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SUSTAINABILITY GOVERNANCE

Integrated governance enables ABB to deliver on its promises

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

Structures and responsibilities

The Board of Directors is responsible for the overall stewardship of the ABB Group, which includes oversight of sustainability and corporate responsibility. As part of its stewardship role, the board is responsible for ensuring that our products and people are safe, the environment is protected, and human rights are protected. It has ultimate responsibility for realizing ABB's 2020 sustainability strategy.

The ABB Sustainability Board, made up of the entire Executive Committee and chaired by the CEO, is accountable for sustainability within ABB. It meets twice a year and oversees how sustainability policies and programs support business goals and aspirations, monitoring progress against ABB's nine sustainability objectives. Jean-Christoph Deslarzes, Member of the Group Executive Committee and Chief Human Resources Officer, has overall responsibility for ABB's health, safety, environment, security and sustainability (HSE/SA) performance and the implementation and progress of ABB's sustainability strategy.

Michael Cooke, Senior Vice President Global HSE and Sustainability Affairs, is responsible for overall delivery of sustainability matters, reporting to Mr. Deslarzes. The HSE/SA management team is operational in focus, meets bi-monthly and is led by Mr. Cooke.

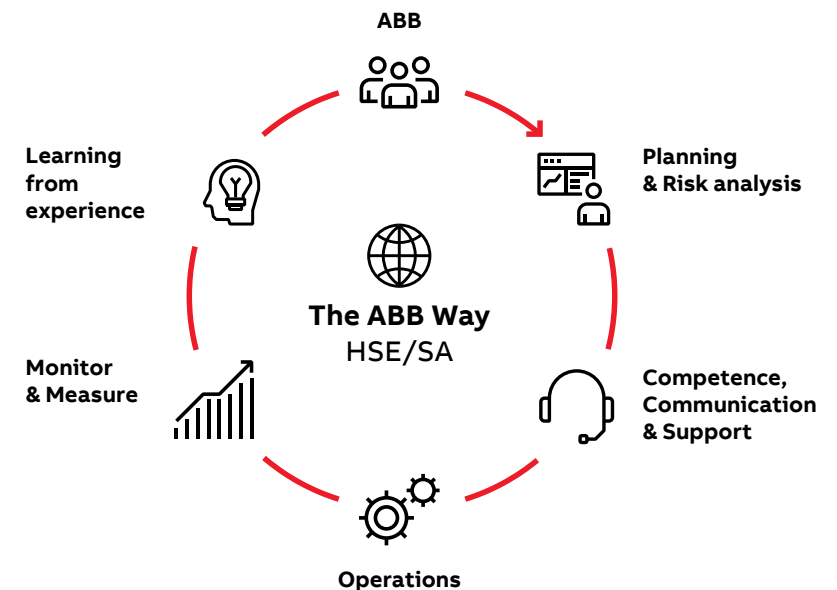
This team is responsible for ensuring that plans and actions are aligned with ABB's business needs and corporate strategy. It initiates and coordinates sustainability policies, strategies, plans, actions, budget and resources and takes corrective actions when needed. The HSE/SA management team comprises the Head of Safety, Head of Environment, Head of Health, Head of Security, Head of Sustainability and Head of Corporate Responsibility. The Sustainability Affairs annual plan aligns all programs, processes and resources to ensure effective, efficient and collaborative actions across all of these functional areas to support the business, improve performance, reduce risk and create value.

At the local level, Country Sustainability Boards have been established to uphold good sustainability governance and assure compliance with local legislation and ABB's standards and customer expectations. Overall, the sustainability network is supported by a team of roughly 800 employees, full-time and part-time, at headquarters and around the world.

A global HSE/SA management system

In 2017, we introduced the ABB Way, a global management system that updates all of our management and control standards for health, safety, the environment, security and sustainability. The ABB Way is creating clear and common expectations in all our global businesses.

2018 was a key year for implementation: Our target is for all ABB sites to be aligned with the new management system by January 2020. This system establishes the required minimum standards that are to be implemented and embedded into all ABB operations and activities, and it incorporates an extensive global audit assurance program. The structure of the HSE/SA management system is based on internationally recognized sustainability standards, principles and commitments, including ISO 45001 and ISO 14001:2015.



STAKEHOLDER ENGAGEMENT

Building enduring partnerships with stakeholders

A company is a core component of society, and ABB's activities are closely monitored to ensure we abide by relevant laws and regulations, meet the expectations of our stakeholders, and achieve the high standards we set for ourselves

Our approach is to engage in meaningful dialogue and collaboration with stakeholders to clarify ABB's positions and policies and, at times, to understand different viewpoints.

Customers

In recent years, customers have sought increased assurance that ABB offerings have been responsibly produced and will deliver on their promise of greater resource efficiency and reduced energy use. We continue to meet with customers and answer their regular requests for information about the sustainability of our offerings and how we manage all kinds of risk. Our ability to provide detailed information on most issues underscores our reputation as a pioneering technology leader and a trusted supplier with robust risk management policies and processes in place.

Investors

In 2018, ABB engaged in one-on-one meetings with dedicated sustainability fund managers and analysts and participated in a sustainability conference in Paris. An increased number of socially responsible fund managers, as well as mainstream investors, showed interest in our environmental, social and governance (ESG) performance and its impact on our business and our risk management. Areas of focus included revenue growth prospects from our eco-efficient portfolio and how ABB managed integrity issues, particularly in high-risk countries.

Suppliers

As a company with a global supply chain, we are in daily contact with suppliers to discuss business-related issues. Our business aims are clear: We seek high quality, low costs and on-time delivery of products. We work hard to ensure that our suppliers meet not only our business needs, but also our sustainability requirements and standards. These efforts are managed through our [Supplier Sustainability Development Program \(SSDP\)](#), which focuses on assessing conditions at our suppliers' sites and working with them to improve their sustainability performance.

Employees

As our company embarks on a period of transformation, it is critical that employees fully understand our strategy and their role in creating ABB's future. As part of a comprehensive and transparent communications program, which began in 2018 and is ongoing, we held local town hall meetings at various sites and published detailed information on internal news portals. We strive to provide employees with as many opportunities as possible to provide feedback and ask questions.

Public policy

ABB strengthened its global government relations capability in 2018 to engage consistently with policymakers around the world on discussions related to ABB technologies, such as climate,

energy and industrial policy, and the opportunities of digitalization, artificial intelligence and clean transport. Among many interactions with policymakers, ABB had a significant presence at the COP24 climate conference in Katowice, Poland.

Community

ABB contributed to 620 community projects and charities worldwide, with a focus on supporting education and healthcare. Globally, our employees and companies donated approximately US\$12.1 million and provided 4,500 person-days of volunteer time. More information can be found on [page 40](#).

External partnerships

We continued to develop and promote solutions to shared global challenges by working with external partners. In 2018, ABB launched a partnership with the Nobel Foundation to celebrate science and innovation and inspire the next generation of pioneers. ABB has been a strategic partner of the [World Economic Forum](#) for over a decade, remains an active contributor to the [World Business Council for Sustainable Development's Low Carbon Technology Partnerships](#) initiative, is a delivery partner in several of [Sustainable Energy for All's](#) accelerator programs and in [United for Efficiency](#), and has served as a member of the [International Committee of the Red Cross's Corporate Support Group](#) since 2005.

MATERIAL ISSUES

Refining our priorities

Through our unique business offering and practices, we are working to be recognized as a leading contributor to a sustainable world

2018 materiality matrix

Relevance to stakeholder			
High		<ul style="list-style-type: none"> Responsible sourcing Human rights 	<ul style="list-style-type: none"> Products, solutions and services Energy efficiency and climate change Integrity
		<ul style="list-style-type: none"> Resource efficiency Stakeholder engagement 	<ul style="list-style-type: none"> Safe, healthy and secure operations
Medium		<ul style="list-style-type: none"> Right materials 	<ul style="list-style-type: none"> Developing our people
		Medium	High
		Impact on ABB	

Identification of key stakeholder issues

In 2010 and 2011 ABB conducted a major stakeholder survey that helped it fundamentally reassess a range of material issues. Among the survey's 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.

We also benchmarked the key sustainability focus areas of peer companies and mapped regulatory risks and macro trends to help us establish a comprehensive view of current sustainability issues. We then scored the relevance of the key issues identified to stakeholders and mapped ABB's material sustainability-related issues.

The resulting materiality matrix shaped the development of our 2020 sustainability strategy; we continue to use this matrix, with only minor changes.

External stakeholder panel

Since 2015, ABB has sought input and advice from an external stakeholder panel that reviews our material sustainability issues, our approach to sustainable development and our annual Sustainability Report. Panel members represent our key market and non-market stakeholders and are selected for their knowledge and skills related

ABB's "bottom-up" approach represents a new and innovative way for global businesses to review and determine their material issues

Shankar Venkateswaran – TERI
[ABB Stakeholder Panel](#)

to sustainable development issues. We strive to achieve geographical and gender balance in the composition of the panel. In 2018, five of the seven panel members had served in previous years.

Panel meetings are held via conference call and chaired by an external facilitator. The majority of panel members join these calls; those who are unable to participate are interviewed separately at a later date.

As in years past, in 2018 the panel's feedback helped to shape our Sustainability Report and provided input for the further development of our programs. The statement released by this year's panel is available [online](#).

A changing world

ABB's transformation plan, in combination with the approaching conclusion of our 2020 sustainability targets, requires us to take further action. To develop ABB's post-2020 sustainability objectives, we have initiated a process to formally engage with key stakeholders and embarked on a comprehensive materiality review. We aim to complete interviews with more than 600 stakeholders to understand and address what is important to ABB and its external stakeholders going forward.