

Overview of ABB Sustainability and Ethical Principles As of August 31, 2012



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Overview of ABB Sustainability and Ethical Principles Last update: August 31, 2012

ABB seeks to uphold the highest standards in business ethics and integrity, including supporting efforts of national and international authorities to establish and enforce high integrity standards for all businesses. ABB has a Code of Conduct and a Supplier Code of Conduct in place to help achieve these standards, and seeks continuous improvement in its ethical, environmental, social and human rights performance.

ABB seeks to integrate health and safety into all activities, encourage safety leadership at every level and ensure appropriate resources to achieve performance.

ABB is committed to develop resource-efficient products and systems, to reduce the impacts of its own operations, and to engage in an ongoing dialogue with customers to help them select the most environmentally sound products, systems and solutions.

ABB's Human Rights and Social Policies draw on the Universal Declaration of Human Rights, the ILO Core Conventions on Labor Standards, UN Global Compact, the OECD Guidelines for Multinational Enterprises and the Social Accountability 8000 standard.

The ABB Human Rights and Social Policies specifically reference ILO Core Conventions as the minimum to be achieved, with respect to non-discrimination, prohibition of child and enforced labor, freedom of association and the right to engage in collective bargaining.

ABB seeks to do business with suppliers which have implemented governance, integrity, environmental, social, health and safety and human rights standards, as reflected in the ABB Supplier Code of Conduct.

ABB strives to create a secure working environment for its employees, contractors and third parties. The company equally seeks to maintain adequate management systems to minimize impact on people, assets and reputation, should an incident occur.

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1. Transparency and business practices with integrity

Transparent business practices	1.1.	ABB strives for success – but not at the expense of integrity and compliance
	1.2.	ABB seeks to uphold the highest standards in business integrity, including supporting efforts of national and international authorities to establish and enforce high integrity standards for all businesses. Over 300 people, both full time and part-time, work on our integrity program and processes. Regional and country integrity officers, covering all countries in which we do business, are a fundamental part of our integrity team.
Bribery and corruption, illegal payments	1.3.	It is ABB's declared objective to work against illegal payments in all its forms, including corruption, extortion, improper payments and fraud, in line with ABB's Code of Conduct, as well as OECD Guideline 6 and Principle 10 of the UN Global Compact. ABB is a member of the World Economic Forum 'Partnering Against Corruption Initiative' (PACI) and is a signatory to the International Chamber of Commerce (ICC) anti-corruption rules.
	1.4.	ABB policies strictly forbid bribery and corruption, applying rules for all ABB employees in line with national laws and international treaties. As a rule, facilitation payments are not permitted. ABB's Group Directives provide specific guidelines for the practical application of the ABB Code of Conduct into our day-to-day activities. With a strong set of internal controls and a clear picture of what is expected of our ABB community, we strive to create a culture of integrity reflected in our behavior.
	1.5.	ABB policies require all employees to comply with all applicable antitrust and other laws regulating competition.
ABB Code of Conduct and Integrity Program	1.6.	The ABB Code of Conduct is built on our business principles of Responsibility, Respect and Determination and requires ABB employees to behave responsibly with regard to business relations. ABB has implemented the ABB Integrity Program. One function of the ABB Integrity Program is to monitor ABB's compliance with the Code of Conduct which has been translated into 45 languages.
	1.7.	All current and new employees are required to acknowledge their commitment to adhere to the Code of Conduct. ABB maintains a regular re-acknowledgement process for the Code of Conduct by managers.
Integrity training	1.8.	Throughout the Group we have rolled out mandatory Code of Conduct and anti-bribery face to face and online training for all employees with additional trainings for managers and employees in specific areas.

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	1.9. The ABB Integrity Program is supported by more than 60 Regional and Country Integrity Officers in addition to local Integrity Officers, covering all countries with a permanent ABB presence.
Ethics Hotline	1.10. ABB offers employees multiple reporting channels and a Business Ethics Hotline, available in over 90 languages, allows ABB employees to report integrity concerns in an anonymous manner, if they wish, 24 hours a day, 7 days per week. A Stakeholder Hotline is also available to our external business partners as a means to report integrity concerns.
	1.11. Employees are encouraged to speak up and report integrity and compliance concerns and to seek guidance. All reports are subject to appropriate investigation, follow up, and are brought to full closure; there is also a systematic process and tracking system. ABB enforces a rigorous non-retaliation policy and has a whistleblower protection policy for employees who report concerns in good faith.
	1.12. ABB investigates all potential integrity or compliance concerns and cooperates fully with law enforcement agencies. Strict zero tolerance policy for violations of the law or the ABB Code of Conduct is enforced through systematic disciplinary actions. The process was institutionalized in 2004 with the creation of the Human Resources Disciplinary Committee (HRDC) at headquarters. Additional committees have been established at the regional level since 2008.
Ombuds program	1.13. ABB has an Ombuds program as an additional route for compliance reporting. This program ensures that employees have the opportunity to discuss questions and concerns confidentially and anonymously (when desired) about legal or ethical issues. There are currently more than 60 Ombudspersons in 47 countries where ABB operates. The Ombudspersons are experienced, well-known senior employees within the business.
Communication	1.14. Articles are published regularly (every 10-14 days) on the corporate intranet site. These include real cases showing the consequences of compliance situations, videos, integrity update stories and a Q&A series, all with interactive discussions and the possibility of subscribing to new stories. Poster campaigns at all local sites around the world to encourage reporting and raise awareness of specific areas of risk.
Appointment of representatives	1.15. Mandatory, substance-based due diligence is conducted prior to the appointment of ABB Representatives such as Intermediaries, Exclusive Distributors and Third Party Agents. There is a centralized, transparent approval process with appropriate controls over performance prior to any payments.

Gifts, political and charitable contributions	1.16. ABB's Gifts, Entertainment and Expenses policy defines thresholds, approval processes and their documentation, with additional controls for public officials.
	1.17. Political and Charitable Contributions are subject to detailed internal policy and controls.
Review processes	1.18. Throughout the year, the Internal Audit function conducts frequent Anti-Bribery Reviews of business units and countries to review business processes, accounts and balances, and test transactions to assess robustness of controls and identify possible violations.
	1.19. Internal Surveys are conducted to understand employee attitudes, awareness and perceptions of integrity and compliance at ABB, and to monitor progress and address potential gaps in ABB's culture of integrity.
Alignment of business partners	1.20. Agreements with Suppliers, Subcontractors and Consortium Partners are aligned with ABB's commitment to integrity in the performance of the contract, including contractual commitments not to violate antibribery laws.

For more information on ABB's Integrity Program visit our website on: <u>www.abb.com/integrity</u>

2. Healthy and safe working environment (OHS)

Compliance with standards concerning a healthy and safe working environment	2.1.	ABB strives to provide a safe and healthy working environment at all sites and facilities that it owns and operates, and to take all reasonable steps to prevent incidents and injury to health arising out of the course of work by minimizing or eliminating, so far as is reasonably practicable, the causes of hazards inherent in the working environment.
OHS Policy	2.2.	ABB has a Health and Safety Policy that supports the development of a health and safety culture based on prevention. It also covers organization, responsibilities and accountabilities for occupational health and safety (OHS) within ABB.
Professional Advisors	2.3.	ABB seeks to ensure that every facility, business and project has access to a professional OHS Advisor and maintains a thorough functional competency assessment program in order to maintain and continually develop a professional network of advisors.
OHSAS 18001	2.4.	ABB's Health and Safety Policy requires that all activities are covered by an OHS management system, meeting the requirements of OHSAS 18001. There are separate checklists and tools in place for project, manufacturing and service organizations.
Legal Compliance	2.5.	ABB's goal at every stage of a project, service or manufacturing cycle is to meet or exceed applicable laws and international standards, as defined in the Health and Safety Policy.
ILO Standards	2.6.	ABB's Health and Safety standards are consistent with applicable international labor standards and ILO conventions as the minimum level of performance, namely with the ILO Convention C155 (Occupational health and safety), ILO Convention C161 (Occupational health services and preventive functions), ILO Convention C167 (Safety and Health in Construction Convention) and ILO Convention C29 (provision of potable water, sanitary facilities and necessary equipment supply, as addressed in Article 17 of the convention).
Integration of OHS into ABB business activities	2.7.	ABB is integrating OHS into all activities, encouraging safety leadership at every level. This is supported by an annual OHS Plan, approved by the Executive Committee, and a number of initiatives related to specific businesses in divisions, such as the Electrical Safety initiative in Power Systems or the Transformer Safety initiative in Power Products.
Contractors	2.8.	ABB's Health and Safety Policy seeks to ensure that management controls are in place to prevent and/or minimize risks to and from contractors.
Reporting	2.9.	Incident reporting, investigation and prevention systems are required at ABB's sites, projects, and service operations for recording, reporting, and investigating fatal and serious incidents, lost time

	injuries, medical treatment injuries, near misses and occupational diseases. The reporting process is supported by a global database. Investigations include root cause analysis and lessons learned are shared to minimize the risk of a recurrence and to improve existing work practices, where necessary.
	2.10. ABB reports on its OHS performance in its annual Sustainability Performance Report.
Review	2.11. As defined in ABB's Health and Safety Policy, management teams are required to hold regular OHS reviews, and ensure that they receive routine reports on health and safety performance as defined by ABB, and drive a culture of continuous improvement.
Implementation	2.12. ABB's OHS standards and guidelines define requirements for hazard identification and risk assessment, including audit, evaluation and training procedures. These requirements cover all sites and facilities that ABB owns and operates.
	2.13. The OHS standards include requirements for plant, machinery and work equipment used in ABB's business to be safe.
	2.14. When introducing new plant, work practices and/or equipment, health and safety implications must be identified and controlled at each stage of the project life cycle, in accordance with ABB OHS standards and guidelines.
Implementation of OHS policies in the Supply Chain	2.15. ABB's policies require that suppliers have implemented a health and safety policy and ensured that all operations and processes comply with relevant standards, legislation and international conventions.
	2.16. As a general objective, ABB wants to do business with suppliers who have implemented health and safety management systems that comply with the requirements of OHSAS 18001.
ABB supplier selection and evaluation with respect to OHS issues	2.17. ABB's Health and Safety Policy requires that contractors and suppliers observe ABB's Health and Safety requirements, wherever applicable. Their competence and capability to undertake the tasks in a safe and healthy way must be assessed against agreed standards set in advance of the contract.
	2.18. Under ABB's Supplier Qualification process, first-tier suppliers are required to identify and document the significant OHS risks in the scope of their supply to ABB, including the roles of sub-suppliers. They must also implement controls to eliminate or reduce these risks.

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3. Environmental Responsibility

Implementation of Environmental Responsibility in ABB's activities	3.1.	ABB is committed to develop resource-efficient products and systems, to reduce the impacts of its own operations, and to engage in an ongoing dialogue with customers to help them select environmentally friendly products, systems and solutions.
Environment Policy	3.2.	ABB's Environment Policy focuses on the management of environmental issues in key areas throughout the product life cycle, from the development phase through manufacturing and eventual disposal and recycling.
ISO 14001	3.3.	ABB requires all of its manufacturing and service sites to develop and maintain a management system based on ISO 14001. More than 80% of ABB manufacturing sites world-wide have achieved ISO 14001 certification. In addition, 10% of ABB's manufacturing sites have self-declared Environmental Management Systems (EMS) equivalent to ISO 14001 in place.
Reporting	3.4.	ABB's environmental reporting system covers ABB Group companies. Annual environment reports are received from approximately 360 sites and cover more than 85% of employees. The reporting process is supported by a global database.
	3.5.	ABB reports on its environment performance in its annual Sustainability Performance Report.
Monitoring and auditing of environmental performance	3.6.	Regular environmental audits are organized by Country Sustainability Controllers (CSCs) according to the requirements of their local environmental management systems.
	3.7.	External environmental audits occur approximately every three years according to the ISO 14001 certification requirements.
	3.8.	At Group level, regulations with international impact are monitored and communicated to the Country Sustainability Controllers (CSCs). CSCs and Local Sustainability Officers (LSOs) are responsible to monitor the evolution of local environmental regulations and standards and to communicate new and existing regulations within their respective organizations.

Products (EPD / LCA)	3.9.	ABB has a Group-wide GATE Model with environmental checkpoints in place that seeks to ensure that environmental considerations are built into new products during their development phase.
	3.10.	ABB publishes detailed Environmental Product Declarations (EPD), based on Life Cycle Assessments (LCA) over the entire life cycle of its products, (from production of raw material to the recycling of material when the products are taken out of service). The EPDs provide quantitative information in comparable terms, for example global warming effects and use of non-renewable resources in each one of the phases.
Management of restricted and potentially hazardous materials	3.11.	It is one of ABB's objectives to phase out the use of hazardous substances in products and processes, according to the ABB List of Prohibited and Restricted Substances. This list is developed and maintained in accordance with relevant international regulations, such as the EU Directives on Restriction of Hazardous Substances (RoHS) and Registration, Evaluation, Authorization and Restriction of Chemical Substances (REACH); China RoHS legislation.
Lists of Prohibited and Restricted	3.12.	The management of hazardous and restricted materials at ABB sites is addressed in a number of policies.
hazardous substances	3.13.	ABB seeks to ensure responsible management and proper precautions in the use of SF6 in its products and maintains a specialist core team to address these issues and monitor international developments.
Energy/ emissions management	3.14.	It is ABB's objective to reduce the use of energy by 2.5 percent annually (measured in MWh/employee).
-	3.15.	ABB reports its environmental impact in accordance with relevant Global Reporting Initiative (GRI) indicators
ABB supplier selection and evaluation with respect to environmental issues	3.16.	As a general objective, ABB wants to do business with suppliers who have implemented environmental management systems complying with the requirements of ISO 14001 and who observe internationally recognized social and human rights standards and norms.

Implementation of environmental responsibility in the supply chain	3.17. Under ABB's Supplier Qualification Self Assessment Process, all first-tier suppliers must identify and document significant environmental aspects in the scope of their supply to ABB, including the roles of sub-suppliers. They must also implement controls to eliminate or reduce these risks.
Expected environmental performance and minimum standards of	3.18. ABB's Supplier Policy requires that suppliers have implemented an environmental policy and ensure that all operations and processes comply with relevant standards, legislation and international conventions.
ABB suppliers	3.19. According to ABB's Supplier Requirements, suppliers may be subject to sustainability audits.

4. Human Rights

Human Rights

Integration of

Human Rights

into business

activities

Reporting

- 4.1. ABB seeks to identify, assess and manage human rights impacts within its spheres of influence and activities in line with its Human Rights Policy and Statement. ABB has taken a number of steps to embed human rights awareness and practice throughout the organization.
 - **4.2.** ABB's Group-wide Human Rights and Social Policies draw on the Universal Declaration of Human Rights, the ILO Core Conventions on Labor Standards, the OECD Guidelines for Multinational Enterprises, the Social Accountability 8000 standard, and the UN Global Compact.
 - **4.3.** The ABB Human Rights and Social Policies specifically reference ILO Core Conventions as the minimum to be achieved, with respect to non-discrimination, prohibition of child and enforced labor, freedom of association and the right to engage in collective bargaining.
 - **4.4.** ABB seeks to implement its Human Rights Policy in its business. Human rights questions are included in the risk review process for every major project at ABB. Human rights criteria are also included in Supply Chain questionnaires and in the Mergers and Acquisition process. ABB's top management is regularly briefed on human rights issues affecting the company. Human rights considerations are one of the factors in deciding whether to pursue operations in sensitive countries.
 - **4.5.** As a main principle, ABB seeks to promote human rights and to serve as a positive influence in communities where it operates.
 - **4.6.** ABB reports annually on human rights issues, according to criteria appropriate to ABB in the Global Reporting Initiative.
 - **4.7.** ABB seeks to participate where appropriate in public affairs initiatives in a responsible way to promote internationally recognized human rights. ABB actively supports international initiatives, such as the UN Global Compact and the Global Business Initiative on Human Rights, to strengthen business understanding and share best practices on human rights.

Enforcement of the right of freedom of association and collective bargaining	4.8.	According to the ABB Human Rights and Social Policies, and in line with ILO Conventions C87 and C98, ABB respects the right of all personnel to form and join trade unions of their choice and to bargain collectively. This is also covered by Principle 3 of the UN Global Compact.
	4.9.	All ABB suppliers must recognize, as far as legally possible, the right of free association of employees and neither favor nor discriminate against members of employee organizations or trade unions.
Elimination of forced and compulsory labor	4.10.	ABB respects the human rights of its employees as established in the ILO Conventions C29 and C105 and in line with Principle 4 of the UN Global Compact, and prohibits any form of forced and compulsory labor, as described in the ABB Human Rights and Social Policies.
Abolition of child labor	4.11.	In line with ILO Conventions C138 (minimum age convention) and C182 (child labor convention), ABB commits itself to not use any form of child labor. This is also in line with the UN Global Compact Principle 5.
Elimination of discrimination in employment and occupation	4.12.	As defined in its Social Policy, ABB commits to offer equality of opportunity to all employees and to oppose the use of any mental or physical coercion. ABB does not allow any form of threatening, abusive or exploitive behavior. ABB complies with ILO Convention C111.
Working hours	4.13.	ABB companies are required to comply with applicable laws and industry standards on working hours, including overtime regulations, as defined in the ABB Social Policy. ABB regulations are in line with ILO Core Conventions (C14).
	4.14.	ABB's Supplier Policy requires suppliers to comply with applicable laws and industry standards on working hours.
Minimum wage	4.15.	ABB's Social Policy requires that employee compensation meets or exceeds the legal or industry minimum standards in accordance with ILO Conventions.

5. Supply Chain

	ABB seeks to do business with suppliers who have implemented governance, environmental, social, health and safety and human rights standards consistent with those applied within ABB, as summarized in the ABB Supplier Code of Conduct.
5.2.	ABB requires that all companies that supply to ABB's production process have implemented an environment, and health and safety policy to ensure that all operations and processes comply with relevant standards, legislation and international conventions.
5.3.	 Suppliers are expected to support and respect the protection of internationally proclaimed human rights and ensure equality of opportunity. Especially: Suppliers must comply with applicable laws and industry standards on working hours and offer adequate wages to their employees. Suppliers must not employ children or support the use of child labor, make use of forced labor or harass or discriminate against employees. As an ABB requirement, a senior manager at the supplier has to be accountable for ensuring that systems and procedures for social responsibility are in place.
5.4.	ABB has incorporated social performance criteria, including human rights performance, into its suppliers qualification process (SQP) requirements. Under ABB's Supplier Qualification Self-Assessment Process, all first-tier suppliers must identify and document the significant environmental aspects and Occupational Health & Safety (OHS) risks in the scope of their supply to ABB, including the roles of sub- suppliers. They must also implement controls to eliminate or reduce these risks.
	5.3.

- **5.5.** As a general objective, ABB wants to do business with suppliers who have implemented environmental and health and safety management systems, complying with the requirements of ISO14001 and OHSAS 18001 and who observe internationally recognized social and human rights standards and norms.
- **5.6.** ABB's Human Rights policy specifically seeks to establish and maintain appropriate procedures to evaluate and select first-tier suppliers and contractors and to monitor their performance where necessary.
- **5.7.** ABB maintains appropriate procedures to evaluate and select firsttier suppliers and subcontractors on their ability to meet the requirements of ABB's social policy and principles and to maintain reasonable evidence that these requirements are continuing to be met.
- **5.8.** ABB seeks to ensure that contractors and suppliers are selected that perform to ABB's Health and Safety requirements. Their competency and capability to undertake the tasks in a safe and healthy way must be assessed against set standards before the award of the contract.

Audits, continual monitoring and training
 5.9. In its Supplier Qualification Process, ABB states that units are required to conduct supplier audits including sustainability criteria at both qualification stage and at any time during the period of supplying to ABB. ABB expects to conduct several hundred such process and quality audits each year.

5.10. In order to interpret key sustainability issues during audits and training, ABB has implemented Group-wide guidelines for auditors and managers for continual monitoring of suppliers' sustainability performance.

6. Security and crisis management plans

Security and Crisis Management Plans	6.1.	ABB seeks to ensure an appropriate level of security and crisis response management throughout the Group with the aim of securing its employees and contractors worldwide, and to protect business continuity.
	6.2.	ABB has rapid response capabilities and experienced crisis management teams to respond to potential crises. Crisis response plans and Group- and country-specific crisis response manuals define responsibilities, procedures and crisis communication processes. ABB's security team holds regular crisis exercises in all regions.
Pandemic plans	6.3.	ABB has implemented a Group-wide program to deal with pandemic diseases, and regularly assesses the situation. Every country is required to have a pandemic plan as part of the country crisis response plan.

7. Security of Confidential Information and Intellectual Property Rights

Security of Confidential Information

7.1. In the Group-wide Code of Conduct, ABB addresses the need to secure confidential information. This may also include information from suppliers, customers or partners.

Intellectual Property Rights **7.2.** In its Code of Conduct, ABB specifically addresses the need to respect the intellectual property rights of others.

8. Sustainability Governance

- **8.1.** Matters of policy, performance and alignment of sustainability activities with company priorities are the responsibility of the ABB Sustainability Board, which comprises the whole Group Executive Committee. It convenes at least annually.
- **8.2.** The sustainability performance of ABB is the responsibility of a Group Executive Committee member, to whom the head of ABB's Sustainability Affairs organization reports.
- **8.3.** The Group Function Sustainability Affairs (GF-SA) is responsible for all matters regarding sustainability. Group and divisional managers are also accountable for key sustainability issues relevant to their businesses. Sustainability risks and opportunities are also investigated and evaluated in coordination with other Group functions, e.g. internal audit, treasury, mergers and acquisitions (due diligence) and ABB's bid evaluation committee (customer and project risk assessments).
- **8.4.** More than 40 Country Sustainability Controllers, supported by Local Sustainability Officers and health and safety advisors for each facility implement ABB's sustainability policies. These employees audit the sustainability performance of ABB facilities to ensure best practice. The sustainability controllers and health and safety advisors functionally report to the Group Sustainability Affairs team.

9. References

ABB references

 ABB Code of Conduct

 ABB Integrity Program

 ABB Supplier Code of Conduct

 Sustainability at ABB

 ABB Group Sustainability Performance Report

 ABB Group Sustainability Performance Report

 ABB Social Policy

 ABB Human Rights Policy

 ABB Environmental Policy

 ABB Occupational Health and Safety Policy

 ABB Supplier Requirements

 ABB Supplier Qualification Questionnaire

 ABB Environmental Product Declarations

 ABB SF₆ Technologies and Applications

 ABB Energy Efficiency

External references

UN Global Compact (<u>www.unglobalcompact.org</u>) OECD Guidelines for Multinational Enterprises (<u>www.oecd.org</u>) OECD Anti-bribery Convention (<u>www.oecd.org</u>) International Labour Organization (<u>www.ilo.org</u>) World Economic Forum Partnering Against Corruption Initiative (<u>www.weforum.org</u>) International Chamber of Commerce, Policy and Business Practices (<u>www.iccwbo.org</u>) Global Reporting Initiative (<u>www.globalreporting.org</u>) Universal Declaration of Human Rights (<u>www.un.org</u>) Social Accountability 8000 Standard (<u>www.sa-intl.org</u>) Global Business Initiative on Human Rights (<u>www.global-businessinitiative.org</u>)