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SUSTAINABILITY GOVERNANCE

ABB's integrated governance enables it to meet expectations

Sustainability lies at the core of ABB's business strategy, informing what we manufacture, how we operate and the way we work with stakeholders

Structures and responsibilities

The Board of Directors is responsible for the stewardship of the ABB Group, and its duties include oversight of sustainability and corporate responsibility. The board is charged with ensuring that our products and people are safe, the environment is protected and human rights are respected. As such, it is ultimately accountable for bringing ABB's 2020 sustainability strategy to fruition.

The ABB Sustainability Board, which comprises the Executive Committee and is chaired by the CEO, is accountable for sustainability within ABB. Meeting semi-annually, this board ensures our sustainability policies and programs are aligned with our business goals and aspirations, monitoring progress against ABB's nine sustainability objectives. The Chief Human Resources Officer (CHRO) is a Member of the Group Executive Committee and is responsible for ABB's health, safety, environment, security and sustainability (HSE/SA) performance and the successful implementation of ABB's sustainability strategy. The Group General Counsel, also a Member of the Group Executive Committee, is responsible for ABB's integrity performance.

The Senior Vice President Global HSE and Sustainability Affairs (SVP HSE/SA) reports to the CHRO and is responsible for all sustainability deliverables. The HSE/SA Leadership Team, comprised of the heads of HSE for the businesses

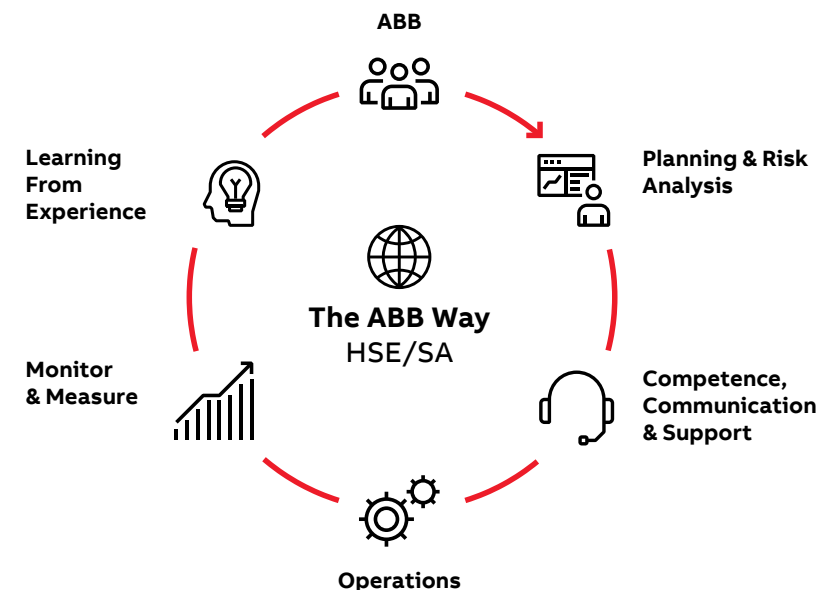
and the functional heads from corporate HSE/SA, meets at least three times a year to align on business needs and strategy, chaired by the SVP HSE/SA. That function also leads the HSE/SA Management Team, which meets every two months. This team is focused on operations and is responsible for making sure HSE/SA's strategies, plans and actions are in sync with ABB's business needs and corporate strategy. To this end, the HSE/SA Management Team initiates and directs sustainability policies, strategies, plans, actions, budgets and resources, adopting remedial measures when required. Its members include the Head of Health, Head of Safety, Head of Environment, Head of Security, Head of Sustainability and Head of Corporate Responsibility. The Sustainability Affairs annual plan coordinates all programs, processes and resources across all of these functional areas to support the businesses, improve performance, diminish risk and generate value.

ABB has established Country Sustainability Boards at the local level to maintain good governance and ensure compliance with local legislation, ABB's standards and customer expectations. A team of roughly 800 full-time and part-time employees support ABB's sustainability network.

A global HSE/SA management system

In 2018, we began implementing the ABB Way. This global management system updates our management and control standards for health, safety, the environment, security, sustainability

and corporate responsibility. The ABB Way establishes shared expectations across our global businesses. Our goal is for all of our sites to be aligned with this new management system by January 2020. As of December 31, 2019, the implementation process was 65 percent complete. The ABB Way, which sets the minimum standards that must be implemented across all ABB operations and activities, features a far-reaching global audit assurance program. The structure of ABB's HSE/SA management system is based on internationally recognized sustainability standards, principles and commitments, including ISO 45001 and 14001:2015.



STAKEHOLDER ENGAGEMENT

Engaging and collaborating with stakeholders at all stages

We continuously seek to meet the expectations of our stakeholders via multiple channels and processes

We work to engage in meaningful dialogue and close cooperation with our stakeholders, with the object of delineating ABB's positions and policies, as well as of comprehending other perspectives.

As announced in the 2018 report, in 2019 we initiated a comprehensive stakeholder engagement process, involving external stakeholders of all categories. The process is being conducted via one-on-one interviews. All stakeholders are associated with one of ABB's businesses. Each business identified its key stakeholders in several categories, including customers, civil society, government representatives, analysts, suppliers, local communities and others. The goal of this exercise is to review stakeholder expectations and develop a qualitative basis for each business' materiality matrix. This process will conclude in the first half of 2020 and contribute to the definition of our future priorities and ambitions. The results are also being used to shape our activities in 2020. The engagement process additionally considers internal stakeholders. Our day-to-day activities also enable stakeholder interaction. Key areas of engagement with our stakeholders in 2019 included the following:

Customers

We meet regularly with customers to discuss the sustainability of ABB's offerings and how they can be used to meet specific sustainability requirements. We seek to make detailed information available on these issues and others and to maintain our standing as a trusted supplier.

Investors

In 2019, ABB engaged in one-on-one meetings with managers and analysts focused on sustainable investing. The ranks of socially responsible investors with an interest in our ESG performance continued to grow. Topics of interest included growth prospects for our eco-efficiency portfolio.

Suppliers

ABB maintains frequent contacts with our suppliers, taking precautions to ensure they measure up to our standards for sustainability. These efforts are managed through our Supplier Sustainability Development Program (SSDP). The program assesses conditions at our suppliers' sites and enables us to work with them to improve their performance.

Employees

In 2019 we held our first Global Employee Engagement Survey in 10 years, involving more than 95,000 ABB employees and resulting in an engagement score of 71. Their input is being used to help develop a groupwide culture of collaboration and dialogue. In our current transformation, we are working to ensure that our people understand our strategy and their roles. In our ongoing communications program, we held town hall meetings at various sites and published regular updates on internal news portals.

Public policy

In 2019, ABB participated in the UN Climate Change Conference (COP25) in Madrid, continuing our yearly engagement with the conference since COP21 in Paris. In other areas, we expanded our global activities in government relations in 2019, working with policymakers on issues including climate change, energy efficiency, industrial policy, digitalization, artificial intelligence and e-mobility.

Community

In 2019, ABB contributed to more than 580 charitable institutions and community projects around the globe. Education, diversity and healthcare were among key areas of focus. Our employees and businesses donated an estimated \$12.1 million and volunteered roughly 4,300 person-days of time to charitable causes. More information is available in the Community Engagement chapter.

External partnerships

ABB worked with a range of external partners on solutions to major global challenges. These included the World Economic Forum, the ABB FIA Formula E Championship, the World Business Council for Sustainable Development's Low Carbon Technology Partnerships initiative, the International Committee of the Red Cross' Corporate Support Group, United for Efficiency and several of Sustainable Energy for All's accelerator programs, among others.

MATERIAL ISSUES

Priorities, actions and initiatives

Each of our businesses takes careful stock of its actions, operations, supply chains and interactions with stakeholders to assess their impact on sustainability

2019 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
		<ul style="list-style-type: none"> — Right materials 	<ul style="list-style-type: none"> — Developing our people
Medium			
		Impact on ABB	
		Medium	High

Identification of key stakeholder issues

The process of determining the materiality of stakeholder issues has included review, particularly on the part of our external stakeholder panel. The current framework was based on surveys carried out in 2010 and 2011, supplemented with additional reviews in 2013 and 2014 and an annual stakeholder panel review. 2020 will be the last year in which to deliver on that framework.

Our key sustainability focus areas are regularly benchmarked against standards provided by industry organizations such as the World Business Council for Sustainable Development (WBCSD). ABB updates its benchmarks continuously in multiple ways. These include tracking the key sustainability focus areas of peer companies and mapping regulatory risks and macroscopic trends. These practices enable us to establish a comprehensive approach to current sustainability issues and adjust our strategies and modes of implementation accordingly.

We are presently developing an updated materiality matrix for each of our five businesses. These will be used to shape the Group's materiality matrix, targets and focus areas for our post 2020 sustainability strategy. Until that process is complete, our current materiality matrix is still in use, with only minor adjustments.

ABB's external stakeholder panel

Our external stakeholder panel was first formed in 2015. Since that time, it has provided advice and input on sustainability issues and has regularly reviewed our materiality matrix and our annual Sustainability Report.

The members of the panel are selected to represent our key stakeholders and are chosen on the basis of their expertise in matters of sustainable development. They are also selected to reflect issues of gender balance and geographical balance. In 2019, the six serving panel members had all served in previous years. The regular meetings of the panel are conducted by means of conference calls and are chaired by an external facilitator. Most of the panel participates in any given meeting and any member who is unable to do so is subsequently interviewed individually.

In 2019, the panel's feedback played an important part in providing direction for our Sustainability Report and influenced the continuing development of our sustainability programs. The statement released by this year's panel may be found [online](#).