

RESPONSIBLE SOURCING

Forging a sustainable supply chain

ABB's robust policies and procedures ensure we address the social and environmental impacts of our procurement processes

ABB closely monitors the sustainability performance of its suppliers. The Supplier Code of Conduct (SCoC), published in 16 different languages, communicates our expectations and performance standards to existing and potential business partners. It is one of our suppliers' contractual obligations, as part of ABB's general terms and conditions. In 2018, we updated our routine procurement processes to include sustainability parameters at the stage of qualification and performance evaluation.

True partnerships rely on responsibility, transparency and a "one team approach"

Barbara Myrczek – Fideltronik
[ABB Stakeholder Panel](#)

We continue to deploy a special intervention, the Supplier Sustainability Development Program (SSDP), to proactively screen and prioritize (using a combination of geographical, category and economic factors) the sustainability risks posed by suppliers, evaluate their adherence to the SCoC, and engage with them where necessary. The SSDP involves supplier trainings, onsite assessments and collaboration with suppliers to find sustainable solutions. The SSDP assesses supplier performance on 42 parameters across

general management, working conditions, safety, environment, and associated local regulatory requirements.

Every year, ABB trains, coaches and assesses hundreds of suppliers on sustainability topics. In a continuous process, old risks are closed and new ones are identified each year. The time required to close these risks typically ranges from eight months to over a year, in the case of complex issues that may require a collaborative effort to resolve. Since 2015, we have identified an average of 760 new risks each year. Due to the ongoing identification of new risks and the time required to mitigate them, our closure rate for identified risks can never be 100 percent.

Our 2020 target is to close 65 percent or more of identified risks from supplier assessments. In 2018, ABB is on track to exceed our target, closing 76 percent of identified risks by Q4 2018, up from 72 percent in 2017. We achieved this strong result by using all of the expertise, knowledge, resources and best practices at our disposal to support our suppliers. For every area of noncompliance identified during our supplier assessments, we launch a major supplier support action to systematically address each issue in turn. Our support actions include capacity building, customized participatory workshops, sharing best practices, jointly implemented collaborative programs, and transfer of knowledge and



expertise. In 2018, this proactive approach resulted in a better supplier response and improved performance standards.

Among other key initiatives in 2018, we designed a participatory workshop for ABB suppliers in India, China, Saudi Arabia and Indonesia on the local legal requirements that correspond with ABB's SSDP requirements. We also launched support programs in China, India, Turkey, Bulgaria and Poland to work hand-in-hand with suppliers to find innovative solutions for some of the chronic challenges they face regarding working conditions. On the technical side, an ABB pilot project used a business intelligence tool to reduce the manual intervention in our data reporting processes. We will deploy this tool across ABB in 2019.

During our supplier assessments in 2018, a supplier audit uncovered one instance where a large supplier in Malaysia routinely retained the passports of its migrant workers. When these workers applied for the return of their passports, a third-party employment agency would retain one month's salary until the worker returned to the supplier. Further details on this incident and the corrective measures taken by ABB can be found in the case study featured on page 36 of this report.

In 2018, we assessed 190 suppliers, identifying 676 risks. We mitigated 674 risks during this period. In other activities to support responsible sourcing, we trained 136 ABB employees and 415 suppliers during the year. [Click here](#) to learn more about how ABB defines risk.

Case study
**Sustainability measures
improve efficiency**

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