

ABB Ltd – Modern Slavery and Human Trafficking Transparency Statement

The information in this Statement has been approved by the Board of Directors of ABB Ltd and relates to the financial year ended December 31, 2019. The scope of markets included in this Statement covers our operations worldwide, including those of our direct and indirect subsidiaries.

About ABB

ABB (ABBN: SIX Swiss Ex) is a technology leader that is driving the digital transformation of industries. With a history of innovation spanning more than 130 years, ABB has four, customer-focused, globally leading businesses: Electrification, Industrial Automation, Motion, and Robotics & Discrete Automation, supported by the ABB Ability™ digital platform. ABB's Power Grids business will be divested to Hitachi in 2020.

ABB operates in more than 100 countries with about 144,000 employees. With manufacturing operations on six continents, ABB has approximately 70,000 direct material and project service suppliers. We view these suppliers as an extension of our global enterprise and integral to our long-term success.

In 2019, ABB underwent a wide-ranging transformation from a corporate-led organization into a simpler, streamlined company with four vertically integrated businesses and a much leaner corporate center.

By around year-end, ABB had put into effect a new operating model in which all business functions and territories had been transferred into the responsibility of the four businesses. Power Grids was operating as a largely independent business in preparation for the divestment to Hitachi, expected by the end of the second quarter of 2020.

Company approach and principles

We fully acknowledge our responsibility to respect human rights as set out in the International Bill of Human Rights and are committed to implementing the United Nations Guiding Principles on Business and Human Rights throughout our operations. Respect for the dignity of the individual and for the importance of each individual's human rights forms the basis of the behaviors we expect of every individual who works for us, either as a direct ABB employee or indirectly through our supply chain. We do not accept any form of discrimination, harassment or bullying within ABB or its supply chain. To this end we require all of our managers to implement processes designed to ensure equality of opportunity and inclusion for all ABB employees as well as for individuals employed in our supply chain. These include requiring suppliers to take measures to avoid any form of forced, bonded or compulsory labor (or any other kind of modern slavery or human trafficking). Recognizing the extremely complex nature of modern slavery, we continue to emphasize the importance of collaboration and learning from others. We engage with human rights NGOs and are long-standing members of the Global Business Initiative on Human Rights and the UN Global Compact.

Codes and policies

ABB operates a range of key policies and processes that help us to prevent child or forced labor within our operations and our value chain. These include the ABB Code of Conduct, ABB Supplier Code of Conduct, the ABB Policy Combating Trafficking in Persons, ABB Policy on Conflict Minerals, Human Rights policy, Social policy, our supply chain and contractor questionnaires, as well as certain internal directives and guidelines. During 2016, we reviewed and amended a number of these policies to make clear that there is no place in ABB business or within the operations of our contractors and suppliers for modern slavery and human trafficking. These policies remained substantively unchanged during 2019.

Each employee is responsible for ensuring that his or her conduct and the conduct of anyone reporting to the employee fully comply with the applicable laws, the ABB Code of Conduct and the company policies.

Multiple channels, including a web-based reporting system and a business ethics telephone hotline run by a third party, are available to ABB employees and external stakeholders to report integrity concerns. All reports received are reviewed and appropriately investigated; exposures are mitigated, and disciplinary actions are taken as applicable and appropriate, including termination of employment. ABB enforces a strict, zero tolerance policy for violations of the law or the ABB Code of Conduct.

The “Integrity on the Business Agenda” program promotes ownership and accountability for integrity at local business level. The Group Integrity team has developed Group-wide and Business-specific case materials for team discussions led by local business line managers. The Businesses are responsible for making sure that the topics are discussed, relevant actions are implemented, and progress and completion is tracked.

Risk assessment

Human rights criteria are included in the risk review process for screening major ABB projects, in pre-qualification and assessment work with ABB suppliers, and in our process for examining potential ABB mergers and acquisitions. Our due diligence processes – a cornerstone of the UN Guiding Principles on Business and Human Rights (UNGPs) – range from desktop research to site visits and the commissioning of third-party reports, as needed. In conducting this work, we emphasize internal risk assessment processes and research into potentially high-risk projects or operations in high risk countries.

Our human rights risk assessment processes have evolved with time and experience. When the UNGPs were first published in 2011, we analyzed the approach to human rights then in place across ABB, to assess the extent to which our policies and practices were aligned to those Principles. That analysis helped to sharpen our focus on the most salient human rights risks relevant to ABB, including matters related to labor rights of our employees and in our supply chain. During 2016, our Corporate Responsibility, Supply Chain and Legal and Integrity functions worked to further strengthen ABB’s policies and processes that address modern slavery risks within our operations and supplier base.

During 2019, training sessions for our human rights champions network gave us the opportunity to understand how effectively human rights considerations are embedded in a range of decision-making processes and to identify potential areas for improvement. When ABB’s new organizational structure is fully implemented in 2020, we will use these learnings to guide improvements that will make our processes even more robust and responsive to increasing legislative requirements and stakeholder expectations.

Supply Chain

ABB’s Supplier Code of Conduct, 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.

ABB operates a supplier registration and prequalification system for new suppliers. The qualification process evaluates the performance of potential suppliers on broad sustainability parameters such as health & safety, environment and working conditions, as well as quality, compliance and financial factors. This process includes a review of supplier performance related to modern slavery and human trafficking.

For existing suppliers, we have a robust program that focuses on suppliers with a higher sustainability risk, which includes the risk of modern slavery and human trafficking. This Supplier Sustainability Development Program (SSDP) prioritizes suppliers according to a risk matrix combining country risk, commodity risks based on operations characteristics, criticality of the supplier and spend volume. The program consists of three main elements: training, assessment and monitoring. Training on sustainability priorities is provided for both suppliers and ABB employees, on-site assessments evaluate performance status, and improvement plans are monitored to ensure timely completion. Risks related to modern slavery and human trafficking are specifically addressed in the training programs and assessment protocols. We focus on tier one suppliers in priority countries and each year work to expand the reach of the program.

In 2019, we assessed 168 suppliers under the SSDP, identifying 574 risks and mitigating 562 of them. In other activities to support responsible sourcing, we trained 245 ABB employees and 195 suppliers during the year.

For every area of noncompliance identified during our supplier assessments, we launch a 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.

For example, during 2019 we designed and implemented a number of participatory workshops for ABB suppliers in China covering health, safety and environment requirements of the SSDP and legal requirements related to labor conditions. The workshops were designed to address sustainability compliance concerns that were identified during supplier assessments. This proactive approach resulted in a better supplier response and improved standards of performance.

In 2018, we reported an instance of modern slavery at an electronics supplier in Malaysia. We worked with the supplier to ensure their understanding of our requirements regarding the avoidance of forced labor and modern slavery and appropriate actions to address their non-compliance. ABB revisited this facility twice during 2019 to verify that the corrective actions had been completed and are being maintained. These repeat visits included confidential discussions with the affected workers to verify the supplier's statements.

During 2019, an on-site SSDP assessment at a different supplier in Malaysia identified a case of modern slavery involving retention of migrant workers' passports. ABB has obtained the supplier's commitment to return the passports and undertake corrective actions to prevent recurrence and we will monitor the supplier to ensure compliance.

Apart from these cases, neither the on-site assessments nor our other supplier due diligence processes in 2019 indicated the presence or use of modern slavery or human trafficking in ABB's supply chain.

ABB believes in working with suppliers to address non-compliances and improve performance. We apply timelines for corrective action according to the severity of the finding and regularly monitor progress. However, there are consequences for suppliers who are unwilling to align their performance standards with our requirements. During 2019, ABB terminated business with three suppliers due to unsatisfactory progress.

ABB also continues work to understand and limit our exposure to Conflict Minerals, as defined by section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Our commitment is outlined in the ABB Policy on Conflict Minerals.

ABB actions to support responsible minerals sourcing include establishing a Conflict Minerals Program in line with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, identifying the impacted suppliers and working together with our suppliers to identify the source of origin of the minerals mined in conditions where armed conflict and human rights abuses occur (commonly referred to as 3TG - tungsten, tin, tantalum and gold).

As part of our supplier onboarding and evaluation process, we invited all new suppliers to take an ABB-specific web-based training course on conflict minerals that covers the highlights of the relevant law and the importance of ethical sourcing to the industry and communicates ABB's policy on conflict minerals. The training also includes guidance for our suppliers on how to complete the Conflict Minerals Reporting Template (CMRT) as developed and issued by the Responsible Minerals Initiative (RMI) of the Responsible Business Alliance (RBA) and the Global eSustainability Initiative (GeSI). In addition, all new suppliers are required to make an initial conflict minerals self-assessment which indicates if the supplier has taken this training course or an equivalent training.

In May 2019, ABB filed its sixth Conflict Minerals Report with the U.S. Securities and Exchange Commission. ABB fulfilled reporting requirements, contributing to industry-wide efforts to increase transparency in sourcing practices. For the fifth year running, ABB was recognized for responsible sourcing of minerals by an independent benchmark study from the Responsible Sourcing Network. This shows ABB's commitment to supply chain compliance as well as sourcing in a socially responsible manner.

Training

In a year of significant organizational change, it was important to ensure that business managers and functional specialists alike were reminded that ABB is committed to respecting human rights and updated on how ABB's commitment to human rights is applied in their area of responsibility.

We expanded the reach of the human rights champions network and enhanced the training curriculum in 2019, helping us to ensure that appropriate expertise is available in the areas of ABB business that are most exposed to human rights risks. In 2019, a total of 83 champions representing all of ABB's global business lines completed a detailed curriculum. Additional champions will be selected and trained in 2020.

Our second training campaign of 2019 was designed to ensure ABB's senior managers can more readily identify human rights risks at an early stage of the business process and then consult with qualified advisors when needed. During the year, the program trained the management teams of 13 global business lines. It will train ABB's remaining management teams in early 2020.

This capacity building effort is already yielding results. Procurement specialists used their experience to raise awareness of human rights in their own teams and to expand the scope of manufacturing process audits for new and existing suppliers to include human rights criteria. HSE specialists incorporated attention to risks of modern slavery in their contractor reviews.

The awareness training sessions with senior business leaders resulted in broad-ranging discussions that addressed a number of areas and revealed some practical recommendations to help leaders and their teams ensure human rights are embedded in their business processes. We will implement these suggestions during 2020.

In 2019, we also developed further training materials specific to functions with more exposure to human rights risks: procurement, sales & marketing and operations. Human rights champions will be trained to deliver these sessions, and all business lines will be required to roll out this training in 2020.

ABB has been on its human rights journey for over a decade. We have many building blocks in place to address the risks of modern slavery and forced labor, such as our Human Rights Policy, criteria embedded in decision-making processes and training programs, all of which are helping us to deliver on our commitment to human rights. Recognizing the extremely complex nature of human rights, we will continue to emphasize the importance of collaboration and learning from others, including peer learning reviews in the Global Business Initiative on Human Rights and lessons drawn from the annual United Nations stakeholder forum in Geneva.



Peter Voser
Chairman of the Board
25 February 2020