

# ABB Ltd – Modern Slavery and Human Trafficking Transparency Statement

The information in this Statement has been approved by the Board of Directors of ABB Ltd and relates to the financial year ended December 31, 2018. The scope of markets included in this Statement covers our operations worldwide, including those of our direct and indirect subsidiaries.

## **About ABB**

ABB (ABBN: SIX Swiss Ex) is a pioneering technology leader in power grids, electrification products, industrial automation and robotics and motion, serving customers in utilities, industry and transport & infrastructure globally. Continuing a history of innovation spanning more than 130 years, ABB today is writing the future of industrial digitalization with two clear value propositions: bringing electricity from any power plant to any plug and automating industries from natural resources to finished products. As title partner in ABB Formula E, the fully electric international FIA motorsport class, ABB is pushing the boundaries of e-mobility to contribute to a sustainable future. ABB operates in more than 100 countries with about 147,000 employees. With manufacturing operations on six continents, ABB manufactures products in over 300 product lines and has approximately 70,000 direct material and project service suppliers. We view these suppliers as an extension of our global enterprise and integral to our long-term success.

## **Company approach and principles**

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

## **Risk assessment**

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

In 2018, we continued work to evaluate the effectiveness of ABB's risk review processes in identifying and mitigating potential exposure to modern slavery and human trafficking across our operating business and our global supply chain. We have worked to map internal processes related to risk identification and risk assessment and to improve the way in which human rights and broader sustainability considerations are embedded in day-to-day business analysis and decision-making processes. This work will be reinforced and expanded in 2019 by members of ABB's human rights champions network.

**Codes and policies**

ABB operates a range of key policies and processes that help us to prevent child or forced labor within our operations and our value chain. These include the ABB Code of Conduct, ABB Supplier Code of Conduct, the ABB Policy Combating Trafficking in Persons, ABB Policy on Conflict Minerals, Human Rights policy and statement, Social policy, our supply chain and contractor questionnaires, as well as certain internal directives and guidelines. During 2016, we reviewed and amended a number of these policies to make clear that there is no place in ABB business or within the operations of our contractors and suppliers for modern slavery and human trafficking. These policies remained substantively unchanged during 2018.

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

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

**Supply Chain**

ABB's Supplier Code of Conduct, published in 16 different languages, communicates our expectations and performance standards to existing and potential business partners. It is one of our suppliers' contractual obligations, as part of ABB's general terms and conditions.

ABB operates a supplier registration and prequalification system for new suppliers. The qualification process evaluates the performance of potential suppliers on broad sustainability parameters such as health & safety, environment and working conditions, as well as quality, compliance and financial factors. This process includes a review of supplier performance related to modern slavery and human trafficking. In 2018, we updated our routine procurement processes to include sustainability parameters also at the stage of regular supplier performance evaluation.

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

In 2018, we assessed 190 suppliers under the SSDP, identifying 676 risks and mitigating 674 of them. In other activities to support responsible sourcing, we trained 136 ABB employees and 415 suppliers during the year.

For every area of noncompliance identified during our supplier assessments, we launch a supplier support action to systematically address each issue in turn. Our support actions include capacity building, customized participatory workshops, sharing best practices, jointly implemented collaborative programs, and transfer of knowledge and expertise.

For example, among other key initiatives in 2018, we designed a participatory workshop for ABB suppliers in India, China, Saudi Arabia and Indonesia on the local legal requirements that correspond with ABB's SSDP requirements. We also launched support programs in China, India, Turkey, Bulgaria and Poland to work hand-in-hand with suppliers to find innovative solutions for some of the chronic challenges they face regarding working conditions. This proactive approach resulted in a better supplier response and improved standards of performance.

During our supplier assessments in 2018, a supplier audit uncovered one instance where a large supplier in Malaysia routinely retained the passports of its migrant workers. When these workers applied for the return of their passports, a third-party employment agency would retain one month's salary until the worker returned to the supplier. ABB provided the supplier with a list of mandatory corrective actions and did not take any new business with the supplier until we received the supplier's commitment to implement the required corrective actions. ABB will revisit the facility in 2019 to ensure these corrective actions have been completed.

Also in 2018, ABB received reports that a project subcontractor had violated requirements for wage and working conditions of its workers. Prior audits of the subcontractor had shown no irregularities. ABB offered remediation to the affected workers and terminated the subcontractor.

Apart from these cases, neither the on-site assessments nor our other supplier due diligence processes in 2018 indicated the presence or use of modern slavery or human trafficking in ABB's supply chain.

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

ABB actions to support responsible minerals sourcing include:

- Establishing a Conflict Minerals Program in line with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas
- Annually assessing our product portfolio to identify where tin, tantalum, tungsten and gold (also known as "3TG") are present. Currently, only a small portion of our products have been determined not to contain any 3TG.
- Identifying the impacted suppliers and working together with our suppliers to identify the source of origin of the 3TG contained in our products.
- Engaging in the Responsible Minerals Initiative (RMI) and actively supporting efforts to persuade smelters and refiners to undergo certification and become compliant.

In May 2018, ABB filed its fifth Conflict Minerals Report with the U.S. Securities and Exchange Commission. ABB fulfilled reporting requirements, contributing to industry-wide efforts to increase transparency in sourcing practices. For the fourth year running, ABB was recognized for responsible sourcing of minerals by an independent benchmark study, "Mining the Disclosures 2018" from the Responsible Sourcing Network. This demonstrates ABB's commitment to supply chain compliance as well as to sourcing in a socially responsible manner.

### **Training**

In 2018 we continued our targeted human rights training program which, amongst other topics, addresses modern slavery and human trafficking. We provided face-to-face human rights training sessions for members of ABB's HSE/ Sustainability network. These colleagues are managers and specialists who support and guide ABB businesses in the areas of health, safety, environment, security and corporate responsibility. We also provided specialist training to the regional coordinators of ABB's Supplier Sustainability Development Program (SSDP), enabling them to better support their local SSDP colleagues and suppliers in program implementation, risk analysis and problem solving.

ABB also continued the capacity building program for its human rights champions network. To complement the training materials already available, we created a detailed development curriculum, which will be rolled out in 2019.

We continued to provide our ABB-specific web-based training courses on conflict minerals. These are customized for various ABB employee groups (management, buyers, engineering, research and development, product sales and other). Each operating division's conflict minerals leader identified key conflict minerals personnel to undergo mandatory training on conflict minerals.

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

A handwritten signature in black ink, appearing to read 'Peter Voser', written in a cursive style.

Peter Voser  
Chairman of the Board  
27 February 2019