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INTEGRITY

Doing business the right way

How ABB executes its strategy is just as important as achieving its targets

To help ensure we reliably create long-term sustainable value for all ABB stakeholders, we have established five value pairs that serve as the backbone of our business.

The “Safety & Integrity” value pair is the bedrock of our organization (the others being Customer Focus & Quality, Innovation & Speed, Ownership & Performance and Collaboration & Trust). It affirms we do not conduct business in a way that puts people at risk or involves unethical practices; everyone who works for or with ABB must meet our integrity standards. These standards, which are made clear in our ABB Code of Conduct and our Supplier Code of Conduct, are underpinned by a robust set of internal standards and policies.

In 2017, we finished the training cycle for our new Global Anti-Bribery Essentials training course. Launched during Q3 2016, the course achieved a completion rate of 96.5 percent. Integrity training has always been a key metric for us, as we consider raising awareness of integrity risks to be a vital preventative measure. In addition to our efforts to prevent ethical lapses, our detection and resolution mechanisms remain key pillars of our integrity program.

In the wake of an embezzlement scheme that was exposed in our South Korean subsidiary in February 2017, we identified the relevant control issues and took swift action to remediate the material weakness in our internal controls.

Also, the entire leadership team in South Korea was replaced and appropriate Group-level actions were taken. Finally, we have been aggressively pursuing criminal charges against the individual responsible for the theft and have developed a detailed plan to recover as much of the approximately \$100 million in stolen funds as we can.

ABB’s integrity program is recognized externally for its continued excellence. For the fifth consecutive year, in 2017 we retained our Ethisphere Compliance Leader Verification and Anti-Corruption Program Certification seals. And for the third consecutive year, ABB in Brazil was recognized as a Pró-Ética (Pro-Ethics) company by Instituto Ethos and the Brazilian government, an initiative recognized by the OECD.

The “Safety & Integrity” value pair is the bedrock of our organization. It affirms we do not accept business that puts people at risk or involves unethical practices.

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are paying dividends**
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Multiple channels are available to all ABB employees to report integrity concerns, including web-based reporting and a business ethics hotline run by a third party, available at all hours in over 180 languages. Every reported concern is treated confidentially. An ethics hotline for our stakeholders is also available.

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

ABB maintains an exemplary integrity program that is integrated into our business and strongly supported by senior management and the Board of Directors. As evidenced by ABB's "Don't Look the Other Way" initiative, a consistent tone has been set from the top of the organization. There is a clear dedication to integrity across the business and strong interest in further efforts to develop the integrity program. We strive to maintain an environment where employees comply with both the letter and the spirit of our integrity rules. As befits a pioneering technology leader, ABB is committed to deploying data analytics and other advanced tools to help us become smarter about how and where we focus our integrity initiatives. Such measures will help us improve ABB's integrity program on an ongoing basis as our business grows and changes.

In 2017, 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.



HUMAN RIGHTS

Integrating human rights throughout our company

In 2017, ABB took additional steps to embed human rights into its business processes and activities



Everyone who works for us, either as a direct ABB employee or indirectly through our supply chain, is expected to behave with respect for the dignity and human rights of every individual. We fully acknowledge our Group's responsibility to respect the International Bill of Human Rights, and are committed to implementing the UN Guiding Principles on Business and Human Rights.

Since our first formal Human Rights Policy was published in 2007, we have worked to integrate these principles into our decision-making processes and included them in many of our due diligence activities. In addition, the ABB Supplier Code of Conduct, the ABB Policy Combating Trafficking in Persons, and our Human Rights Policy all make clear that ABB does not tolerate modern slavery or human trafficking. Furthermore, we are keenly focused on human rights issues of interest to our external stakeholders, such as conflict minerals, human trafficking and child labor, and we work to ensure our policies and principles are implemented and observed along our value chain.

In 2017, we fine-tuned ABB's measures and 2020 targets related to human rights. Going forward, our target is to conduct two training campaigns

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exchange to improve human
rights training**
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per year for employees whose roles expose them to human rights risks. This change was based on feedback from our internal network of human rights advisors and from colleagues attending human rights training sessions, who recommended more in-depth, practical training and advice tailored to specific jobs.

We performed well towards our 2020 target over the past year, providing training sessions in China, India, Singapore and the United Arab Emirates for country managing directors, supply chain specialists, communicators, security managers, trade compliance officers and others, reaching 170 individuals. We also continued to train our internal network of human rights advisors, focusing on supply chain risks, lessons from the ABB Supplier Sustainability Development Program, implementing the UN Guiding Principles, and emerging human rights issues.



170

employees trained

In 2017, a key human rights action was taken in relation to the UK Modern Slavery Act, a landmark piece of legislation intended to tackle slavery and trafficking in the operations and supply chains of large businesses. In March, ABB's Board of Directors published a statement acknowledging that successful and effective action must start with top-level leadership and guidance and must also engage employees across the organization.

We also reviewed our Sensitive Countries Protocol, providing our businesses with updated guidance on how to control and limit ABB's exposure to risk when doing business in

sensitive countries and regions. The protocol lists the regions and countries where ABB does not engage in business, as well as the regions and countries where business is subject to extensive due diligence and case-by-case approval by senior management. This assures our exposure is well managed and that our reputational risk is minimized.

There are many different ways we are working to integrate human rights throughout our company.

For example, in 2017 a simple transcription error prior to due diligence on a small project prevented detection of certain human rights risks. Although we later detected and resolved this oversight, the incident prompted us to look again at how we can more efficiently and effectively embed human rights considerations into the project risk review processes. During 2018, we will examine how these processes are implemented and work to develop improvements as necessary.



OUR PEOPLE AND COMMUNITY

Giving something back to those who help make ABB possible

ABB is committed to supporting its people and the communities where it operates

At ABB, we make every effort to prepare our people for the future. We empower them to build rewarding professional careers, enjoy their personal lives and improve their overall health, resilience and sense of well-being. We also have a long history of supporting the communities in which we live and work. Our approach is to combine strategic corporate partnerships with country-level education and healthcare projects.

In 2017, we adjusted the 2020 measures and targets for our people and community. By 2020, we now aim to increase the number of women in senior management positions by 30 percent from 2017, and to have 70 percent of our employees covered by ABB's well-being program. We made these adjustments because both gender diversity and the health, well-being and resilience of our workforce are strategic priorities for our group, with significant implications for our collective performance in the years to come.

We performed well towards these new targets over the past year. At present, 16 percent of our middle and senior managers at ABB are women, as are 10 percent of our senior leadership. In 2017 we took firm action to raise these numbers by 2020. Similarly, by the end of 2017, 59 percent of our employees were covered by ABB's well-being program.

We achieved these results thanks to a series of focused and disciplined initiatives. The new gender diversity framework we implemented in 2017

details the concerted actions we must take to create a workforce with better gender balance. These actions include shortlisting women during recruitment drives, creating high-level mentoring opportunities for female talents, ensuring at least 100 women are part of our succession plans for positions from Grades 1 through 8, and committing to increase the percentage of female new-graduate recruits to 30 percent by 2020.

Senior management was instrumental in raising employee participation in ABB's well-being program in 2017. Thanks to the plan they developed and facilitated, we were able to create and disseminate group-level guidance for eight well-being programs (non-smoking, healthy

nutrition, physical fitness, mental health, vaccination, voluntary medical checks, promotion of good ergonomics, and addiction prevention). Following the 2017 launch of an HSE board in each country, the topic of health was included on all country-level agendas, and each country was directed to appoint a well-being coordinator to schedule and run well-being programs that are customized to local needs and preferences. We also created a resilience program to bolster our people's coping skills when they face challenges either at work or at home. To date, we have trained 4,350 employees in 18 countries, with participation from 70 percent of all Executive Committee members, division heads, global business unit managers and function heads.

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In 2017, ABB contributed to about 680 community projects and charities worldwide. A total of 49 countries out of the 69 reporting on their social activities supported community projects. Employees and ABB's businesses donated approximately \$11.8 million and provided about 4,600 person-days in volunteer work.

ABB also completed installation of a microgrid to support humanitarian work at the main Africa logistics hub of the International Committee of the Red Cross (ICRC) in Nairobi, Kenya. The technology will secure the center's power supply and also enable integration of solar power. At the end of 2017, ABB renewed its decade-long partnership with the ICRC through to 2020. With a new focus on innovation, we will explore areas of cooperation such as the potential for technology to support the ICRC's activities.



680

community projects
supported worldwide

ABB has also been recognized for training a new generation of electrical engineers in Zambia, one of our many country-level education projects. The Coil Winding Insulation and Electrical Manufacturing Exhibition presented ABB with its "Global Outreach Award – Beyond the Factory Floor" for the company's University Partnership Program for Zambia. The program centers on the new engineering program ABB launched at the Copperbelt University and the University of Zambia. The curriculum is designed to enable students to develop both skills and practical experience in topics such as renewable energy and microgrids. Each year, Zambian graduates will also embark on a two-year trainee program with ABB.

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