



05

Integrity & transparency

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STRATEGY PILLAR OVERVIEW

We act with integrity and transparency

ABB's success as an enterprise depends on our status as a trusted and reliable business partner. By continuously strengthening our governance and integrity programs, we provide our employees with the culture and controls necessary to make fair and honest decisions every day.

Target overview



- Applying a **Code of Conduct-based approach** to projects and counterparties
- Ensuring **supplier compliance** with Supplier Code of Conduct in procurement terms and conditions
- Linking ESG targets to **senior management incentive awards**

We regularly evaluate ABB's operating environment to ensure that we have an integrity program in place that is fit for its purpose. The program is based on our Code of Conduct and supported by well-defined processes, key learnings, risk assessments, and reporting and monitoring activities. Our overriding objective is to ensure that everyone who works with or for ABB is personally accountable for upholding the highest standards of integrity.

At ABB, operating with integrity and transparency includes responsibly sourcing materials and services. We endeavor to understand and then minimize any environmental and social risks related to our procurement activities.

To this end, we have committed to ensuring our supply base is sustainable. By 2030, we will address sustainability-related risks and performance concerns linked to 80 percent of our supply spending in a basket of focus countries. ABB's comprehensive approach to suppliers goes far beyond a standard audit, covering every point in our relationship with the enterprises that comprise ABB's supply base – from initial selection and qualification processes to sustainability risk monitoring, on-site trainings, assessments and subsequent audits.



We make every effort to ensure that minerals mined in conflict zones and sold to prolong a conflict (i.e., conflict minerals) do not enter ABB's supply chain. Together with our suppliers, we are working to guarantee that the tin, tungsten, tantalum and gold we use in our products have been properly sourced.

Finally, to ensure that sustainability as a whole remains firmly at the center of our approach to conducting ABB's business, we make use of sustainability-linked financial incentives for senior management. These incentives represent just one of the many tools and strategies we have adopted to maintain our Group's sharp focus on meeting our 2030 sustainability targets.





INTEGRITY

Committed to the highest standards of business integrity

Target: Applying a Code of Conduct-based approach to projects and counterparties

ABB's integrity program forms part of the backbone of our company. We are committed to continuously enhancing our integrity program and our company culture. Over the past year, we invested in new measures to strengthen accountability for integrity, increase transparency, and expand our risk detection and prevention capabilities.

2021 integrity initiatives

Innovations in relationship risk management

In 2021, we enhanced our assessment and monitoring of the reputational and legal risks presented by third parties. Specifically, we began to incorporate smart, front-end risk and reputation assessments into our processes and to invest in continuous, risk-based monitoring over the lifecycle of our third-party relationships.

We assessed and categorized our global sales channels and designed new onboarding and lifecycle monitoring processes to mitigate fraud, corruption and associated human rights and reputational risks in both our sales channel and supplier relationships. Once these improvements have been fully implemented, third parties will be ranked according to risk. This will provide us with better insights at the time of selection, enable risk-based monitoring over the course of a relationship, and deliver actionable intelligence on our highest-risk third-party relationships.

In parallel, we developed new learning and guidance materials for the ABB employees who manage third-party relationships to help them meaningfully monitor and act on potential integrity warning signals. We also revised our standard terms and conditions for sales channel and supplier relationships to clarify our performance expectations and risk-management practices.

Strengthening our team

In 2021, we embedded senior integrity leaders within each of ABB's four Business Areas. We also added staff to support ABB's evolving legal and integrity needs. These professionals have expertise in the areas of antibribery/anticorruption, global trade, human rights, data privacy, investigations, forensics and analytics, and third-party management.



New approaches to employee learning

In 2021, we began to shift our approach to employee integrity learning from “pushing” content to “pulling” interest towards high-value content and innovative messaging. This new approach aims to keep integrity awareness high and has delivered measurable results. So far 30 percent of all ABB employees with regular email access have voluntarily engaged with our new content. We are continuing to develop this strategy of self-driven learning supported by bespoke content.

Bolstering integrity through transparency and accountability at ABB


Transparency is central to the continuous enhancements we make to ABB’s integrity program. In 2021, we implemented the following measures:

- We standardized a global conflict-of-interest disclosure tool to make our fair-play expectations easier to understand.
- We shared real-life integrity success stories and lessons learned, along with our root-cause analyses, with all ABB employees through our "Straight Talk" online platform for risk awareness and prevention. Read more about this initiative in the case study below.
- We harmonized our approach to accountability in connection with non-compliant incidents in the areas of integrity, health, safety and internal controls with the goal of ensuring a fair and coherent process.
- We updated our approach to testing and measuring the effectiveness of our integrity initiatives. For example, our new Integrity Leaderboard KPI assesses indicators of trust, engagement and transparency across our Business Areas, Divisions and the Group as a whole. The KPIs are incorporated into monthly business reviews and are made available to all employees.
- As part of our new approaches to both employee learning and accountability, we also publish quarterly assessments of our integrity communications' effectiveness and have created real-time dashboards to help managers leverage the metrics and insights provided by our investigations' portfolio, including activity on our Business Ethics Helpline.

Stronger privacy and data protection

Due to new and changing regulations around the world, compliance with privacy and data protection rules is becoming more complicated for global companies. Today, compliance requires both global standardization and adaptation to local requirements. We are well positioned to meet these challenges with our mature privacy and data protection program, which we continued to strengthen in 2021. Each of our Business Areas and corporate functions has a designated privacy lead person, who is responsible for implementing and maintaining our privacy and data protection standards and controls within the Business Areas, Divisions and functions. At country level, there are designated



privacy lead persons supporting the Business Areas, Divisions and functions to meet their responsibilities. All internal and external stakeholders continue to be supported by ABB's global privacy team. We apply the same strict privacy and data protection standards and controls globally across all our locations and comply with local requirements where these are different from or stricter than our global standards. ABB's global privacy and data protection standards and practices are described in full on the [ABB Data Privacy Portal](#) .

Encouraging whistleblowers

ABB's speak-up culture is a vital feature of the culture of integrity and transparency that we constantly seek to strengthen. It is critical to the smooth functioning of our enterprise as a whole. Employees are encouraged to report their integrity and compliance concerns and to seek further guidance from their manager, Human Resources, any member of the Legal & Integrity function or ABB's Business Ethics Helpline. External stakeholders also are encouraged to report any concerns via the Helpline. We vet and address reported concerns in a timely manner and enforce a rigorous non-retaliation policy. All reports that merit an investigation are pursued, and we apply a systematic approach to determining and executing disciplinary actions in response to all substantiated integrity violations. ABB cooperates fully with law enforcement agencies in these matters where applicable.

CASE STUDY

Peer-to-peer platform bolsters integrity culture at ABB



As part of ABB's 2021 strategy to develop a stronger culture of integrity, accountability and transparency throughout the Group, we launched Straight Talk, a new online platform. ABB is working to strengthen its culture of integrity through managerial leadership, accountability and self-driven employee learning. Building on our commitment to transparency, Straight Talk provides colleagues with an easy way to enhance their knowledge and exchange ideas in this vital area.



Functioning as a showcase for real-life integrity success stories and lessons learned at ABB and elsewhere in the sector, Straight Talk directs colleagues to a range of real-life case studies available on ABB's Inside+ intranet site. The cases can then be discussed on the ABB Yammer channel, incorporated into team meetings, and broadly disseminated for applied learning purposes. Through Straight Talk, ABB colleagues can champion good behavior, learn from behavior that failed to meet our integrity expectations, find and share key metrics about the Group's integrity practices, and also highlight and discuss external cases relevant to our business.

As a market leader in building sustainable, world-class businesses, ABB understands that integrity lies at the very core of our success, both globally and in our day-to-day work. By providing colleagues with another avenue to communicate transparently about lessons learned and risks and trends in the field of integrity, the Straight Talk platform offers a valuable new tool to help boost the profile and understanding of integrity practices across the Group.



RESPONSIBLE SOURCING

Raising the bar for our suppliers

Target: At least 80 percent of our supply spend in focus countries will be covered by our sustainable supply base management approach (SSBM), which includes surveillance of environmental, social and governance performance

We work closely with suppliers to ensure ABB's sustainability expectations, ambitions and targets are understood and met. As our suppliers are an extension of ABB, they are integral to our sustainable growth. To clarify our expectations, we published the ABB Supplier Code of Conduct (SCoC), which is available in multiple languages. This policy document reflects the 10 principles of the UN Global Compact and the essence of the ABB Code of Conduct.

Our approach is underpinned by ABB's supplier selection, qualification and performance improvement processes. Starting in 2010, our successful Supplier Sustainability Development Program (SSDP) was the focus of our efforts to ensure compliance with the SCoC and to support improvement in the sustainability performance of our suppliers. The program was structured around a combination of training, on-site assessments and monitoring of performance improvement plans. Suppliers were selected to participate in the program according to a risk matrix, which considered the criticality of the supplier, country risk, commodity risk, operational characteristics and spend volume.

In 2021, we replaced the SSDP with an expanded approach that we have designated Sustainable Supply Base Management (SSBM). Under the new SSBM, we aim to address sustainability topics and performance at each stage of supplier lifecycle management, as part of our "beyond audit" approach.

ABB's 2030 sustainability strategy includes an ambitious target to cover 80 percent of our supply spending in focus countries with SSBM by 2030. We have also introduced a medium-term target to cover 80 percent of our high-risk supply spending in focus countries by 2025.

To assess the effectiveness of our approach, we have set a goal of closing 75 percent or more identified risks from supplier assessments by 2025. Closure timelines for identified risks vary from a month to a year, depending on the severity of the case. Some complex issues may require a joint effort to resolve, under a longer timeline. Due to the ongoing identification of new risks and the time required to mitigate them, the closure rate of identified risks can never reach 100 percent.

2021 highlights in responsible sourcing

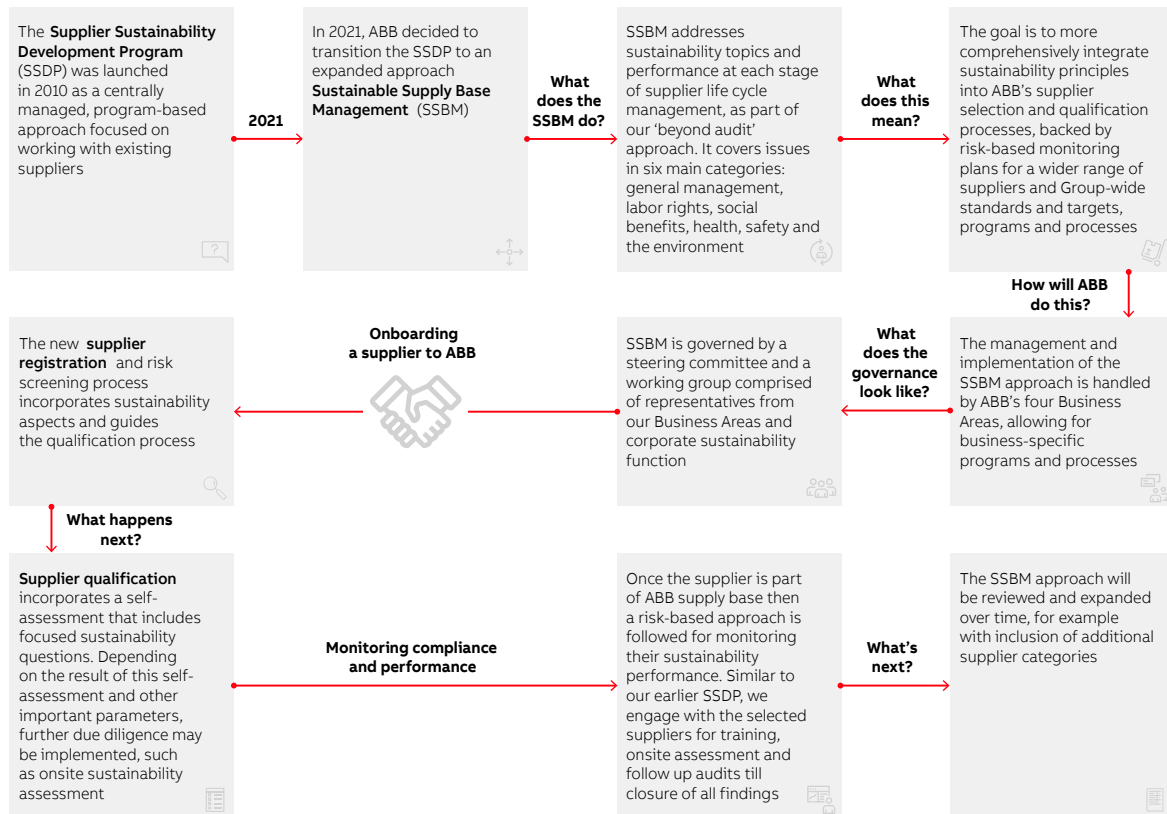


By the end of 2021, 27 percent of high-risk supply spending in focus countries was covered by our SSBM system, and 82 percent of identified risks were closed. Plans are in place to ensure that we achieve our medium-term target by 2025.

In 2021, we assessed 81 suppliers, identifying 267 risks and mitigating 307 risks. In other activities related to responsible sourcing, we trained 126 ABB employees and 45 suppliers in the course of the year. ABB terminated relationships with 13 suppliers due to unsatisfactory progress on their corrective action plans.

To strengthen ABB's monitoring and evaluation capacity, in 2021, we held two courses of ABB's lead assessor qualification training program in India and China. The program combines classroom sessions with field experience. All program graduates are prepared to perform independent SSBM assessments and follow-up audits. During the year, 23 employees from India, China, Brazil and Mexico were either qualified or requalified to be ABB lead assessors.

From SSDP to SSBM



While implementing the program changes outlined above, we also took the opportunity to review individual elements of our approach as we transitioned from SSDP to SSBM. For example, we made improvements in our SSBM assessment checklist to sharpen our focus on sub-supplier (beyond tier 1) management and certain workplace safety topics. Related documents, such as implementation guides for our suppliers in focus countries and training materials for suppliers and assessors, were also revised accordingly.

With the help of internal and external experts, we also revisited the evaluation of commodity risks - the health, safety and environmental risks associated with the use of commodities in certain manufacturing processes. This commodity risk and geographical risk are used to prioritize the suppliers selected for on-site assessment as part of SSBM.

In response to the COVID-19 pandemic, we further developed the capacity to perform either on-site or remote SSBM assessments, according to local circumstances.



CASE STUDY

**Identification of
commodity risk**

As part of our SSBM and earlier SSDP methodologies, ABB adopted a risk-based approach to prioritizing and selecting suppliers for participation in on-site assessment and sustainability performance improvement processes. “Commodity risk,” which encompasses the inherent health, safety and environmental risks associated with commodities used in various manufacturing processes, represents an important selection parameter.

ABB classifies commodities using our internal Material Description Framework (MDF) codes. The several hundred MDF codes specifically identify a wide range of raw materials, components and “indirect materials,” such as services, to help us procure the appropriate materials and services from our suppliers. Some years ago, with the assistance of external and internal experts, we evaluated the health, safety and environmental risks associated with each MDF code. To accomplish this, we mapped the processes used to produce the raw materials, components and services (where relevant) against each MDF code and separately assessed the environmental and the health and safety risks associated with each of those processes. We developed a statistical model to calculate an overall risk score for each MDF code.

In 2020, we updated these commodity risks. A project team was formed consisting of internal business colleagues, internal subject matter experts and external experts on manufacturing processes. The team revised the mapping of processes to individual MDF codes, reassessed the individual risk scores and reviewed the statistical model. Risk scores were updated accordingly and incorporated into ABB’s supplier prioritization processes starting from 2021.

In 2021, we analyzed the results from all of the supplier assessments performed by ABB over the past seven years to identify the 10 most common findings. We will create targeted workshops on selected topics for our suppliers to help them address these challenges.

Top 10 supplier compliance issues



We have also initiated a review of our SCoC to clarify our commitments in certain key areas and to address changes in the regulatory environment since the last revision. We expect to complete this review and to develop a comprehensive plan for rolling out these clarifications and adjustments in the course of 2022.

Conflict minerals

We continue our work to understand and limit ABB's exposure to conflict minerals, as defined by section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. We also request supplier information on tin, tungsten, tantalum and gold (which make up the most prominent conflict minerals, sometimes referred to as 3TG) imported from conflict-affected and high-risk areas (CAHRAs), as defined under EU Regulation 2017/821. We filed ABB's annual [Conflict Minerals Report](#) with the US Securities and Exchange Commission for the eighth consecutive year, summarizing ABB's approach to minerals and the status of our programs.

ABB's approach to the responsible sourcing of minerals is underpinned by the [ABB Policy on Conflict Minerals](#) and continued collaboration with the Responsible Minerals Initiative (RMI), which works to encourage smelters and refiners to undergo audits aligned with OECD guidelines.

Under ABB's own programs, we cooperate with our suppliers on an ongoing basis. Together we are working towards ensuring that our products avoid the use of minerals from mines that support or fund conflict within the Democratic Republic of Congo or adjoining countries and CAHRAs.



CASE STUDY

Sustainably sourcing artisanal gold



Some 20 percent of the world's gold comes from artisanal mines. These small-scale mines have the potential to support the development of some of the world's poorest communities while leaving a very small environmental footprint. Gold is a critical mineral in many of ABB's technologies; however, it is often difficult to identify legitimate sources of artisanal gold and to conduct due diligence and ongoing assurance within the sector. As a result, our responsible buyers and other formal markets have not been engaging with artisanal producers.




In 2021, through our engagement with the [Responsible Minerals Initiative \(RMI\)](#) , we joined a European Partnership for Responsible Minerals (EPRM) funded project to create a commercially viable and sustainable sourcing system that could scale up legal trade in responsibly produced artisanal gold in Burkina Faso. The Scalable Trade in Artisanal Gold (STAG) project, executed by lead organization, [the Artisanal Gold Council \(AGC\)](#) , in partnership with RMI and [RESOLVE](#) , will create a scalable, replicable supply chain of artisanal gold that conforms with the RMI's standards and is aligned with the OECD's Due Diligence Guidance. This is expected to immediately benefit roughly 6,000 miners from various artisanal gold mining communities in Burkina Faso by establishing traceable, resilient and fair supply chains from mine to market.

ABB continues to lead the RMI Asia Smelter Engagement Team and to work closely with smelters and refiners who need assistance with the Responsible Minerals Assurance Process, which is the RMI audit program aligned with OECD requirements.

As part of our strategic approach to managing risks associated with the use of critical materials, we are expanding ABB's conflict minerals program. Beginning in 2022, we will release our first Cobalt Reporting Template for our stakeholders, with the first reports to cover activities during 2021. As with the development of our 3TG process, ABB will carry out due diligence on our cobalt supply chain and work closely with our suppliers to source minerals responsibly.



Senior management sustainability incentives

Target: Linking ESG targets to senior management incentive awards

Financial incentives are among the many tools that we use to ensure that ABB meets its 2030 sustainability targets.

In 2021, ABB designated progress towards defined ESG targets as a necessary “boundary condition” for Annual Incentive Plan (AIP) awards to all senior managers. ABB's Board of Directors must agree to specific ESG targets and will review whether the company made adequate progress to justify making the specified AIP award.

The ESG boundary condition for 2021 was the setting of strategic and implementation plans outlining the key actions and activities required to reduce or compensate for GHG Scope 1 and 2 emissions to achieve carbon neutrality in ABB's own operations by 2030 (vs. a 2019 baseline). At the end of the year, the Board of Directors determined that the terms for this condition had been fully met.

AIP payments are also awarded on the basis of individual performance. Individual awards are informed by a combination of up to three quantitative and qualitative objectives and are based on a discretionary judgment of the individual's combined performance against all objectives.

In 2021, all members of ABB's Executive Committee (EC) shared a single safety objective – namely, the percentage improvement in the lost-time incident frequency rate (LTIFR), underpinned by sustainability observation tours (SOTs)⁴. The safety objective for the CEO and other corporate officers was tied to Group-level results; the safety objective for Business Area presidents was tied to the results for their respective Business Areas.

In 2022, all EC members will have two or more ESG-related KPIs associated with the individual component of their AIPs. The past practice of subjectively adjusting the AIP individual component according to one's achievement against an ESG boundary condition will be discontinued.


A corporate ESG measure will also be added to the Long-Term Incentive Plan (LTIP) for all EC members and around 100 senior executives, with a material weighting of 20 percent. For 2022, the ESG measure will be the company's Scope 1 and 2 emissions reductions at the end of the three-year performance period (2022-2024), compared to the 2019 baseline, as illustrated in the table below.

4 SoTs are typically conducted by the line managers



ESG target points for the 2022 LTIP

Measure	Weighting	Threshold	Target	Maximum
ABB Scope 1&2 CO ₂ emission reduction compared to 2019 baseline	20%	60%	70%	80%

For further information, please refer to ABB's [Compensation Report 2021](#) .