossil fuel using our Azipod
ship propulsion units

ABB's sustainable transport solutions extend to railways and trains, as well as to oceangoing tankers, freighters and cruise ships, which increasingly use electric propulsion to ply the world's waters more cleanly and efficiently. ABB's propulsion units, known as Azipod systems, power vessels with steerable, high-efficiency, electric-drive propellers that makes ships significantly more maneuverable and can reduce the need for onboard fossil fuels by 40 percent or more.

ABB supports the Paris Agreement and views it as a critical opportunity to accelerate the shift to renewables and e-mobility as well as dramatically improve energy efficiency. ABB's commitment to a sustainable future underlies our full participation in the UN-led "Sustainable Energy for All" initiative.

ABB's efforts to drive safety and integrity continued in 2017. We refined our targets for safety and security according to a single metric to strengthen our focus on reducing injuries, and introduced a single ISO-compliant HSE (health, safety and environment) management system. We made progress on reducing injuries – 91 fewer incidents than were recorded in 2016 – but tragically three people died working for ABB last year. It is our clear objective to eliminate fatalities and to bring injuries down to negligible levels and we will not rest until this is achieved.

Following the unfortunate embezzlement scheme that was exposed in our South Korean subsidiary in February 2017, the company took swift and decisive action. We identified the relevant control issues and remediated the material weakness in our internal controls and replaced the management team in South Korea.

Our robust sustainability framework, adopted in 2013, prioritizes pioneering technology, responsible operations and responsible relationships. It clearly articulates how ABB creates value across a wide range of stakeholder issues. In 2017, we consulted with both internal and external stakeholders on our nine current sustainability objectives to explore how these measures and targets could be updated and improved. That process resulted in many of the reporting changes described in this report. For the first time, we have introduced ambitious targets to reduce greenhouse gas emissions and improve gender equality in our senior management team.



Sincerely,

Ulrich Spiesshofer
Chief Executive Officer

AWARDS AND ACHIEVEMENTS

A job well done

ABB continues to be recognized for its leading contributions to a sustainable future



External accreditation

ABB India recognized as **2017 Overall Sustainability Champion** by Tata Steel Ltd.

2017 FTSE4Good Global Index



FTSE4Good

EcoVadis Gold in 2017



2017 Oekom Prime Status



Pioneering technology

\$12.5 million **grant from the Research Council of Norway** to support the development of subsea power systems

2017 North American **Digital Grid Communication Company of the Year Award** from Frost & Sullivan

ABB Ability Smart Sensor won the **Golden Amper 2017 award**

ABB Greece received the **GREEN4SEA Technology Award** for providing variable-frequency drive upgrades for seawater cooling pumps and engine room ventilation fans

ABB Finland's fault-locating technology was awarded **2017 Network Initiative of the Year**

ABB India received the 2017 **India Smart Grid Foundation Innovation Award**

2017 Zinnov Award for **Great Place to Innovate**



Responsible operations

Winner of the International SOS Foundation 2017 **Duty of Care Award** for Innovation

ABB plant in Bolingbrook, Illinois, USA, was awarded the **2017 Platinum Supplier Quality Award** by Caterpillar Inc.

ABB new Campus Montreal received **LEED Silver** accreditation from the Canadian Green Building Council

ABB Colombia received the **Andesco Award for Best Environmental Performance**

ABB plant in New Berlin, Wisconsin, USA, received the **Green Masters** designation from the Wisconsin Sustainable Business Council

75% of our manufacturing and service sites are covered by a certified **environmental management system** (ISO 14001 or equivalent)

84% of our employees are covered by a certified **occupational health and safety management system** (OHSAS 18000 or equivalent)



Responsible relationships

2017 **Ethisphere Compliance Leader Verification and Anti-Corruption Program Certification**

ABB Mexico **ranked No. 1 for Social Responsibility** by Empresas Responsables 2017

Recognized as an **Empresa Pró-Ética** (Pro-Ethics Company) by the Instituto Ethos and the Government of Brazil

Awarded 2017 **Best Corporate Social Responsibility Programme** in South Africa

ABB Austria ranked as a **Top Employer** by Trend in 2017

Universum ranked ABB as the **most attractive employer** in Switzerland

Busch-Jaeger Germany, part of the ABB Group, was awarded **TOP National Employer** by Focus Business, for a family-friendly workplace

PROGRESS TOWARDS TARGETS

Making good on our new targets and measures

After careful consideration, ABB has updated its targets for 2020

ABB's structure of nine sustainability objectives demonstrates how we are addressing the issues identified in our last major materiality assessment conducted in 2013. For the past three years ABB has been reporting on progress in the form of our main activities and achievements towards our 2020 targets.

As a midpoint, the year 2017 presented an excellent opportunity to review whether our original measures and targets remained appropriate and relevant to the business and our stakeholders.


In the closing months of the year, we conducted an internal review to solicit input from our stakeholder panel and our Executive Committee. After careful analysis, we agreed to streamline the number of measures we report on from 21 to 11, and to update the targets for the business to achieve by 2020. We also decided to create a new framework to group the nine objectives into three core themes.

Some of the new measures require the implementation of plans and processes that cannot be applied retroactively. Thus, we are unable to report on human rights and gender but will do so in our 2018 report. We made positive progress on the other nine measures.

We are committed to delivering on our updated 2020 targets, which are key enablers of our business strategy.









Pioneering technology

Objective	2020 Target (vs 2013)	2017 Performance	Link to page
Products, services & solutions	Increase share of ABB eco-efficiency portfolio	60% of revenue	56%  13




Responsible operations


Objective	2020 Target (vs 2013)	2017 Performance	Link to page
Safe operations	Reduction in total incident frequency rate	<0.7	0.73  18
Climate action	Reduce greenhouse gas emissions (GHG)	by 40%	33%  20
Resource efficiency	Reduce water consumption in water-stressed areas	by 25%	19%  22
	Reduce waste sent for disposal	by 20%	15%  22
Right materials	Reduce emissions from VOCs	by 25%	19%  23
Responsible sourcing	Closure of identified risks from supplier assessments	>65%	72%  25





Responsible relationships

Objective	2020 Target (vs 2013)	2017 Performance	Link to page
Integrity	Employees trained on integrity	>96%	96.5%  28
Human rights	Training for specific job roles exposed to human rights risks	2 campaigns per year	New*  30
Our people	Increase women in senior management	by 30% (vs 2017)	New*  32
	Employees covered by the ABB well-being program	70%	59%  32

 Achieved

 On track

 In progress

 Not on track

* data available from 2018

BUSINESS MODEL

Designed to deliver sustainable growth

ABB's business creates sustainable value for all its stakeholders

Throughout our value chain, ABB interacts with a wide range of business partners in order to serve our customers and generate sustainable and profitable growth for our shareholders. To this end, we build long-term relationships with suppliers, customers, partners, employees and the communities in which we operate.

When sourcing raw materials, components and services, our approach is to partner with best-in-class suppliers who adhere to similar standards of quality, operational excellence, business ethics, and social and environmental responsibility. ABB's Supplier Sustainability Development Program supports further performance improvements for selected suppliers, and by doing so, it generates additional benefits for them, their employees and their communities.

Our design and manufacturing processes give appropriate consideration to legal, strategic, customer, environmental, and health and safety requirements. By engaging in regular interactions with customers, suppliers, regulators, academics and other relevant parties, we are better able to respond to the changing market environment, retain our innovative edge and create value for our customers and society.

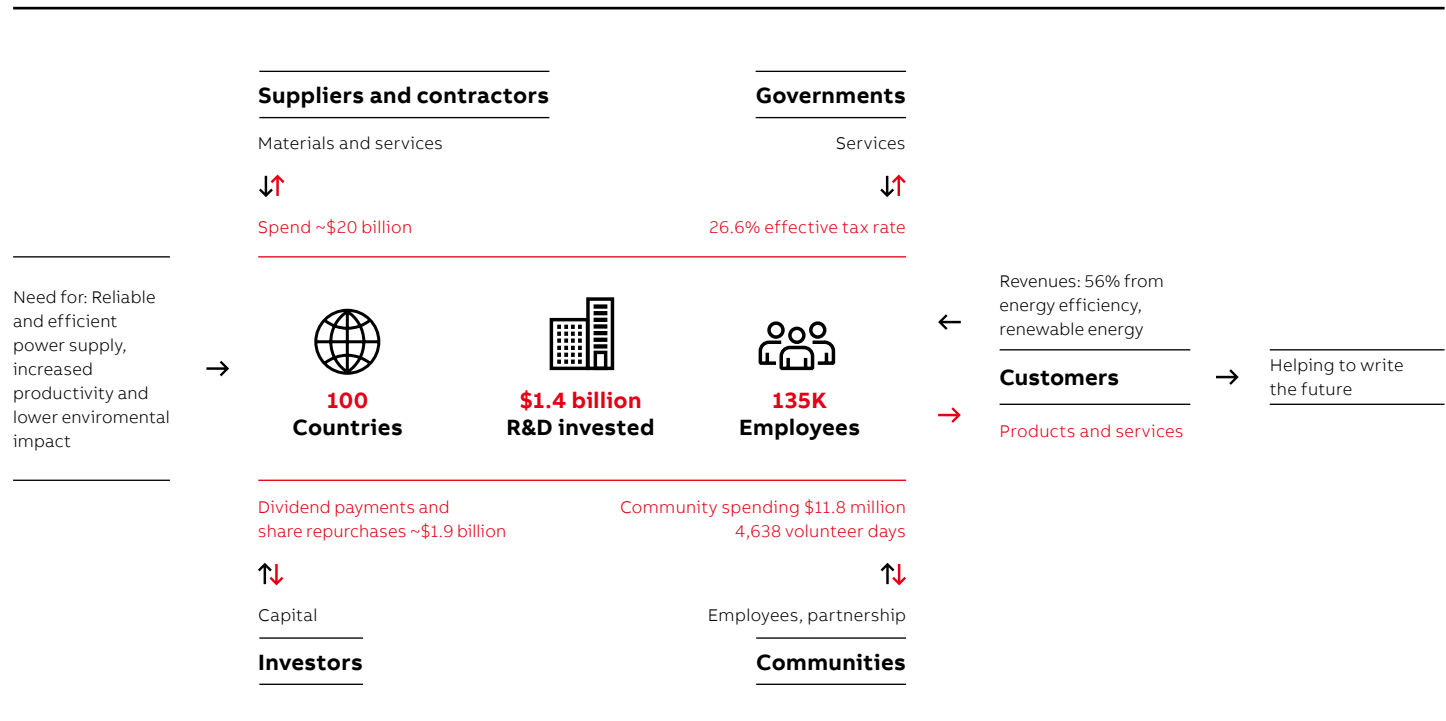
ABB's tax position reflects our corporate strategy and is consistent with applicable tax laws and international best-practice guidelines such as the

OECD Guidelines for Multinational Enterprises. Further information about our tax policy is available on our [website](#).

Our ability to maintain technological leadership and meet the legitimate expectations of our stakeholders depends on our ability to attract,

develop and retain the right talent. ABB improves its ability to appeal to the best employees by engaging with different parts of society and securing our standing within the communities in which we operate. These relationships enable us to drive the future of digitalization and create mutual value.

ABB value chain



MATERIALITY AND STAKEHOLDER ENGAGEMENT

Building enduring partnerships with stakeholders

ABB’s ongoing dialogue with people, businesses and wider society is central to achieving progress in sustainability

2017 materiality matrix



Stakeholder engagement

At ABB, we build long-lasting, value-creating partnerships with our stakeholders, who include our customers, suppliers, business partners, employees and the communities in which we operate.

We make use of a periodic survey to gauge customer satisfaction and help our company improve its operations. We also compile, evaluate, track and analyze all customer complaints using a single, global system that enables us to resolve problems efficiently.

Our Supplier Sustainability Development Program seeks to ensure that ABB’s suppliers meet environmental, health and safety, labor and human rights standards and requirements. The program assesses and reviews suppliers’ sustainability performance, initiates improvements and provides suppliers with training that builds their capacity to ensure that issues are recognized and addressed.

To connect with ABB’s investors, we have held regular roadshows over the past four years. In 2017, events were organized in Paris and Zurich. We also engage in individual meetings with fund managers and analysts. We contribute to the social and economic progress of the communities in which ABB is present, and engage with representatives of civil

society, unions and the media on an ongoing basis. Additionally, we have maintained longstanding relationships with several NGOs, United Nations agencies and the World Business Council for Sustainable Development.

Materiality

From 2010 to 2011, we conducted a major survey of our stakeholders to fundamentally reassess a range of material issues. Among the 600 respondents were senior ABB executives, employees from ABB businesses in different countries, customers and external stakeholders with specialized knowledge in key sustainability areas such as climate change, the environment and human rights.

In 2015, ABB created a sustainability report review panel comprised of key external stakeholders to study our approach to sustainable development. The panel also reviewed the company’s most material issues. Our current materiality matrix incorporates their feedback and recommendations, which have enhanced our sustainability reporting. In 2017, the panel provided further constructive inputs on our nine sustainability objectives. Their assessment and ABB’s response to the panel’s recommendations are available [online](#).

CONTRIBUTION TO SUSTAINABLE DEVELOPMENT

Energizing the Sustainable Development Goals

With its pioneering technologies, ABB is helping to meet many of the underlying targets of the SDGs

In January 2016, 193 UN member states adopted the 2030 Agenda, taking on 17 Sustainable Development Goals (SDGs) for people, the planet and prosperity. The SDGs and their related targets address the most important economic, social, environmental and governance challenges of our time and stimulate transformational changes. We recognize that achieving these goals requires businesses to contribute their fair share.

Our structured analysis identified seven SDGs where we can have the most impact. Our products, services and solutions not only enable SDG 7 (affordable and clean energy), which is one of our core businesses, but also SDGs 6, 8, 9, 11, 12 and 17.

Over the coming years, we will seek to maximize our contribution to the specific targets associated with these seven SDGs, where we can have the highest impact. For the remaining 10 SDGs, we will continue to contribute directly and indirectly, through our technology and by operating our business responsibly.

ABB makes a significant contribution to all 17 SDGs. Examples can be found by clicking on the SDG icons or at the back of the report.

