



ABB Group
Sustainability Performance Report 2014
Committed to a better world



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While this report provides certain information with respect to ABB products, services, technologies and standards of conduct, its contents must not be construed as constituting an expressed or implied warranty or representation.

ABB in summary

ABB is one of the world's leading power and automation technology companies. We are present throughout the entire renewables value chain, from power generation to transmission, distribution and electric mobility.

We provide solutions for secure, energy-efficient generation, transmission and distribution of electricity, and for increasing productivity in industrial, commercial and utility operations.

Sustainability considerations cover how we design and manufacture products, what we offer customers, how we engage suppliers, how we assess risks and opportunities, and how we behave in the communities where we operate and towards one another, while striving to ensure the health, safety and security of our employees, contractors and others affected by our activities.

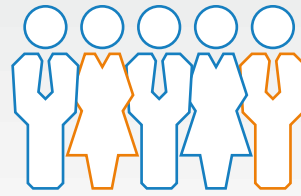
Our portfolio ranges from switches and sockets to robots, and from large transformers to control systems that manage entire power networks and factories.

We help our customers meet their challenges with minimum environmental impact. That's why ABB stands for "Power and productivity for a better world."

Our sustainability performance reporting is guided by the Global Reporting Initiative's (GRI) G4 Guidelines. A summary table of numerical performance indicators is included. The independent assurance provider DNV GL has provided assurance of selected indicators and reviewed key data and claims in the report. Its assurance statement appears on p. 58 of this report.



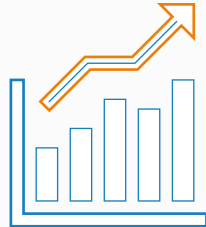
\$ 1.5
billion
invested in R&D in 2014



140,000
employees

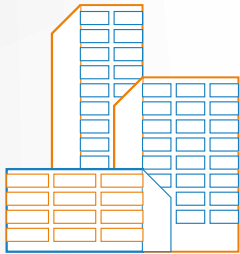
445
TWh energy saved
by ABB drives

150
nationalities



\$ 41.5
billion
orders
in 2014

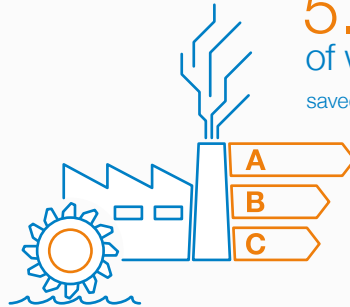
51%
of revenues
related to energy efficiency
and renewable energy



1 company delivering
power and productivity
for a better world



\$ 9
million
spent on community
projects in 2014



5.2 million m³
of water
saved through reuse and recycling

200+
energy efficiency
projects under way

28
awards
for good corporate
citizenship worldwide



500
managers trained
on human rights

175
supply chain
assessments in 2014



94,000+
employees
trained on anti-bribery principles in 2014

2,500+
critical suppliers trained
since 2011

Sustainability is part of our growth strategy



In 2014, ABB introduced its new “Next Level” corporate strategy, aimed at accelerating sustainable value creation, and charting our plans to improve our business and strengthen growth from 2015–2020. Sustainability considerations and values, particularly our efforts to improve health, safety and environmental performance, are a crucial part of the strategy.

In developing the Next Level strategy, we took into account our Sustainability Strategy, endorsed by our Executive Committee at the end of 2013, and see sustainability as an integral part of our overall strategy.

Our company vision “Power and productivity for a better world” reflects a commitment to our customers in utilities, industry, infrastructure and transportation that the automation and power products, systems and services we supply can make a global contribution to reducing energy use and lowering environmental impact. In short, we will contribute to decoupling economic growth from environmental impact.

Embedding sustainability considerations into our daily business helps us in different ways to create value and to manage risk. In terms of value creation, our ability to innovate and manufacture energy-efficient products has a significant impact on what we can offer customers and on our success. We believe we can go further. One of our strategic targets is to increase revenues from our energy-efficient portfolio by 20 percent by 2020.

Good risk management strengthens business performance and resilience. We took many additional steps in 2014 to improve our health and safety, security, environmental and social performance within the company, at project sites and in the communities where we operate. ABB carries out project work in some high-risk areas around the world so it is crucial we have appropriate security to protect our people and assets, and that we understand, avoid or mitigate potential environmental, social and human rights impacts.

A top priority for ABB is to ensure the health and safety of our employees and contractors. Under the overall theme of “Don’t look the other way,” we launched many additional activities in 2014 – from the very top of the company through to our employees in the factory and field – and saw some improvement in certain areas. However, as the results show, we are still on an improvement journey. Three people died and we had a slightly improved total recordable incident frequency rate for employees and contractors of 9.5 per 1,000 persons. Our target is always zero incidents.

We are driving our initiative to strengthen health and safety behavior, not just in terms of observing the rules but through a greater sense of personal leadership and responsibility, and to ensure it is universally recognized as a core company value. We have made safety and integrity primary corporate values and don’t accept compromise in either of these areas.

Among the many measures taken, which you can read about in this report, we held our first-ever global health and safety week which resulted in widespread engagement. We recorded more than 140,000 participants at 2,500 training sessions and workshops held in around 40 countries – with many employees and contractors attending more than one session. While we are fully behind such initiatives, we are very aware that health and safety is a 52-week priority each and every year, and that much remains to be done to ensure we perform better.

Turning to the environment, ABB has the products, systems and services to support efforts to increase resource efficiency, and reduce our customers’ emissions and energy costs. As I said at the United Nations Climate Summit in 2014, we have to decouple economic growth from environmental impact, which means less energy per unit of GDP, and lower emissions per unit of energy.

This requires progress in three areas: Technology, policy and behavior. Our core area of expertise is clearly energy-efficient technology. Much of this technology is already available and proven, with relatively short payback times.

As an example, our installed base of variable speed drives, which regulate motors to the speed at which they need to operate rather than running constantly at a pre-set, more wasteful speed, make a significant contribution to reducing energy use. Operating rather like the gearbox of a car, the drives save the same amount of energy used by 110 million European Union households every year. This is just one of many areas where we currently make a difference, for our customers and for society.

ABB invests heavily in sustainable innovation and won further international recognition for technology breakthroughs in 2014.

For example, we recorded a significant breakthrough in switch-gear technology with the development of a solution that deploys a new insulation gas mixture as a substitute for the potent sulfur hexafluoride (SF₆). ABB's gas-insulated switch-gear with the new gas mixture now has the potential to lower carbon dioxide equivalent emissions by up to 50 percent through the lifecycle of the equipment, compared to its predecessor with the same rating.

We unveiled the world's first truly collaborative robot, YuMi®. It is a human-friendly dual arm robot designed for a new era of automation, such as in small parts assembly, where people and robots work safely together on the same tasks. The high-precision robot, with the ability to feel and see, has safety built-in to its functionality so that it can work without a protective cage.

Furthering our contributions to a more sustainable world, we entered into partnerships in 2014 which will yield major business and sustainability benefits. In China, we will jointly develop new solutions for energy storage in collaboration with BYD. We also agreed to a strategic partnership with Shenzhen BYD Daimler New Technology Co. to supply direct-current fast chargers over the next six years for the DENZA electrical vehicle. This builds on other country-wide agreements in Europe for ABB to set up EV fast-charging networks.

In a different kind of collaboration, we signed a partnership agreement with the global wind energy company Vestas to deploy our technologies jointly to help rural communities in developing markets gain access to affordable and clean electricity. This project, part of Vestas' Wind for Prosperity initiative, will start with off-grid communities in Kenya. The provision of power drives economic and social progress in communities large and small, and can lead to the fulfillment of human rights such as employment, education, health-care and housing.

“When we speak of taking business to the next level, sustainability is an integrated part of that journey.”

In 2014, ABB formed an innovation and technology alliance with Solar Impulse, a groundbreaking project to fly a solar-powered aircraft around the world. Our alliance reflects a common goal: To develop sustainable solutions which demonstrate that economic growth is feasible without increasing energy consumption and carbon emissions. Solar Impulse shows what is possible with a pioneering spirit and a passion to venture beyond the boundaries of convention; ABB shows how breakthrough innovation can be transformed into tangible technologies and solutions for a better world.

“Power and productivity for a better world” is ABB's way of combining our strong business focus with sustainability as an integral part of what we do and stand for. It reflects our commitment to develop innovative products, systems and solutions which contribute to improved and more energy-efficient performance by our customers. Or, in simple terms, to run the world without consuming the earth.

So when we speak of taking our business to the next level, sustainability is an integrated part of that journey.



Ulrich Spiesshofer
CEO

Implementing our objectives

After launching a new set of sustainability objectives at the end of 2013, we have placed considerable focus on setting more detailed targets and making progress towards achieving them. The latest materiality survey in 2014, covering external stakeholders, provided a strong endorsement of our goals and further encouragement to make concrete progress towards full implementation.

The sustainability objectives for 2014–2020 cover nine areas and highlight how ABB does and can contribute to a more sustainable world. These are detailed elsewhere in the report but overall they include such areas as our products and services, climate change, resource efficiency, integrity, sourcing, safety and security, and our role as an employer and in society. All of these issues have a direct or indirect impact on ABB's business success.

The objectives are being driven by different parts of our organization, both functionally and directly along business lines. In 2014, we put further numbers on the objectives, developing targets and key performance indicators, and began the process of implementation.

Setting targets

Our sustainability objective on products and services, for example, highlights our ambition of being a world leading supplier of innovative, safe and resource efficient products, systems and services that help customers increase productivity while lowering environmental impact. With our business, we have now set a target to increase revenue from our energy-efficient portfolio by 20 percent from 2014 to 2020. In addition, we have committed to reducing our own energy intensity by 20 percent per dollar sales in our objective on energy efficiency and climate change.

In other areas, we have clarified either target figures or the criteria on which our success in implementing the objectives will be based. We set these targets after considerable work with internal and external stakeholders. For example, external stakeholders urged us to develop more detailed targets on our energy-efficiency portfolio, and report how this will impact our business and environmental performance.

As this work continues, we expect further targets to be defined and further milestones towards achieving our goals in 2020 to be set. For example, one of our aims is to set up a human rights network to advise the business by 2016. Capacity building training sessions were held in 2014 and more are scheduled in 2015 to meet this target.

Progress on objectives

Improving safety performance – one of the sustainability objectives – was one of the highest profile focus areas within the company in 2014. A leadership initiative to drive a change of culture, called “Don't look the other way,” kicked off early in the year. The initiative, focusing on ensuring that employees and contractors fully observe the rules and develop a greater sense of personal leadership and responsibility, was driven throughout the company in a series of events, culminating in the Group's first-ever global safety week.

Our first quantitative targets and key performance indicators on safety reflect this drive to strengthen the company's safety culture. We are focusing on lead rather than lag indicators – emphasizing positive personal behavioral change – in our efforts to become a best-in-class performer by 2020. This is why we have chosen to set rates for factory and site safety observation tours, levels of hazard reporting and the number of facilities certified with health and safety management systems. We will, of course, continue to report fully on the lag indicators of our health and safety performance.

Steady and quantifiable progress was made in 2014 on a number of other objectives such as integrity, security, supply chain, human rights and how we develop our people. Details of the programs and training sessions are covered later in the report.

All such areas underpin business success and resilience. Failure to maintain the highest standards can result in major costs – human, financial and reputational.



Focus for 2015

We have also been setting priorities for 2015. These focus areas can be found in our sustainability objectives dashboard in this report. For example, we will be working to ensure that a health, safety and environmental checklist, which was updated in 2014, is fully integrated in the development of new products and systems in 2015 and beyond.

As part of our efforts to achieve zero waste, all ABB sites are being encouraged in 2015 to increase the amount of waste that is re-used or recycled, and reduce the amount of waste sent for final disposal.

Stakeholder feedback

In common with previous years, ABB consulted external stakeholders again in 2014 to better understand perceptions of the company's sustainability objectives and levels of ambition, as well as to test our assumptions about the materiality of key areas of focus.

We received useful guidance on certain issues. While the consensus is that the nine objectives are the right areas of focus, and the most material ones for ABB, there was a clear desire among external stakeholders for ABB to provide greater detail on how our products and services are benefitting society, how they are contributing to the "better world" of ABB's tagline.

We were also told ABB should build on existing partnerships for increased customer value and further investigate collaborative efforts along the value chain, such as working more closely with suppliers. As can be seen in the chapter on sourcing, this is already happening with different aspects of sustainability included in training sessions for a further 760 suppliers in 2014, and another 175 supplier assessments carried out.

A materiality matrix for 2014, published in this report, was drawn up on the basis of these and other consultations with stakeholders. There is a broad alignment between our objectives and the matrix. But one of our key takeaways is that ABB needs to demonstrate the value of implementing our sustainability objectives more effectively.

Assurance




As part of ABB's efforts to achieve higher sustainability standards, we agreed with our external assurance providers DNV GL that they would take a broader look at our reporting, performance and sites than in previous years. Their assurance statement appears towards the end of this report.

Our latest materiality survey provides a strong endorsement of our goals.

In short, our sustainability efforts and objectives are part of our business and our success, and they are aligned with the corporate strategy that will take ABB through to 2020. We know how much work lies ahead to deliver the objectives but we are determined to make a further, significant contribution to "a better world" in the years ahead.

Performance against targets 2014

Issue Area	Ambition and Targets	Main Activities, Achievements and Challenges 2014
Products & services	<p>Ambition 2020: ABB is a world leading supplier of innovative, safe and resource efficient products, systems and services that help customers increase productivity while lowering environmental impact</p> <p>Targets: 20% revenue increase from energy efficiency-related products, systems and services</p> <p>Qualitative assessment of technology contribution to environment, profit, society</p>	<p>51% of ABB revenues relate to energy efficiency and renewable energy in 2014. Same level as 2013</p> <p>Innovations released in 2014 include: – New cable, doubles power flow and extends range significantly with reduced losses – Switchgear technology with eco-efficient insulation gas, cuts carbon footprint of GIS – SmartVentilation for underground mines, cuts energy use and improves safety</p> <p>Updated Health, Safety and Environment (HSE) checklist and guidelines for Research and Development (R&D) – 132 R&D engineers trained on HSE checklist; over 80% of project leaders at largest R&D center trained</p> <p>Additional guidance provided on Conflict Minerals and Rare Earths</p>
Integrity	<p>Ambition 2020: ABB recognized as one of the most ethical companies by customers, suppliers, investors and employees</p> <p>Targets: 100% of employees trained on integrity issues and processes</p>	<p>ABB again recognized by Ethisphere Institute as one of The World's Most Ethical Companies; Compliance Leadership Verification as well as Anti-corruption Program Verification seals also awarded in 2014 for the 2015–2016 period</p> <p>Global anti-bribery e-learning module rolled out – more than 92% completion, 94,000+ people trained</p> <p>Integrity training and communications programs at Group, regional and country levels – monthly communication updates distributed through Group; integrity updates and cases of consequence published internally</p> <p>Implementation of integrity programs formally reviewed in individual countries</p> <p>Training and extension of Ombuds program – currently more than 80 trained Ombuds persons in 50 countries</p>
People and society	<p>Ambition 2020: ABB attracts, retains and develops dedicated and skilled people from diverse backgrounds, and engages with a wide range of stakeholders, including communities, to maximize benefits for our business and society</p> <p>Targets: Percent of personal development actions implemented versus plan</p> <p>ABB community engagement tool implemented in major ABB countries</p>	<p>People Strategy developed to support corporate strategy, nine core areas defined</p> <p>Increased number of formal white and blue collar personal performance and development appraisals to 90,700 white collar and 11,000 blue collar appraisals</p> <p>Integration of acquired companies into ABB Human Resources processes</p> <p>Extended learning and development programs for different levels of employee – further 3,000 people took part in Leadership Challenge Program, one of several targeted training programs</p> <p>Increased use of community engagement measurement tool to better understand impact of social projects – nearly 70% of reporting countries provided detailed feedback on social spending</p>
Human rights	<p>Ambition 2020: Human rights issues are well understood and managed in all ABB operations along the value chain</p> <p>Targets: Network of sustainability employees trained on human rights by 2016</p> <p>600 managers trained by end of 2016</p>	<p>Further capacity building training in four countries; first meeting of network focusing on issues from Asia, and North and South America</p> <p>Awareness-raising training in three more countries; another 100 senior and middle managers trained, bringing total to date to 500</p> <p>Development and release of human rights awareness raising e-learning module for all employees</p>

-  On schedule
-  Started
-  Behind schedule

Status end of 2014	Focus 2015	Link to material issues
↑	<p>Ensure that ABB's HSE Checklist (focusing on energy efficiency and environmental issues) is applied in development of products and systems</p> <p>Expand scope of energy efficiency portfolio, formalizing processes and definitions for ABB's "green" product portfolio and making methodology auditable</p>	<p>Products and services</p> <p>Also includes: Energy efficiency and climate change; resource efficiency, right materials and responsible sourcing</p>
↑	<p>Full completion of anti-bribery training</p> <p>Continue to promote management initiative "Don't Look the Other Way" (safety and integrity) as part of Next Level strategy</p> <p>Further promote hotline reporting using ABB's reporting channels and Ombuds program</p> <p>Continued focus on ABB's training and communications efforts at Group, regional and local level</p> <p>Continue to enforce business accountability and tone from top and middle management</p> <p>Further work to ensure thorough implementation of ABB rules and policies in countries where ABB has operations</p>	<p>Integrity</p> <p>Also includes: Developing our people, stakeholder engagement, human rights, safe and secure operations, products and services, responsible sourcing, right materials</p>
↑	<p>Establish Group-wide process for capability management and workforce planning</p> <p>Full alignment of competency framework to corporate Next Level strategy</p> <p>Strengthen succession planning as part of organizational development reviews</p> <p>Take measures to increase links between compensation and personal performance</p> <p>Improve reporting of community engagement activities in order to develop Group-level KPIs</p>	<p>Developing our people</p> <p>Stakeholder engagement</p> <p>Also includes: Integrity, human rights, safe and secure operations, products and services</p>
↑	<p>Build further capacity to expand human rights network with representatives from more countries</p> <p>Work with key businesses on identifying and avoiding potential risks</p> <p>Further awareness-raising training in countries and functions</p> <p>Roll out of e-learning module</p>	<p>Human rights</p> <p>Also includes: Stakeholder engagement, integrity, safe and secure operations, responsible sourcing, energy efficiency and climate change, products and services, developing our people, right materials</p>

Issue Area	Ambition and Targets	Main Activities, Achievements and Challenges 2014
Safe and secure operations	<p>Ambition 2020: Safety is a core value. All ABB operations have an excellent health, safety and security culture embedded in their day-to-day business, targeting zero incidents</p> <p>Targets: Safety Observation Tour (SOT) rate = 1.2 per employee, run rate 180,000</p> <p>Hazard reporting rate= 2 per employee, run rate 300,000</p> <p>>95% certified Health and Safety Management Systems</p>	<p>Total recordable incident rate of 9.95 for employees and 7.76 for contractors</p> <p>Implementation of internal leadership campaign “Don't Look the other way” program (safety and integrity)</p> <p>Personal safety commitment signed by Executive Committee and 200 top managers</p> <p>First-ever global safety week, involving 2,500 training sessions and around 142,000 attendees</p> <p>SOT training conducted throughout Group. Hazard and near miss training rolled out</p> <p>Code of Practice for Safe Working covering 50 safety topics launched</p> <p>Certified health and safety management systems at 378 of 578 locations</p> <p>Ongoing mandatory security and crisis training for country management teams – further 250 people trained in 25 countries</p>
Responsible sourcing	<p>Ambition 2020: Social and environmental risks and impacts of sourcing practices are well understood and managed</p> <p>Targets: Number of suppliers assessed (internal / by third party)</p> <p>Total number of risks identified</p> <p>Total number of risks mitigated</p>	<p>Ongoing supplier sustainability training and development program:</p> <ul style="list-style-type: none"> – Supplier Code of Conduct now available in 15 languages, Implementation Guide in 4 languages – 762 suppliers trained; total since 2011 is more than 2,500. Scope expanded to Thailand, Indonesia and Vietnam – Further 264 ABB people trained; total since 2011 is over 2,000 – Lead assessor certification program expanded to Brazil, South Africa, India – 175 suppliers formally assessed, mainly in China, India, Brazil, Mexico and South Africa; total since 2010 is around 600 – Assessed 375 risks; nearly 1,100 assessed since start of program – Mitigated 152 risks; 675 risks mitigated since start of program
Energy efficiency and climate change	<p>Ambition 2020: ABB is an industry leader in energy efficiency, use of low-carbon fuels and renewable energy. We cut greenhouse gas (GHG) emissions.</p> <p>Targets: 20% decrease in energy intensity per \$ sales from 2013 (megawatt hours/million \$ sales)</p>	<p>Energy intensity cut by 1.6%</p> <p>More than 200 energy saving projects under way at ABB sites</p> <p>ABB in Egypt obtains ISO 50001 certification; ABB inaugurates unified energy management system for six centers in Spain</p> <p>GHG emissions rose by 4% due to increased SF₆ emissions and increased scope of air travel data</p> <p>Sites handling SF₆ gas implementing action plans to control and reduce SF₆ emissions</p>
Resource efficiency	<p>Ambition 2020: Materials and water use is optimized. Facilities in very scarce, scarce and water stressed areas to reduce water use. We target zero waste</p> <p>Targets: Cut water consumption by 25% in water scarce/water stressed areas</p> <p>Reduce waste sent for final disposal by 20%</p>	<p>Water saving projects under way in individual countries and sites; overall, small reduction in water withdrawals recorded</p> <p>Waste reduction, recycling and reuse projects under way in many sites; proportion of waste sent for final disposal increased and total waste generated decreased significantly, primarily as result of divestments</p>
Right materials	<p>Ambition 2020: We aim for materials that are sustainable. Hazardous substances are used in closed loops or not at all</p> <p>Targets: Reduce amount and type of hazardous substance used/emitted</p> <p>EU REACH compliance</p>	<p>Projects to reduce hazardous substances under way at individual sites; reduced lead in solder by 24%</p> <p>Worked to improve quality of hazardous substances reporting; significant increase in phthalates and lead in rubber compounds due to improved reporting</p> <p>ABB list of prohibited and restricted substances updated to meet legislative changes</p> <p>ABB's internal network supports Business Units on material compliance; eight training sessions on different aspects of REACH regulation conducted</p>

Status end of 2014	Focus 2015	Link to material issues
	<p>Internal SOT reporting mandatory from 2015</p> <p>Mandatory “Don’t look the other way” safety master-classes for all Business Unit heads and senior managers. Training to be cascaded in key countries by ABB personnel and external trainers</p> <p>Improved communications: Introduction of enhanced process for sharing and implementation of lessons learned from incidents</p> <p>Health and safety management to be included in internal audit protocols</p> <p>Define scope of certified management systems target</p> <p>Continue to improve business resilience through crisis training and project security training program</p>	<p>Safe and secure operations</p> <p>Also includes: Integrity, human rights, stakeholder engagement</p>
	<p>Extension of the Supplier Sustainability Development Program (SSDP) to cover suppliers in Indonesia, Thailand and Vietnam</p> <p>Re-assessment of suppliers with closed corrective action plans</p> <p>Further capacity building of suppliers and ABB employees</p>	<p>Responsible sourcing</p> <p>Also includes: Products and services, resource efficiency, right materials, energy efficiency and climate change integrity, human rights, developing our people, safe and secure operations, stakeholder engagement</p>
Energy	<p>All ABB manufacturing, workshop and office facilities to continue energy efficiency efforts according to energy savings plan in local management system</p> <p>All ABB manufacturing, workshop and office facilities to continue to assess main sources of greenhouse gas emissions and develop action plan to cut emissions</p>	<p>Energy efficiency and climate change</p> <p>Also includes: Products and services, responsible sourcing, resource efficiency, right materials</p>
GHG	<p>Sites handling SF₆ gas shall measure, control and reduce emissions of SF₆ according to action plan</p>	
	<p>Update facility mapping according to watershed and define initial 30 facilities included in water reduction commitment</p> <p>Continue to monitor and support implementation of ABB’s water efficiency target at ABB sites</p> <p>All sites to implement plans to increase share of waste reused or recycled</p> <p>All sites to implement plans to reduce amount of waste sent for final disposal in absolute terms</p>	<p>Resource efficiency</p> <p>Also includes: Products and services, right materials, energy efficiency and climate change, integrity, stakeholder engagement</p>
	<p>Ensure compliance with and track development of EU REACH</p> <p>Ensure formal acceptance procedures are in place for any new substances or components used in ABB products and production</p> <p>Conduct training on how to comply with legislation on hazardous substances</p>	<p>Right materials</p> <p>Also includes: Products and services, resource efficiency, energy efficiency and climate change integrity, human rights, developing our people, stakeholder engagement</p>



Our business

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This is ABB

Shaping a global leader in power and automation

As one of the world's leading manufacturers of power and automation technologies, we work to ensure reliable and efficient transmission and distribution of electricity and increased productivity in industrial, commercial and utility operations, at the same time as lowering our customers' environmental impact.

We necessarily work and interact with a wide range of business partners as part of our efforts to deliver sustainable profitable growth. Our approach to value creation is based on partnerships and exchanges – of goods, services, skills and information – which benefit both ABB and our industry, utility, infrastructure and transportation customers. This is sometimes described as creating shared value; it is mutually interdependent.

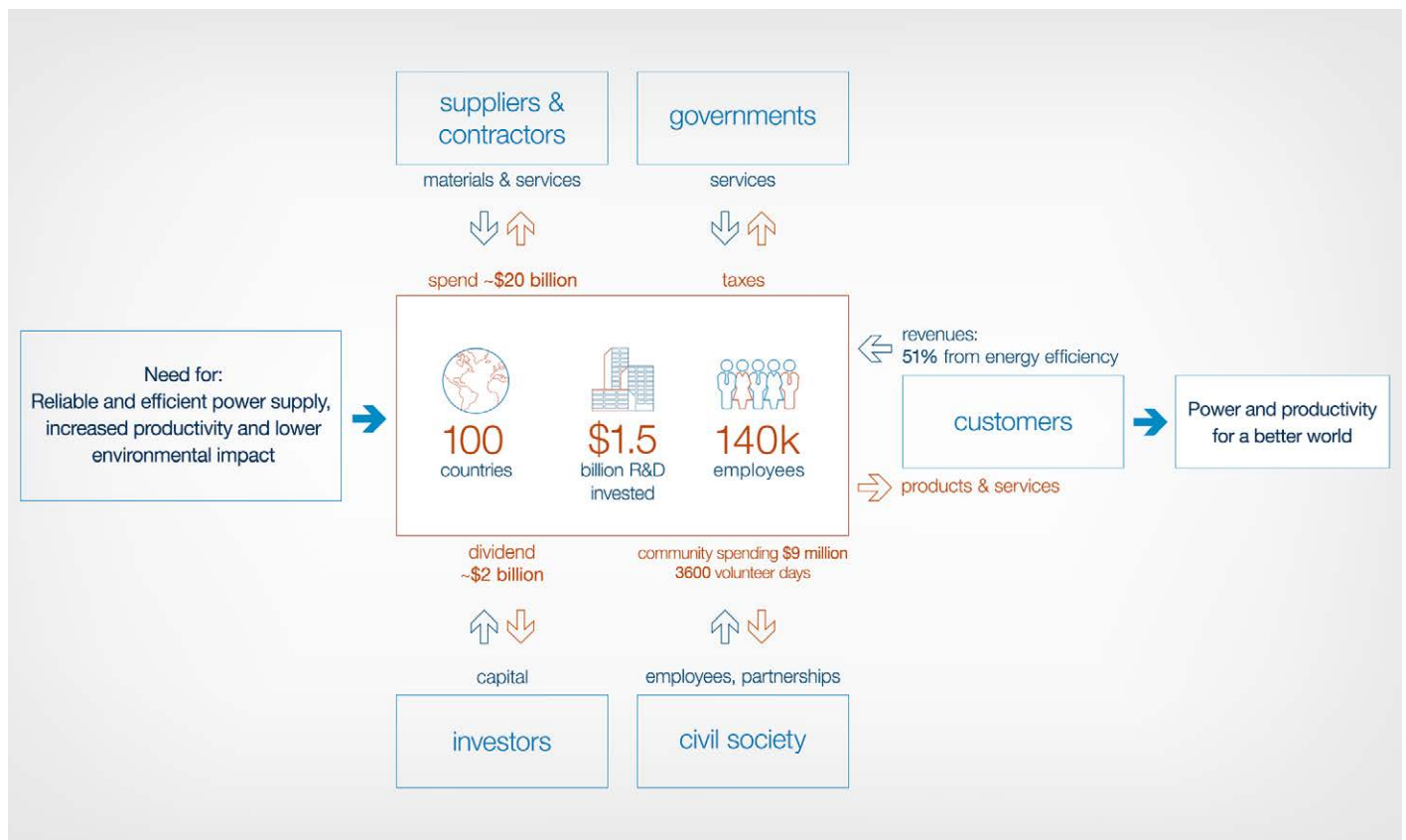
Our success is based on constant and innovative interaction: with our researchers who provide the backbone for technology leadership and enable us to serve our customers better; with our suppliers who commit to providing their services in an economical, high quality and on-time manner, using the materials and processes agreed with ABB; and with our employees and contractors who are responsible for developing and delivering the systems, products, solutions and services to our global customers.

Our operating parameters are determined by partners such as governments, which provide the regulatory frameworks for our business, and investors, institutional and individual, who provide the lifeblood for our operations. We need to satisfy their demands to prosper.

Central to our ability to maintain technology leadership and create value – for ourselves and for society – is our ability to attract, develop and retain the right people in the right jobs. Our interaction with different parts of society helps us to attract the best employees and secure our standing in the communities where we operate.

These are some of the factors which help us to derive value from and create value for our customers, through whichever channel we serve them, and they underscore our daily efforts to create "Power and productivity for a better world."

ABB value chain



In 2014, ABB laid the foundations to take the company to the next level, with a new strategy aimed at accelerating sustainable value creation to deliver attractive shareholder returns. To provide us with a systematic and robust approach for value creation, enhanced earnings per share and cash return on invested capital, ABB defined three focus areas: profitable growth, relentless execution and business-led collaboration.

ABB vision

Our Next Level strategy is built around ABB's vision: "Power and productivity for a better world." This describes what we stand for: Power, because we are a leader in addressing power infrastructure and control needs for utilities, industry, and transport and infrastructure; and Productivity, because ABB is a leader in operational asset effectiveness – supporting our customers in achieving high uptime and speed while reducing waste.

"Better world" refers primarily to our value proposition to decouple economic growth from environmental impact. Based on our offerings and technologies, we are well positioned to enable growth with less relative energy consumption and make the energy supplied cleaner and more sustainable.

Profitable growth

To achieve the next level, ABB is targeting profitable growth by shifting our center of gravity – through strengthening competitiveness, driving organic growth and lowering risk.

We are enhancing competitiveness in areas such as technology, service and software. We will expand our customer value proposition with new engineering and consulting services and advanced software-based services. Our offerings are also addressing the big shift in the electrical value chain – for instance with more efficient, long-distance power transmission and micro-grids – and we are innovating to help our customers derive the benefits of the "internet of things, services and people."

ABB's strong global presence means we are well positioned to access high-growth segments, where we are driving momentum by selling more of our existing offering to customers, developing innovative new offers and value propositions, and expanding into additional, high growth segments.

Alongside our focus on organic growth, we are also reducing intrinsic business risks by, for example, aligning business models more closely with our core competencies.

We are complementing our focus on organic growth by targeting incremental strategic acquisitions that contribute value in line with the new strategy. We are also extending partnerships with other leading global companies.

Relentless execution and business-led collaboration

Our second strategic focus area is execution. We have been successful in our programs to reduce costs and improve customer service. We intend to broaden those efforts by developing a leading operating model across ABB, starting with the areas of white-collar productivity, net working capital management and quality.

Our third focus area is aimed at simplifying how the organization works together and at achieving a more market focused organization. We have introduced undiluted and clear business-line responsibility as the core of ABB, along with strengthened cross-business collaboration.

Big shifts in power and automation

ABB's future business prospects are promising, thanks to the big shifts taking place in the electricity value chain and industrial automation. The rise of the emerging economies is also a tremendous opportunity; in Africa and India alone, nearly one billion people are waiting for access to electricity.

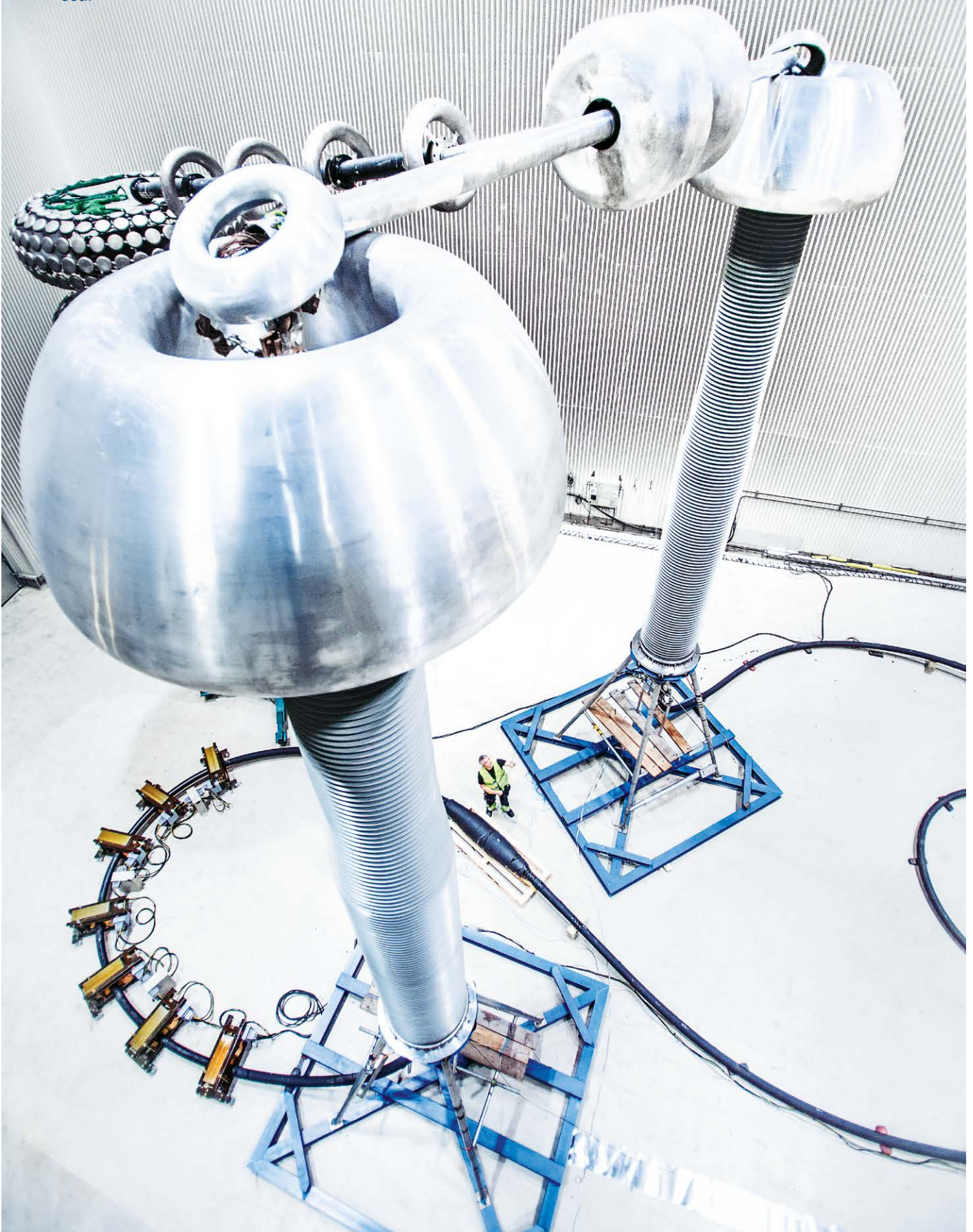
Electricity supply is undergoing seismic changes as the power generation mix shifts towards renewables and more feed-in nodes increase the complexity of the grid. By 2035, renewables are expected to account for 40 percent of new power generation, meaning electricity will have to be transported over longer distances and at higher voltages. Renewables are also making stand-alone grids possible for remote, off-grid communities and innovations in power storage technology promise to dramatically expand the application of these micro-grids.

Thanks to the internet, the world is on the cusp of a new revolution in digital technology. The next step will be the optimization of industry: from a central control center and using algorithmic reasoning, we will be able to help our customers get more out of their devices and maximize the performance of their plants and machinery. A new era in industrial automation is just around the corner.

In terms of markets, emerging economies are expected to account for two-thirds of global GDP growth in the next five years. We can expect demand for electricity to soar as incomes rise and economic development advances.

The long-term demand outlook in our three major customer sectors – utilities, industry, and transport and infrastructure – remains clearly positive. We are well-positioned to tap these opportunities for long-term profitable growth, with our strong market presence, broad geographic and business scope, technology leadership and financial strength.

ABB technologies contribute to the development of a cleaner, more reliable and efficient power supply. Our high-voltage transmission systems help transport power and connect transmission grids over land, underground and even under the sea.



Well positioned in attractive markets

ABB is a leading provider of power and automation technologies for power utilities, industrial enterprises, and transport and infrastructure customers. They are attractive sectors – the market served by ABB is forecast to grow from about \$600 billion in 2014 to \$750 billion in 2020.

Utilities

ABB serves utilities and industrial and commercial customers with products, systems and services for the generation, transmission and distribution of electricity. Turnkey solutions include power plant electrics and automation, bulk power transmission, substations and network management.

The product offering across voltage levels includes circuit breakers, switchgear, capacitors, instrument transformers, power, distribution and traction transformers, and a complete range of medium-voltage products. With a 130-year heritage of technology and innovation and a presence in more than 100 countries, ABB continues to shape the grid of the future, by facilitating power capacity, enhancing reliability, improving energy efficiency and lowering environmental impact.

Power generation

ABB provides integrated power and automation solutions for all types of power generation plants, including coal, gas, combined-cycle, nuclear, waste-to-energy and a range of renewables including solar, wind and biomass. ABB technologies help optimize performance, improve reliability, enhance efficiency and minimize emissions throughout the plant life cycle.

Power transmission

ABB's comprehensive offering includes both AC and DC products, systems and services, which help customers maximize efficiency, reduce transmission losses, and improve grid

reliability. Sixty years ago, ABB pioneered high-voltage direct current (HVDC) transmission, an essential technology in the efficient transportation of large amounts of power over long distances with minimal losses. Our high-voltage technologies, such as switchgear and transformers up to 1,200 kilovolts (kV), help transport power and connect transmission grids over land, underground and even under the sea.

In 2014, ABB launched the world's most powerful submersible power transmission cable system, a 525-kV extruded HVDC cable that doubles power flow and extends range significantly, enabling greater integration of distant renewable energy sources into the grid and improving grid interconnections. ABB's substation offering includes flexible alternating current transmission systems (FACTS) technologies that help improve power quality and can significantly increase the capacity of existing AC transmission systems – by as much as 50 percent. FACTS solutions can also be used for the safe integration of intermittent power sources, such as wind and solar, into the grid.

Power distribution

ABB's distribution offering includes a complete range of medium-voltage products as well as network management and utility communications solutions to monitor, control, operate and protect power systems. These solutions are designed to manage power networks intelligently, ensure the reliability of electricity supplies and enable real time management of transmission grids and distribution networks. The portfolio also includes supervisory control and data acquisition (SCADA) systems, and enterprise software solutions that facilitate the convergence of operational and information technologies.

Industry

ABB technologies are key enablers of industrial productivity, increasing the output, quality, variety and affordability of goods, and helping to raise living standards around the world. They power manufacturing and processing plants, monitor and manage the processes to maximize efficiency, ensure people, process and product safety, and drive key equipment.

Energy efficiency and productivity are the hallmarks of ABB's offerings for industry. Our energy efficient products, systems and services reduce consumption and therefore electricity bills and carbon emissions, while our automation systems increase productivity, quality and efficiency, and keep workplaces safe.

Productivity

Thanks to its long history of developing automation solutions for industry, ABB is today the global leader in distributed control systems, with more than 20 percent market share*. Our systems measure, analyze, diagnose, and provide full control of industrial plants in industries from chemicals, pulp and paper, mining, minerals processing (e.g., cement making), to pharmaceuticals and food and beverage.

Energy efficient

Complementing our portfolio of control systems are our energy efficient motors and drives, where we are also global

market leader. Last year, our installed base of drives saved about 445 terawatt hours (TWh) in electricity, equivalent to the annual power consumption of 110 million European households. Only a small proportion of the world's electric motors, which account for about 70 percent of industrial electricity consumption, are able to efficiently adjust their power use to match the required demand. This leaves significant room for continued market expansion, which is further supported by increasing minimum energy performance standards in many countries and industries.

Redefining robotics

As the company that pioneered the world's first electrically powered industrial robot in 1974, ABB supplies robots for industries as diverse as automotive, packaging and palletizing, and consumer electronics. Now we are again redefining robotics with YuMi, an innovative dual-arm collaborative robot. YuMi is designed for a new era of automation; for example, in small parts assembly, where people and robots safely work alongside each other on the same tasks.

Service

Tying together ABB's portfolio of automated systems is our comprehensive range of service offerings. Our life-cycle services ensure the health, reliability and continual evolution of installed equipment, while our experts can be called on to help customers reduce energy consumption and improve process efficiency and reliability. ABB also offers a host of remote monitoring and predictive maintenance services that can alert and dispatch service experts to resolve potential issues before a shutdown occurs.

* According to leading technology research and advisory firm ARC Advisory Group



ABB provides systems and solutions for the automation and electrification of industrial processes across industries as diverse as oil and gas (pictured), pulp and paper, metals, minerals and mining, chemical and marine.



ABB's industrial motors drive key equipment, and frequency converters deliver precise and dependable motor control while helping to reduce energy consumption.

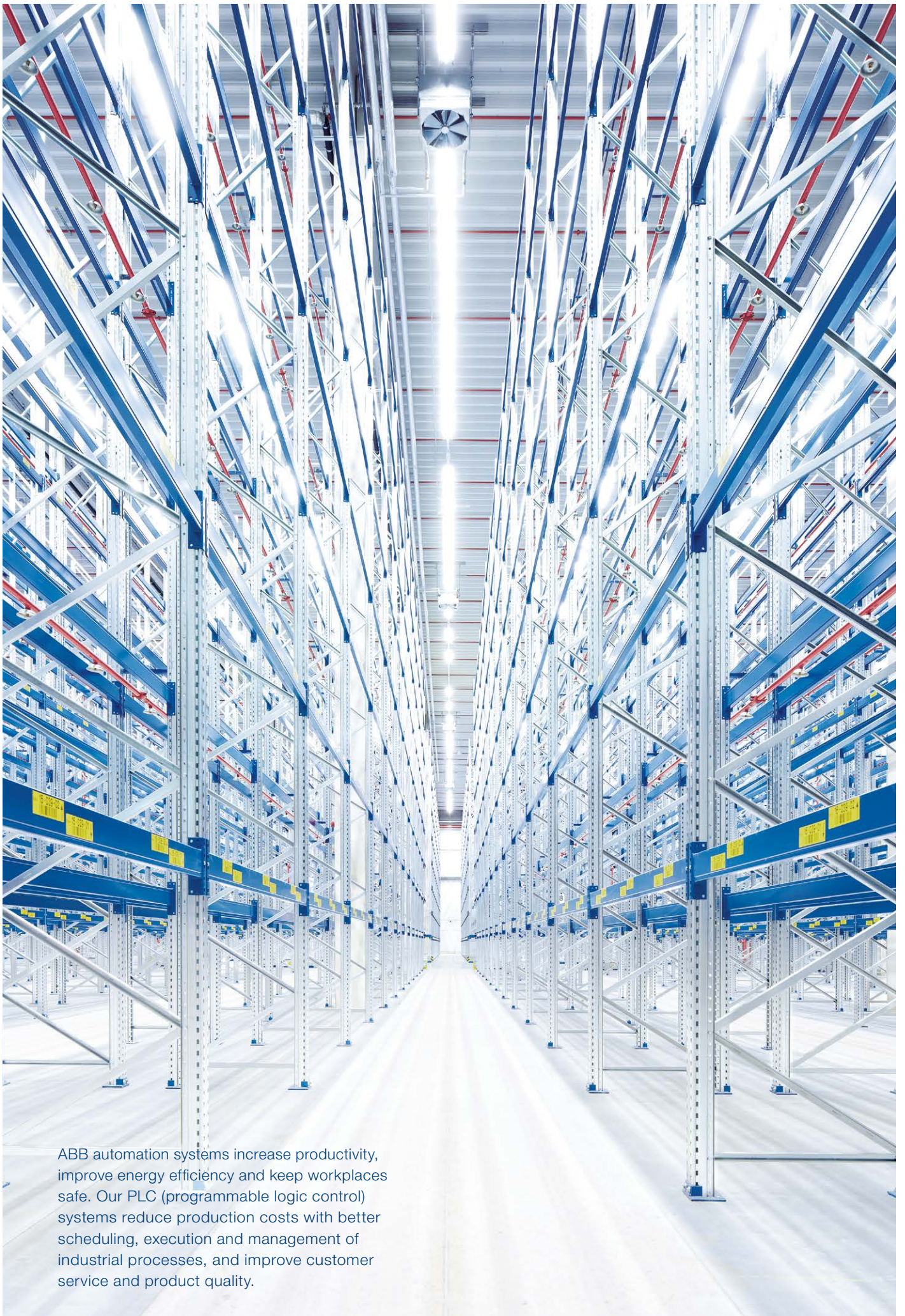


ABB automation systems increase productivity, improve energy efficiency and keep workplaces safe. Our PLC (programmable logic control) systems reduce production costs with better scheduling, execution and management of industrial processes, and improve customer service and product quality.

ABB's building automation systems allow full control of electrical systems, from blinds and lighting to heating, ventilation and air conditioning. When combined with ABB's efficient motors and drives, energy savings can be dramatic.



Transport and infrastructure

Alongside its offerings for utilities and industry, ABB plays an important role in providing technology for sustainable marine, rail and vehicle transport, and in powering the world's cities and improving the urban environment.

Our expertise in power and automation has given us the edge when it comes to providing clean and reliable power solutions for transport networks and infrastructure.

Emission-free transport

ABB's electric traction systems for trains and high-speed locomotives support the construction of clean, safe railway networks, linking urban centers and districts. Our wayside energy management systems can reduce overall power consumption by 10–30 percent through recuperating energy normally lost when a train brakes.

As the market and technology leader in electric-vehicle charging, we provide fast-charging infrastructure for electric vehicles and battery-powered buses, cutting carbon emissions and providing real alternatives to gasoline-powered cars.



ABB has a long history of providing innovative and energy-efficient technologies to the rail sector, both for rail infrastructure and rolling stock.

Power and propulsion systems for ships

ABB technologies extend to electrical power and propulsion systems for ships, dramatically reducing marine emissions, while our turbochargers improve gas and diesel engine performance while lowering fuel consumption and nitrogen oxide (NOx) emissions. We also supply fast, cost-effective crane systems for loading and unloading vessels in port.

Intelligent building systems

In buildings, which account for about 40 percent of total energy consumption, ABB's intelligent automation systems enable control of all electrical systems, including blinds, lighting, heating, air conditioning and ventilation, helping cut power consumption and reduce energy bills. Installing systems powered by ABB's energy efficient motors and drives (see page 14) can further cut power consumption by half, and in extreme cases by up to 90 percent.

Power supply

Our compact substations are designed to fit into built-up areas and can easily be installed underground, and their automated control systems mean they can be remotely monitored and left to run themselves. ABB's power equipment ensures the safe, efficient and reliable distribution of electricity throughout cities and large buildings.



ABB also provides life-cycle service support including maintenance and retrofits for its large, global installed base.

Products and services

Creating value through innovation and partnerships

ABB has identified several key drivers and growth opportunities for our business. These include mitigation of climate change, the shift towards more renewables and increasing complexity of the electrical grid, the rise of emerging economies and their need for electrification, and the increasing digitalization and automation of industry.

ABB has a long heritage of technological innovation in renewable energy, efficient use of energy and sustainable transport. We are working to broaden the impact of clean technologies so that we can help our customers grow, while saving energy and resources, and lowering environmental impact.

Innovation is one of the pillars of ABB's Next Level growth strategy, hence research and development (R&D) is a critical strategic resource for the Group. To support our R&D effort, we maintain seven corporate research centers, employ some 8,500 researchers and developers in more than 30 countries and collaborate with more than 70 universities across the world. ABB's R&D investments in 2014 totaled \$1.5 billion, representing 3.8 percent of revenues.

These investments bring results. In 2014, ABB filed more patent applications in Europe than any other Swiss-based company, which reflects our efforts to serve the market with innovative products and solutions. This was reinforced in 2014 when ABB was awarded the Zayed Future Energy Prize as well as Thomson Reuters recognizing ABB as one of the world's top innovators for a third year.

Alongside our Next Level growth strategy, we are also committed to increase our revenue from energy efficiency-related products, systems and services by 20 percent by 2020. In 2014, 51 percent of our revenues were already related to products and services in our energy efficiency portfolio. In the coming year, we will work to expand the scope of this portfolio, further formalizing processes and definitions for the methodology, and investigating ways to assess the portfolio's contribution to the environment, the economy and society.

Pushing the boundaries of technology and innovation

In 2014, we took further important steps to strengthen our future growth. We unveiled groundbreaking new technologies, expanded our global presence with new manufacturing facilities and sales and service capabilities in high-growth markets, and forged partnerships with other leading global companies to increase value for our customers and enhance growth momentum as part of our new strategy.

On the innovation side, we launched the world's most powerful submersible power transmission cable system. Our new 525-kilovolt (kV) extruded high-voltage direct current (HVDC)

cable doubles power flow and extends range, enabling greater integration of distant renewable energy sources into the grid and improving intergrid connections.

ABB pioneered HVDC technology over 60 years ago and to this day continues to develop this technology. As an additional demonstration of ABB's innovation in this area, HVDC Light® was launched in 1990. This voltage-source converter (VSC) technology improves the flexibility and controllability of HVDC transmission to allow for the connection of weak grids prone to stability issues with stronger grids.

445 TWh of electric power saved by our variable speed drives

In 2014, ABB set a new record in transmission voltage using HVDC Light when we commissioned the 500 kV Skagerrak 4 link between Norway and Denmark. The link increases the availability of renewable hydroelectric and wind power in the region's electricity grid. In future, use of 500 kV VSC opens up new possibilities, especially when combined with our new extruded 525 kV HVDC cable.

ABB achieved a significant breakthrough in switchgear technology with the development of a solution that deploys a new insulation gas medium as a substitute for sulfur hexafluoride (SF₆). This alternate gas mixture has similar insulation properties to SF₆ now used in gas-insulated switchgear, but with substantially lower environmental impact due to its much-reduced global warming potential. The new technology will be deployed for the first time at a substation located in Zurich, Switzerland, as a pilot installation for the leading Swiss utility ewz.

Another groundbreaking innovation is our YuMi® robot, a new dual-armed industrial robot that uses innovative force-sensing technology to work safely alongside people for small-parts assembly. YuMi has been developed in the first instance to meet the flexible and agile production needs of the consumer electronics industry and will increasingly be rolled out to cover other market sectors.

Serving the mining sector, our "mining integrated distributed automation system" (MIDAS) is an application giving plant operators better information about the state of their electrical systems, allowing them to remotely control and correct identified problems. This remote substation monitoring allows the plant operators to solve problems safely at a distance from the electrical substation in the mine, thus reducing the time for electrical fault diagnosis and problem solving.

Also in 2014, we announced a \$300 million R&D and production hub in China for power and low-voltage products. We also extended our network of sales and service operations in China, targeting faster-growing cities in the country's interior. In Brazil, we opened a production site as part of a \$200 million expansion plan to further extend our offering of locally produced products.

Collaboration for a better world

ABB is actively driving our technology development through our own research and by working with leading institutions such as the Federal Institute of Technology in Zurich (ETH), with business partners, and with multi-stakeholder programs such as the United Nations Sustainable Energy for All (SE4ALL) initiative.

Our investments in research initiatives, fellowships and strategic partnerships with over 70 universities and research institutions around the world continue to enhance the ABB portfolio and lead to international and cross-industrial cooperation in almost every ABB business. For example, in 2014 ABB in Switzerland contributed five million Swiss Francs to the ETH Zurich Foundation, creating a professorship to support the development of high-performance power semiconductors to improve the efficiency of power conversion systems and energy transmission over long distances. In China, ABB has established an annual, nationwide university innovation contest to cultivate talent and promote technological innovation.

We announced several innovative business partnerships in 2014, focused on increasing customer value and reducing environmental impacts. A strategic collaboration with BYD Co. Ltd., aims at joint development of new solutions for energy storage. ABB's products and technology for grid storage, electric vehicle charging and integrated marine systems, combined with BYD's knowledge in battery technology, will accelerate new solutions for electric vehicle charging, the fast ramp-up of renewables combined with energy storage in off-grid and on-grid solutions, as well as battery and energy storage solutions for the fast growing marine segment.

ABB is also partnering with Volvo Buses to co-develop and commercialize electric and hybrid buses with open standards-based direct current fast charging systems. This approach enables maximum reuse of existing e-mobility technologies, thereby assuring rapid deployment of urban e-mobility. The first joint project for Luxembourg's public transportation system is planned for 2015.

In Japan, ABB and Hitachi have agreed to form a joint venture for HVDC system solutions. The new entity will be responsible for the design, engineering, supply and after-sales services

related to the DC system of HVDC projects, bringing ABB's latest technologies to the Japanese market where Hitachi will be the prime contractor. With the increasing introduction of renewable energy and innovation in electric power systems, demand for these systems is expected to increase for applications such as wide-area power transmission and connection of offshore wind farms.

In the automation area, Philips will combine its LED lighting expertise with ABB's building automation technologies and know-how to simplify the integration of connected lighting systems and building device control for commercial buildings. Lighting, heating, ventilation and air conditioning constitute 70 percent of the energy consumption in commercial buildings and the introduction of building device control along with efficient lighting technology can significantly improve energy efficiency.

ABB's commitment to the UN's SE4ALL initiative also focuses on promoting energy efficiency. We will support the Global Efficient Appliances and Equipment Partnership Programme, offering our technical expertise on energy efficient motors and transformers. The initiative aims to assist developing countries and emerging economies to devise policies that accelerate energy savings.

Investing in technology leadership

Additional key components of ABB's innovation strategy are investments around inorganic growth (mergers and acquisitions) and venture capital investment. ABB has executed more than \$10 billion of strategic acquisitions since 2010, expanding our portfolio in efficient motors, solar inverters, measurement products, building automation and other areas.

Our corporate venture capital unit, ABB Technology Ventures, makes early- and growth-stage investments in novel companies introducing new technologies or improvements to existing technologies. In 2014, we made key investments in Persimmon Technologies, to help develop its 3D deposition technology for motor component manufacturing, and in the artificial intelligence research company, Vicarious.

ABB's investments, along with recognition by Thomson Reuters and other innovation awards, reaffirm our commitment to innovation and the future success of ABB and our customers. Together, we are pushing the boundaries of technology and innovation to decouple economic growth from energy consumption and environmental impact, and to achieve a better world.

Examples of achievements and innovations announced in 2014 are shown on the following pages.

Achievements and innovations in 2014



An eco-efficient switchgear insulation gas

A new gas mixture developed by ABB can replace sulfur hexafluoride (SF₆) in high-voltage switchgear, significantly reducing the risk of greenhouse gas emissions. For decades, SF₆ gas has been used extensively in the electrical industry for its superior insulation properties, which make it possible to reduce the size of switchgear installations and enable installation in areas where space is at a premium. The new gas mixture with its lower global warming potential can reduce CO₂ equivalent emissions by up to 50 percent through the equipment life-cycle, paving the way for more eco-efficient switchgear in the years ahead.



Most powerful submersible power transmission cable

ABB has successfully developed and tested a 525 kilovolt extruded high-voltage direct current cable system to make renewable energy installations more efficient and cost-effective. This innovation will more than double the power capacity and expand the cable's reach to distances of up to 1,500 kilometers, while keeping transmission losses under 5 percent. The new technology offers savings in capital and operational costs which will, in turn, improve the feasibility of some renewable energy projects. The cable system can be deployed in subsea and underground applications, making it ideal for efficient power delivery through densely populated or environmentally sensitive areas.



ABB wins Zayed Future energy Prize 2014

ABB was awarded the Zayed Future Energy Prize 2014 in recognition of our efforts to drive innovation, renewable energy and energy efficiency. The award, in the category "Large Corporations", was based on achievements that reflect impact, innovation, long-term vision and leadership in renewable energy and sustainability. The Zayed Future Energy Prize was launched in 2008 and was named in honor of the late Sheikh Zayed bin Sultan al Nahyan, who was a founder of the UAE, ruler of Abu Dhabi, and the UAE's first president from 1971 until his death in 2004.

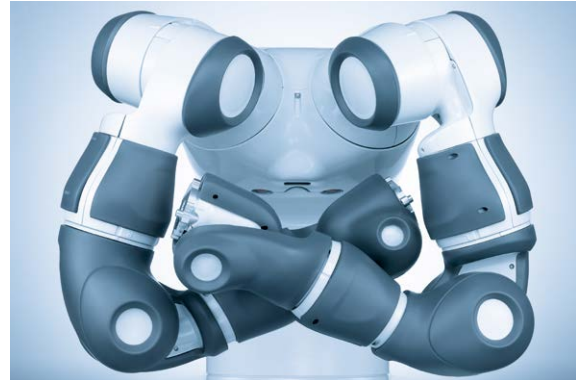


ABB technology keeps the lights on in La Gomera

ABB's PowerStore™ system is employed on the Canary Island of La Gomera, where load fluctuations and variable supply from renewables have posed ongoing challenges. These rapid power fluctuations can dramatically affect system stability and lead to outages or equipment damage. PowerStore's inverter-based technology combined with flywheel storage capability can instantly stabilize the microgrid by very rapidly absorbing power surges from the wind turbines or by supplying power to make up for short-term lulls. This gives the island's 22,000 inhabitants a more stable, reliable and uninterrupted supply of clean electricity.

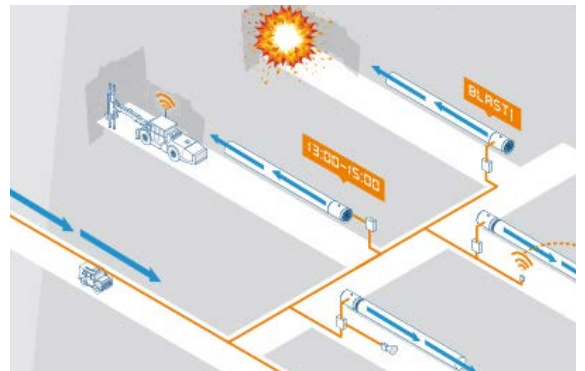
“YuMi” heralds new era of human-robot collaboration

ABB has unveiled the world’s first truly collaborative robot: YuMi®. An innovative, people-friendly dual arm robot with breakthrough functionality, YuMi will unlock vast additional automation potential in industry. The robot’s soft, padded dual arms, and innovative force-sensing technology ensure the safety of YuMi’s human coworkers so that it can work cage-free. Capable of handling everything from the delicate and precise parts of a mechanical wristwatch to the components used in mobile phones and computers, the robot is designed for a new era of automation, where people and robots work hand-in-hand on the same tasks.



SmartVentilation in mines

ABB’s SmartVentilation is a complete solution to the challenge of providing fresh air and venting toxic gases from subterranean mines. The modular system can be fully integrated into ABB’s 800xA control system to regulate the operation of the mine’s intake and exhaust fans. This provides operators, engineers and mine managers with an easy way to supervise and control the ventilation system, either from a central location or using mobile devices. The solution also minimizes energy use by ventilating only those areas of a mine that require it, reducing an operator’s electricity bill by up to half.



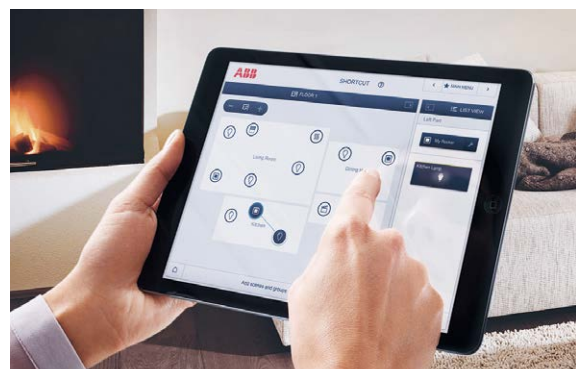
Taking analyzers aloft to measure gas emissions

A research aircraft outfitted with a Fast Methane Analyzer from ABB’s Los Gatos Research is clarifying the pattern of Switzerland’s methane emissions. The nation’s agriculture sector is responsible for 80 percent of Swiss emissions of this potent greenhouse gas and the country aims to reduce them, for example by experimenting with different dairy feed. Using ABB’s airborne analyzer, scientists can measure emission rates from a broader area, more quickly and comprehensively than relying on conventional flask samples collected on the ground. These high resolution data now enable more accurate tracking of experimental trials.



Controlling the home at the touch of a button

ABB’s free@home® system provides full control of all electrical systems, from blinds to lighting, heating, air-conditioning and door communication via a switch, smartphone or tablet. An easy to install, simple interface makes home automation a reality for many households and a business opportunity for many installers. The solution provides on-site or remote control for improved comfort, energy efficiency and security, and reduced costs.



Governance and material issues

Committed to high standards of integrity

At ABB, performance is measured not only by the results achieved, but also how these results were achieved. A culture of integrity is a prerequisite for a world-class business and ABB's strength and future success depend on our reputation as a trusted and reliable business partner.

ABB's Next Level strategy reinforces the importance of integrity as a core value of our organization. We remain firmly committed to our integrity program and the activities to support global communication of the integrity message. Worldwide, ABB operates in over 100 countries, with around 140,000 employees. Managing the complexity of our risk profile requires a dedicated staff and a robust program. Our integrity program is fundamental within the company, and is based on three pillars: Prevention, Detection and Resolution.

Prevention

ABB's integrity program is based on a clear set of values and unequivocal tone from the top. Commitment to these values is fostered by strong communication from top leadership throughout the organization – not only to our employees but also to our business partners. Our clear position on issues such as improper payments, gifts, entertainment, and expenses, and managing third parties is visible and clear to external parties and sets the right tone from the outset of any negotiation. Our values and expectations are expressed in a publicly available [Code of Conduct](#) and a [Supplier Code of Conduct](#), as well as policies and standards.

Training and communications are key to ensuring ABB's values are received and understood, and this requires constant innovation and follow up. Policies cannot be effective without a commitment from employees to embed rules and standards into every aspect of their work. This can only be achieved through strong messaging that is engaging and practical.

Upon joining the company, every ABB employee must complete two online eLearning programs and one face-to-face training on the ABB Code of Conduct including anti-bribery. In addition, employees in sensitive roles receive specialized online and face-to-face trainings for specific risk areas, for example anti-trust. In 2014, over 94,000 employees (nearly 93 percent of all employees with an e-mail address) completed the Global Anti-bribery: Don't Look the Other Way online training. These messages are then supplemented on at least a bi-annual basis through new e-learning modules, face-to-face training initiatives, and other integrity initiatives such as "Integrity on the LBU (Local Business Unit) Agenda," and integrity modules in in-house learning and development programs.

Our training efforts are refined over time, according to feedback on risks identified globally and locally. In 2013, we conducted an in-depth Integrity Culture and Risk Survey to understand the success of the integrity program. With responses from over 24,000 participants globally, we have been able to adapt and target the training to specific risk areas identified for ABB employees. Throughout 2014, Country Integrity Officers provided local specialized training and communications on risk-based subjects identified in the survey, including but not limited to respect in the workplace, working with third parties, and self-enrichment / misuse of company resources.



During 2014 we also worked hard to deliver our integrity message in new, positive and collaborative ways. This updated communication and engagement strategy built upon our past successes using cases of consequence and blog posts, but also used new platforms and leveraged the changing IT landscape to attract more attention to our integrity message.

Detection

While prevention is important to minimize the incidents of misconduct, we nonetheless need a robust system in place to detect ongoing misconduct. ABB's internal audit team carries out anti-bribery compliance reviews of business units and countries globally, and conducts an annual risk assessment as the basis for its audit planning for the following year. In these reviews, ABB's internal auditors review business processes, accounts and balances, and test transactions to assess the robustness of controls and identify possible violations of ABB's anti-bribery procedures.

Our detection efforts are supported by the availability of multiple reporting channels, including line managers, Human Resources, representatives of the Legal and Integrity function, the Chief Integrity Officer, the Integrity Office at headquarters, the Business Ethics Hotline, or the local ombudsperson. ABB employees are encouraged to use one of the reporting channels whenever they suspect misconduct and whistleblowers are promised protection from any retaliation. The multiple reporting channels are advertised through a hotline poster campaign, this year created using integrity dilemma cartoons, and rolled out worldwide in multiple languages. A stakeholder hotline is available to our external business partners, with details of our reporting channels available on our [website](#).



94,000+ employees trained on anti-bribery principles in 2014

Resolution

All allegations are investigated. The Office of Special Investigations (OSI), part of our Legal and Integrity team, is responsible for conducting internal investigations and consists of 18 professionals located in four different regions globally. Cases that are handled by OSI or by Country Integrity Officers are brought to closure through investigation and remediation, resulting in disciplinary action where appropriate. There is a strict zero tolerance policy for violations of the law or the ABB Code of Conduct.

Cases that are substantiated are often used in our integrity communications activities as a learning experience for the business and for employees, to illustrate our Code of Conduct in action and to demonstrate the consequences of violations.

Engagement and external recognition

ABB's integrity program has been benchmarked and recognized externally. In 2013, we received the Ethisphere Compliance Leader Verification and Anti-Corruption Program Verification seals based on a review of our integrity program by NYSE Governance Services; we were also recognized as one of the World's Most Ethical Companies. This was followed in 2014 with a second World's Most Ethical Companies award.

ABB also supports international efforts at collective action and projects aimed at promoting integrity in the industries where we work and in the public sector. To that end, we are a founding member of the Partnering Against Corruption Initiative, with support from the World Economic Forum. We also became a founding member in 2014 of Ethics and Compliance Switzerland, a professional society whose goals are to promote ethics and integrity in both private and public organizations, as well as to promote sustainable best practices in compliance. This enables ABB to develop and contribute to the overall development of systematic values and integrity in various organizations throughout Switzerland and abroad.

Sustainability governance

Sustainability principles and considerations are embedded in ABB's business strategy and guide what we manufacture, how we operate the company and the way we behave towards stakeholders.

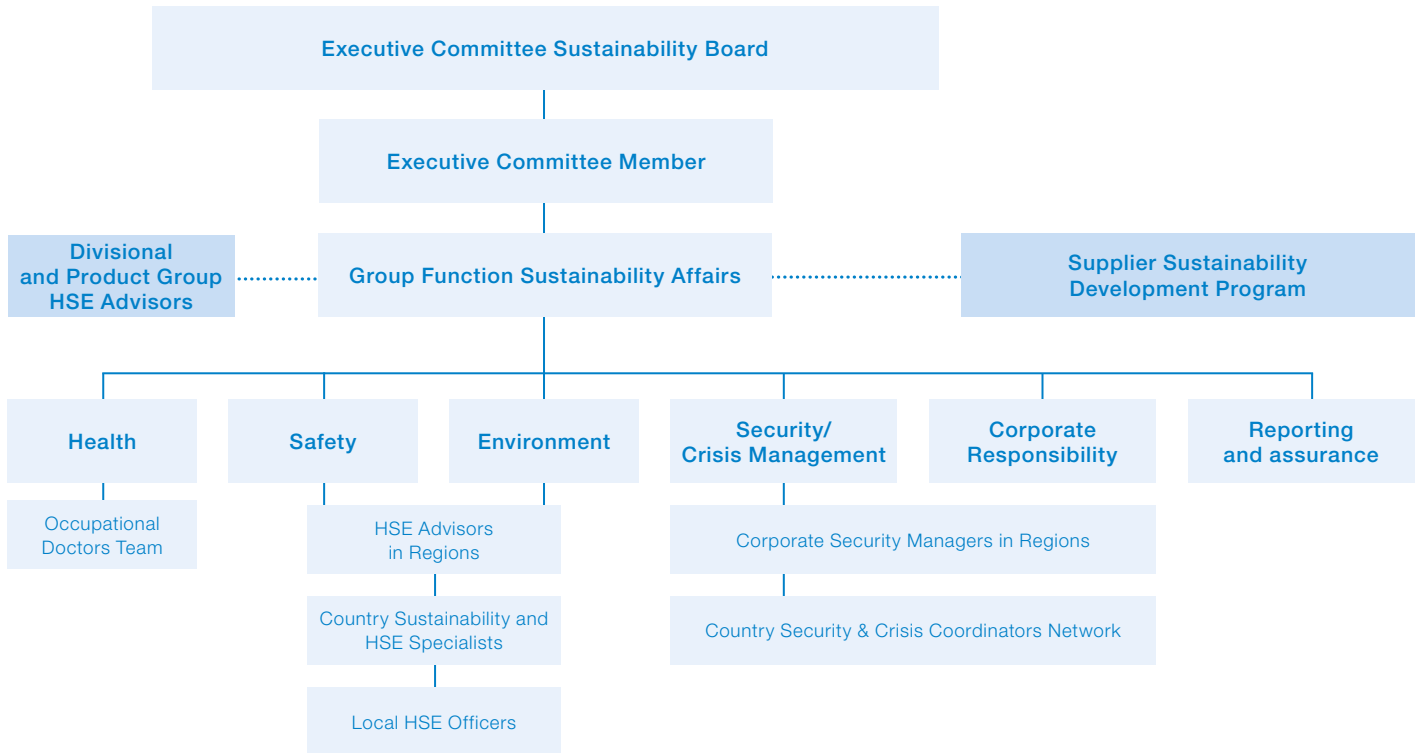
Our sustainability strategy is aligned with corporate strategy and is supported by objectives that address ABB's activities and impacts along the value chain. Progress towards our objectives is driven through all levels of the business, from Executive Committee endorsement, through operational review and target setting in business units and countries to local training and execution at sites, supported by sustainability specialists at Group, country and local level. We rely on every employee to take responsibility to help us achieve our goal: A better world.

Our Sustainability Board, comprising the ABB Executive Committee, oversees sustainability policies and programs, reviews developments and monitors progress towards our targets on an annual basis.

The ABB Sustainability Affairs organization is responsible for the development and coordination of policies and programs covering health and safety, environment, corporate responsibility and security and crisis management. Sustainability Affairs reports directly to Executive Committee member Jean-Christophe Deslarzes.

A network of sustainability specialists worldwide reports to and supports the Sustainability Affairs management team. In countries where ABB entities have or could have significant sustainability impacts, we have appointed country sustainability controllers, country health and safety advisors and country security managers responsible for ABB's sustainability management program and for gathering the data consolidated in this report. All regions where ABB operates have region health and safety advisors and corporate security managers.

The country and regional specialists are supported by local sustainability officers and health and safety advisors. Overall, the sustainability network is supported by a team of some 950 employees, full-time and part-time, at headquarters and around the world.



Sustainability policies, principles and external initiatives

We have implemented environmental, social, human rights, and health and safety policies and a Supplier Code of Conduct. These policies include references to the international standards to which they relate.

As a founder member of the United Nations Global Compact, ABB has been closely involved in its development. ABB's understanding of human rights and day-to-day business benefits from involvement in such organizations. We have also taken note of the UN Guiding Principles on Business and Human Rights and use its recommendations to assess expectations of corporate behavior.

375+ locations certified to ISO 14001 and OHSAS 18001

ABB has adopted ISO 14001 for environmental management systems; ISO/TR 14025 for Environmental Product Declarations; ISO 14040–45 for Life Cycle Assessments; and ISO 19011 for environmental auditing of organizations. We have incorporated the principles of OHSAS 18001, the International Labour Organization (ILO) guidelines on occupational health and safety management systems, and the ILO Code of Practice on

Recording and Notification of Occupational Accidents and Diseases into our health and safety program.

All ABB facilities are encouraged to implement management systems for environmental, health and safety and quality issues, while manufacturing and service locations are required to implement such systems. Globally, we have achieved external certification for environmental management systems at 390 sites and offices and for health and safety management systems at 378 locations.

Approach to sustainability reporting

We aim to cover all ABB Group companies in our formal sustainability reporting system, including wholly owned subsidiaries and majority-owned joint ventures worldwide that might have significant sustainability impacts. Power-One, and other entities acquired during 2013, are now integrated into this system. Integration of companies acquired during 2014 is continuing and data collection for environmental parameters, health and safety and corporate responsibility will be implemented during 2015.

We use three online data reporting questionnaires to measure and collect performance data throughout the Group via the ABB intranet – an annual social report from every country, an annual environment report from every site and a monthly health and safety report from every country which consolidates

inputs from all entities in the respective country. Further details on scope and approach can be found in the Performance Summary section of this report.

Activities in 2014

During the year, the ABB Sustainability Board reviewed the Group sustainability strategy and objectives and confirmed the proposed 2015 focus activities and performance metrics. The Board agreed to include the safety metric 'hazard reporting' in the Group-wide 'Relentless Execution' dashboard – a panel of business-related metrics that will be reported regularly by all businesses in 2015. This is the first time a sustainability-related metric has been included in a set of Group metrics.

The Sustainability Affairs organization was strengthened in order to focus activity on the constituent areas of Health, Safety and Environment, and to reflect the importance attached by the CEO and Executive Committee to safety improvement. Leaders have been appointed to drive Group activities in these three areas, working with our businesses and with the respective sustainability networks on improvement projects and initiatives, and reporting to the head of Sustainability Affairs.

As part of our continuing work to strengthen the capability of our sustainability network, more than 80 of the top sustainability leaders in ABB undertook 360 degree assessments during 2014. Results were shared with each participant during a one hour session with a 360 degree feedback coach, who assisted with analysis of results and identification of suitable development activities. Consolidated results are also being reviewed at Group level to identify any common development requirements.

To ensure that we have the right sustainability resources and structures in place to support our businesses with implementation of the Next Level strategy, we have kicked off a comprehensive workforce mapping and skills inventory. The results, available in the first half of 2015, will guide development programs and allocation of resources at different levels in our businesses.

Material issues

We have undertaken considerable work in recent years to understand what internal and external stakeholders expect of ABB's sustainability performance and where we should focus our strategy and improvement goals. We regularly review and evaluate these material issues to determine if they remain consistent and relevant, and if there are any new and emerging issues we need to address.

In 2011, we conducted a materiality assessment with input from nearly 600 people, including senior ABB executives and employees from all parts of the business, customers, and external stakeholders specialized in key sustainability areas. We also mapped regulatory risks and macro trends, and benchmarked against peer companies to help us establish a comprehensive sustainability issues landscape. The resulting materiality matrix then shaped the development of our sustainability strategy during 2011.

We undertook a further review with our stakeholders during 2013 to update our assessment of material aspects and to seek their views on how best to report on our sustainability strategy, performance and progress. The results from interviews with ABB employees, investors, customers and external sustainability experts, in the main, confirmed the conclusions from our 2011 consultation and helped us to shape our Sustainability Objectives 2014–2020.

In 2014, we consulted our stakeholders again: to gauge their views on the newly-released sustainability objectives and the 2013 matrix, and how we report on our sustainability performance. We also sought to assess any changes in their evaluation of ABB's material issues following the release of ABB's Next Level strategy.

This consultation focused solely on external stakeholders, as leaders from ABB's business, countries and functions were extensively involved in the development of the Group Sustainability Objectives and the new business strategy.

A third party conducted 29 interviews with representatives across our key constituencies: Customers, suppliers, investors, civil society, including NGOs, international organizations, sustainability experts and young people. Around 40 percent of participants had been involved in previous consultations.

Overall, stakeholders found that the 2013 matrix provided a good snapshot of relevant issues for ABB, although a number of stakeholders requested better definition of the specifics considered within each issue.

Feedback from stakeholders

Eight of the material issues were considered by some stakeholders as more important – developing our people, waste and recycling, hazardous substances, innovation, human rights, working in the community, water, and health, safety and security – whereas only governance was considered slightly less important. Stakeholder views differed on the placement of three specific issues – stakeholder relations, energy efficiency and risk management.

Stakeholders expressed diverse views about new or missing issues, with some topics already encompassed in the existing material issue categories. However, there was insufficient support on any new single issue to justify its addition to the matrix.

We have updated our materiality matrix accordingly. Ratings of various issues have been adjusted in line with the feedback outlined above. We have also harmonized the terms used in the matrix with the language of our sustainability objectives to increase understanding and have developed [definitions](#) of the material issues. However, we have kept the internal and external constituencies of “People and society” separate to ensure a better focus on actions and outcomes. Other key changes are:

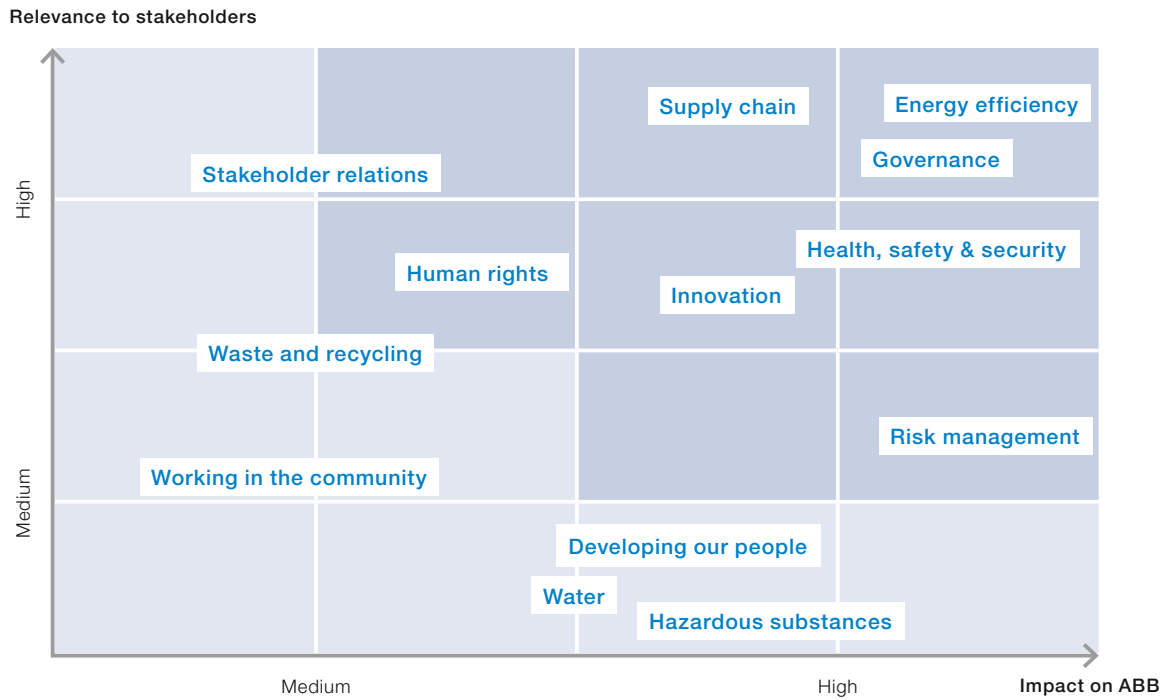
- “Water” and “Waste and recycling” now combined under “Resource efficiency”
- “Stakeholder relations” and “Working in the community” now combined under “Stakeholder engagement”
- “Risk management” removed from the matrix in response to commentary from stakeholders that the relevant risk – and opportunity – should be dealt with within each issue category

Regarding ABB’s Sustainability Objectives 2014–2020, stakeholders considered our 2020 ambitions highly relevant, reflecting the key issues on which the Group should focus. Products and services was clearly identified as the most important objective. However, stakeholders also told us that we have further work to do to ensure the KPIs and targets underpinning the objectives match our ambition levels. We acknowledge this point and, as noted throughout this report, we continue to develop the KPIs, targets and underlying programs to achieve our objectives.

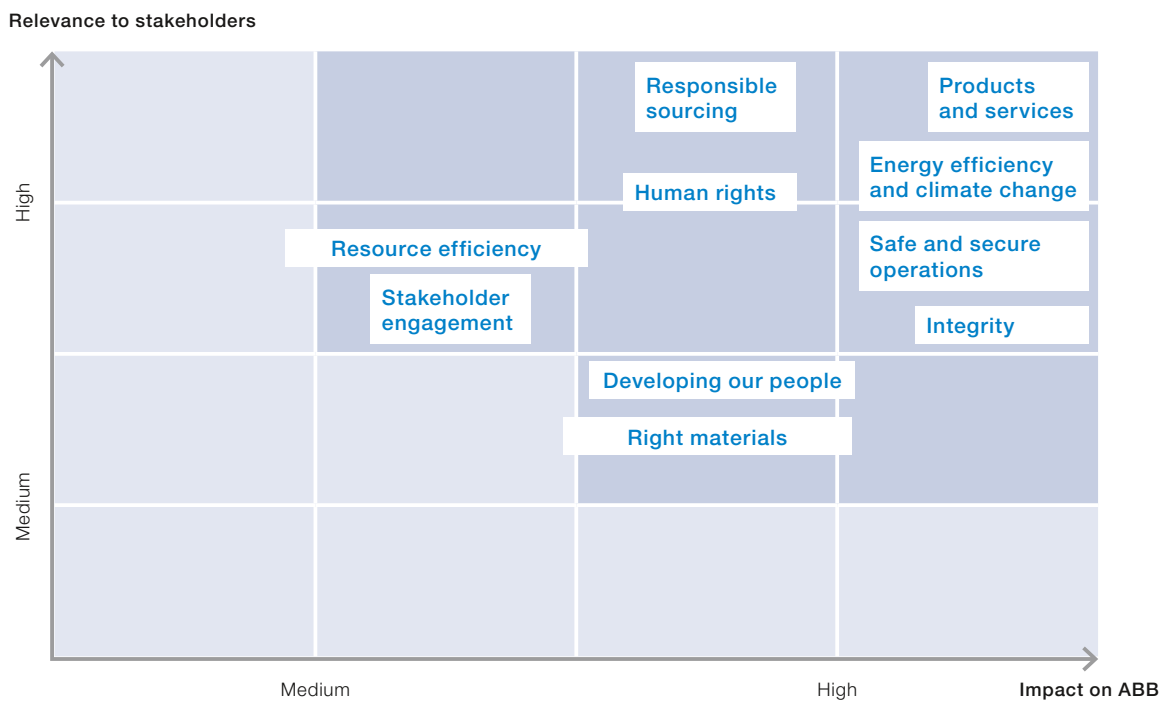
Stakeholders also wanted to understand ABB’s contribution to broader societal goals and emphasized the importance of responsibility and collaboration along the value chain.

These stakeholder views are helping us to further shape the targets underpinning our Sustainability Objectives 2014–2020 and have helped to determine the structure and content of this report. We will continue to review these issues with our stakeholders at regular intervals and will use this input to inform our improvement goals and reporting activities.

2013 materiality matrix



2014 materiality matrix





Society

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Our people

People at the heart of our strategy

When ABB announced our Next Level strategy in 2014, it was clear that the ability to deliver on the 2014–20 targets would depend on a number of factors – among them, having highly-skilled and dedicated people around the world in the business or in functions driving business development.

ABB's People Strategy – a key element of the corporate strategy – acknowledges the pivotal and decisive role that our people play in pursuit of our ambition. The People Strategy spells out an overarching ambition to establish ABB as “the place to be” and has established nine priorities along three pillars: People, organization and culture.

The people priorities include further measures to develop leaders and other professional people, processes to strengthen workforce planning, and increased efforts to attract and retain the best employees around the world. On the organizational side, several plans are being put in place to improve effectiveness and governance, strengthen high performing teams, and better align competencies to the business strategy. Several areas of work are also envisaged in developing our culture, such as building a stronger sense of ownership and accountability, strengthening our capacity for change management, and further focus on diversity and inclusion.

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489,000 online applications from
179 countries to join ABB in 2014

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From a people perspective, the key to delivering our ambition rests on our ability to forecast our human resource needs, both from a quantitative and qualitative perspective. Ensuring continuity also depends on our ability to identify new skills and capabilities we will need in future. A newly designed, integrated and unified Leadership Competency Model is under development which, when integrated into all our Human Resources processes, will help us build a pool of leaders and professionals capable of delivering our targets. The Competency Model will also allow us to attract the right kind of talent with the values and behaviors we wish to nurture.

Our performance management system is designed to ensure that ABB recognizes, rewards and develops people who display the behaviors and values we wish to promote. Our learning and development function is being prepared to design and deliver leadership development programs aligned with the Competency Model, which will ensure consistency and coherence in the way we grow our people.

Along with our Next Level strategy, a marked change in the way we reward performance is the new short-term incentive scheme, which underscores a balanced approach of individual and collective performance. The short-term incentives are complemented by an equally attractive long-term incentive policy.

Diversity and inclusion

As a truly international company present in over 100 countries, we are very conscious of our responsibility to promote diversity and inclusion, and are committed to improve performance.

Our headquarters is a microcosm of our inclusive culture. Some 730 people from 52 different countries work at our global headquarters in Zurich, Switzerland. This diversity is mirrored in many of the countries where we have business operations.

It is also reflected in our Board and our executive management. At year-end 2014, there were eight members of the Board of Directors from seven countries. The Executive Committee comprised 11 people from eight countries.

A Group-wide global framework has been developed to nurture diversity and inclusion. As a first step, the framework focuses on gender, and creates a roadmap for recruiting and promoting more women, and strengthening female representation in executive positions.

In addition to the global framework, each country continues to drive initiatives relevant to their needs:



– A five-year plan in South Africa sets targets by race, gender and disability for each occupational level, and an ABB Education Trust was set up at the end of 2014 to support black women in engineering.



– ABB Canada's long history of working with First Nation communities and developing their technical skills has proved invaluable to business success.

– In the United Arab Emirates, ABB has launched plans to increase significantly the number of Emiratis it trains and hires.

– ABB in India has increased its efforts to recruit women engineers. Of the engineers hired from campus in 2014, 38 percent were women compared to 32 percent the previous year. Five women-only engineering colleges have been added to the current list of 30 universities where ABB hires engineering graduates as management trainees.

At an international level, ABB has been partnering with The Women's Forum since 2012, seeing it as a valuable platform to bring together leaders from business and government to share new perspectives on key commercial, political and social questions. A total of 29 women from ABB attended three sessions in Brazil, France and Myanmar, which we also co-sponsored. Participation raises our profile among female leaders and enables us to contribute to and learn from best practices in other leading businesses.

Attraction

ABB's employer value proposition continues to gain strength and be attractive to our target audience. In 2014, ABB was again voted employer of choice in surveys in several European countries, including Switzerland and Sweden, as well as in China.

ABB received online recruitment applications from 489,000 people from 179 countries in 2014. This represents an increase of more than 27 percent over 2013 – underlining the value of the ABB brand, and a clear indication that ABB is attractive to people who want the opportunity to develop and contribute to business success through their core skills.

Attracting talented young people and developing them for future leadership roles is key to delivering business value. One way in which we attract talented graduates is through our global trainee scheme which lasts up to two years and involves different assignments around the world. A total of 34 global trainees – one third of them women – joined ABB in 2014 working mainly in finance, information systems and supply chain management. They come from 18 countries. At the end of 2014, ABB had almost 100 such global trainees. Since the program began in 2002, four in every five global trainees have opted for long-term careers with ABB.

Development

We support our employees' development and offer opportunities to help them realize their potential. A comprehensive suite of learning and development opportunities exists at country, region, function and Group levels. A few examples of Group-level training initiatives are:

- Over 90,700 white collar and 11,000 blue collar employee performance and development appraisals were carried out in 83 countries, focusing on feedback on performance, strengths and development opportunities, identifying people with potential, and enabling career discussions.

- Leadership development programs: 91 senior managers attended two courses of the Senior Leadership Development Program held in partnership with the IMD business school in Lausanne, Switzerland. The Middle Manager Program and the First Line Manager global programs covered a further 470 middle managers and nearly 1,210 first line managers.
- The three-day Leadership Challenge program, offered to all employees and delivered in 14 languages focuses on personal effectiveness and leadership. A total of 3,212 employees completed the course during the year, bringing the cumulative total to about 63,000 since the program started in 2004.

Retention

Our ability to retain our employees is crucial both from a current and future standpoint. All our countries strive to strengthen employee loyalty and engagement. The slight increase in turnover rate in 2014 is primarily attributable to productivity gains. (See data and definition of turnover rate calculation on p.65).

In India, for example, attrition levels have fallen steadily from 12.6 percent in 2011 to 8.1 percent in 2014. About 15 percent of the total hires in 2014 in India were people who formerly worked for ABB. In China, attrition rates have fallen slightly to 8.2 percent in the past four years – just over half the general industry level and considerably lower than the peer industry rate.

Increased attention to career and personal development, opportunities for global mobility, competitive compensation, and our strengthening corporate culture are some of the factors behind this positive development.

International mobility strengthens our ability to transfer knowledge, deliver customer value, support individual development and build loyalty. The Group had 876 people on long-term international assignments in 2014. India and China are among the top ten countries in ABB that send employees on international assignments. Top destinations for our Indian and Chinese employees are Sweden, Germany and the United States.

Stakeholder engagement

Working with stakeholders to create value

ABB's business success is closely tied to our willingness to listen to our stakeholders, and act upon what we hear. By engaging with a wide variety of stakeholders we learn more about their expectations and requirements, what we need to prioritize and how we can improve our business and sustainability performance.

Getting our stakeholder relationships right creates value – both for the business and the stakeholder. Getting such relationships wrong can damage business and lead to negative impacts.

We coordinate policy at a corporate level, but drive many relationships with stakeholders at a business unit and national level. Our key stakeholders with whom we engage as part of daily business are customers and suppliers. Our approach is to work with them closely so that we and they understand requirements, offerings and needs, as well as sustainability-related issues.

28 corporate citizenship awards worldwide

Customers

Customers are increasingly requesting information about sustainability aspects of our offering such as the energy efficiency and emission savings of our products, systems and solutions. They seek reassurance that their supplies from ABB are ethically sourced and manufactured in a resource-efficient way; they want evidence that ABB is fully compliant with legal frameworks around materials we use in our products; and they seek evidence of improvements in health and safety performance, as well as sound social and environmental risk management.

The type of engagement with customers in 2014 varied considerably: Energy efficiency experts met customers at meetings, fairs and key events; health and safety specialists briefed companies in the oil and gas industry on the ways ABB is seeking to improve performance; we also gave advice to customers on managing environmental, human rights, governance and security issues.

Suppliers

We depend on a wide range of suppliers to provide high-quality, competitively priced products delivered in a timely manner. Our challenges are to ensure that in the course of daily business our suppliers meet our business needs, and sustainability requirements and standards.

In many countries, our engagement with suppliers focuses on improving their sustainability performance. This can take the form of supplier assessments, as in Brazil, China, India, Mexico, Malaysia and South Africa in 2014 ([see Responsible sourcing](#)) or discussions with suppliers about environmental, health, safety and labor requirements.

Investors



Our work with investors is designed to provide them with the information they require to assess different areas of our performance. ABB has seen a gradual increase in investor interest in environmental, social and governance issues, and held a series of investor meetings on sustainability topics in 2014. These meetings focused on issues vital to the success of our business such as energy efficiency, the market in renewable sources of energy, and ABB's risk management practices.

As well as investors, ABB increasingly works with export credit agencies and ratings agencies who factor a company's ability to manage potential social and environmental risks into their decision-making models.

Civil society

Representatives of civil society, unions and the media are watching ABB closely, monitoring whether we meet the high standards we have set ourselves. Our approach is to engage in meaningful dialogue and collaboration, to explain ABB's positions and policies and, where appropriate, to clarify them. Such engagement enhances our ability to advance as a company.

One of our greatest areas of engagement is with our employees. Our ability to attract and retain employees depends in part on our reputation, ability to manage complex issues, and mature interaction with staff on a range of issues.



One example: Our engagement with employees in Europe continued in 2014 with two meetings with the European Council of Employees focusing on the implications of the new corporate strategy, and health and safety. Meetings were addressed by the Chief Executive and Chief Human Resources Officer.

ABB also engages with a number of non-governmental organizations in several countries on individual issues or in partnerships such as humanitarian aid and rural electrification projects.

The academic world is another area of strong focus for ABB. There is a strong interaction with universities and academic

institutions on issues ranging from collaborative research projects to teaching students in Sweden and Switzerland about the corporate responsibility to respect human rights.

ABB also gains value by being actively involved in a number of multi-stakeholder organizations, participating in key meetings of the UN Global Compact, the World Business Council for Sustainable Development, and the Global Business Initiative on Human Rights.

Tracking improvement

We gain valuable input from stakeholders as part of daily activities. In addition, we receive feedback from our regular stakeholder consultation, involving interviews with customers, suppliers, investors, sustainability experts, academia and NGOs, which helps us to better understand perceptions of ABB's activities and priorities, and ensures we receive external views on the relevance of particular sustainability issues to ABB's business ambitions.

We also measure customers' levels of satisfaction with our performance. For the fifth consecutive year, ABB employed a customer satisfaction survey called the 'net promoter score' program to measure customer feedback to help us improve our business performance. Customer satisfaction is growing steadily: In 2014, 44 percent said they would recommend ABB to a colleague – up from 35 percent in 2013.

Customer satisfaction is an element of the ABB Quality Policy. The net promoter score program is part of a customer loyalty improvement process which ensures that feedback is the beginning of a closed loop which feeds back to the customer.



ABB also compiles, validates, tracks and analyzes all customer complaints in a single, global system that helps to resolve problems quickly and efficiently. This system – the Customer Complaints Resolution Process – also provides valuable pointers for improvement.

Public policy



ABB is active in the public policy arena in different regions. In the European Union, for example, ABB is particularly interested in seeing the agreement in 2014 on a common EU Climate and Energy Strategy for 2030 translated into concrete legislative action. In the United States, ABB worked to help policy makers recognize the benefits of cross-border energy transfers, and smart grid and grid security investments. And in China, ABB continues to support government activities on energy conservation and environmental protection in line with the country's 12th Five-Year Plan.

Community

Our approach is to combine strategic corporate partnerships with targeted impacts with country-level projects focusing on education and healthcare. Our contributions can make a difference to people's lives, our corporate reputation, and how welcome we are in the communities where our business operates.

ABB contributed to several hundred community projects and charities worldwide in 2014, focusing on education and healthcare. There is a long tradition of community involvement and volunteering at ABB. In 2014, employees and companies



donated approximately \$9 million and provided nearly 3,600 person-days in volunteering time.

The educational schemes and institutions we support serve to improve learning opportunities, raise ABB's profile and help us to recruit qualified engineers and other staff. Strengthening healthcare can have positive social and economic impacts among key company stakeholders, including our employees, suppliers and customers, as well as the communities around our facilities.

An internal community measurement tool, introduced in 2013, helps measure the impacts and overall value of our investments in community schemes. The results give guidance on the return on investment, and helps us to streamline our efforts towards the projects which provide most benefit for the targeted stakeholders.

Education

ABB works with students, schools and colleges in a variety of ways. Here are some of our projects:

- In the United States, ABB provides both funding and equipment for colleges and universities in areas where we have operations to support those institutions and attract successful graduates.
- ABB in India has a long-term program to refurbish government schools near company operations and to provide a mid-day meal scheme for children.
- Children from impoverished neighborhoods in Brazil come to ABB factories in Sao Paulo for additional schooling and preparation for a working life.
- In Italy, ABB volunteers actively support student entrepreneurs to develop sustainable start-up projects throughout an academic year.

ABB also has a focus on helping disadvantaged students. Our Group-level foundation to support talented but disadvantaged engineering students now has partner universities in 11 countries, having added Bulgaria and South Africa in 2014. Several of the student scholars in the scheme have pursued careers at ABB.

Health

Many of the projects that ABB supports involve helping the less able. Our projects include:

- ABB supports summer and winter Olympics for people with mental disabilities in several countries, including Germany, Italy and the United Kingdom.
- There is strong support for medical charities in Canada and the United States where employees give in different ways – from donations to sponsored golf tournaments.
- In Singapore, ABB employees are involved in a range of schemes, supporting the elderly, helping children with disabilities and a blood donation program.

ABB also provides support in the event of humanitarian and natural disasters. In 2014, ABB in China contributed to efforts to reconstruct earthquake-damaged schools, while ABB in India supported flood relief efforts by providing blankets, non-prescription medicine and solar lights.

Corporate sponsorships



ABB takes a more strategic approach to humanitarian aid through the ongoing partnership with the International Committee of the Red Cross (ICRC). Our annual contribution to the ICRC is used to support clean water access in areas of humanitarian need in Iraq and the Democratic Republic of Congo. A number of other further areas of cooperation have been identified.

ABB also has a long-term agreement with the global conservation organization WWF, under which we work on several schemes. Two of them have focused on the electrification of villages in remote areas of Tanzania and India, and have resulted in economic and social development in those areas. More details can be found on our website under "Access to Electricity."

Awards

In recognition of our social, environmental and community engagement activities, ABB won 28 awards worldwide in 2014. These awards build brand value in the countries where they are given, and increase employee commitment both to the causes that ABB supports and to the company as a whole.

One of the most prestigious awards in 2014 was in the United Arab Emirates where ABB won the Zayed Future Energy Prize in recognition of our efforts to drive innovation, renewable energy and energy efficiency. ABB's health and safety performance was recognized at several individual sites in the United States, while in China ABB won a corporate social responsibility award from the Ministry of Education.

Human rights

Implementing the Guiding Principles

ABB took further steps in 2014 to strengthen human rights awareness and performance. Much of the ongoing work is targeted towards meeting the Group's sustainability target on human rights – namely, that by 2020, we will ensure that human rights issues are well understood and managed in all ABB operations along the value chain.

It's an ambitious target given ABB's size and geographical scope. But we recognize that there is a moral imperative for good performance on human rights, there is a strong business case, and stakeholders – both outside ABB and within the company – increasingly demand that we manage such issues well.

Our stakeholder surveys in 2013 and 2014 have confirmed that they consider human rights material to our business success. We know violations can have human, legal, financial and reputational consequences – all of which are bad for business and inconsistent with company standards.

Our efforts are spurred by growing stakeholder expectations. The United Nations Guiding Principles on Business and Human Rights in 2011 set a framework of internationally-agreed expectations, including the need to “know and show” our human rights impacts. In addition, stakeholder interest has increased through the National Action Plans being developed by individual governments, as well as legislative requirements covering issues such as conflict minerals, and increased focus by customers through their questionnaires to ABB, the rising investor interest in our performance, and the monitoring by civil society of a company's behavior.

Human rights impacts all parts of the value chain – from our relationships with customers and suppliers through to the way we behave within the company and in the communities where we operate. ABB has been working hard to raise awareness among managers of potential human rights risks, embed human rights due diligence in business decision-making processes, and build capacity within the company.

Due diligence

ABB has been working on some of the substantive issues contained in the UN Guiding Principles for several years. Human rights experts in the company have increasingly been carrying out due diligence on projects as part of the business process. Depending on the nature of potential impacts, some projects are selected for in-depth due diligence – either in the form of desktop and/or external third-party research, and through visits to sites and stakeholder engagement.

Through due diligence we seek to identify and avoid negative impacts. We also receive regular communications from stakeholders asking about our due diligence and decision-making processes: Customers who require us, as a supplier, to detail our processes; export credit agencies, which want to be satisfied ABB has researched potential social and environmental consequences of major infrastructure projects as a condition for financing them; and some investors and ratings agencies are also increasingly asking about the processes behind ABB's social and human rights performance, as well as details of our activities in sensitive countries.

Among the challenges we face in this area are having the resources needed to cover the large volume of projects we seek to be involved in, and achieving a consistent approach throughout the Group. While measures have been introduced to strengthen performance, there is still further work to be done in this area.

Training



The Guiding Principles – and what ABB needs to do to implement them – are a cornerstone of training programs. A global awareness-raising program, designed for senior managers in our main manufacturing and exporting countries started in 2010 and continued in 2014 with courses for about 100 managers in Colombia, Italy, southern Africa, Switzerland and the United States.

A total of 500 managers have so far been trained worldwide in face-to-face sessions. Our target, defined in the Sustainability Objectives, is to have 600 managers trained by 2016.

The training focuses on understanding what human rights are, the impact on business activities of key international standards, and how ABB can potentially impact human rights, positively and negatively. We also highlight challenges and dilemmas through company case studies from different countries.

A program of internal capacity building, designed to increase the number of people who are able to advise managers at a local level on business and human rights issues, continued in 2014 with training sessions in different parts of the world. The training involves study of the legal and normative frameworks relating to the corporate responsibility to respect human rights, as well as how to identify and avoid risks, based on examples from the business.

The outcome of this training was the launch – on International Human Rights Day – of ABB’s first internal network on human rights. Twelve people took part focusing mainly on ABB case studies from Asia, and North and South America. The aim is to increase the number of participants in 2015 and ensure we have a solid network in place by the end of 2016 – one of the targets contained in our Sustainability Objectives.

In addition, an online e-learning module on the corporate responsibility to respect human rights was finalized at the end of 2014 and is being rolled out to a wider ABB audience in 2015.

Work areas

Human rights can be impacted throughout the value chain, so some of the internal work focused on areas covered by different business and functions. Some examples:

- Due diligence work was carried out for a number of proposed product sales and potential business partners in sensitive countries.
- Our work to raise the sustainability performance of our suppliers necessarily covers labor and human rights issues. Considerable efforts are under way to ensure that ABB’s requirements are fully understood and met by our suppliers under the Supplier Sustainability Development Program ([see Responsible sourcing](#)), and to ensure corrective actions are taken where standards are not met.
- The need for greater coherence underpins some of the work with other functions. For example, sustainability training sessions for high potential employees and first line managers now have brief modules on human rights. The basics of the Guiding Principles and what they mean for ABB were introduced in 2014 into modules that are used globally.
- ABB’s global security network has reviewed checklists and introduced clauses on human rights into new contracts with private security providers. The wording is drawn from the Voluntary Principles on Security and Human Rights and the International Code of Conduct for private security providers.

Challenges

ABB is continuing to look at a number of additional issues such as the third pillar of the UN Guiding Principles covering access to remedy for people whose rights may have been violated. ABB currently has a Business Ethics Hotline, which was introduced in 2006 to provide all ABB employees and stakeholders worldwide with a means to report suspected violations of the ABB Code of Conduct or applicable laws. Contact details are published on ABB’s internal and external websites.

Among other challenges we face: How to embed human rights more effectively in certain business decision-making processes and strengthen coherence across business units. This is part of our ongoing work.

As in many large organizations, there can be violations within the company itself. There were 10 substantiated cases of harassment and one of discrimination in 2014, resulting in five terminations, and a range of other measures, including formal warnings, counseling and further training. This is an area of focus for a number of business units and different functions.

ABB also occasionally faces criticism of its business activities. For example, a non-governmental organization criticized us in 2013 for activities indirectly relating to a dam project in south-east Asia. ABB explained its position and listened to concerns expressed by the NGO and representatives of local people affected by the dam.

Engagement

ABB has been working on human rights issues for about a decade. We adopted a human rights policy in 2007 and have been making progress since then. While we are relatively modest about speaking of our progress, our experts have been involved in international efforts to promote the corporate responsibility to respect human rights. In 2014, our external activities included speaking at a number of international meetings, taking part in podium discussions, and teaching at universities in Switzerland and Sweden.

ABB works with and supports a number of organizations, including the UN Global Compact and some of its local networks, the Institute for Human Rights and Business, and the Global Business Initiative on Human Rights. The discussions with these organizations help to raise understanding of human rights issues of relevance to ABB.

Safe and secure operations

Personal commitments to improved performance

Safety is ABB's first priority. Our objective is that by 2020 all ABB operations will have an excellent health, safety and security culture embedded in their day-to-day business, targeting zero incidents.

Even though ABB has long-standing programs in place across our businesses and our geographies to support this ambition, we faced a particularly challenging year in 2013, when we recorded a sharp increase in serious safety incidents. This prompted us to closely review how we promote and support safety throughout our global operations.

In response, in early 2014 our senior leadership launched a drive to truly embed safety as a core company value. "Don't look the other way" defines the required behavior throughout the organization and activity under this banner is focused on positive behavioral change, emphasizing personal leadership and accountability as the basis for fundamentally improved safety performance.

Commitment to cultural change

The initiative started at the top, with ABB's first-ever personal safety commitment signed by the Executive Committee and our top 200 leaders in March 2014. The commitment emphasizes personal responsibility, job-appropriate safety training for all, establishing a safe system of work for all tasks and the importance of reporting and learning from all incidents.

A dedicated web portal has been established to communicate the initiative throughout ABB, training materials have been developed and ABB country organizations and businesses have aligned their safety activities and programs. Regular Group-wide and local communication ensures that the initiative remains visible and relevant.

This commitment is further supported by the requirement for all ABB employees to include a health and safety behavioral goal in their annual objectives, starting 2014. The aim is to further embed positive safety behaviors at all levels and to ensure that formal discussions of these behaviors occur across the company.

First global Safety Week

ABB initiated a Group-wide Safety Week in November, aimed at further engendering a safety culture across the company. During the week, ABB employees were offered opportunities to learn about how they can make ABB a safer place to work, whether they are in a factory, an office, or on a project or customer site.

Events included global and local training sessions, meetings, and events in ABB facilities, and at project and customer

sites. ABB contractors and customers were also invited to participate in some of the 2,500 training sessions held globally, which attracted around 142,000 attendees.

Safety Week also saw the launch of a new CEO Safety Award, designed to mark achievements and successes in improving health and safety, as well as reinforce the importance of safety throughout the organization. Awards will be presented at the annual Group Leadership Forum in March 2015.

Next Level strategy and targets for 2020

ABB's commitment to safety as a corporate value was further underlined with the launch of our Next Level strategy during 2014. The strategy explicitly defines responsibilities at all levels of the organization, with accountability for safety assigned along business lines. These responsibilities and accountabilities clearly link business value with the ability to deliver safely and with integrity – pre-requisites to achieving our ambitious growth targets.

During the year we also developed detailed targets and supporting KPIs that will help us to achieve our ambition to be best-in-class in safety by 2020. The focus is on leading indicators, aimed at ensuring appropriate systems, competence and behaviors are in place to identify and eliminate hazards before they cause harm or injury.

- Safety Observation Tours (SOT): By 2020 we will be conducting 180,000 SOTs annually, achieving a rate of 1.2 SOT per employee. SOTs are a top-down approach that helps employees and managers to think about safety, allowing it to become fully integrated into our daily work. Managers and supervisors tour a work location, engage with people and talk about health and safety and everyday working behaviors, reinforcing safety as a priority and jointly seeking opportunities to improve performance. During 2014 we conducted SOT training throughout the Group and reporting the number of SOTs conducted is mandatory from 2015.
- Hazard reporting: By 2020 we are reporting 300,000 hazards; a rate of two per employee. Serious incidents are often preceded by minor incidents or unsafe behaviors or situations. Formally recording and remedying unsafe acts or conditions reduces the risk in our business, making ABB a safer place to work. Hazard and near miss reporting training was rolled out at the end of 2013 and reinforced during Safety Week. Hazard reporting became mandatory from 2014 and we will report publicly from 2015.
- Certified health and safety management systems: By 2020 more than 95 percent of ABB manufacturing, project and service organizations are covered by a certified management system.

Injuries, lost days, diseases and fatalities

	2014	2013 ^a	2012 ^b	2011	2010
Employee work-related fatalities ^c	1	0	1	0	1
Incident rate ^d	0.01	0.00	0.01	0.00	0.01
Employee business travel fatalities ^{c,f}	0	0	1	0	2
Incident rate ^d	0.00	0.00	0.01	0.00	0.02
Contractor work-related fatalities ^{c,e}	2	7	2	0	2
Contractor business travel fatalities ^{c,f}	0	0	0	0	0
Members of the public fatalities ^c	0	1	0	0	0
Employee total recordable incident number ^{e,g}	1,500	1,664	1,750	1,505	1,426
Incident rate ^d	9.95	10.94	13.04	13.17	13.48
Contractor total recordable incident number ^{e,g}	333	310	348	307	258
Incident rate ^d	7.76	7.52	8.21	7.47	7.00
Employee lost time incident number ^e	652	686	683	722	761
Incident rate ^d	4.34	4.70	4.80	5.70	6.80
Contractor lost time incident number ^e	200	158	159	148	120
Incident rate ^d	4.65	3.83	3.76	3.60	3.25
Employee lost days due to industrial incidents ^h	8,415	10,591	10,345	9,478	8,362
Lost day rate ^d	55.220	77.500	74.640	69.560	66.370
Employee occupational health diseases	17	10	10	7	13
Employee occupational health disease rate ^d	0.11	0.14	0.07	0.06	0.05

^a Data from Thomas & Betts, a company acquired by ABB during 2012, do not include contractors.

^b These data do not include incidents from Thomas & Betts, a company acquired by ABB during 2012.

^c Fatalities also include deaths occurring within one year as a result of injuries sustained.

^d Incident rates are according to the ILO rate per 1,000 employees.

^e Data covers incidents that happened at the workplace (ABB facility, customer site, project site).

^f Incidents during air travel on business trips are excluded.

^g Total recordable incidents include lost time incidents, medical treatment injuries, occupational health diseases and restricted work day cases.

^h Lost days are calendar days and are counted from the day after the incident.

Implementation of management systems in recently-acquired operations continued through 2014.

Tools and programs supporting our strategy

A Code of Practice for Safe Working was launched during 2014, providing detailed, Group-defined guidelines on 50 safety topics for manufacturing, projects and service operations. Topics covered include risk assessment, electrical safety, work at heights, chemical hazards, construction hazards, contractor safety and travel safety. The guide was developed by a committee of experts representing all divisions and our diverse geographies, and is supported by an extensive online learning package available to all employees.

Business-led programs supplement our Group activities, focusing on the particular needs of the different businesses. For example, our Discrete Automation and Motion division has initiated a division-wide health and safety audit process. Comprehensive site reviews complement the program of SOTs, hazard reporting and local management review, providing a vehicle to systematically share best practices across the division.

ABB's global service organization continues to promote the importance of safety in its value proposition through the annual Global Service Safety Award. The 2014 award winner developed software that makes it easy to report unsafe working conditions – near misses and hazards – from wherever an employee is, using a mobile phone or tablet. It's an effective mobile tool for a service engineer in the field and is now undergoing further development to test its suitability for rolling out across ABB.

Occupational hygiene

Launched in 2012, the Group occupational hygiene program continued to develop during 2014. The Occupational Doctors Team continued to support our network of health and safety advisors by identifying and communicating good practices through regular conference calls and provision of online resources. In conjunction with external advisors, extensive guidance material was developed regarding Ebola, to assist ABB crisis managers to provide factual updates for our operations. Guidance for dealing with MERS-Coronavirus was also developed during the year.

Our health and safety performance

Sadly, we recorded three fatal incidents during 2014, involving one ABB employee at a customer site in Kuwait and two contractors working at project sites in India.

In response, we have reinforced our global focus on contractor safety, building stronger relationships with respect to safety arrangements, which include contractor qualification, training and control. Specific programs have also been initiated in India to address the particular characteristics of the project work being undertaken there. These programs are progressing well and will be implemented in other regions of the world as appropriate. We also continue to focus on enhanced, transparent reporting of contractor incidents, to enable faster learning from incidents and consequent process improvement.

Lost time injury rates and total recordable incident rates for employees show a consistent downward trend, indicating that our long-standing safety programs and standards support a trend of incremental performance improvement.

With this underlying momentum, ambitious Next Level strategy and unequivocal senior leadership, we will continue to learn from our experiences, address our challenges and drive systematic and cultural improvement across our business.

Secure operations

In an increasingly volatile and insecure world, ABB has been placing greater emphasis in recent years on the security of our people and contractors, particularly in high-risk countries or during crises.

ABB has built up a security capability around the world designed to safeguard our people, protect our assets and meet our customers' needs – even in some of the most hostile environments.

We have ongoing training programs at Group, region and country levels to help our employees to understand how to act and react under exceptional circumstances.

In 2014, we carried out a series of mandatory training sessions in 25 countries. For example, nearly 250 members of country management teams received focused sessions on the do's and don'ts, and processes to follow, in times of crisis. Management teams in countries where ABB has operations and major projects receive crisis training every three years.

There is also ongoing training on a wide range of other security tools and processes.

For example, further teams were trained in 2014 on the issues arising from kidnap and ransom incidents.

In the past, crisis situations for ABB have arisen in a number of areas, ranging from political upheaval in the Middle East and North Africa, to crime and violent incidents in different parts of the world, and natural disasters, particularly in Asia.

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In 2014, the biggest concerted effort by Group and regional crisis managers focused on the Ebola disease outbreak, primarily in three West African countries. ABB has only very limited operations and a few people in those countries, but provided regular updates to our people on the development and initial spread of the disease. No ABB people or operations were affected.

The ability to analyze fast-moving scenarios and, where possible, predict likely events is part of the capability of our corporate security staff. In an increasingly dangerous world, such skills are essential to help protect our people and strengthen our business resilience.



Responsible sourcing

Learning from experience

ABB is a large and complex organization, operating in approximately 100 countries, with manufacturing facilities located around the world. We manufacture products in over 300 product lines and have approximately 80,000 direct material suppliers.

ABB recognizes our suppliers as a valued and integral part of our company's long-term success. We consider them to be part of our extended enterprise and, consequently, require our suppliers to honor the same sustainability and integrity standards as ABB. These standards are defined in the [ABB Supplier Code of Conduct](#), which reflects the 10 principles of the UN Global Compact and the content of ABB's [Code of Conduct](#).

Building relationships with best-in-class suppliers is an essential aspect of ABB's global supply chain management strategy, focusing not only on cost, quality and on-time delivery, but also on suppliers' ethical, social and environmental performance. Our structured approach to supplier qualification, performance evaluation and development supports our suppliers to achieve sustainable improvement and, ultimately, provides our customers with a competitive and sustainable supply chain.

ABB's process to register and prequalify suppliers is operated through our partner Achilles, which provides registration assistance and ongoing support to suppliers. The centralized, online supplier registration and prequalification system means up-to-date, accurate and validated information is available to all our purchasing specialists around the world.

Supplier performance evaluation is conducted in-house, according to a standard, global process, and covers quality, delivery, commercial, technical, and sustainability and risk management topics. The process covers external suppliers of direct material and project services, internal suppliers of direct material, and transport and logistics suppliers, and is required at least annually for suppliers accounting for the top 60 percent of spend in each local business unit. The results of evaluations drive supplier development processes, assuring poor suppliers get better and good suppliers become elite.

Focusing on sustainability improvement

ABB's Supplier Sustainability Development Program (SSDP) focuses our efforts to ensure compliance with the ABB Supplier Code of Conduct and to support continual improvement in the sustainability performance of our suppliers. The program is structured around a combination of training for both suppliers and ABB employees, on-site assessments and monitoring of performance improvement plans.

598 in-depth supply chain sustainability assessments since 2010

We prioritize suppliers to participate in the program according to a risk matrix, which includes the criticality of the supplier, country risk, commodity risk based on operations characteristics, and spend volume. The selected suppliers receive training about ABB's global requirements regarding sustainability standards and on practical ways to improve their performance. We then conduct sustainability assessments at the premises of selected suppliers to identify remaining gaps, and help them to develop improvement plans. After that we assess the timely implementation of these plans. Read more about the program on our [website](#).

From strength to strength

The SSDP continues to expand, with the program newly established in Malaysia and South Africa during 2014 and supplier training extended to Indonesia, Thailand and Vietnam. Our internal assessor program, where ABB supply chain specialists achieve third-party certification as supplier sustainability assessors, was introduced to Brazil, India and South Africa, in addition to the existing programs in Mexico and China.

Support material was also enhanced, with the Supplier Code of Conduct now available in 15 languages and the Implementation Guide in four languages. Online learning programs about responsible sourcing and the SSDP were developed as part of the supplier management competency program. Online programs for suppliers are in development.

Since the program began in 2010, we have trained more than 2,500 suppliers (762 in 2014) and over 2,000 ABB supply chain and quality experts (264 in 2014). We have conducted sustainability assessments with 598 unique suppliers, with 175 of those during 2014 mainly in China, India, Brazil, Mexico and South Africa.

At the completion of on-site assessments, suppliers are assigned a risk rating based on the assessment findings. The risk rating determines the required pace of corrective action and whether an on-site re-assessment is required for the closure of corrective actions. Since the beginning of the program, we have assessed almost 1,100 risks (375 in 2014) and, through corrective action programs, have mitigated 675 of these (152 in 2014).

The most frequently identified causes of these risks include lack of knowledge of applicable labor, health, safety and environmental regulations, which can then result in unsafe working

conditions, poor environmental practices and excessive overtime. The 10 most frequently identified non-compliance issues are shown at this [Link](#).

To assess how suppliers are maintaining the improvements from their corrective action plans, in 2014 we revisited seven suppliers who had previously undergone sustainability assessment and had successfully closed all corrective actions. We discovered some repeat findings and, after discussion with the suppliers, concluded that we needed to expand the focus of the assessment process to include root cause analysis as well as preventive actions.

We acknowledge that some of the issues identified during supplier assessments cannot be solved simply through training or improving management processes; they require partnership to understand root causes and develop lasting solutions. The assessment protocol has now been adapted accordingly and, from 2015, our assessors will be helping our suppliers not only to reduce their immediate sustainability risks, but also to understand why they arose and to put in place appropriate processes to prevent recurrence.

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Many suppliers are now starting to realize real business benefits from the program, while improving their sustainability performance. Read more about some of these suppliers here.

While the SSDP focuses on working with suppliers to improve performance, there are consequences for suppliers unwilling to bring their performance standards in line with ABB requirements. During 2014, 10 suppliers were blocked due to unsatisfactory progress with their corrective action plans. Four of 17 previously blocked suppliers closed their action plans and were allowed to return as active suppliers, bringing the total number of blocked suppliers to 23.

Expanding the focus

During 2014 we put a special focus on contractor safety development through an enhanced subcontractor qualification program. A cross-functional, expert team including representatives from supply chain, quality, health and safety, site management and project management jointly elaborated a specific qualification questionnaire and pre-qualification process for subcontractors for contracted services.

The process focused on health and safety performance, clear roles and responsibilities for contractors and specific exclusion criteria. An extensive pilot program in South America involved almost 90 site assessments and resulted in simplification and enhancement to ensure business relevance and ease of use. An improved contractor qualification process with increased

focus on health and safety was also introduced in the Power Systems division, and piloted in a range of countries, including Saudi Arabia, India and South Africa. This pilot proved the practical usefulness of the new protocol, which was released for global use in the Power Systems division by year end.

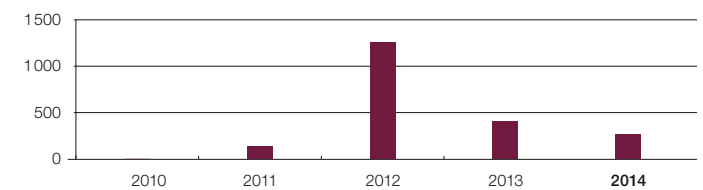
During the year, we also undertook an analysis of ABB's risk exposure to water scarcity in the supply chain. We are currently validating that analysis to assess appropriate next steps.

Moving forward in 2015

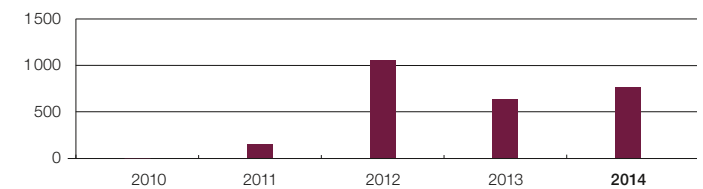
We will continue our efforts to scale up and replicate the SSDP in 2015. We will roll out supplier assessments in Indonesia, Thailand and Vietnam following the introduction of supplier training in 2014. Poland will also be added as a new focus country to the program. We will also continue re-assessments of suppliers with closed corrective action plans.

Training for suppliers will be further enhanced, reflecting ABB's own heightened focus on safety, with the roll out of supplier safety reviews, where local managers regularly walk around their facilities, observing practices and engaging employees in discussions on the safety aspects of their jobs. Issue-specific capacity building workshops will also be developed, such as around root cause analysis of excessive working hours.

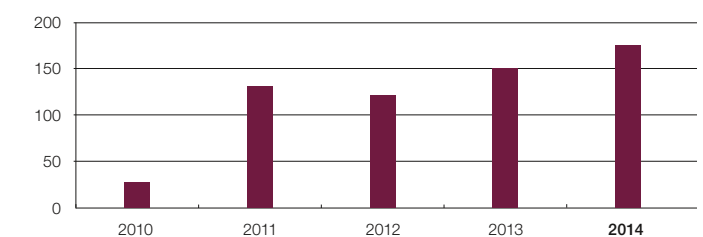
Number of ABB employees trained



Number of suppliers trained



Number of suppliers assessed





Environment

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and climate

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Energy efficiency, renewable energy and climate

Striving to reduce energy use and climate impacts

ABB's mission is to help our customers to use electrical power efficiently, to increase industrial productivity and to lower environmental impact in a sustainable way. Just as we target mitigation of climate change, and energy and resource efficiency for ABB's customers through our product and solution portfolio, we have also been working for many years to manage and reduce the impacts of our own operations.

As part of our Group-wide sustainability objective to progressively increase the efficiency of our own operations, we have set ourselves the target to reduce the energy intensity of our business by 20 percent by 2020 from a 2013 baseline. This is measured as megawatt-hours (MWh) of energy per million US dollars of sales and includes both direct fuel consumption and the use of electricity and district heating for manufacturing processes and to operate buildings.

To implement the objective, our most energy-intensive sites were required to undertake energy audits and all sites were required to develop an energy saving program. At our plants and offices, and along our value chain, actions to reduce energy consumption and greenhouse gas emissions take many forms, as reported below.

Energy efficiency in operations

During 2014, we recorded a 1.6 percent improvement in the energy intensity of our operations, resulting in energy consumption of 66.02 MWh per million US dollar sales. Absolute energy consumption declined by 6 percent year on year, driven by reductions in electricity and gas consumption and a significant decrease in district heating. Approximately one-third of the absolute energy reduction was due to business divestments during 2014, which primarily impacted Group electricity and gas consumption.

A wide variety of energy savings projects were implemented across the company to achieve our 2014 result. More than 200 individual energy efficiency projects were reported across the Group, estimated to result in 34.4 GWh of energy savings.

Most commonly – and cost effectively – facilities implemented energy-efficient lighting solutions. Other activities included optimizing heating, ventilation and cooling processes, investments in more efficient equipment, investigating and optimizing compressed air systems, behavioral change programs, and implementing or updating heat recuperation from machines and processes, often using our own technology.

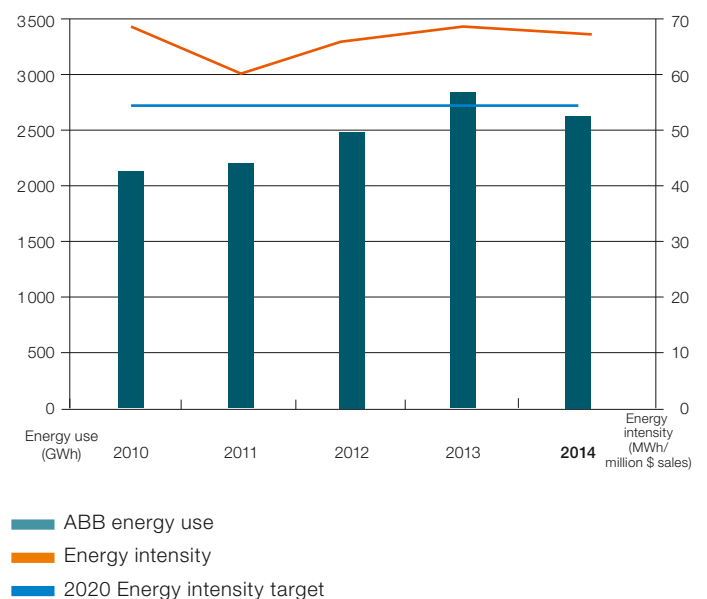
Some actions were as simple as reducing the temperature of a varnish oven, which not only reduced energy consumption at our facility in Ozark, Arkansas in the US, but also saved over \$24,000 during the year.

Other activities were planned as part of multi-year, facility-wide or country-wide programs. For example, our plant at Ludvika in Sweden – one of our top five energy intensive facilities with more than 2,800 employees on-site – undertook a systematic review of energy consumption during 2013. With cross-functional coordination between real estate, environment and production engineering, they began a step-by-step improvement plan that is continuing into 2015.

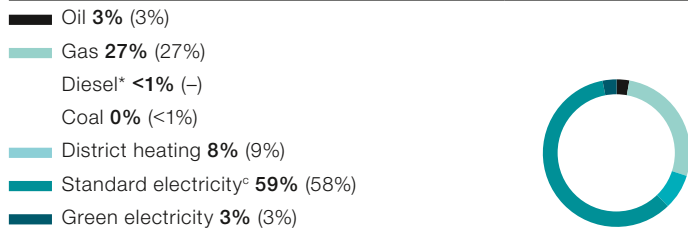
Measures taken so far include upgrading lighting systems, repairs and upgrades in the compressed air systems, installation of energy metering, introducing timers on drying ovens and significant training for employees. The program is already showing results and is even exceeding expectations in some projects, such as installation of LED lighting and sensors. With further activities planned for 2015, including installation of heat recovery in the painting area, additional energy metering and further lighting upgrades, we expect to see increasing savings in future.

In other areas, ABB businesses are choosing to implement certified ISO 50001 energy management systems (EnMS) to guide their activities. In 2014, ABB in Spain decided to implement a unified EnMS for six of its manufacturing and service centers, while ABB in Egypt implemented an EnMS at its most energy-intensive site, covering three different business units, which will later be extended to other sites in the country. The program in Egypt not only focuses on energy efficiency but also includes investigation of renewable energy generation and alternatives to fossil fuels in transportation equipment.

Total energy use and energy intensity



Energy use by type for 2014 (2013)



* Diesel consumption reported separately for the first time in 2014. Previously reported with oil consumption.

Building an efficient real estate portfolio

ABB's corporate real estate management also plays a key role in our energy efficiency performance. Acquisition, development, refurbishment and management activities related to our worldwide portfolio of about 8.8 million square meters of building space are guided by the ABB Green Building Policy.

In refurbishment projects, our real estate managers are expected to consider a range of factors, including energy efficiency and renewable energy opportunities, flexibility of spaces, working conditions for employees plus site-specific factors related to building use. Addressing these factors not only improves the environmental performance of the buildings, but leads to financial savings and greater employee satisfaction.

For example, there was a significant focus on improving overall design and functionality, as well as energy efficiency during the 2014 refurbishment of ABB's staff restaurant in Dättwil, Switzerland. Installation of skylights and LED lighting provide a bright and friendly atmosphere while reducing electricity consumption by over 11 MWh per year. Heat recovery systems, ABB control technology for heating and ventilation, and upgraded building insulation will improve comfort levels for staff and also save over 200 MWh per year. Rooftop solar panels will produce almost 20 MWh of electricity each year, which can be used in-house or fed back into the grid. Additionally, building materials were chosen to ensure no hazardous indoor emissions and all wood-based materials were selected on the basis of sustainable forest management.



To supplement site by site improvement projects, in 2013 ABB Real Estate kicked off a significant project to systematically introduce real estate energy efficiency programs across Europe. The project covers 100 sites in 14 countries and aims to identify improvement potential according to a common methodology and to initiate measures to reduce energy consumption. By year end, kick off workshops had been conducted in 13 countries, and detailed reports for three countries completed, outlining the results of energy monitoring, technical assessments and evaluation of efficiency measures. As part of the program, a total of 36 locations in eight European countries were integrated into the central Energy Monitoring System.

Many of the LED lighting upgrades undertaken at our office and manufacturing facilities during 2014 were part of ABB's collaboration agreement with Philips. The collaboration aims to provide a solution to simplify the integration of connected lighting systems and building device control for commercial buildings. ABB and Philips are working together to develop a simple, scalable solution to streamline the introduction of this technology in commercial buildings.

Reducing carbon intensity of energy

As well as working to improve the efficiency of our energy consumption, ABB also seeks to reduce the carbon intensity of our energy sources. Several ABB countries – Belgium, Netherlands and United Kingdom – have decided to purchase all of their electricity from renewable sources. Thomas & Betts plants in these countries will also join these programs as their current contracts reach expiration. In Sweden, almost 20 percent of electricity purchased was "green" energy, while globally, more than 4 percent, or 68 GWh, of ABB's 2014 electricity was purchased as certified "green" electricity.

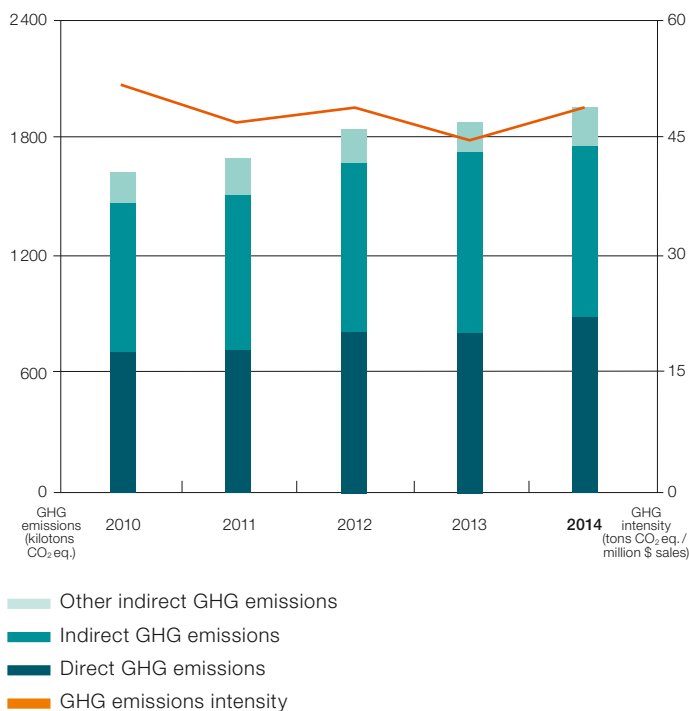
During 2014, two more ABB facilities in Egypt and Australia installed on-site photovoltaic (PV) power plants to reduce environmental impacts as well as to demonstrate ABB's solar capabilities. PV plants are now installed at 22 sites in 13 countries across Asia-Pacific, Latin America and Europe. While contributing only a small proportion of our global electricity needs, these plants are often a key part of local energy strategies, designed as a reminder to employees of ABB's energy efficiency and low carbon commitments.

Greenhouse gas emissions

Despite reductions in gas, district heat and electricity consumption, ABB's total greenhouse gas (GHG) emissions (direct + indirect) increased by 4 percent in 2014, from 1.87 million tons in 2013 to 1.95 million tons. ABB's direct GHG emissions are mainly from fuel used in our operations, as well as from SF₆ emissions during production processes and gas handling on site. During 2014, our SF₆ emissions increased by over 30 percent due to increased production at several units that handle high volumes of the gas and to unsuccessful trials of a new gassing process at one plant. As part of ABB's energy and climate objective, we are focusing on strengthening local SF₆ management plans to improve handling, leak detection and storage procedures.

Indirect GHG emissions from purchased energy declined due to decreased consumption, while indirect GHG emissions from air travel increased by 29 percent. This increase was, in large part, due to the first time inclusion of Thomas & Betts travel data and full inclusion of ABB China employees' air travel. (See [Approach to reporting section](#) for details of our GHG calculation methodology.)

Total greenhouse gas (GHG) emissions and GHG intensity



Logistics and packaging

Programs to optimize logistics continued during 2014, resulting in cost savings, improved quality and reduced emissions. The Transportation Management Center (TMC) project in China, providing coordinated transport management for all ABB business units around the regions of Xiamen, Beijing and Shanghai, was expanded to include international service during the year. This program is now realizing sustainable logistics cost savings of more than 10 percent.

ABB in India began implementation of a TMC project at one site during 2014, with the intention to cover the remainder of ABB operations in the country and all transport modes by the end of 2015. We will also investigate the feasibility of TMC roll outs in Dubai, Brazil and South Africa in 2015.

200+ energy efficiency projects under way in 2014

Our global packaging optimization project continues to make progress. The project involves systematic review of packaging needs and assessment of the potential to optimize packaging type, size and weight. Improved packaging and loading can increase transport efficiency, thus reducing emissions and material consumption, improving ergonomics and providing better product protection.



More than 80 facilities have systematically reviewed their packaging needs, with 20 sites at implementation stage. Some sites are already seeing the benefits. For example, in Faridabad in India, a change from hand-built rubber wood crates to manufactured plywood improved health and safety, reduced storage space for empty packaging, improved product protection and reduced lifetime CO₂ emissions. Similar improvements have been observed in Shanghai, China with a change from rainforest plywood packaging to a lighter, more sturdy solution. At Dalmine in Italy, several projects related to both inbound and outbound transports are under way, and are expected to yield annual savings of well over \$300,000.

Resource efficiency

Reducing impacts

Our stakeholders are increasingly focusing their attention on ABB's operational efficiency – how we optimize the use of resources and minimize waste. They have also confirmed their interest in how we reduce the use of natural resources during production and ensure our products are safe and compliant.

5,200 kilotons of water saved through reuse and recycling

Addressing these issues contributes to our business success by reducing costs and risks, improving the work environment for our employees and helping to maintain our license to operate.

Water reduction commitment

Although the majority of our manufacturing processes do not consume significant amounts of water, ABB is nonetheless committed to reducing our impact on local water resources.

In order to focus reductions where they are most needed, during 2012 and 2013 we targeted our manufacturing facilities in water-scarce and extremely water-scarce watersheds,¹ rolling out an in-house tool for mapping and analysis of water flows. Facilities were required to review water flows systematically and develop water action plans to minimize risks and to leverage opportunities. The newly acquired businesses of Baldor and Thomas & Betts were not required to implement the ABB Water Tool during this phase due to their participation in specific integration programs.

Our Sustainability Objectives 2014-2020 expanded the scope and quantified this target. We are committed to reduce absolute water use by 25 percent by 2020 at facilities in water-stressed, water-scarce and extremely water-scarce watersheds, compared to a baseline of 2013. The initial focus will be on 30 selected facilities.

Following a range of business divestments in 2014, we will update our facility mapping during 2015 and define the 30 facilities included in the initial program.

Water in our global operations

Looking at ABB's global operations in 2014, there were no significant changes in our water withdrawal, use or discharge results compared to 2013, apart from a decrease of about 12 percent in the volume of reused and recycled water. Business divestments during 2014 did not have a material impact on our water profile.

In 2014, more than 50 percent of ABB's water withdrawals were used for cooling processes, almost 30 percent for domestic purposes such as sanitation, cooking or garden maintenance and the remainder for manufacturing processes.

Of those sites that use water for process purposes, more than 30 percent use closed-loop systems. Excluding cooling water returned to the source of extraction, the use of closed-loop processes and the reuse of water in other ways saved approximately 5,200 kilotons of water in 2014. Without this recycling and reuse, ABB's water withdrawals would have been more than 50 percent higher.

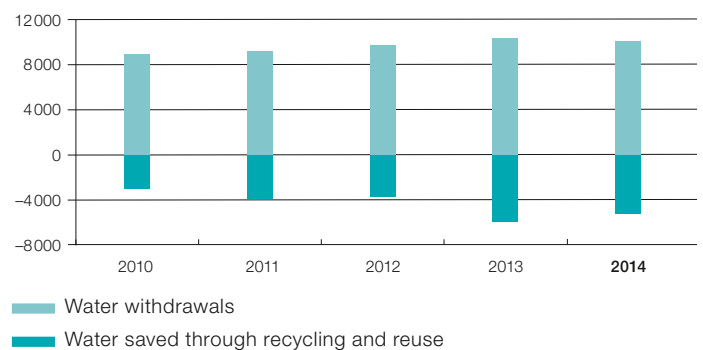
About half of our water discharge was to public sewers (48 percent), with approximately one-third of that volume first processed at our own treatment plants. Another 46 percent was discharged to surface or ground water, with almost 90 percent of that volume pre-treated. The remainder was handled by hazardous waste water treatment companies.

Sources of water withdrawals in 2014 (2013)

- Purchased from water companies **41%** (43%)
- Ground water extracted by ABB **31%** (31%)
- Surface water extracted by ABB **28%** (26%)
- Collection of rain water **<1%** (<1%)
- Waste water from external source **<1%** (<1%)



Water withdrawals and water reused / recycled (kilotons)



¹ Food and Agriculture Organization of the United Nations (FAO) (2003). *Review of world water resources by country. Water Reports 23*. Rome. According to this methodology, a watershed is considered water-stressed if the total actual renewable water resources (TARWR) are below 1,700 m³ per person and year, water-scarce if below 1,000 and extremely water-scarce if below 500.

Our San Luis Potosí facility in Mexico reports that its water withdrawals are likely to have an impact on its water sources due to local water scarcity. Therefore, in 2014 the facility stopped withdrawing ground water – previously about 50 percent of total water withdrawal – and now treats and reuses all sanitary waste water from the campus. This saved over 11,000 m³ of water in 2014.

Many other site-level water efficiency projects were undertaken during 2014, with most creating significant benefits for the facility. Projects ranged from major repair and refurbishment of water systems at facilities in China, Canada and Germany, resulting in substantial water and cost savings, to collection of rain water for use in all process work at a facility in Australia, and the installation of waterless urinals at facilities in Finland and Spain. Many locations report the effectiveness of continued water conservation training and awareness-raising programs for employees.

A number of facilities examined their water flows and re-designed processes to enable increased recycling or reuse of waste water. Additionally, closed-loop systems were expanded in China, Italy, Saudi Arabia and the United States, or were newly installed at a large facility in the United States. In Peru, the entire sewer network at one plant was redesigned to enable separation of domestic and industrial waste water, with the potential for future treatment and reuse of domestic waste water flows.

Waste and recycling

ABB products contain mostly steel, copper, aluminum, oil and plastics, and the majority of this material is reclaimable at the end of the product's life. We enhance the ability to recycle by designing products that can be dismantled more easily and by providing users with recycling instructions.

Consequently, the main waste streams at ABB facilities are metal, oil and plastic, as well as wood and cardboard from packaging materials and paper from office activities. We aim to optimize material use and increase the share of waste that is reused or recycled.

We are committed to reduce the amount of waste sent to final disposal – both hazardous and non-hazardous – by 20 percent by 2020. This will be measured as the proportion of total waste sent for final disposal and compared with a 2013 baseline.

There was a nine percent decrease in total waste generated in 2014 compared with 2013. The majority of this is due to business divestments during 2014. Due to the significant amounts of scrap metal and non-hazardous waste reported by those

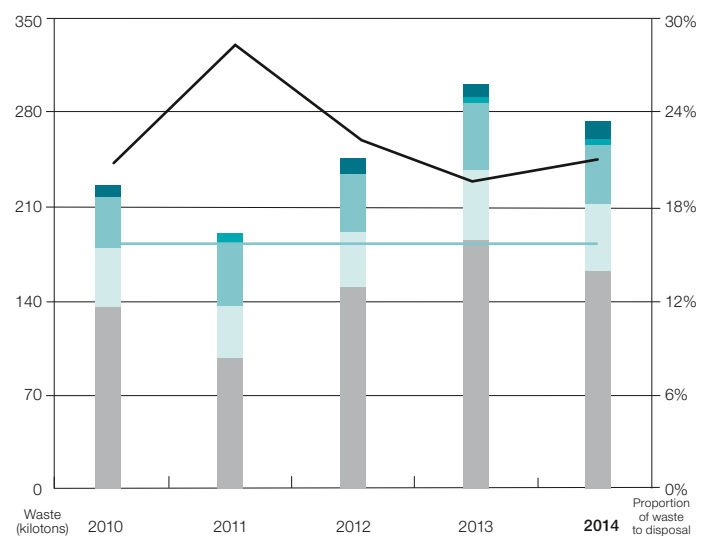
businesses in 2013, we consider that approximately 100 percent of the observed reduction in scrap metal, 70 percent of the reduction in recycled non-hazardous waste and over 35 percent of the reduction in non-hazardous waste sent for disposal in 2014 was due to the impact of the divestments. The divested businesses reported negligible hazardous waste and on-site recycling in 2013.

20% increase in materials recycled and reused in-house

In 2014, ABB sent 79 percent of total waste for recycling, compared with 81 percent in 2013. Again, this apparent reduction in the recycling rate is due to the impact of the high volumes of scrap metal reported by the divested businesses in 2013.

In-house recycling, mainly of packaging materials and thermoplastics, reduced the amount of waste by more than 4,980 tons, an increase of around 20 percent from 2013. In total, we generated almost 18,000 tons of hazardous waste in 2014, but sent about 25 percent of that amount for recycling rather than disposal.

Waste and recycling



- Hazardous waste sent for disposal
- Hazardous waste recycled
- Non-hazardous waste sent for disposal
- Non-hazardous waste recycled
- Scrap metal recycled
- Percentage of waste to disposal
- 2020 Waste recycling target (percentage of waste to disposal)

ABB operations undertake a wide range of waste reduction and recycling initiatives, bringing both environmental and cost benefits for the business. The nature of the improvement activities generally depends on the characteristics of the production processes and the local waste infrastructure, but there were common themes.

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Many locations have conducted detailed on-site analyses and are working with their waste management vendors, or have selected new vendors, to optimize recycling options. Revenues realized from a range of waste streams along with the reduced costs of waste disposal reinforce these efforts within our businesses.

During 2014, many facilities pursued operational excellence projects to optimize material use and reduce waste, but a number of our operations also invested in novel processes aimed at reducing and reusing waste. For example, a plant in China upgraded its filtration process to enable reuse of a specialized oil, not only reducing oil waste by 20 tons, but reducing costs by more than \$100,000. At an insulation and components manufacturing facility in India, an in-house lamination process was developed to reuse offcuts from other processes. In Sweden, installation of a special room for chemical waste allowed for better sorting and labeling options, thus improving recycling and cutting disposal costs.

Reduction and reuse of packaging, such as repurposing wood from transport crates and encouraging the use of reusable, bulk containers by suppliers, are also helping to reduce waste volumes on sites. A number of locations adapted administrative procedures to avoid or minimize the use of paper, and many sites are focusing on improved recycling of beverage containers or have ceased using disposable water bottles and cups altogether.

Reduction of hazardous substances

ABB is committed to minimizing our environmental impacts and to ensuring the health, safety and protection of people who come into contact with our products and business. We continue to phase out hazardous substances in products and processes, where technically and economically feasible, with the ambition to use these substances in closed loops or not at all.

This requires attention to product design and manufacturing processes, as well as to our supply chain, to ensure that the materials and components we use and the products we produce comply with our own and our stakeholders' standards.

To guide this process, we have compiled lists of prohibited and restricted substances, which reference international regulations. These lists are updated regularly and help both our engineers and suppliers to comply with regulatory requirements and to manage potential risks caused by the presence of chemicals in various products.

Use of hazardous substances (tons)

	2014	2013	2012	2011	2010
Phthalates – softener for PVC	258	21	28	47	31
PBB and PBDE –					
flame retardants	1.9	2.9	~0	~0	~0
Lead in submarine cables	7,842	7,236	5,633	5,725	3,632
Organic lead in polymers	0.1	0.6	0.9	1.3	52
Lead in other products, e.g.					
backup batteries and counterweights in robots	1,884	2,601	363	227	265
Cadmium in industrial batteries delivered to customers	4.4	4.4	5.6	1.6	1.7
Cadmium in rechargeable batteries	75.1	67.6	6.3	10	5.9
Cadmium in lead alloy and other uses	6.0	5.7	4.5	4.3	2.9
Mercury in products delivered to customers	0.071	0.012	0.011	0.030	0.038
SF ₆ insulation gas (inflow to ABB)	1,483	1,438	1,139	1,052	968
SF ₆ insulation gas (outflow from ABB)	1,466	1,425	1,118	1,040	959

Our suppliers are requested to comply with these regulations, which are also part of ABB's Global Terms and Conditions and Supplier Code of Conduct. We have developed a [Guide for Suppliers to the ABB List of Prohibited and Restricted Substances](#) to help our suppliers understand and implement the ABB List and to provide guidance on suppliers' obligations.

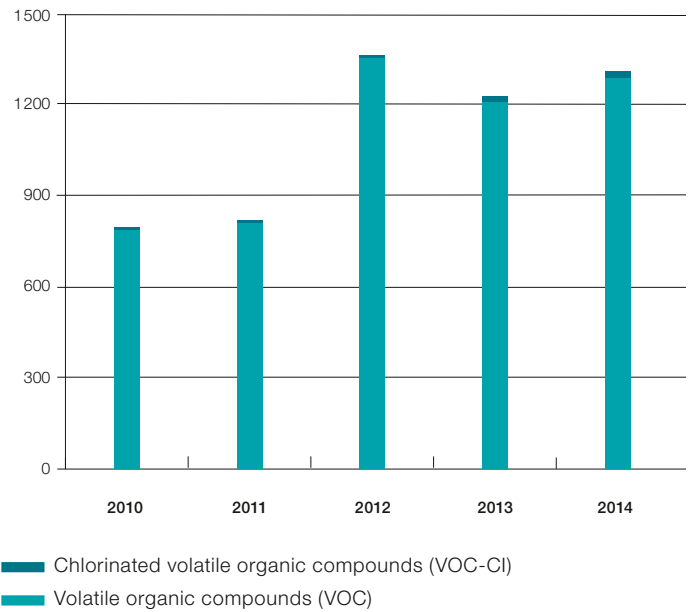
ABB facilities are required to ensure compliance with the ABB List and to work to phase out hazardous substances in their processes and products.

As we integrate our recent, large acquisitions, Baldor and Thomas & Betts, we are seeing changes in our Group profile of hazardous substances due to the different product portfolios and manufacturing processes undertaken by these businesses. In particular, in 2013, the first year both companies reported on their environmental performance, we saw an increase in lead and cadmium in batteries delivered to customers and in polybrominated flame retardants used in polymers. A substitution program resulted in reductions in the use of these polybrominated flame retardants in 2014.

During 2014 we worked to improve the quality of hazardous substances reporting through further investigation of complex mixtures and polymers. As a consequence, we report a significant increase in phthalates, used as plasticizers in polymers, mainly due to raw material used at one plant in the United States. Use of lead in rubber compounds in two plants in the United States also impacted the category lead in other products.

Ongoing activities at other plants are beginning to show results. We are making progress in the elimination of lead in solder, with a reduction of 24 percent in 2014, and with the substitution of various chemicals used in metal cleaning processes. For example, the construction of a new interrupter facility at one of our plants in India provided the opportunity to install an ultrasonic alkaline degreasing facility – an investment of over \$100,000 – resulting in the phase-out of chlorinated solvents from January 2015. Also in India, extensive testing led to the replacement of solvent-based degreaser with a neutral soap solution.

Emissions of volatile organic compounds (tons)



Promoting material compliance

ABB's network of environmental specialists works alongside our product development and supply chain functions to promote material compliance. During 2014, we reinforced our continuing work around REACH compliance through the delivery of eight training sessions on different aspects of the regulation to our cross-functional REACH network.

As well as targeting the phase-out of hazardous substances in our products and processes, ABB has also initiated programs to monitor the source of certain minerals more closely.

ABB is aware of and concerned by the conflicts occurring in the Democratic Republic of the Congo. We are actively working to identify which products and material from suppliers may contain conflict minerals and are engaging with our customers regarding their disclosure obligations.

In 2014, we provided our first report regarding conflict minerals to the United States Securities and Exchange Commission according to the requirements of section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Improvement by design

ABB's Research and Development (R&D) engineers and scientists are key to ensuring that our environmental, and health and safety ambitions are designed into ABB's products and solutions.

The ABB Gate Model process defines our Group-wide approach to product and technology development and is designed to ensure appropriate consideration of all aspects needed to satisfy a project's defined objectives. These include consideration of legal, technical, strategic, manufacturing, customer and other requirements.

Sustainability aspects are built into the Gate Model and include a standardized Life Cycle Assessment (LCA) procedure and a handbook to guide consideration of environmental, and health and safety aspects during design. We have developed support materials such as a Health, Safety and Environment (HSE) checklist and training packages for our research technologists to improve understanding and ensure these aspects are incorporated into design.

During 2014, we updated the HSE checklist to reflect ABB's 2014–2020 Sustainability Objectives and strengthened the sections related to hazardous materials and other potentially controversial materials, such as conflict minerals, rare earth elements and palm oil. Rolling out these changes, we trained 132 R&D engineers on the updated checklist, with over 80 percent of the project leaders at our largest R&D center trained.

To further increase awareness of how technologists can influence environmental performance through product and process design, ABB's Corporate Research Center (CRC) in Sweden established a "Green Project of the Year" award in 2013. With the second round of entries submitted during 2014, the awards program is now providing feedback to improve the sustainability support materials for R&D engineers. For example, one of the projects evaluated for the award prompted questions around rare earth elements. These questions were investigated through a small research project, with the results now incorporated in the updated HSE checklist.

The Swedish CRC also undertook a first-time "materiality" survey in 2014 to better understand the sustainability topics prioritized by R&D technologists and their various customers. The results of the survey were still being analyzed in early 2015, but will be used in part to improve communication of sustainability within ABB.

LCA is not only required as part of a product's research and development phase, it is also used in the concept development phase for next generation products. ABB develops Environmental Product Declarations to communicate the environmental performance of our core products over their life cycle. Declarations are based on LCA studies, created according to the international standard ISO/TR 14025. Approximately 80 declarations for major product lines are published on our [website](#).



Performance summary

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Independent assurance statement

Scope and objectives

ABB commissioned **DNV GL AS** ("DNV GL") to undertake independent assurance of the Sustainability Performance Report 2014 (the "Report") for the year ended 31 December 2014.

Our assurance engagement was planned and carried out in accordance with the DNV GL Protocol for Verification of Sustainability Reporting, VeriSustain™¹. We evaluated the report for adherence to the VeriSustain™ Principles (the "Principles") of stakeholder inclusiveness, materiality, responsiveness, completeness, neutrality and reliability.

We evaluated the performance data using the reliability principle together with ABB's data protocols for how the data are measured, recorded and reported. The performance data in scope was: The data reported for the GRI indicators noted in the GRI table (EN3 EN5 EN15 EN16 EN17 EN21(VOC) EN23 LA6) and the data reported for 2014 achievements against the nine Group Sustainability Objectives for 2020 (see objectives dashboard on pages 8-11).

Our scope included all the information within the pdf version of the report, but excluded additional information and case studies hyperlinked from the report, to illustrate the sustainability programme. Financial information taken from the Annual Report is also out of scope.

We planned and performed our work to obtain the evidence we considered necessary to provide a basis for our assurance opinion. We are providing a 'moderate level' of assurance. A 'high level' of assurance would have required additional work at Group and site level to gain further evidence to support the basis of our assurance opinion.

Responsibilities of the Directors of ABB and of the assurance providers

The Directors of ABB have sole responsibility for the preparation of the Report. In performing our assurance work, our responsibility is to the management of ABB; however our statement represents our independent opinion and is intended to inform all of ABB's stakeholders. DNV GL was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement.

DNV GL provides a range of other services to ABB, none of which constitute a conflict of interest with this assurance work. This is the first year that we have provided assurance of the full report. We have for a number of years provided verification of selected indicators.

DNV GL's assurance engagements are based on the assumption that the data and information provided by the client to us as part of our review have been provided in good faith. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

Basis of our opinion

A multi-disciplinary team of sustainability and assurance specialists performed work at headquarters and site level. We undertook the following activities:

¹ The VeriSustain protocol is available on dnvgl.com

- Review of the current sustainability issues that could affect ABB and are of interest to stakeholders;
- Review of ABB's approach to stakeholder engagement and recent outputs although we had no direct engagement with stakeholders;
- Review of information provided to us by ABB on its reporting and management processes relating to the Principles;
- Interviews with selected Directors and senior managers responsible for management of sustainability issues and review of selected evidence to support issues discussed. We were free to choose interviewees and interviewed those with overall responsibility for the programmes to deliver the nine Group Sustainability Objectives for 2020. We also interviewed management responsible for sustainability in the USA, Sweden and UK. Management responsible for sustainability in a further 6 countries were asked to complete questionnaires covering material issues and stakeholder engagement in those countries.
- Site visits were conducted in: Ludvika, Sweden; Fort Smith, USA; Jefferson City, USA; Vadodara, India to review process and systems for preparing site level sustainability data and implementation of sustainability strategy. We were free to choose the sites we visited and they were selected on the basis of their materiality to the group for environmental impacts as well as to give a geographical and divisional spread.
- Review of supporting evidence for key claims and data in the report. Our checking processes were prioritised according to materiality and we based our prioritisation on the materiality of issues at a consolidated corporate level.
- Review of the processes at Group level for gathering and consolidating the specified performance data and, for a sample, checking the data consolidation.

Opinion

On the basis of the work undertaken, nothing came to our attention to suggest that the Report does not properly describe ABB's adherence to the Principles. In terms of reliability of the performance data, with the exception of consolidation of data for lost days, nothing came to our attention to suggest that these data have not been properly collated from information reported at operational level, nor that the assumptions used were inappropriate.

Observations

Without affecting our assurance opinion we also provide the following observations.

Stakeholder inclusiveness

The participation of stakeholders in developing and achieving an accountable and strategic response to sustainability.

ABB has now introduced its nine medium term (2014-2020) Sustainability Objectives. At Group level stakeholder consultation is a key way for seeking feedback on materiality, the Objectives and the 2013 report. We recommend ABB includes more information on issues raised by stakeholders in future reporting. It would also be also valuable to track and disclose key outcomes of any local stakeholder engagement and issues.

ABB should also consider further formalising its stakeholder engagement structure, including for example a stakeholder panel to further integrate stakeholders' views into strategic decision making on an ongoing basis. Furthermore, the basis for selecting stakeholders for engagement could be made clearer.

Materiality

The process for determining the issues that are most relevant to an organisation and its stakeholders.

The review of material issues through the stakeholder consultation has helped increase confidence that ABB is addressing all its material issues. It is likely that the extent to which different material issues are relevant at local level varies across the organisation. We recommend ABB considers providing an overview in future reports, how different issues might be relevant across different parts of the business.

Safety is a core value for ABB. We recommend future reporting describes the results of the "Don't look the other way" initiative, the enhanced systems for knowledge sharing that are under development, as well as any improvements undertaken to increase accuracy of consolidated global data.

Responsiveness

The extent to which an organisation responds to stakeholder issues.

ABB has now started to establish targets and KPIs for its nine Sustainability Objectives. For some targets, including water, personal development plans and certified Health & Safety systems, further work is needed to define specifically how the target will be measured. We recommend that ABB should ensure that all targets and KPIs are measurable and quantitative and represent an appropriate challenge for the organisation.

We welcome the CEO's recognition of the importance of decoupling economic growth from environmental impacts. ABB should disclose how this has been taken into account in the development of targets and KPIs for the nine Sustainability Objectives.

Stakeholder feedback obtained by ABB suggested it should consider reporting on tax and include additional indicators related to integrity and human rights, in addition to training and capacity building. It would also be useful to improve the coverage of information on conflict minerals.

Completeness

How much of all the information that has been identified as material to the organisation and its stakeholders is reported.

ABB's reporting of performance including the disclosure of data is comprehensive. This gives stakeholders confidence that these aspects are managed appropriately. We recommend that ABB review the data included throughout the report as well as the presentation in the dashboard and GRI index as the nine Group Sustainability Objectives and associated KPIs and targets are developed further.

This year ABB has internally improved the basis for calculating scope 2 GHG emissions by using local emission factors rather than a single global emission factor. This is likely to lead to an increase of CO₂ reported. ABB is investigating the implications of the new methodology including any possible impact on previously set targets and baselines. ABB has committed to reporting GHG data using the new methodology next year.

Neutrality

The extent to which a report provides a balanced account of an organisation's performance, delivered in a neutral tone.

ABB reports on the challenges it faced during the year throughout the report. The Energy and Climate, Lowering Impact and Safe and Secure Operations sections outline a number of initiatives underway across the organisation to address these challenges. However, at times

it remains unclear if these are limited to certain locations or systematically rolled out across the organisation. This makes it difficult for stakeholders to assess their overall impact on overall global performance. ABB should also consider providing additional commentary on positive and negative data trends and how they link to initiatives undertaken.

Reliability

The accuracy and comparability of information presented in the report, as well as the quality of underlying data management systems.

ABB has a well-established process for submission and approval of environmental data from its sites to a central database, including an annual training process for data owners. For the environmental data in scope we saw evidence that the central team had undertaken further checks, and in some cases corrected data prior to consolidation. The Group is also intending to replace the existing database in 2016 which should further strengthen the reporting process.

The KPIs relating to the nine Group Sustainability Objectives have been internally developed and we recommend reporting these definitions in future. Where data collection processes have already been established for reporting these KPIs the processes were clearly described by data owners. We recommend ensuring these processes are documented to ensure there is continuity in the absence of key staff. Furthermore we recommend data collection and consolidation is automated as far as possible to reduce the risk of error and to facilitate review.

The data for CO₂ from transport by own fleet is an estimated figure, the basis for which has not been reviewed in the last 5 years. Given the fact this represents around 20% of the Group carbon footprint, we recommend the basis for this estimation is reviewed. Initially this could for example involve measuring emissions for the most significant sites and then extrapolating the data.

There is a process in place in place for reminders to be sent to local sites to input their Health & Safety data to the Global Incident Database (GID) for Group Reporting. However, despite this we noted a number of cases where data reported in the GID were lower than local systems for lost days. In most sites Health & Safety data is recorded on a local system and then the global system is updated. We recommend an additional control is considered to ensure local data is fully entered into the GID.

**For and on behalf of DNV GL AS
Høvik, Norway
March 2015**



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Summary of main performance indicators⁽¹⁾

GRI ref.	Indicator description	2014 data assured	2014	2013	2012	2011	2010
Environmental	Materials						
	Phthalates (tons)	✓	258	21	28	47	31
	Brominated flame retardants (tons)	✓	1.9	2.9	~0	~0	~0
	Lead in submarine cables (tons)	✓	7,842	7,236	5,633	5,725	3,632
	Organic lead in polymers (tons)	✓	0.1	0.6	0.9	1.3	52
	Lead in other products (tons), e.g. backup batteries and counterweights in robots	✓	1,884	2,601	363	227	265
	Cadmium in industrial batteries (tons)	✓	4.4	4.4	5.6	1.6	1.7
	Cadmium in rechargeable batteries (tons)	✓	75.1	67.6	6.3	10	5.9
	Cadmium in lead alloy and other uses (tons)	✓	6.0	5.7	4.5	4.3	2.9
	Mercury in products (tons)	✓	0.071	0.012	0.011	0.030	0.038
	SF ₆ insulation gas (inflow to ABB facilities) (tons)	✓	1,483	1,438	1,139	1,052	968
	SF ₆ insulation gas (outflow to customers) (tons)	✓	1,466	1,425	1,118	1,040	959
	No. of transformers with PCB oil in ABB facilities	✓	0	1	1	2	3
	No. of capacitors with PCB oil in ABB facilities	✓	0	60	32	0	0
	Mercury in instruments in ABB facilities (tons)	✓	0.320	0.371	0.203	0.263	0.422
EN3	Energy consumption (Gigawatt-hours – GWh)						
	Oil (11.63 MWh/ton)	✓	85	94	93	92	114
	Diesel (11.75 MWh/ton) ^{a,b}	✓	11	0	0	0	0
	Coal (7.56 MWh/ton)	✓	0	4	0	0	0
	Gas ^b	✓	706	754	556	417	427
	District heat consumption ^{b,c}	✓	198	251	219	195	223
	Electricity consumption ^{b,c}	✓	1,629	1,705	1,599	1,447	1,335
	Total energy used		2,629	2,808	2,467	2,151	2,099
	Electricity sold ^d	✓	2	–	–	–	–
EN5	Energy intensity (MWh/million USD)						
	Megawatt-hours (MWh) per million USD sales	✓	66.01	67.10	65.25	59.68	66.45
EN6	Reduction of energy consumption (GWh)^e						
			34.4	na	na	na	na

⁽¹⁾ Note that in this table, data for the Thomas & Betts acquisition is included from 2013 onwards. Data for the Baldor acquisition is included from 2012 onwards.

^a Diesel consumption is reported for the first time in 2014.

^b Results for these indicators are based on reported data covering 93 percent of employees in 2014 (85–88 percent in earlier years) plus estimated energy use per employee for the remaining employees. See the Approach to reporting section for more details.

^c ABB Sustainability Performance Reports prior to 2014 included calculated "losses at utilities" for district heat and purchased electricity consumption in total energy consumption. In this report, those loss calculations have been removed for all years shown.

^d Data for electricity sold is reported for the first time in 2014.

^e Data for reduction of energy consumption is reported for the first time in 2014.

GRI ref.	Indicator description	2014 data assured	2014	2013	2012	2011	2010
EN8	Water withdrawal (kilotons)						
	Purchased from water companies ^f		4,200	4,400	3,900	3,400	3,300
	Groundwater extracted by ABB		3,100	3,200	3,000	3,200	2,700
	Surface water extracted by ABB		2,800	2,700	2,800	2,600	2,900
	Collection of rain water		<100	<100	<100	<100	<100
	Waste water from external source		<100	<100	<100	<100	<100
	Total water withdrawal		10,100	10,300	9,700	9,200	8,900
EN10	Water recycled and reused						
	Volume of water reused and recycled (kilotons)		5,200	5,900	3,700	3,900	3,000
	As percentage of total water withdrawal (%)		51	57	38	42	34
	Greenhouse gas emissions^g (kilotons CO₂ equivalents)						
EN15	Scope 1						
	CO ₂ from the use of energy	✓	169	179	137	109	117
	SF ₆ (in CO ₂ equivalents)	✓	372	280	332	263	247
	CO ₂ from transport by own fleet ^h	✓	350	350	350	350	350
EN16	Scope 2ⁱ						
	District heat consumption	✓	50	63	55	50	57
	Electricity consumption	✓	816	850	802	736	698
EN17	Scope 3						
	Air travel ^{l,k}	✓	196	152	171	185	160
	Total greenhouse gas emissions		1,953	1,874	1,847	1,693	1,629
EN18	Greenhouse gas (GHG) emissions intensity (tons CO₂ equivalents/million USD)						
	Tons CO ₂ equivalents per million USD sales ^l	✓	49.0	44.8	48.9	47.0	51.6
EN21	Emissions of volatile organic compounds (tons)						
	Volatile organic compounds (VOC)	✓	1,291	1,210	1,355	810	786
	Chlorinated volatile organic compounds (VOC-Cl)	✓	20	20	12	13	11
	Emissions of NO_x and SO_x (tons SO₂ and NO₂)						
	SO _x from burning coal		0	3	0	0	0
	SO _x from burning oil		65	69	69	68	84
	NO _x from burning coal		0	2	0	0	0
	NO _x from burning oil		49	52	52	51	63
	NO _x from burning gas		126	163	120	90	92

^f Results for this indicator are based on reported data covering 93 percent of employees in 2014 (85–88 percent in earlier years) plus estimated water purchased per employee for the remaining employees. See the Approach to reporting section for more details.

^g See Approach to sustainability reporting chapter for more details on GHG emission calculation.

^h Estimated data.

ⁱ GHG emissions from district heat consumption and electricity consumption includes a factor for losses at utilities.

^j The air travel indicator includes data from ABB China and Thomas & Betts for the first time in 2014.

^k 2013 data for air travel is calculated using the emission factors published by UK Department of Environment, Food and Rural Affairs (DEFRA in its "2012 Guidelines to DEFRA/DECC's GHG Conversion Factors for Company Reporting. Data from 2012 and 2011 were calculated using emission factors provided by DEFRA in its 2009 Guidelines. Use of the 2012 factors gives a slightly lower total. For comparison, ABB's air travel emissions for 2012 calculated using the 2012 emission factors= 165 kton CO₂ equivalent.

^l 2012 data does not include GHG emissions or revenues from Thomas & Betts activities. 2011 data does not include GHG emissions or revenues from Baldor activities.

GRI ref.	Indicator description	2014 data assured	2014	2013	2012	2011	2010
EN22	Water discharge by quality and destination (kilotons)^m						
	Public sewer		3,000	3,600	2,800	na	na
	treated (percentage)		30%	31%	29%	na	na
	untreated (percentage)		70%	69%	71%	na	na
	Recipient		2,900	2,300	2,000	na	na
	treated (percentage)		90%	87%	45%	na	na
	untreated (percentage)		10%	13%	55%	na	na
	Hazardous treatment company		400	500	500	na	na
	treated (percentage)		75%	60%	80%	na	na
	untreated (percentage)		25%	40%	20%	na	na
	External use		<100	<100	0	na	na
	treated (percentage)		50%	50%	0%	na	na
	untreated (percentage)		50%	50%	0%	na	na
EN23	Waste (kilotons)						
	Scrap metal recycled	✓	162	185	150	97	135
	Non-hazardous waste recycled ⁿ	✓	49	52	41	39	44
	Non-hazardous waste sent for disposal ⁿ	✓	44	50	43	45	38
	Hazardous waste recycled ^o	✓	5	5	0	0	0
	Hazardous waste sent for disposal ^o	✓	13	9	12	9	9
EN24	Numbers of significant spills						
	Oil spills		7	13	6	5	4
	Chemical spills		0	0	0	0	0
	Emissions to air		3	3	5	4	0
	Others		0	4	0	0	3
	Total number of significant spills		10	20	11	9	7

^m Data is not available in this form for 2010 and 2011.

ⁿ Results for these indicators are based on reported data covering 93 percent of employees in 2014 (85–88 percent in earlier years) plus estimated data per employee for the remaining employees. See the Approach to reporting section for more details.

^o Hazardous waste as classified in country where it is generated.

GRI ref.	Indicator description	2014 data assured	2014	2013	2012	2011	2010
Social							
LA1	Total number and rates of new employee hires and employee turnover						
	Total workforce by region (ABB employees)						
	Europe		63,000	65,000	64,000	60,300	58,800
	The Americas		32,200	34,400	34,400	25,900	17,700
	Asia		37,100	39,400	38,300	37,400	30,900
	Middle East and Africa		8,100	8,900	9,400	10,000	9,100
	Total		140,400	147,700	146,100	133,600	116,500
	Employee turnover						
	Turnover of all employees ^P						
	Europe		5,877 9%	5,387 9%	5,083 8%	5,712 10%	6,351 11%
	The Americas		5,379 17%	4,760 14%	3,689 14%	2,823 15%	2,567 16%
	Asia		4,747 13%	4,681 13%	4,149 12%	4,615 13%	4,346 14%
	Middle East and Africa		954 17%	853 14%	911 15%	854 14%	463 8%
	Total employee turnover: ABB Group		16,957 12%	15,681 11%	13,832 11%	14,004 12%	13,727 12%
	Turnover of all female employees ^P						
	Europe		1,370 2%	1,217 2%	1,218 2%	1,364 2%	1,407 2%
	The Americas		1,307 4%	1,026 3%	676 3%	531 3%	631 4%
	Asia		1,177 3%	1,261 3%	1,023 3%	1,086 3%	1,060 4%
	Middle East and Africa		134 2%	97 2%	70 1%	184 3%	51 <1%
	Total female employee turnover: ABB Group		3,882 3%	3,601 3%	2,987 2%	3,165 3%	3,149 3%
	Employee hires						
	Hires of all employees ^{P,Q}						
	Europe		6,195 10%	6,086 10%	6,793 11%	6,593 11%	na na
	The Americas		4,142 13%	4,246 12%	4,034 15%	4,462 23%	na na
	Asia		3,687 10%	3,777 10%	3,193 9%	4,389 13%	na na
	Middle East and Africa		1,806 32%	1,442 24%	2,682 44%	4,426 72%	na na
	Total employee hires: ABB Group		15,830 12%	15,551 11%	16,702 13%	19,870 17%	na na
	Hires of all female employees ^{P,Q}						
	Europe		1,597 3%	1,453 2%	1,590 3%	1,493 3%	na na
	The Americas		1,010 3%	971 3%	821 3%	854 4%	na na
	Asia		1,135 3%	1,301 4%	940 3%	1,486 4%	na na
	Middle East and Africa		173 3%	166 3%	273 4%	380 6%	na na
	Total female employee hires: ABB Group		3,915 3%	3,891 3%	3,624 3%	4,213 4%	na na

^P Includes part-time employees. Turnover rate calculated as number of ABB employees (full- and part-time) leaving during the year/total number of ABB employees (full- and part-time) as at 31 December. For the purpose of this calculation, employees who leave the organization voluntarily or involuntarily whether due to dismissal, restructuring, retirement, or death in service or any other reason, are included. However, involuntary turnover arising out of divestments is excluded from the definition.

^Q Data for employee hires was not collected in 2010.

GRI ref.	Indicator description	2014 data assured	2014	2013 ^f	2012 ^g	2011	2010
LA6	Occupational health and safety: Injuries, lost days, diseases and fatalities						
	Employee work-related fatalities	✓	1	0	1	0	1
	Incident rate	✓	0.01	0	0.01	0	0.01
	Employee business travel fatalities	✓	0	0	1	0	2
	Incident rate	✓	0	0	0.01	0	0.02
	Contractor work-related fatalities	✓	2	7	2	0	2
	Contractor business travel fatalities	✓	0	0	0	0	0
	Members of the public fatalities	✓	0	1	0	0	0
	Employee total recordable incident number [†]	✓	1,500	1,664	1,750	1,505	1,426
	Incident rate [†]	✓	9.95	10.94	13.04	13.17	13.48
	Contractor total recordable incident number [†]	✓	333	310	348	307	258
	Incident rate [†]	✓	7.76	7.52	8.21	7.47	7.00
	Employee lost time incident number [†]	✓	652	686	683	722	761
	Incident rate [†]	✓	4.34	4.70	4.80	5.70	6.80
	Contractor lost time incident number [†]	✓	200	158	159	148	120
	Incident rate [†]	✓	4.65	3.83	3.76	3.60	3.25
	Employee lost days due to industrial incidents	✓	8,415	10,591	10,345	9,478	8,362
	Lost day rate	✓	55.220	77.500	74.640	69.560	66.370
	Employee occupational health diseases	✓	17	10	10	7	13
	Employee occupational health disease rate	✓	0.11	0.14	0.07	0.06	0.05
	Data by region^u						
	Employee work-related fatalities			-	-	-	-
	Europe	✓	0	-	-	-	-
	The Americas	✓	0	-	-	-	-
	Asia	✓	0	-	-	-	-
	Middle East and Africa	✓	1	-	-	-	-
	Employee business travel fatalities						
	Europe	✓	0	-	-	-	-
	The Americas	✓	0	-	-	-	-
	Asia	✓	0	-	-	-	-
	Middle East and Africa	✓	0	-	-	-	-
	Contractor work-related fatalities						
	Europe	✓	0	-	-	-	-
	The Americas	✓	0	-	-	-	-
	Asia	✓	0	-	-	-	-
	Middle East and Africa	✓	2	-	-	-	-

^f Data from Thomas & Betts, a company acquired by ABB during 2012, does not include contractors.

^g This data does not include incidents from Thomas & Betts, a company acquired by ABB during 2012.

[†] Data includes incidents that happened at workplace (ABB facility, customer site, project site).

^u Data by region reported for the first time in 2014.

GRI ref.	Indicator description	2014 data assured	2014	2013	2012	2011	2010
	Contractor business travel fatalities						
	Europe	✓	0	-	-	-	-
	The Americas	✓	0	-	-	-	-
	Asia	✓	0	-	-	-	-
	Middle East and Africa	✓	0	-	-	-	-
	Employee total recordable incident rate [†]						
	Europe	✓	11.32	-	-	-	-
	The Americas	✓	14.80	-	-	-	-
	Asia	✓	4.39	-	-	-	-
	Middle East and Africa	✓	3.43	-	-	-	-
	Contractor total recordable incident rate [†]						
	Europe	✓	18.41	-	-	-	-
	The Americas	✓	13.39	-	-	-	-
	Asia	✓	2.59	-	-	-	-
	Middle East and Africa	✓	3.66	-	-	-	-
	Employee lost time incident rate [†]						
	Europe	✓	6.48	-	-	-	-
	The Americas	✓	4.03	-	-	-	-
	Asia	✓	1.15	-	-	-	-
	Middle East and Africa	✓	1.36	-	-	-	-
	Contractor lost time incident rate [†]						
	Europe	✓	12.79	-	-	-	-
	The Americas	✓	8.23	-	-	-	-
	Asia	✓	0.65	-	-	-	-
	Middle East and Africa	✓	1.74	-	-	-	-
	Employee lost day rate						
	Europe	✓	75.73	-	-	-	-
	The Americas	✓	64.55	-	-	-	-
	Asia	✓	20.5	-	-	-	-
	Middle East and Africa	✓	13.76	-	-	-	-
	Employee occupational health disease rate						
	Europe	✓	0.19	-	-	-	-
	The Americas	✓	0.11	-	-	-	-
	Asia	✓	0	-	-	-	-
	Middle East and Africa	✓	0	-	-	-	-

[†] Data includes incidents that happened at workplace (ABB facility, customer site, project site).

GRI ref.	Indicator description	2014 data assured	2014	2013	2012	2011	2010
HR3	Non-discrimination						
	Total number of incidents of discrimination		1	1	2	5	6
	Total number of incidents of harassment		10	10	13	32	18
SO6	Public policy						
	Financial and in-kind political contributions		\$13,000	0	\$30,000	\$500	\$9,000
LA9	Training and education						
	Training per year per employee (average hours)						
	Brazil		20	25	27	25	26
	Canada		20	18	22	21	21
	China		26	27	31	34	40
	Finland		19	18	14	13	13
	Germany		18	16	16	16	16
	India		12	12	18	5	4
	Italy		12	19	16	17	17
	Sweden		12	12	12	12	10
	Switzerland		16	20	19	17	20
	USA		32	28	24	25	25
LA12	Diversity and equal opportunity						
	Composition of governance bodies						
	Board of Directors						
	Women in Board (percentage)		13%	13%	13%	13%	0%
	Age group diversity total (percentage)						
	<30 years old		0%	0%	0%	0%	0%
	30–50 years old		0%	0%	0%	0%	0%
	>50 years old		100%	100%	100%	100%	100%
	Number of nationalities total		7	7	7	7	6
	Executive Committee						
	Women in Executive Committee (percentage)		9%	9%	8%	9%	10%
	Age group diversity total (percentage)						
	<30 years old		0%	0%	0%	0%	0%
	30–50 years old		36%	45%	25%	27%	30%
	>50 years old		64%	55%	75%	73%	70%
	Number of nationalities total		8	8	8	8	8

Approach to sustainability reporting

Reporting boundaries

We aim to cover all ABB Group companies in our formal sustainability reporting system, including wholly-owned subsidiaries and majority-owned joint ventures worldwide. In 2014, our environmental and social reporting did not cover ABB Technologies Ltd., Haifa or ABB Ltd., Kiev. A full list of direct and indirect subsidiaries is shown in our Annual Report 2014.

Entities acquired during 2013 – Power-One, Newron, ELBI Elektrik, Los Gatos and Dynamotive – are now integrated into this system. Integration of companies acquired during 2014 is continuing and data collection for environmental parameters, health and safety and corporate responsibility will be implemented during 2015.

During 2014, we divested several businesses – the HVAC and Steel Structures businesses of Thomas & Betts, the Power Solutions business of Power-One and the Business Unit Full Service. As the Full Service transaction closed on December 30, we include the results from that business in this report; results from the other divested businesses were not collected for 2014.

We use three online data reporting questionnaires to measure and collect performance data throughout the Group via the ABB intranet: an annual social report from every country; an annual environment report from every manufacturing and service site and the majority of office locations; a monthly health and safety report from every country, which consolidates inputs from all entities in the respective country.

Data in this report relating to social performance covers approximately 98 percent of ABB employees, whereas data relating to environmental performance was sourced from more than 570 ABB sites and offices, covering approximately 93 percent of employees. The environmental performance of the remaining employees, located in non-manufacturing entities without significant impacts, is covered by estimated data for energy, water and waste parameters.

The estimation factors used for 2014 are as follows

	Unit	Factor
Electricity consumption	MWh/employee	2.8
District heat consumption	MWh/employee	1.5
Gas consumption*	MWh/employee	0.6
Water purchased from utilities	tons/employee	13.9
General waste sent for disposal	tons/employee	0.08
General waste sent for recycling	tons/employee	0.03

* In the Sustainability Report 2013, we incorrectly reported the 2013 estimation factor for gas consumption as 5.1 MWh/employee. The factor used in calculations was 0.8 MWh/employee.

Calculation of energy and greenhouse gas data

During 2014, we updated our method for calculating greenhouse gas emissions (GHG). For purchased electricity and district heat, we have obtained local CO₂ emission factors from suppliers. Where those factors were not available, we have sourced factors from the IEA CO₂ Emissions from Fuel Combustion, 2013. Fuel emission factors are sourced from the GHG Protocol's Emission Factors from Cross Sector Tools (April 2014).

We will report GHG emissions according to this new methodology starting with our 2015 Sustainability Performance Report.

The 2014 energy and GHG data contained in this report are calculated according to our previous methodology, using global GHG emission factors. NOTE that we have discontinued calculating "losses at utilities" for purchased electricity and district heat and have removed those values from the 2010–2013 energy data reported here.

Assurance process

ABB believes in the importance of independent external assurance to enhance the credibility of our sustainability report. The independent assurance provider DNV GL have provided assurance of environmental and social performance indicators, as shown in the Summary of performance indicators table, and have reviewed key data and claims in the report and the data reported against our Sustainability Objectives 2014–2020. Their statement appears on page 58 of this report.

Other GRI indicators

Environment

EN24 Numbers of significant spills

The spills identified in the Summary of main performance indicators table were disclosed as incidents without “material environmental impact” in ABB’s Form 20-F for fiscal year ended December 31, 2014.

EN29 Significant fines for non-compliance

ABB did not pay any significant fines for non-compliance with environmental laws and regulations in 2014.

EN31 Environmental protection expenditures

Combined costs of remediation and corrective actions to address the spills reported under EN24 were approximately \$340,000.

EN32 Percentage of new suppliers that were screened using environmental criteria

All new suppliers are required to agree to ABB’s Supplier Code of Conduct which emphasizes environmental management and material compliance among other issues. ABB applies a further checklist (part of the Achilles pre-qualification process) for key suppliers above a certain threshold, which includes questions on environmental management.

EN34 Number of grievances about environmental impacts filed, addressed and resolved through formal grievance mechanism.

ABB has a number of formal grievance mechanisms, including a third-party run Business Ethics hotline available round the clock to internal and external stakeholders, and an Ombuds Program, where employees can report concerns, if they wish, confidentially.

Labor practices

LA2 Benefits provided to employees

ABB, as a multinational organization with operations in around 100 countries, has difficulty in providing meaningful information for this indicator. ABB provides competitive salaries and benefits to employees, taking legal requirements into account and benchmarking against other companies. In view of the different legal requirements from country to country, and the adverse cost-benefit ratio in producing this information, ABB has decided not to report against this GRI indicator.

LA3 Return to work and retention rates after parental leave

Almost 3,460 employees took parental leave in 2014, around half of whom were women. Following completion of parental leave, 136 employees – around 4 percent – did not return to work. Women accounted for 90 percent of those not returning.

LA4 Minimum notice periods regarding significant operational changes

ABB is not in a position to provide Group-wide aggregated information, as the figures vary from country to country depending on local regulations. For the 27 countries of the European Union, ABB is represented on the EU’s European Works Council where such matters are discussed.

LA5 Employees covered by collective bargaining agreements

The proportion of our employees that are represented by labor unions or are the subject of collective bargaining agreements varies based on the labor practices of each country in which we operate. Collective bargaining agreements are subject to various regulatory requirements and are renegotiated on a regular basis in the normal course of business.

LA8 Health and safety topics covered in formal agreements with trade unions

Health and safety consultation is an integral part of ABB’s commitment to introduce into all businesses occupational health and safety management systems based on OHSAS 18001 and the International Labour Organization (ILO) guidelines. The form of health and safety consultation with employees varies according to local requirements and cultures. It includes health and safety committees and employee forums.

At Group level, ABB has a standing Occupational Health and Safety (OHS) committee chaired by an Executive Committee member whose mandate covers all employees.

LA14 Percentage of new suppliers that were screened using labor practices criteria

All new suppliers are required to agree to ABB's Supplier Code of Conduct which emphasizes human rights and fair labor conditions among other issues. ABB applies a further checklist (part of the Achilles pre-qualification process) for key suppliers above a certain threshold, which includes questions on labor conditions.

LA16 Number of grievances about labor practices filed, addressed and resolved through formal grievance mechanism.

ABB has a number of formal grievance mechanisms, including a third-party run Business Ethics hotline available round the clock to internal and external stakeholders, and an Ombuds Program, where employees can report concerns, if they wish, confidentially. Figures are available for cases of discrimination and harassment (HR 4).

Human rights

HR1 Significant investment agreements that include Human Rights

ABB maintains and regularly reviews a list of sensitive countries where it has, or considers engaging in, business operations. Human rights, as well as legal, financial and security criteria, are included in risk assessments, and are among the factors in deciding whether ABB does business in a particular country.

Based partly or wholly on human rights considerations, ABB has not taken any business in Sudan or North Korea for several years.

HR3 Non-discrimination violations

All countries in ABB's sustainability management program are asked to report any incidents of discrimination. There were 10 substantiated cases of harassment and one of discrimination in 2014, resulting in five terminations, and a range of other measures, including formal warnings, counseling and further training.

HR4, HR5, HR6, Operations at risk: Freedom of association and collective bargaining, child labor, forced or compulsory labor

There were no ABB operations identified during 2014 to be at significant risk concerning employee rights to freedom of association and collective bargaining, incidents of child labor, or incidents of forced or compulsory labor.

HR7 Training of security personnel in human right

ABB recognizes the importance of training security personnel, as well as ABB country and regional managers, on the human rights dimensions of security work. It has been part of general security training in different parts of the world for several years. As far as security personnel are concerned, ABB recognizes it is essential that they observe human rights. We require due diligence to be carried out on security companies according to ABB and international standards. In 2014, internal checklists for security providers were strengthened, and clauses on human rights were introduced into new contracts with private security providers. The wording is drawn from the Voluntary Principles on Security and Human Rights and the International Code of Conduct for private security providers.

HR8 Indigenous rights violations

All countries in ABB's sustainability management program are asked to report any incidents of indigenous rights violations. No such incidents were reported in 2014.

HR9 Percentage of total number of operations that have been subject to human rights reviews and/or impact assessments

This data is not available. ABB is involved as a supplier in thousands of projects worldwide each year. Depending on the scope and size of the project – such as larger power infrastructure projects – some will require at least an Environmental and Social Impact Assessment performed by the customer. The data is currently not consolidated by ABB.

HR10 Percentage of new suppliers that were screened using human rights criteria

All new suppliers are required to agree to ABB's Supplier Code of Conduct which emphasizes labor and human rights among other issues. ABB applies a further checklist (part of the Achilles pre-qualification process) for key suppliers above a certain threshold, which includes questions on human rights.

HR11 Human rights impacts in the supply chain and actions taken

All new suppliers are required to commit to ABB's Supplier Code of Conduct which emphasizes labor and human rights among other issues. ABB is also using a supplier self-evaluation checklist (part of the Achilles pre-qualification process) for key suppliers, which includes questions on human rights. This is supplemented by a contractual obligation on suppliers to deliver goods or services in accordance with the ABB Supplier Code of Conduct. There is also an annual supplier performance evaluation on ABB's key suppliers, which includes an evaluation criterion relating to labor and human rights. A total of 7,132 evaluations were carried out in 2014. In addition, more focused assessments are carried out on key suppliers in high risk countries under the Supplier Sustainability Development Program, and corrective action plans and timelines are then agreed with suppliers. ABB publishes a list of the 10 most frequent issues discovered during assessments (see Responsible sourcing chapter for more information). In 2014, ABB found no evidence of child or forced labor in the supply chain.

HR12 Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanism.

ABB has a number of formal grievance mechanisms, including a third-party run Business Ethics hotline available round the clock to internal and external stakeholders, and an Ombuds Program, where employees can report concerns, if they wish, confidentially. Figures are available for cases of discrimination and harassment (HR 4).

Society

SO4 Employees trained in anti-corruption procedures

Substantially all employees have completed training on ABB's Code of Conduct, including anti-corruption. During 2014 we rolled out a new, mandatory on-line learning on "Global anti-bribery: Don't look the other way". At the end of 2014 the completion rate was nearly 93 percent for employees with an email address. Regular and wide-ranging communications activities ensure that employees in every location are fully aware of ABB's commitment to integrity and of the consequences of unethical action. These activities include publication of cases of consequence, integrity updates, "What Should I do?" (Q&A), video messages, newsletters and blog discussions.

SO5 Actions taken in response to corruption

ABB applies a strict zero tolerance policy to combat corruption payments. Every incident is sanctioned, and may include termination of employment. In 2014 ABB identified four incidents of corruption of a government official. During the year three employees were dismissed.

SO6 Political contributions

Under ABB's Code of Conduct, contributions to political parties, politicians and related institutions are to be made only in exceptional cases and only after a rigorous approval process which includes the approval of the Chief Integrity Officer. In 2014, ABB Inc. in the United States made employee-raised donations through its Political Action Committee for a total amount of \$13,000. These donations have been vetted as part of ABB's approval process. In addition they have been disclosed/lodged with the relevant government authority in the United States.

SO7 Legal actions for anti-competitive behavior

ABB has been cooperating with various anti-trust authorities regarding their investigations into certain alleged anti-competitive practices. For further information, please refer to the Commitments and contingencies note in the Notes to the Consolidated Financial Statements contained in the ABB Group Annual Report.

SO8 Significant fines and sanctions for non-compliance with laws and regulations

ABB did not face any significant fines or sanctions for non-compliance with laws and regulations in 2014. For further information, please refer to the Commitments and contingencies note in the Notes to the Consolidated Financial Statements contained in the ABB Group Annual Report.

Product responsibility

PR1 Health and safety impacts of our products

ABB products generally help improve users' health and safety. They do this, for example, by improving industrial environments (automation control products), reducing exposure to aggressive, repetitive or hazardous operations (robotics), and reducing potential explosions, fire risks and oil pollution (oil-free capacitors and cables). Products with a potentially negative impact are those that could contribute to global warming (leak of SF₆ gas from substations), require deforestation and present a visual impact (transmission lines), cause losses of energy (most electrical products), or cause electrocution if misused.

Development of products is guided by the ABB Gate Model, which includes a mandatory Health, Safety and Environment checklist.

PR2 Number of non-compliance incidents relating to product and services health and safety

All countries in ABB's sustainability management program are asked to give details of any non-compliance incidents, including those concerning health and safety impacts of products and services. One incident of non-compliance with safety regulations resulting in a fine was reported for 2014.

PR3 Product and service information

ABB's goal is to produce Environmental Product Declarations (EPDs) for our core products. They describe and quantify the environmental impact and performance of ABB products through every phase of their life cycles, covering raw material extraction, component manufacture, transportation and use over their full operating lifetime. They can also contain recovery, recycling and disposal instructions for when the product has completed its useful life. The EPDs are published on ABB's website and help customers to select products that will improve their own environmental performance. ABB also engages with customers with particular reporting needs, to ensure clarity and completeness of environmental data.

PR4 Non-compliance concerning product information and labeling

During 2014, ABB received one complaint related to product information or labeling. This was resolved with the payment of a penalty.

PR7 Non-compliance concerning marketing communications

This is not an issue for ABB, which works in the field of advanced technologies and does not supply to the consumer product market.

PR8 Complaints regarding breaches of customer privacy

No complaints regarding breaches of customer privacy were received during 2014.

PR9 Significant fines for non-compliance with laws and regulations concerning products and services

No significant fines were levied against the company during 2014 for non-compliance related to products and services.

Economic

EC3 Benefit plan obligations

EC4 Government financial assistance

EC5 Wage level ratios

EC6 Local hiring procedures

As a multinational organization with operations on approximately 550 sites in more than 100 countries, ABB has difficulty in selecting appropriate countries and providing meaningful information for these indicators. In view of the adverse cost-benefit ratio in producing this information, ABB has decided not to report against these GRI economic performance indicators for the time being.

GRI content index table¹

General Standard Disclosures

GRI category	Reference chapter in this report
Strategy and analysis	Sustainability is part of our growth strategy (CEO letter)
Organizational profile	ABB in summary, This is ABB, Governance and material issues, Stakeholder engagement, Human rights, Responsible sourcing
Identified material aspects and boundaries	Governance and material issues, Approach to sustainability reporting
Stakeholder engagement	stakeholder engagement, Governance and material issues
Report profile	Approach to sustainability reporting
Governance, Ethics and integrity	Governance and material issues

Specific Standard Disclosures

GRI category and aspect	ABB material issue	Reference chapter in this report
Economic		
Economic performance	Products and services	This is ABB, Products and services
Procurement practices	Responsible sourcing, Right materials	Responsible sourcing, Resource efficiency
Environmental		
Materials	Right materials, Resource efficiency	Resource efficiency, Summary of main performance indicators
Energy	Energy efficiency and climate change, Products and services	Energy efficiency, renewable energy and climate, Products and services, Summary of main performance indicators
Water, Effluent and waste	Resource efficiency	Resource efficiency, Summary of main performance indicators, Other GRI indicators
Emissions	Energy efficiency and climate change, Resource efficiency	Energy efficiency, renewable energy and climate, Resource efficiency, Summary of main performance indicators
Products and services	Products and services, Resource efficiency	Products and services, Resource efficiency
Supplier environmental assessment	Responsible sourcing	Responsible sourcing, Other GRI indicators
Social		
Labor practices and decent work		
Employment, Labor/Management relations	Developing our people, Human rights	Our people, Human rights, Summary of main performance indicators, Other GRI indicators
Occupational health and safety	Safe and secure operations	Safe and secure operations, Summary of main performance indicators, Other GRI indicators
Training and education, Diversity and equal opportunity, Equal remuneration for women and men	Developing our people	Our people, Summary of main performance indicators, Other GRI indicators
Supplier assessments for labor practices	Responsible sourcing	Responsible sourcing, Other GRI indicators
Labor practices grievance mechanisms	Developing our people, Integrity, Human rights	Our people, Governance, Human rights, Other GRI indicators
Human rights		
Investment, Non-discrimination, Child labor, Forced or compulsory labor, Indigenous rights, Assessment	Human rights	Human rights, Other GRI indicators
Security practices	Human rights, Safe and secure operations	Human rights, Safe and secure operations, Other GRI indicators
Supplier human rights assessment	Human rights, Responsible sourcing	Human rights, Responsible sourcing, Other GRI indicators
Human rights grievance mechanisms	Human rights, Integrity	Human rights, Governance, Other GRI indicators
Society		
Local communities	Stakeholder engagement	Stakeholder engagement
Anti-corruption, Anti-competitive behavior, Compliance	Integrity	Governance, Other GRI indicators
Public policy	Integrity, Stakeholder engagement	Governance, Stakeholder engagement, Other GRI indicators
Product responsibility		
Customer health and safety	Products and services, Right materials	Products and services, Resource efficiency, Other GRI indicators
Product and service labelling	Products and services, Stakeholder engagement	Products and services, Stakeholder engagement, Other GRI indicators

¹ This GRI content index table refers only to the content of this report. A more detailed table will appear in the online version of the Sustainability Performance Report 2014.

UN Global Compact Communication on Progress for 2014

The company

ABB (www.abb.com) is a leader in power and automation technologies that enable utility, industry, and transport and infrastructure customers to improve their performance while lowering environmental impact. The ABB Group of companies operates in roughly 100 countries and employs about 145,000 people.

Statement of support

Ulrich Spiesshofer, ABB Chief Executive Officer

“ABB is a long-standing and active member of the UN Global Compact, joining the organization in 2000, and we remain committed to its principles and goals. ABB’s sustainability objectives reflect the Global Compact’s ten principles, covering environmental, human rights and labor issues, and integrity among other issues. We are working to ensure the Global Compact’s initiatives and principles reach a wider audience, both within ABB and externally, and as part of our ongoing commitment, we are involved in a number of focused initiatives such as the Human Rights and Labor Working Group, as well as local networks.”

Human rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights

- Human rights policy and public statement adopted by ABB Group in 2007. Statement updated in 2013.
- Further work to embed human rights into business decision-making processes, including risk review for projects. Human rights considerations integrated in supply chain questionnaire, the Supplier Code of Conduct which was updated in 2013, and the mergers and acquisitions process.
- Human rights considerations embedded in internal protocol for deciding where ABB should have business activities.
- Global human rights training program for senior managers continued in 2014 with several courses delivered in Europe and southern Africa. The awarenessraising program has now been delivered in 15 countries; in some countries such as India and China it has been carried out in several locations. The training is aimed at business managers, and key functions such as Supply Chain Management, Human Resources, Legal and Integrity, Communications and Sustainability.
- A capacity building program to raise human rights capability continued in 2014 with the focus on country sustainability specialists. A network of internal specialists was launched towards the end of 2014. An e-learning human rights module will be launched in early 2015.

- Active participation in international meetings, organizations and workshops seeking to promote business awareness and respect for human rights. In 2014, ABB was an active participant or attended a series of events in several parts of Europe and the United States.

Principle 2: Make sure they are not complicit in human rights abuses

- Human rights policy adopted in 2007 is designed to raise performance and avoid complicity.
- Global human rights training workshops continued in ABB in 2014 with internal training in Europe and southern Africa. Target group as above in Principle 1. Central to all such trainings is the issue of potential complicity.
- Ongoing work to understand and limit ABB exposure to Conflict Minerals, as defined by section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.
- In-depth due diligence carried out on several proposed projects and business partners to avoid potential complicity.

Labor

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining

- Embedded in Code of Conduct, Principle 1 of ABB Human Rights Policy and Principle 6 of ABB Social Policy. All countries were asked to formally report on this principle. No violations were reported in 2014.
- In countries where law does not permit this right, ABB facilitates regular consultation with employees to address areas of concern.

Principle 4: The elimination of all forms of forced and compulsory labor

- Covered by ABB Group Code of Conduct, Principle 1 of ABB Human Rights Policy and Principle 4 of ABB Social Policy. All countries were asked to formally report on this principle. No violations were reported in 2014.
- The principle of “no forced or compulsory labor” is included in ABB’s Supplier Code of Conduct and a protocol for supplier audits.

Principle 5: The effective abolition of child labor

- Included in ABB Group Code of Conduct, Principle 1 of the ABB Human Rights Policy and Principle 3 of ABB Social Policy.
- All countries were asked to formally report on this principle. No violations were reported. A total of 175 audits of suppliers were carried out in 2014, and no violations were reported.
- The principle of “no child labor” is included in ABB’s Supplier Code of Conduct as well as protocol for supplier audits.

Principle 6: Eliminate discrimination in respect of employment and occupation

- Contained in ABB Group Code of Conduct, Principle 1 of the ABB Human Rights Policy and Principle 7 of ABB Social Policy. All countries were asked to formally report on this principle. There were 10 substantiated cases of harassment and one of discrimination in 2014, resulting in five terminations, and a range of other measures, including formal warnings, counseling and further training.
- ABB also has country-specific procedures and programs to ensure that policies are fully observed and comply with national legislation.

Environment

Principle 7: Business should support a precautionary approach to environmental challenges

- Environmental considerations mandatory in the ABB GATE model for product and process development. Supporting tools and training materials have been developed to further improve application of checklist.
- Standardized Life Cycle Assessment procedures used to assess new products’ environmental impact throughout their life cycle.
- Group-wide list of prohibited substances for products and processes is continually reviewed and updated. The phasing out of hazardous substances is part of ABB sustainability objectives.
- ABB continuing its internal energy efficiency program, with target to reduce energy use by 20 percent by 2020, and increase focus on resource efficiency (namely improve materials and water use, and reduce waste)
- Environmental experts at country and Group level provide environmental expertise, guidelines and tools to business units to ensure they meet upcoming environmental requirements and challenges, and customer demand for compliance and other environmental information.

Principle 8: Undertake initiatives to promote greater environmental responsibility

- Work with international organizations and initiatives, such as the World Business Council for Sustainable Development, German Climate Service Center, ISO and Chalmers University’s Swedish Life Cycle Center.
- ABB has implemented a strengthened protocol for auditing of suppliers’ environmental performance, auditing a further 175 suppliers during 2014.
- ABB’s ongoing Access to Electricity rural electrification programs in India and Tanzania.

Principle 9: Encourage the development and diffusion of environmentally friendly technologies

- Covered by Code of Conduct and Principle 5 of ABB Environmental Policy.
- Energy-efficient products and renewable energy equipment identified as key driver for ABB’s business opportunities.
- Transfer of technologies and best practices between countries to ensure same level of environmental performance throughout Group.
- Group-wide list of prohibited substances for products and processes is continually reviewed and updated. The phasing out of hazardous substances is part of ABB sustainability objectives.
- ABB GATE model for product and process development contains defined steps for considering improvements in environment and safety performance. The health, safety and environment checklist for the GATE model was strengthened during 2014.

Anti-corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery

- Covered by ABB Group Code of Conduct, the ABB Supplier Code of Conduct, Principle 4 of ABB Human Rights Policy, and Principle 13 of Social Policy.
- Underpinned by zero tolerance policy on non-compliance.
- During the second quarter of 2014, ABB rolled out a new global anti-bribery elearning module to over 100,000 employees across ABB Group. The completion status at year-end was over 92 percent.
- ABB offers a number of different reporting channels, including a third party-held Business Ethics hotline available 24/7 and an Ombuds program, where employees can report concerns confidentially. The Ombuds program was introduced mid-2009 to complement existing ways of raising compliance issues. The program now numbers about 80 Ombudspersons in over 50 countries.
- As part of the anti-corruption program, ABB continued to carry out several additional training and communication initiatives in 2014, focusing on company leadership and middle management, and including new Code of Conduct and anti-bribery e-Learning, integrity films and case studies published on the intranet, and proactive action such as a global Integrity survey and anti-bribery compliance reviews of ABB units around the world.
- ABB was recognized as one of The World's Most Ethical Companies by the Ethisphere Institute in 2014. The NYSE Governance Services reviewed ABB's integrity program in 2014 and, as a result, ABB will once again be recognized with the Ethisphere Anti-corruption Program Verification and Compliance Leader Verification seals in 2015 and 2016.
- ABB is one of the founding members of Ethics and Compliance Switzerland (ECS; May 2014). ECS promotes the development of a compliance community across all sectors and organizations in Switzerland and the establishment and sharing of compliance best practices. It is the first NGO in Switzerland connecting private and public sector organizations and their officers and employees who share an interest in best practice on integrity and compliance management.

