

CEO MESSAGE



Innovating for sustainability

Advanced solutions that help our customers improve energy efficiency and productivity while extending the life cycles of their equipment and reducing waste are at the core of our value proposition

Our world is undergoing transformational technological change. The Energy and Fourth Industrial Revolutions are profoundly influencing the way we power our societies, produce our goods, as well as how we work, live and move. In the years to come, digitalization and other advanced technologies such as artificial intelligence will increasingly provide the basis for a sustainable and resilient global economy.

As a pioneering technology leader serving utilities, industry and transport & infrastructure customers around the world, ABB has long encouraged the early and rapid adoption of sustainable technologies. At the center of our value proposition are innovative solutions that help our customers improve energy efficiency and productivity while extending the life cycles of their equipment and reducing waste. In this way, we enable the global community to achieve many of the targets that underlie seven of the United Nations' Sustainable Development Goals (SDGs), and we contribute directly or indirectly to the achievement of the other 10 SDGs.

Now we are further strengthening our focus on digital industries with three decisive actions that will shape our business for leadership and further improve our ability to deliver on sustainability goals:

1. To focus our portfolio on digital industries, we have agreed to divest our Power Grids business to Hitachi.
2. We will simplify our business model and organization by discontinuing our legacy matrix structure to achieve zero-distance to customers, increased agility in decision-making, and a stronger entrepreneurial culture within our businesses.
3. And we will shape four leading businesses – Electrification, Industrial Automation, Motion and Discrete Automation - in line with the way our customers operate.

These actions will support our values-based culture and drive growth, efficiency and sustainability across our operations. Moreover, they will result in clearer lines of accountability that will enable us to better manage our direct and indirect impacts on the environment, meet the sustainability expectations of our stakeholders, and leverage business opportunities related to our eco-efficiency portfolio.

Contributing to climate goals

ABB is a firm supporter of the Paris Agreement. We consider it a crucial opportunity to limit global warming and avert potential devastating consequences of climate change. Already, more

than half of our global revenues are derived from technologies that directly address the causes of climate change. Among the revolutionary, energy-saving innovations that have emerged from our research centers: a high-power electric vehicle charger that can add up to 200 kilometers of range in just eight minutes; electrically powered Azipod propulsion systems for ships, which significantly reduce fuel consumption and emissions; and the ABB Ability™ Smart Sensor, which converts almost any low-voltage electric motor into a wirelessly connected, energy-efficient device.

Our commitment to combatting climate change includes limiting the environmental impact of our own operations. In 2013 we set ourselves ambitious sustainability objectives and I am pleased to report that we continue to make positive progress on all but one of our 11 objectives.

Among ABB's other notable environmental achievements in 2018, we met our 2020 target for reduced emissions of volatile organic compounds while decreasing our energy consumption, carbon emissions and waste production. Due to the opening of two new facilities, ABB's water withdrawals in areas of high water stress increased slightly in 2018, reversing a long-term trend.

Collaborating for sustainability

Beyond our own operations, ABB actively encourages and supports innovation by collaborating with leading technical institutes and universities, and by investing in and working with innovative startups. ABB is an active participant in the United Nations-driven “Sustainable Energy for All” initiative, which is working toward the Sustainable Development Goal of “affordable, reliable, sustainable and modern energy for all.” In addition, we have been a strategic partner of the World Economic Forum (WEF) for more than a decade; this past year, I was pleased to champion e-mobility at the WEF annual meeting in Davos, Switzerland and to demonstrate to the assembled leaders that EV charging infrastructure technology is ready for implementation on a large scale.

As a pioneering technology leader, we are attentive to the societal impact of our technologies. The Fourth Industrial Revolution promises to help alleviate poverty and raise living standards, yet it is also unfolding at an unprecedented pace, with significant implications for the workforce and workplace of the future, as well as for education and training. To meet this challenge, we are working to explore ways to adjust educational systems. Through the Global Apprenticeship Network we will seek to address key questions about the shape of our workforce into the future. At the January 2019 WEF meeting, we joined other global companies in launching the Global Alliance for YOUTH to help young people obtain the skills they need to work and thrive in the 21st century. Our goal is to impact the lives of 6 million young people by 2022.

On our core value pair of safety and integrity, we reduced the number of recordable incidents for employees by 20 percent compared with 2017. Tragically, however, four people lost their lives while working for ABB in 2018: one employee and three contractors. These incidents were fully investigated to understand their root causes and we will increase our already considerable efforts to achieve zero incidents.

On social KPIs, our progress has been significant, although we recognize further effort will be needed to deliver on gender diversity in senior management.

Measuring and rewarding sustainability

Based on the feedback and recommendations of ABB’s Sustainability Report Review Panel concerning the 2017 ABB Sustainability Report, the Compensation and Benefits Committee has agreed to establish a bonus structure throughout the company from executive level to operational level that encourages safety.

With 2020 fast approaching, ABB has initiated a process to engage formally with key stakeholders and conduct a comprehensive materiality review. We will develop our post-2020 sustainability objectives based upon our findings. I am confident that these new objectives will raise the bar for sustainability in our industry.

In a history spanning more than 130 years, ABB’s pioneering technologies have helped to make the modern world possible. Today, as a leader focused on digital industries, we are deploying our new innovations to make our societies more sustainable. We continue to move towards our objective: to run the world without consuming the earth.



Ulrich Spiesshofer
Chief Executive Officer