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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

AWARDS AND ACHIEVEMENTS

A job well done

ABB's technologies, operations and people were recognized in 2018 for their role in making the world a better, more sustainable place



Pioneering technology

ABB ranked **No. 8 on Fortune magazine's list of companies that are "changing the world"** for the company's leadership in e-mobility and electric vehicle charging

ABB named 2018 Company of the Year for digital grid communications by Frost & Sullivan

ABB won the prestigious **Golden Amper 2018** award for its ABB Ability™ Manufacturing Operations Management Process and Production Intelligence application suite

ABB's new PVS-175-TL string inverter recognized as **the leading photovoltaic product innovation** at the 2018 Intersolar Awards

ABB ranked **No. 1 for distributed control systems globally** by the ARC Advisory Group

ABB's Azipod® propulsion secured its **100th cruise ship order** in 2018; this gearless propulsion system improves fuel efficiency by up to 20 percent



Responsible operations

ABB, Inc. received the EPA's **Excellence in Site Re-Use Award** in recognition of its commitment and dedication for remediating the Henry's Knob Mine Superfund Site

ABB's Supplier Sustainability Development Program was named **Supply Chain Initiative of the Year** at the seventh Manufacturing Supply Chain Summit in Mumbai

ABB's motors and generators facility in Shelby, North Carolina, USA, achieved **zero-waste status**

Ranked No. 13 in the **Responsible Sourcing Network's** independent benchmarking study

ABB Belgium recognized as **Lean and Green** for mobility program by Connekt

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

85% of our employees are covered by a certified **occupational health and safety management system** (OHSAS 18000 or equivalent)



Responsible relationships

2018 **Ethisphere Compliance Leader** and **Anti-Bribery Management System Verification**

ABB UAE awarded **CSR label 2018** by Dubai Chamber of Commerce and Industry

For the fourth consecutive year, ABB Egypt was ranked **First Employer of choice** at the 2018 Engineerex Employment fair

Winner of the **2018 Volusia Manufacturing Association award** for the corporate responsibility activities of ABB employees at its site in Ormond Beach, Florida, USA

ABB China named **2018 Excellent Volunteer Partner** by FESCO, Beijing

ABB Germany **recognized by Bertelsmann Stiftung** as a family-friendly workplace in 2018

Universum ranked ABB the **most attractive employer** for engineering students in Switzerland



External accreditation

2018 FTSE4Good Global Index

2018 EcoVadis Gold

2018 Oekom Prime Status

2018 Ethibel Sustainability Index Excellence Global

2019 Corporate Knights Global 100 Index



PROGRESS TOWARDS TARGETS

On track towards our 2020 targets

ABB is committed to maintaining its positive momentum

ABB's nine sustainability objectives with 11 measures and targets are designed to ensure we reach our overarching goal by 2020: recognition as a leading contributor to a more sustainable world through our business offerings and sustainable business practices.

Our sustainability objectives cover three areas: pioneering technology, responsible operations and responsible relationships. These areas all have a direct or indirect impact on ABB's business success, and our Executive Committee and external stakeholder panel reaffirmed that our 2020 measures and targets for them remain material to ABB's business.

We have made quantifiable progress on all measures in 2018 except water consumption in areas of water stress, and are pleased to present our achievements in this report.

ABB has now entered a period of major transformation. Over the course of 2019 we will sharpen ABB's focus as a leader in digital industries, work on the divestment of Power Grids, and simplify our business model. These changes will not impact ABB's firm commitment to address its key economic, environmental and social impacts.

ABB has started work to revise its baseline 2013 data to reflect changes in the company that would otherwise compromise the consistency and relevance of reported social and environmental information.



Pioneering technology

Objective	Measure	2020 Target	2018 Performance	Page
Products, solutions and services	Increase share of ABB eco-efficiency portfolio	60% of revenue	57%	16



Responsible operations

Objective	Measure	2020 Target	2018 Performance	Page
Safe operations	Reduce employee total injury frequency rate	<0.7	0.58	23
Climate action	Reduce greenhouse gas emissions (GHG)	by 40% (vs 2013)	36%	25
Resource efficiency	Reduce water consumption in water-stressed areas	by 25% (vs 2013)	12%	27
	Reduce waste sent for disposal	by 20% (vs 2013)	18%	27
Right materials	Reduce emissions from VOCs	by 25% (vs 2013)	27%	29
Responsible sourcing	Closure of identified risks from supplier assessments	>65%	76%	31



Responsible relationships

Objective	Measure	2020 Target	2018 Performance	Page
Integrity	Employees trained on integrity	>96%	98%	34
Human rights	Training for specific job roles exposed to human rights risks	2 campaigns per year	2	36
Our people	Increase women in senior management ¹	by 30% (vs 2017)	10.5%	38
	Employees covered by the ABB well-being program	>70%	67%	38

¹ This indicator focuses on senior leadership and includes employees in pay grades 1 to 7.

BUSINESS MODEL

Designed to deliver sustainable growth

ABB creates value for all its stakeholders

ABB engages with an extensive range of business partners across our entire value chain to serve our customers and create sustainable, profitable growth for our shareholders. To this end, we seek to forge long-term relationships with all of our customers, suppliers, partners, employees and communities.

When procuring raw materials, components and services, our approach is to work with highly rated suppliers who abide by all applicable standards of quality, operational excellence, social and environmental responsibility, and business ethics. We cooperate with select suppliers through ABB's Supplier Sustainability Development Program; this program not only enables suppliers to realize further performance improvements but also generates additional value and benefits for their employees and communities.

ABB's production processes and product designs give due consideration to legal, strategic, customer, environmental, and health and safety requirements. Our practice of engaging regularly with customers, suppliers, partners, regulators, academics and other relevant parties enables us to adjust rapidly to changing markets, hone our innovative edge and create value for our customers and for society at large.

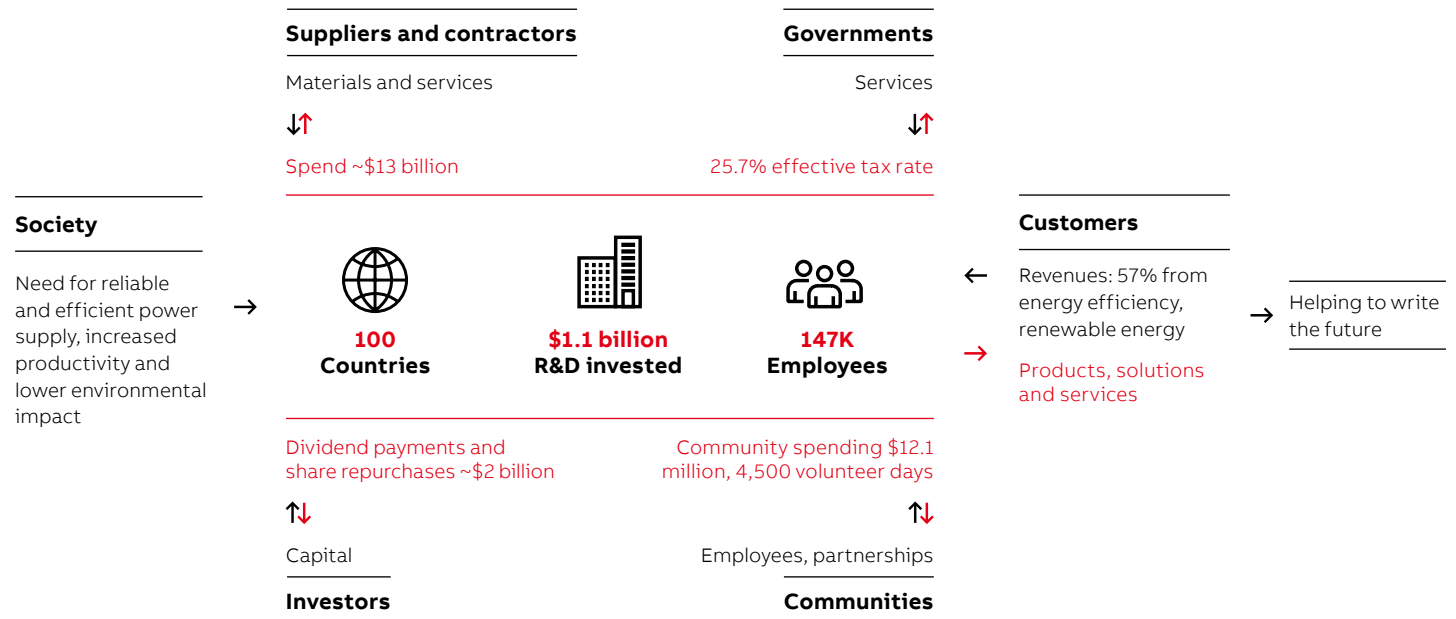
ABB's tax position reflects our corporate strategy and is consistent with applicable tax laws and

international best-practice guidelines, including the OECD Guidelines for Multinational Enterprises. ABB has elected for voluntary country-by-country reporting in Switzerland, our domicile. Further information about our tax policy is available on our website.

To maintain our position as a pioneering technology leader and meet the legitimate

expectations of our stakeholders, we rely on our ability to attract, develop and retain the best available talent. ABB increases its attractiveness as an employer by engaging with different segments of society and working to enhance its standing within the community. These relationships provide our company with the credibility and trust it needs to lead in digital industries and create shared value for all stakeholders.

ABB value chain



CONTRIBUTION TO SUSTAINABLE DEVELOPMENT

Energizing the Sustainable Development Goals

With its pioneering technologies, ABB is helping to address the economic, social, environmental and governance challenges defined by the SDGs

In order to identify the SDGs where ABB can have the most impact, we used the GAPFRAME framework to pinpoint the five “Grand Challenges” (waste, equal opportunity, clean energy, innovation and carbon) that overlap with our material issues. These five challenges translate to the seven SDGs where we can have the most impact.

The SDGs and their underlying targets reveal new market opportunities for innovative companies such as ABB. According to the “Better Business, Better World” report from the Business & Sustainable Development Commission, related potential business opportunities are estimated to exceed US\$5 trillion in the following areas: building solutions, urban infrastructure, clean energy, energy efficiency and mobility systems.

ABB is already active in many of these fields and aims to enhance its market leadership by identifying additional areas where its products, solutions and services can be deployed with maximum impact.

The graphic on this page identifies the seven SDGs where we can have the most impact, as well as highlighting our direct and indirect contributions to the remaining 10 SDGs.

ABB makes a significant contribution to all 17 SDGs. Examples can be found by [clicking on the SDG icons](#).

