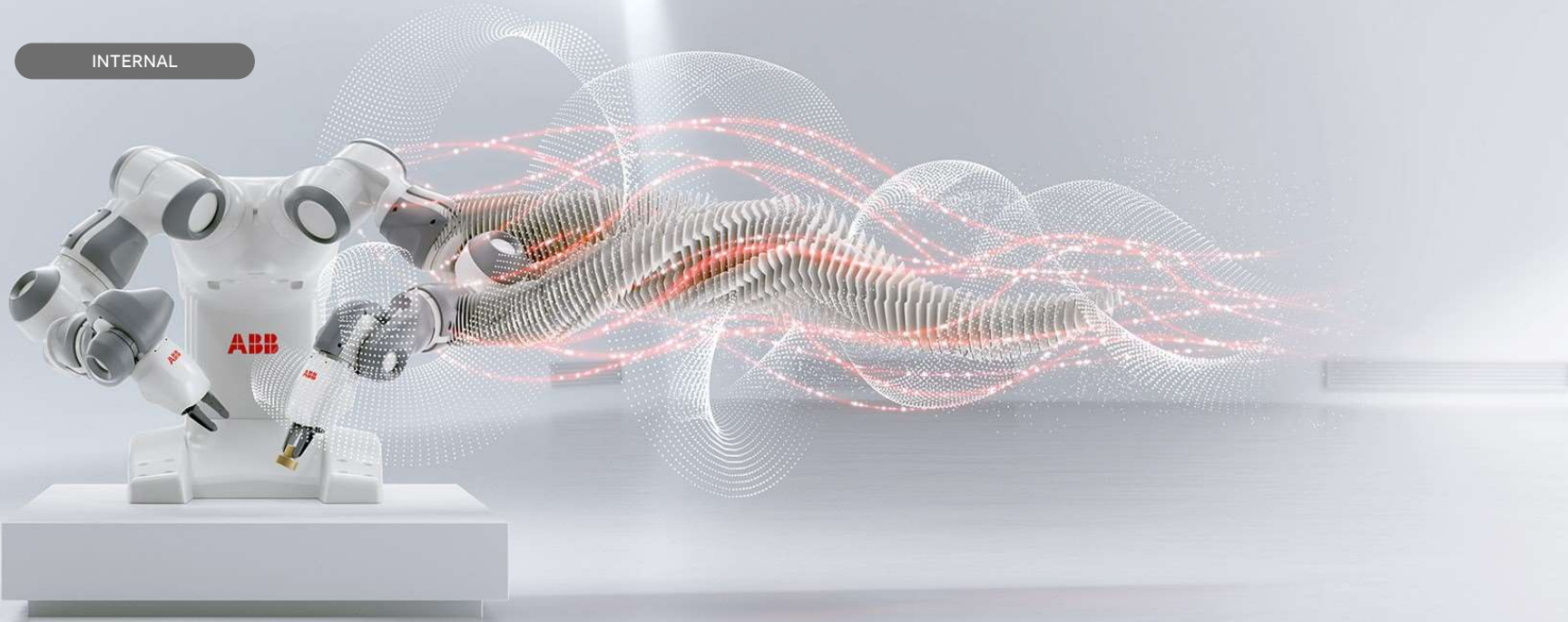


INTERNAL



01 APRIL 2024

Sustainable Supply Base Management

Pre-assessment training

Arunkumar G

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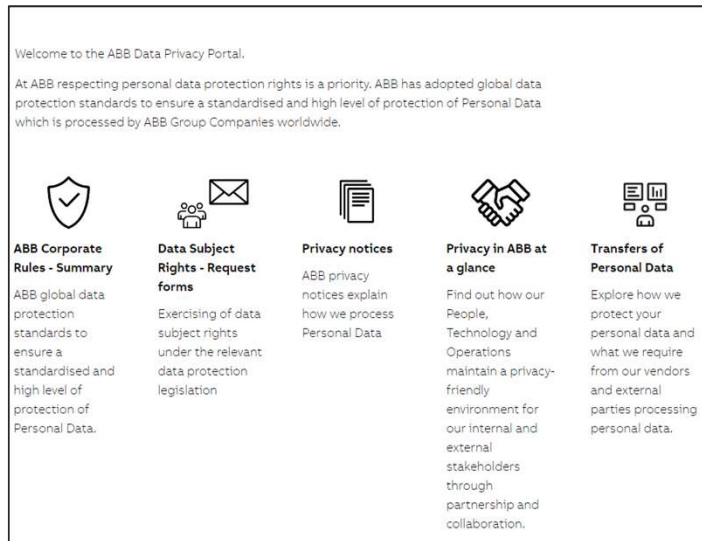
ABB



Safety First

ABB Supplier Data Privacy & Registration

ABB Supplier Data Privacy



Pls. contact our Group Data Protection Officer at: privacy@abb.com

Submit your complaint at www.abb.com/privacy

Registration for this session



Link: <https://forms.office.com/e/nYCKnB8qad>

All participants are requested to complete registration for this session by scanning the code on your mobile or using the link on your laptop

Poll 1 to 3

- 1. How are you feeling today?**
- 2. Have you completed the registration for yourself & colleagues joined with you?**
- 3. Which department are you in?**

New Supplier Code of Conduct

Updated: October 2023; Effective: January 1, 2024

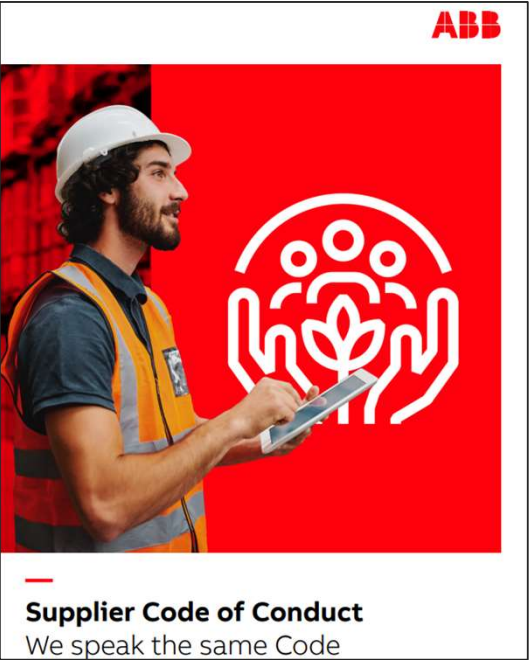
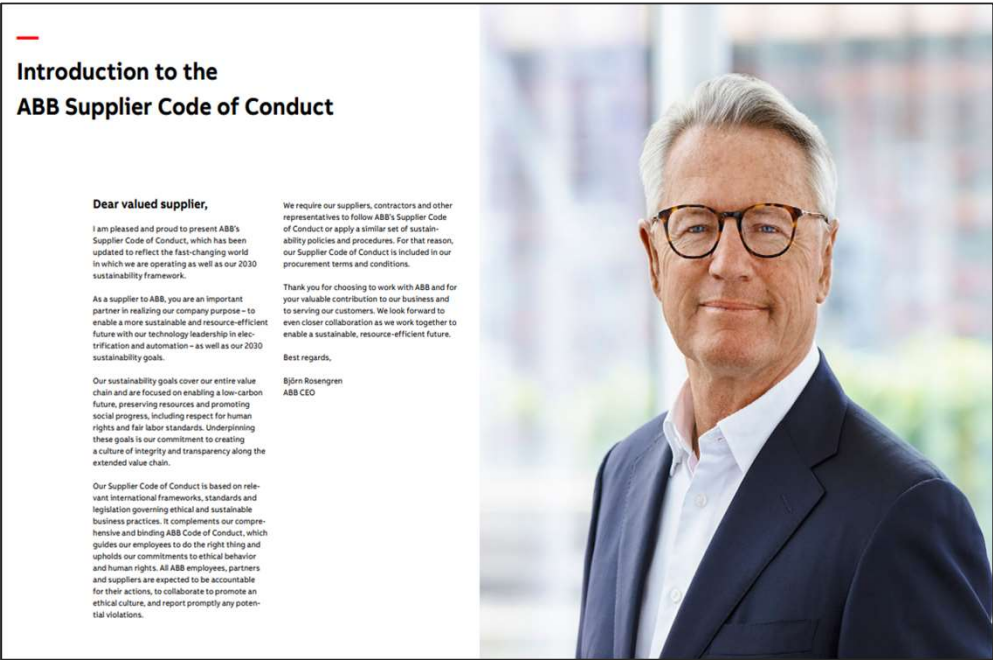


Table of contents	
4 – 5	Introduction
6	We speak the same Code
7	Human rights and decent work
8	Health and safety
9	Climate and environment
10	Material compliance and responsible minerals
11	Business ethics
12	Business and information security
13	Procurement by suppliers
14	Documentation, inspections, reporting and corrective actions
15	Reporting concerns and access to remedy
16 – 17	Glossary
18	References



[Supplying to ABB — ABB Group \(global.abb\)](#)
[ABB SSBM Program](#)

[ABB SCoC – English](#)
[ABB SCoC – Hindi](#)

[ABB SCoC – Implementation guide, Eng](#)
[ABB SCoC – Implementation guide, Hindi](#)



SSBM requirements training

Course objective & overview

Objectives of today

- The Why: Sustainable Supply Base Management
- ABB approach
- SSBM implementation
- Past experiences
- Q&A



Evolving global business environment

-The Why

External factors

Legal Requirements

- [UK Mod Slav Act](#), [Cal TSC Act](#), [US Fed Acq Register](#), upcoming [French Law on SCM](#), [Conflict Minerals Act](#), Reach, RoHS

Customers and Investors

- Proof of responsible sourcing, shareholder resolutions, mandatory requirements

Industry benchmark

- Competitors taking lead, new accounting practices

Media

- Increased transparency, connected world

Internal factors

Pursuit of efficiency and competitiveness

- Inward review helps identify hidden inefficiencies at operational and organizational level leading to overall improvement

Global presence

- Adherence to local laws across world not feasible without structured monitoring

Emerging market sourcing

- Higher risk of irresponsible practices

Conventional evaluation no sufficient

- Traditional focus on cost, quality, OTD

Sustainability is not a nice to have accessories it is a way to future proof business



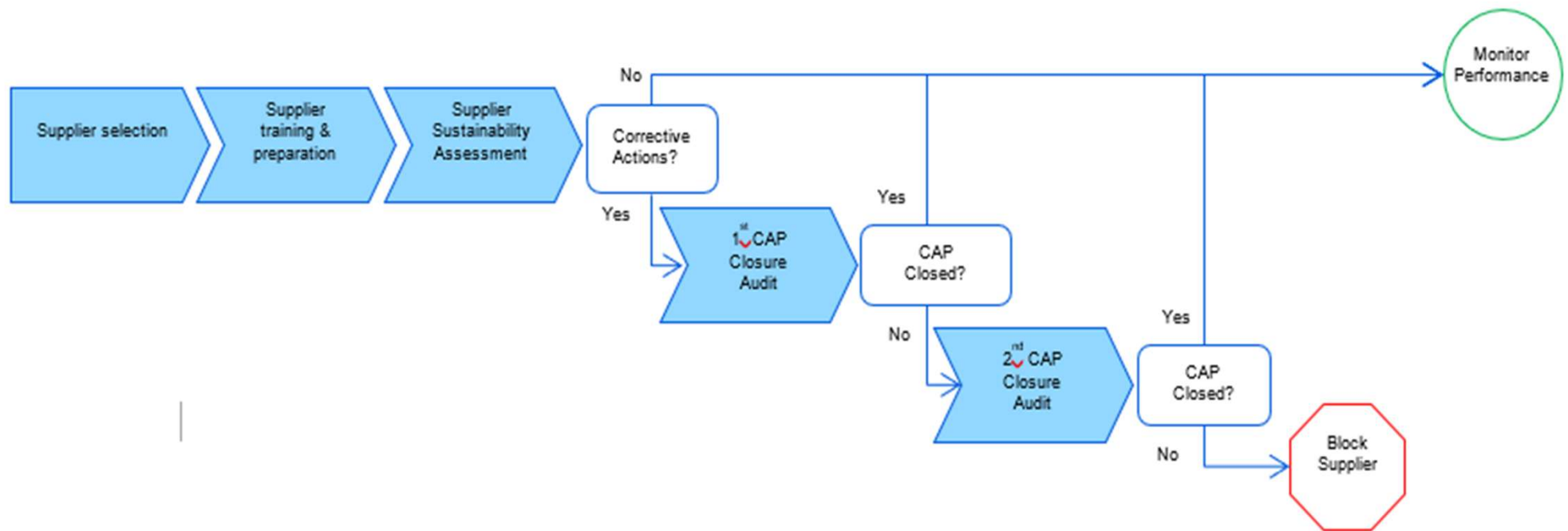
ABB approach

Sustainable Supply Base Management(SSBM)

Goals	Focus (risk-based approach)	Execution
<ul style="list-style-type: none">80% of supply spend from focus countries (including India) will be covered by SSBM by 2030	<ul style="list-style-type: none">GeographyCommodityBusiness criticality	<ul style="list-style-type: none">Internal trainingSupplier trainingOnsite assessmentFollow up & monitoring

SSBM implementation

Sustainable Supply Base Management – Overview



SSBM implementation

What does the assessment look at?

Salient features

- To identify areas of improvement vis a vis ABB Supplier Code of Conduct and local regulatory requirements
- Establish a long-term, mutual-gain business partner relationship
- One to one interaction with management and **workers** (separately) and **take photographs** to monitor improvements
- **No certificate issued after assessment**; we focus on continuous improvement rather than any kind of certificate

Output of risk assessment

- Instead of pass or fail as in traditional audit result, the assessment provide different risk level to suppliers:

Presence of at least one critical non-compliance

Extremely High Risk

Presence of at least one serious non-compliance and no critical non compliances

High Risk

Presence of at least one minor non-compliance and no serious and critical non compliances

Medium Risk

No critical, serious and minor non-compliances

Low Risk

SSBM implementation

Red flags

What are RED FLAGS

- Red flag issues are
 - observed or alleged severe non-compliance to local laws and regulations and/or ABB requirements
 - putting the life of people, the business or reputation of ABB under serious threat
 - requiring immediate corrective actions (standard SSBM corrective action process would not allow to mitigate risk appropriately)
- Lead assessors can elevate any issue to a red flag, if the severity of the issue requires immediate corrective action and increased management focus.
- Red flags are assigned by lead assessors on a case-by-base basis.
- **Note**
 - Not all critical findings are red flags! Most critical issues can be addressed through the normal CAP process.



SSBM implementation

Red flags – Examples

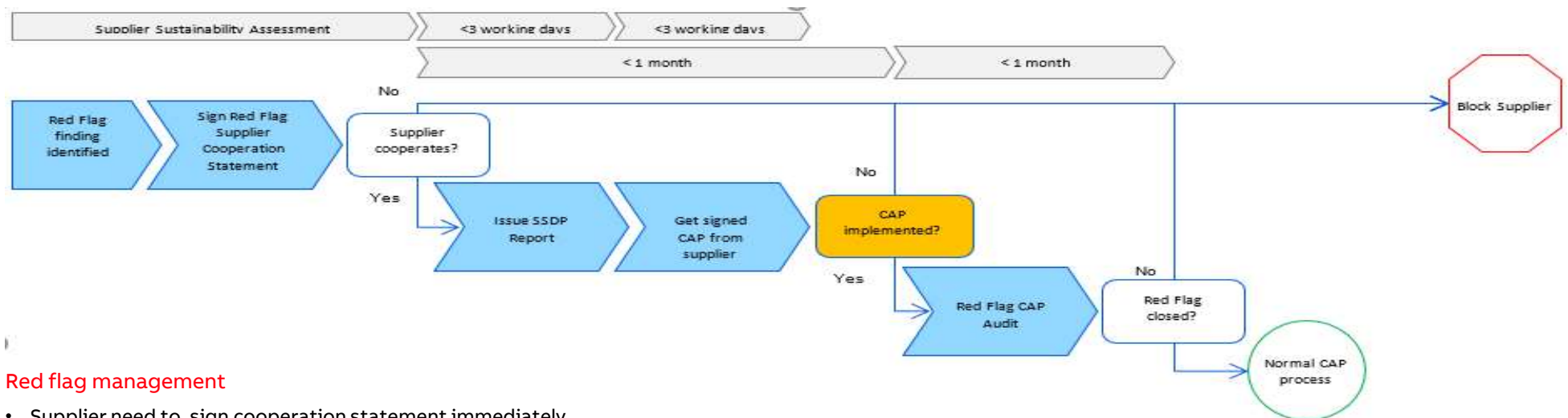
Typical red flag examples

- Violation of rights of children, young workers and pregnant or nursing workers (definition as per local laws and regulations)
- Systematic violation of local labor laws (supplier scores 0 or 1 in all of the following assessment criteria: 2A, 2B, 3A, 3D and 4B)
- Working conditions posing an extreme and immediate threat to the health and / or safety of workers
- Disposal of waste and / or discharge causing extreme and immediate pollution to the environment
- Supplier is accused by labor union, NGO or government for severe and systematic misconduct in environmental, health and safety or labor management
- Supplier is not in a position to show reliable evidence of corrective actions 12 months after initial assessment
- Supplier falsifies records and / or manipulates the audit process



SSBM implementation

Red flags – Management process



Red flag management

- Supplier need to sign cooperation statement immediately
- ABB issue report no later than after three days
- Supplier need to signed back the CAP report no later than after three more days (shorter timelines might be required depending on case)
- Implementation deadline will to be defined on a case-by-case basis, but closure no later than after two month, by third party
- ABB will weekly monitoring of progress and will be re-audit by auditor for final results

SSBM implementation

On the day of assessment: responsibilities & phases

Responsibilities

Supplier

- Relevant team members/workers informed and available
- Ensure availability of all records/space for interactions
- Ensure transparency at all times

Assessment team member (ABB)

- Facilitate communication between lead assessor-supplier; conflict management
- Support lead assessors
- Understand findings and required corrective actions for effective follow up of assessment

ABB SSBM lead assessor/3rd Party Assessor

- Responsible for on-site evaluation, accuracy of observations, quality of report and overall assessment activity
- Explain the findings and doubt clarification

Phases of assessment

Opening meeting

- Assessment team member/lead assessor will introduce SSBM & the objective
- Lead assessor will explain agenda and seek confirmation

During assessment

- i) Document & Processes review
- ii) Factory tour including canteen & dormitory (if any)
- iii) Worker interaction (sampling basis)

Closing meeting

- Assessment team member will thank for the supplier for cooperation
- Lead assessor/ 3rd party auditor to explain the findings and clarify doubts if any

Follow-up on initial assessment

SSBM report

Summarize

Contains 3 tabs summarizing the results of the recent sustainability assessment :

- Assessment Report
 - Contains information about the assessment, including details on auditor and assessment team, summary of scores achieved per ABB protocol section, number and criticality of non-compliance findings as well as overall achievement and risk final level.
- Corrective Action Report
 - The blue section of this report (columns A-G) lists all non-compliance findings and observations that resulted from the assessment.
 - The green section of the report (columns H-N) Supplier required to fill in the corrective action plan (CAPA).
- Photographs. Pictorial of non-compliance.

SSBM Assessment Information		
Assessment information		
Assessment start date *		
Assessment duration (days) *		
Assessment location(s) *		
Lead Auditor		
Name and Surname *		
Company *		
Title *		
Telephone number(s) *		
E-mail address *		
	SSBM certification received on (date)	
For ABB internal auditors		
Supplier representative and single point of contact for SSBM process		
Name and Surname *		
Title *		
Telephone number(s) *		
E-mail address *		
Other Participants	Name	Company
Participant 1		
Participant 2		
Participant 3		
Assessment Report Corrective Action Report Photographs +		



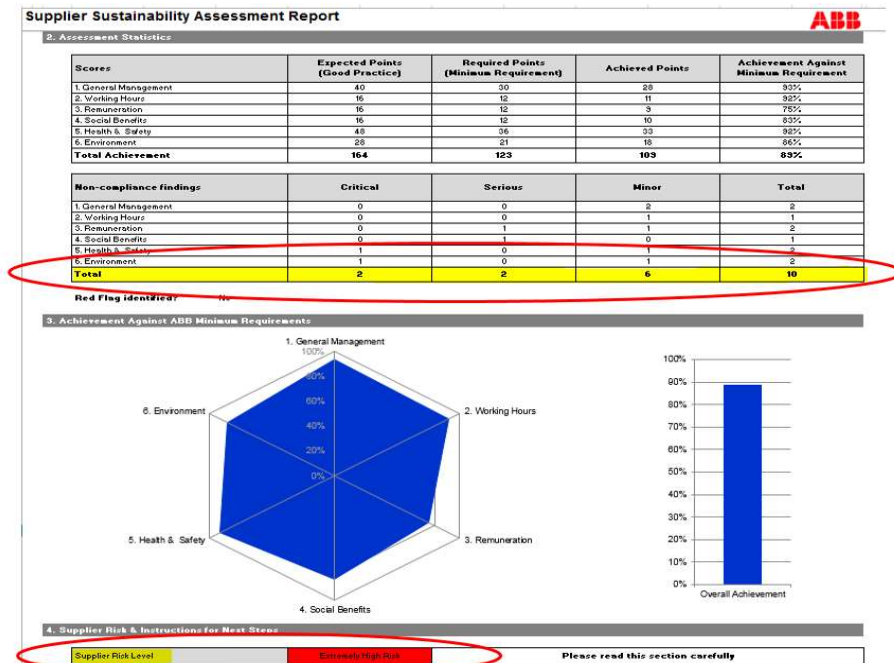
SSBM report

Assessment report

Risk level rating

The supplier overall risk level rate as following:

- Extremely High Risk
 - Presence of at least one critical non-compliance
- High Risk
 - Presence of at least one serious non-compliance and no critical non compliances
- Medium Risk
 - Presence of at least one minor non-compliance and no serious and critical non compliances
- Low Risk
 - No critical, serious and minor non compliances



SSBM report

Corrective action report

Corrective Action Report (by ABB)

- The blue section of this report (columns A-G)
- This section only for reference, please **do not edit**.
- Lists all non-compliance findings and observations that resulted from the initial assessment on-site.
- Contains :
 - Criteria ID
 - Criticality
 - ABB Minimum Requirement
 - Finding and evidence of finding – column G,
 - noncompliance
 - Assessor comments

Corrective Action Report (by ABB)						
Start date of initial assessment		2018/03/27				
Name of lead assessor		Johnston, Duncan				
Score of initial assessment		85%				
Risk level after initial assessment		Extremely High Risk				
Criteria ID	Area	Reference	Criticality	ABB Minimum Requirement	Finding and evidence of finding	Assessor comments
1A	Evaluation of Competence	ISO 14001, 4.3.2	Minor	The supplier can demonstrate that all applicable legal requirements are taken into account in the management system. The management system has been designed and implemented to ensure that the management system is effective and efficient and that it is able to identify and address non-compliance.	- Documentation of competence requirements is in place and managed by DNV Product Development.	no - no consideration given to competence of environmental requirements (e.g. not all the requirements identified in the system are met)
1C	Child labor	SA 8000, 10.1 ISO 26000, 4.2.36.2	Minor	The supplier can demonstrate that no child labor is used in the supply chain (the supplier's own facilities and those of its subcontractors).	- Supplier indicates that no child labor is used in the supply chain.	no - no child labor is used in the supply chain
1D	Discrimination and harassment	SA 8000, 10.2 3.16.3.4	Observation	The supplier can demonstrate that no discrimination or harassment is used in the supply chain (the supplier's own facilities and those of its subcontractors).	- Supplier indicates that no discrimination or harassment is used in the supply chain.	no - no discrimination or harassment is used in the supply chain
1E	Environmental training	ISO 14001, 6.2 SA 8000, 3.3	Minor	The supplier can demonstrate that all personnel are trained in the environmental requirements of the management system.	- Supplier indicates that all personnel are trained in the environmental requirements of the management system.	no - all personnel are trained in the environmental requirements of the management system
1A	Environmental risk assessment	ISO 14001, 4.3.1	Minor	The supplier can demonstrate that an environmental risk assessment is carried out and that the results are used to plan and implement measures to prevent or reduce environmental impacts.	- Supplier indicates that an environmental risk assessment is carried out and that the results are used to plan and implement measures to prevent or reduce environmental impacts.	no - no environmental risk assessment is carried out
1B	Environmental policy	ISO 14001, 4.2.2	Minor	The supplier can demonstrate that an environmental policy is established and that it is communicated to all personnel.	- Supplier indicates that an environmental policy is established and that it is communicated to all personnel.	no - no environmental policy is established
1C	Management responsibility for environmental management system (EMS)	ISO 14001, 4.4.1	Minor	The supplier can demonstrate that management responsibility for the environmental management system is established and that it is communicated to all personnel.	- Supplier indicates that management responsibility for the environmental management system is established and that it is communicated to all personnel.	no - no management responsibility for the environmental management system is established
1D	Environmental objective and measure	ISO 14001, 4.3.2 ISO 14001, 4.3.3	Minor	The supplier can demonstrate that environmental objectives and measures are established and that they are communicated to all personnel.	- Supplier indicates that environmental objectives and measures are established and that they are communicated to all personnel.	no - no environmental objectives and measures are established
1E	Environmental compliance	ISO 14001, 4.3.2	Minor	The supplier can demonstrate that all applicable legal requirements are taken into account in the management system.	- Supplier indicates that all applicable legal requirements are taken into account in the management system.	no - no all applicable legal requirements are taken into account in the management system

SSBM report

Corrective action report

Corrective & Preventive Action Plan (by Supplier)

- The green section (columns H-N) required to fill in by supplier.
- **Header** - Required to be filled in by person who responsible to create the CAPA section.
- **Body** - Required define the corrective actions, responsible person and implementation deadline for each non-compliance finding.
 - Description of Corrective Action - to immediately rectify non-compliance issue.
 - Description of Root Cause - to identify the cause that once removed, prevents the non-compliance issue from recurring.
 - Description of Preventive Action - how will root cause be eliminated to prevent the non-compliance issue from recurring?
 - Responsible Person
 - Estimated Time of Completion (ETD) - within implementation timeline
 - Actual Time of Completion (ATD)
 - Supplier Comment on finding

Corrective & Preventive Action Plan (by Supplier)						
Name, Position		Mohammed Abduh Rahman, Engineer of Environment, Safety & Health				
CAPA prepared by: [Name, Position]		Razia Shaik, Manager of Environment, Safety & Health				
CAPA approved by: [Name, Position]		7/12/2018				
CAPA submitted on [DATE]		Date				
Description of Corrective Action (to immediately rectify non-compliance issue)	(to identify the cause that once removed, prevents the non-compliance issue from recurring)	Description of (how will root cause be eliminated to prevent the non-compliance issue from recurring?)	Responsible Person	Estimated Time of Completion (ETD)	Actual Time of Completion (ATD)	Supplier Comment on finding
Employment consent in writing available	Not in practice at all.	Records will be maintained during the joining time itself.	Mohamed Kasim	24/05/2018	15/06/2017	Record of Consent from the employee/Labor/worker is maintained for keeping the passports with organization as per attached.
Circular to all concerned was issued						8/201
Corrective & Preventive Action Plan (CAPA) by Supplier						Formal process for employees grievance redressal is established as attached.

SSBM implementation

CAPA timelines

What are the CAPA timelines?

- Timelines for follow-up activities are defined in the SSBM standard (see also below)

Risk Level	Issue SSDP Report	Submit CAPA Report	CAPA Implementation	CAPA Audit
RED FLAG	3 days	6 days	1 month	2 month by 3 rd party
Extremely High	5 days	10 days	6 months	8 months
High	5 days	10 days	6 months	8 months
Medium	5 days	10 days	8 months	10 months

- In any case, all CAPAs need to be closed (i.e. every single non-compliance finding corrected and verified) within 12 months.
- Critical and serious findings can only be closed by 3rd party or qualified lead assessors
- If needed, 3rd party or qualified lead assessors support can be requested also for closure of medium risk CAPAs (i.e. only minor findings on the CAPA)

* Days and months are counted after closure of initial assessment (not from the date of report issued)

Sustainability implementation

Supplier preparation – reference documents shared during supplier communication



Sustainability implementation for India



Supplier Code of Conduct
We speak the same Code

ABB Supplier Code of Conduct

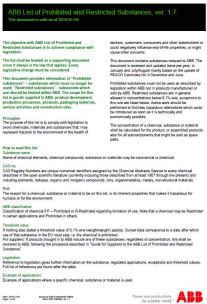


ABB List of Prohibited and Restricted Substances

Pre-assessment information

To be filled and returned to ABB within **two wks** from the date of receipt of the email

Sustainable Supply Base Management

Scope

General Management

- Compliance
- Documentation of labor regulations
- Child labor
- Young workers & pregnant labor regulation
- Forced labor
- Labor unions & collective bargaining
- Management responsibility
- Sub-suppliers
- Equal opportunities and discrimination
- Security



Sustainable Supply Base Management

Scope

Labor and Social

Working Hours

- Over time
- Days off
- Tracking systems
- Voluntary over time

Social Benefits

- Insurance
- Paid leave
- Dormitories
- Sanitary conditions

Remuneration

- Wages
- Piece-work wages
- Wage deduction
- Overtime rate
- Contracts and pay slips



Sustainable Supply Base Management

Scope

Health & Safety

Health and Safety

- Risk assessment
- Management responsibility
- Competence & training
- Safe & healthy workplace
- Testing & inspection of equipment
- Communication of hazards
- Personal Protective Equipment (PPEs)
- Statistics/records
- Control of hazards
- Emergency preparedness & drill
- First aid/fire fighting equipment

Environmental

Environmental Protection

- Risk assessment
- Policy
- Management responsibility
- License & consents
- Compliance
- Waste management
- Continual improvement



ABB

—

Poll 4 & 5

4. How would you rate this training in the scale of 1 to 5?

5. How can this training/workshop be improved in future?