

HUMAN RIGHTS

Integrating respect for human rights into our business

ABB is committed to respecting and promoting human rights across our value chain



In 2020, we made further advances toward integrating respect for human rights into ABB's business processes, as we continued with our programs to raise awareness of human rights and strengthen best practices, while also responding to regulatory requirements and the increased expectations of our stakeholders.

ABB's commitment to responsible business practices underpins our promise to respect and promote human rights as expressed in the International Bill of Human Rights. Furthermore, we are committed to implementing the United Nations Guiding Principles on Business and Human Rights throughout our operations and along the value chain.

Respect for people, integrity and transparency is the basis of the behaviors we expect from every individual who works for us as a direct ABB employee or who engages with us as a business partner or through our supply chain. We have also made it clear that there is no place in ABB's business or within the operations of our business partners, contractors and suppliers for modern slavery and human trafficking.



In 2020, we reinforced these expectations with the introduction of a new ABB Code of Conduct, a new ABB Purpose, a new set of ABB values, and a new human rights control standard for ABB's HSE/SA management system. The ABB Supplier Code of Conduct, the ABB Policy Combating Trafficking in Persons, our Human Rights policy and our Social policy further reinforce this message.

The main human rights issues of concern can vary by business sector, portfolio, geographic location and the business partners we engage with directly or indirectly. In supply chains, the main human rights issues of interest include child labor, human trafficking and modern slavery, fair employment conditions, and health and safety. In customer-related business, the main issues include modern slavery, fair employment, impact on communities, and business-specific risks. Across ABB's operations, the main issues of interest can include discrimination, fair employment, and health and safety.

Our human rights specialists perform due diligence to help ABB understand its risks and avoid causing or contributing to negative human rights impacts. This due diligence ranges from desktop research and the commissioning of third-party reports to on-the-ground visits. This work emphasizes internal risk assessment processes and research into potentially high-risk projects or operations in high-risk countries.

Human rights criteria are also included in the risk review process for screening major ABB projects, in prequalification and assessment work with ABB suppliers and in our process for examining potential ABB mergers and acquisitions.

Primary objective and 2020 target

Our primary objective for human rights is for this subject to be well-understood and well-managed in all ABB operations along the value chain and integrated into ABB's daily business. To achieve this goal, we have focused on four main activities: building awareness and capacity, identifying risks, improving the performance of our supplier base, and limiting our exposure to conflict minerals.

ABB's 2020 target was to conduct two training campaigns during the year for specific job roles exposed to human rights risks. Given the wide variety of human rights trainings we deliver each year, we once again exceeded this target.



CASE STUDY

ABB's human rights training plan



At ABB, our goal is to make sure that human rights are integrated into ABB's day-to-day business considerations and, as such, are well understood and managed in ABB's operations all along the value chain.

To ensure we meet this goal, over the past two years we have worked to revise and reinforce our internal human rights training plan. This involved systematically monitoring participants, their feedback, our course content, and the outcomes we achieved. Our training plan is designed for different target audiences and customized to the needs, roles and responsibilities of participants. Beyond the immediate benefits of raising employees' awareness and knowledge of human rights principles and their relevance for ABB, we have discovered a few other benefits emerging from the training sessions we deliver.

One benefit is that our training programs provide employees with an opportunity to build relationships with colleagues from different functions and Business Areas. In this way, they are able to learn about human rights and other matters from a range of different perspectives. Another benefit is that participants in our programs tend to learn more about ABB through the case studies and human rights dilemmas we present to them for discussion. These experiences serve to increase their engagement with and commitment to the subject matter of our courses. And finally, the homework assignments provide participants with opportunities to engage with senior managers on topics they would not normally discuss during the normal course of their work. These opportunities serve to strengthen their knowledge of ABB's internal processes and expectations.

At the same time, we have gained a greater understanding of the challenges related to our human rights awareness program. Firstly, we came to see that the specialized vocabulary used to discuss human rights issues is new to most members of our organization, and can present a barrier to understanding. Additionally, establishing meaningful business cases that not only describe risks, but also focus on the opportunities provided by respecting and promoting human rights can be challenging. Developing useful indicators to monitor performance will help us to move beyond qualitative measures and better understand the impacts of our programs and of our business.



Building awareness and capacity

To more deeply integrate human rights principles into all of ABB's business processes, we continued with the advanced awareness and competence building program that we launched in 2019. The program consists of different trainings targeting management and functional roles. These trainings are geared to build understanding of human rights and raise awareness of the human rights risks connected to respective Business Areas and areas of responsibility.

This was reinforced by the continued expansion of our human rights champions network in 2020, as we trained a further 41 candidates from different functions, including HSE, integrity, marketing & sales, human resources and procurement. These internal business experts are charged with supporting ABB's human rights strategy. We continue to develop an internal network of these experts with the aim to ensure there are human rights champions in all parts of our Business Areas who can advise on the best ways to identify, mitigate and avoid human rights risks.

Over the past year, our champions defined human rights plans for their Business Areas and carried out training and communication initiatives to promote and raise awareness of human rights within their Business Area. These champions also supported our most important training initiative of 2020: the launch of customized programs for three specific job roles exposed to human rights risks – marketing & sales, procurement and operations. We trained our champions to deliver these customized courses and then disseminate the training according to their business needs. As a result, 530 managers received general human rights awareness training and 185 marketing & sales managers, 120 operations managers and 142 procurement managers received targeted human rights training. Despite the COVID-19 pandemic, 15 of the targeted 18 divisions received at least three of these customized training sessions from our champions. The remaining divisions will participate in similar programs during 2021.

Identifying risks

In 2020, we continued to map internal risk identification and risk assessment processes. The training courses for our human rights champions enabled us to expand our understanding of how effectively human rights considerations are embedded in a range of business decision-making processes and to identify gaps. The information we gathered informed our work to draft a five-year plan for human rights activities.

The five-year plan (2021-2025) includes conducting an updated salient human rights risk analysis and reinforcing our due diligence processes, based on the UN Guiding Principles and emerging legislation.

The plan also entails deployment of our new human rights internal audit process in 2021. The aim of this process is to assess aspects of human rights performance at ABB facilities covering both ABB employees and contractors. The internal audit program will consist of a self-assessment that will be rolled out to all sites as part of our HSE/SA



management system and a periodic audit to be conducted by an internal ABB auditor. This program will help to ensure proper assessment, management awareness and implementation of improvement plans where needed.

Supplier development and conflict minerals

To address human rights risks related to our suppliers, we leverage our Sustainability Supplier Development Program (SSDP) and our conflict minerals management program. For more information on these two programs, please refer to the [Responsible Sourcing](#) chapter.

Major initiatives

Aside from the aforementioned awareness and capacity building initiatives and the creation of a five-year plan, one of our most significant initiatives in 2020 was contributing to the development of ABB's sustainability strategy 2030. We used this opportunity to engage our stakeholders, discuss ABB's future positioning on human rights, and consider new ways to more deeply integrate human rights into ABB's corporate strategy and objectives.

Engaging stakeholders

Staying in close contact with our stakeholders on labor and human rights issues is critical to performing at a high level, and maintaining our social license to operate.

ABB speaks to and works with a wide variety of stakeholders, including customers, investors, suppliers, civil society representatives and international organizations to understand their expectations and improve performance. Our Group also engages with and learns from human rights specialists. These activities include peer learning reviews in the Global Business Initiative on Human Rights, lessons drawn from the annual United Nations stakeholder forum in Geneva, the World Business Council for Sustainable Development (WBCSD) and participation in local network meetings of the UN Global Compact.

Reporting on incidents and negative impacts

ABB has different ways of reporting alleged human rights incidents or negative impacts. These range from an internal process to report allegations of abuses to publicly available hotlines for internal and external stakeholders worldwide. These hotlines are for reporting suspected violations of the ABB Code of Conduct or applicable laws and are mostly used by current employees. While hotline contact details for all stakeholders are provided on our website, few external complaints or allegations are registered on them.

As in many large organizations, human rights violations do occur within ABB. There were 39 substantiated cases of harassment and no substantiated cases of discrimination in



2020, resulting in varying levels of corrective action including 16 terminations of employment. We are undertaking a root cause analysis and will implement appropriate actions to continue to enhance our culture, reduce misconduct in the future, and ensure all employees are aware of our zero tolerance approach on these matters

Lessons learned

During the implementation of our sustainability strategy 2020, we have learned a number of critical lessons.

The commitment of senior management to human rights, as well as the creation of links between human rights and business targets, have proven to be the key to triggering action. Programs thrive when participants understand the reasons for and benefits of their actions and can see that these actions are linked to the success of the business.

We also learned that changes to the external environment, and particularly the steadily increasing interest of our customers and investors in human rights issues, significantly reinforced the value of our program. In the same vein, increasing regulatory requirements that explicitly linked human rights to business activities helped ABB employees to understand and properly value our various training programs and the time commitment required to complete them.

The connections we built across ABB's functions and Business Areas were critical to our success over the past seven years, as they enabled us to view our programs and the issues we are charged with promoting from a wide range of perspectives.

Lastly, the most important lesson we learned was that human rights expertise must be embedded within ABB's Business Areas and divisions, as well as at the corporate center, to help deliver meaningful and long-lasting improvements.