



Francesca Federigi, Sustainability Affairs, 12 dicembre 2011

Sustainability and HR

What does it means in ABB

Power and productivity for a better world

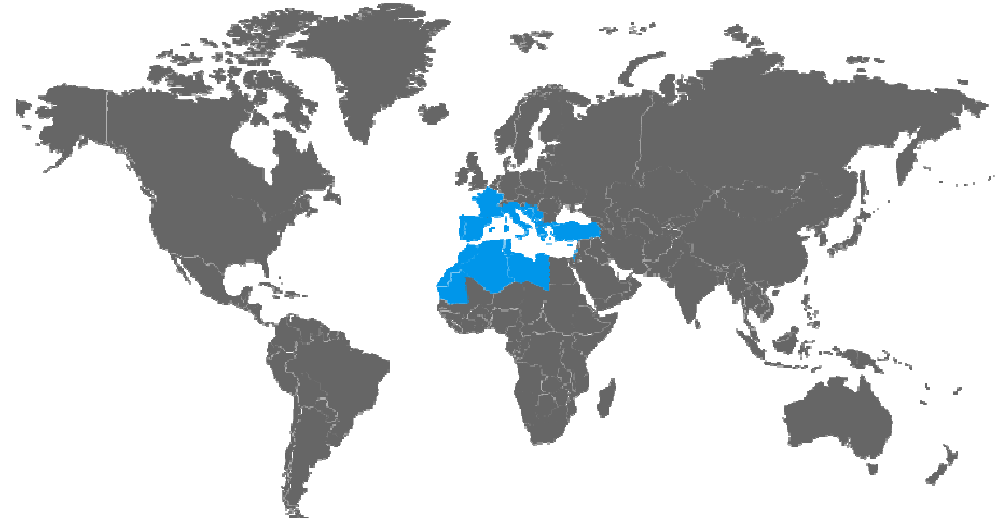
La nostra visione



ABB, uno dei principali gruppi di ingegneria a livello mondiale, aiuta i suoi clienti a utilizzare l'energia elettrica con efficienza, aumentare la produttività industriale e ridurre l'impatto ambientale in maniera sostenibile.

A global leader in power and automation technologies

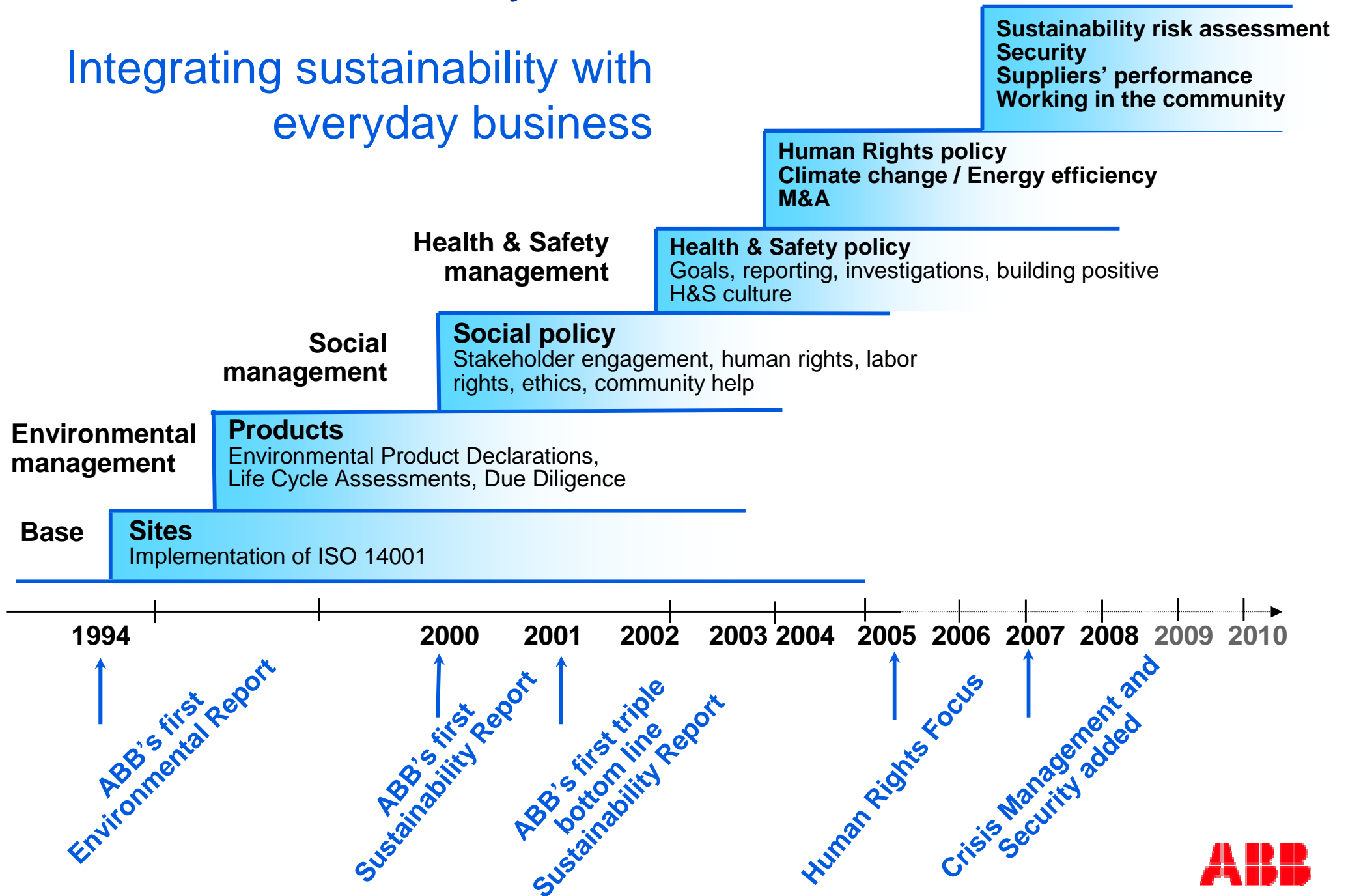
Market leadership in main businesses



- 130,000 employees in about 100 countries
- Formed in 1988 merger of Swiss and Swedish engineering companies
- 5 Divisions: Power Products, Power Systems, Discrete Automation and Motion, Low Voltage Products, Process Automation
- Sesto San Giovanni – Milano: Italian Headquarters / Mediterranean Region Headquarter

ABB and sustainability 2000-2011

Integrating sustainability with everyday business



Case study: Merowe dam, Sudan

Lack of Human Rights awareness - cost to ABB




- 1,250 MW hydro power plant on Nile
- Little due diligence on social and environmental impacts
- Campaign against project due to Human Rights and environmental concerns
 - Resettlement of about 60,000 people; claims of inadequate compensation
 - Militia kills three people protesting at re-settlement
- ABB faced three years of investor, NGO and media questions on role in Sudan
- Divestment campaign led by high-profile US state pension funds; bad publicity
- ABB held wide-ranging - and costly - stakeholder dialogue in Sudan and US to justify presence (2005-6)
- ABB stops all business in Sudan (Jan. 2007) in response to rising US pressure. Pulls out of country and existing contracts by June 2009

Human Rights Statement

- ABB is committed to developing an organizational **culture** which implements a policy of support for the internationally **recognized human rights** contained within the Universal Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises and the ILO Core Conventions on Labour Standards and seeks to avoid complicity in human rights abuses.
- Our commitment to the realization of human rights is embedded in the Group's human rights and social policies and the criteria appropriate to ABB in the Global Reporting Initiative. **Human rights are part of our non-financial risk assessment of operations.**
- ABB is involved in multilateral efforts to support human rights such as the United Nations Global Compact and Business Leaders Initiative on Human Rights.

ABB's Human Rights policy and Group Instruction

Human Rights policy can be found at
<http://www.abb.com/cawp/abbzh258/19e081068bd263d0c12574110055cfd7.aspx>

	Group Instruction Attachment Title:	Human Rights Standards
	Group Instruction Attachment Number:	GI/SA-01.01A07
	Group Instruction Owner:	Head of GF-SA
	Related Group Directive:	GD/SA-01
	Approved By:	CEO
	Effective Date:	October 01, 2008

1.0 Overview

1.1 Introduction

This Group instruction attachment contains ABB's guidelines and instructions (known externally as the Human Rights policy) related to ABB's Human Rights commitment.

ABB is committed to developing an organizational culture which implements a policy of support for internationally recognized human rights and seeks to avoid complicity in human rights abuses. ABB supports the principles contained within the Universal Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises and the International Labour Organization (ILO) Core Conventions on Labour Standards.

1.2 Objective(s)

The objective of this attachment is to ensure that activities that could have a Human Rights impact are performed in an informed, controlled and consistent way.

1.3 Group directive, instructions and other cross-reference

GD/SA-01 Sustainability
GI/SA-01.01A01 Environmental Standards and Guidelines
GI/SA-01.01A02 Social Standards and Guidelines
GI/SA-01.01A03 Health and Safety Standards and Guidelines
GI/SA-01.01A04 Business Ethics Standards and Guidelines
GI/SA-01.04 Security and Crisis Management
ABB Code of Conduct

2.0 Group instruction requirements/content

2.1 Roles and Responsibilities

Division heads are responsible for

- Ensuring that division and BU representatives in the Risk Review Committees (RRC) are adequately trained

GF-SA is responsible for:

- Providing guidance on the interpretation and implementation of this Group instruction attachment
- Supporting divisions and LBUs in connection with Risk Reviews

Focus area

1. Employees

- non-discrimination and equal opportunities
- prohibition of child and enforced labor
- freedom of association
- the right to engage in collective bargaining.

2. Suppliers and Contractors

- Evaluation and selection of major suppliers and contractors based on ABB's human rights and social policies
- Monitoring their performance
- Application of the ILO Declaration on Fundamental Principles and Rights at Work
- Collaboration and audit

Focus area

3. Local Communities

- Respecting the cultures, customs and values of the people in communities in which we operate
- Promoting human rights through improving economic, environmental and social conditions
- Having an open dialogue with stakeholders and participate in community activities

4. Society


- Participating in public affairs in a non-partisan and responsible way to promote internationally recognized human rights
- Playing a positive role in capacity-building for the realization of human rights within countries of operation
- Promoting the highest standards in business ethics and integrity

Risk review process

- Members of the Group sustainability management team started meeting key divisions on a quarterly basis
- Objectives: to identify projects at an early stage of pursuit to determine if there might be human rights, social, environmental or security risks or impacts
- The aim is to carry out due diligence on potential risks at a very early stage – well before a project pursuit becomes a formal tender subject to risk review procedures

ABB basic requirements for sensitive projects

- A project should comply with applicable environmental/social laws and regulations in the country. The environmental and social impact assessments and mitigation measures should meet international standards.
- If no EIA/SIA is available, ABB should ensure itself that the project meets international demands on social and environmental performance.

	Risk Management Guideline title:	Social and environment
	Risk Management Guideline number:	GGILC - 031
	Owner:	GF-SA
ABB identity no. 66	Approved by:	CFO
	Effective date:	December 11, 2008

1.0 Background

Engaging in business projects with adverse social and environmental consequences exposes ABB to financial and reputation risk. This risk is generally higher in less developed countries and failing states, where governments are unable or unwilling to enforce laws and regulations protecting its people and the environment. The assessment of social and environmental risk in ABB's risk review process serves to identify sensitive issues and to prepare strategies to avoid or mitigate such risks. Any ABB unit, which considers pursuing a sensitive project, should evaluate and consider all key areas of social and environmental risk. Country Sustainability Controllers or GF-SA is available to help assess social and environmental risk.

2.0 Guidelines

1. An internationally recognized Environmental Impact Assessment (EIA) and Social Impact Assessment (SIA) are required for major projects in almost all countries. The project developer/owner should ensure it is carried out.
2. An EIA/SIA is required for projects with
 - a. Potentially significant adverse social or environmental impacts that are diverse, irreversible, or unprecedented.
 - b. Potentially limited adverse social or environmental impacts that are site specific, largely reversible, and readily addressed through mitigation measures.
3. Minimum requirements for ABB's engagement in a project with potentially adverse environmental and social impacts are:
 - a. The project should comply with applicable environmental/social laws and regulations in the country.
 - b. The environmental and social impact assessments and mitigation measures should meet international standards.
 - c. If no EIA/SIA is available, ABB should ensure itself that the project meets international demands on social and environmental performance.

Examples

Potentially sensitive projects, which ABB may contribute to include:

- Extractive industry: oil, gas, and mining
- Refineries, pipelines, and terminals for large-scale transport of gas, oil, and chemicals
- Thermal power stations and other combustion installations
- Nuclear power stations
- Large dams and hydropower stations
- Smelting of metals
- Integrated chemical installations, pulp and paper production
- Seaports, and inland waterways and ports

Potentially sensitive issues if:

- the project is located in a sensitive area
- there is pollution from the project
- there is significant impact to the local environment
- illegal logging occurs for a pulp and paper plant
- the local people's rights are threatened (right to water in hydropower developments), indigenous peoples, if human rights abuses occur
- the working conditions are unsafe or if forced labour occurs (e.g. in mines)
- the project owner's security forces do not meet international standards

ABB Group Page 1 of 1

Sensitive projects & countries

- Oil & gas
 - Refineries
 - Thermal power stations
 - Large dams
 - Integrated chemical installations, pulp and paper.
 - Large ports
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- Pollution
 - Significant impact to the local environment
 - If the local people's rights are threatened
 - Unsafe working conditions
 - Security forces that don't meet international standards

Human Rights Training Program

- Global human rights training program
- Launched in 2010
- To **raise awareness** of the risks and opportunities in the company's operations and activities.
- The first courses were held in Italy, a major European exporting country for ABB, followed by Egypt and Dubai in the United Arab Emirates where ABB's India, Middle East and Africa (IMA) regional headquarters is based.
- Target: business and country management representatives, and members of functions such as Supply Chain Management, Legal and Compliance, Communications and Sustainability.

Sustainability Exposure Matrix

Activities Risk / comp advantage	R & D	Supply Chain	Projects/Service	Manufacturing
Environment	1	3	3	3
Occupation Health and Safety OHS	2	3	3	3
Crisis Management & Security	1	2	3	3
Corporate Responsibility	1	1	1	2
Human Rights		3	2	2

	Damage / impact of errors	Likelihood of errors
High	3	
Med	2	
Low	1	

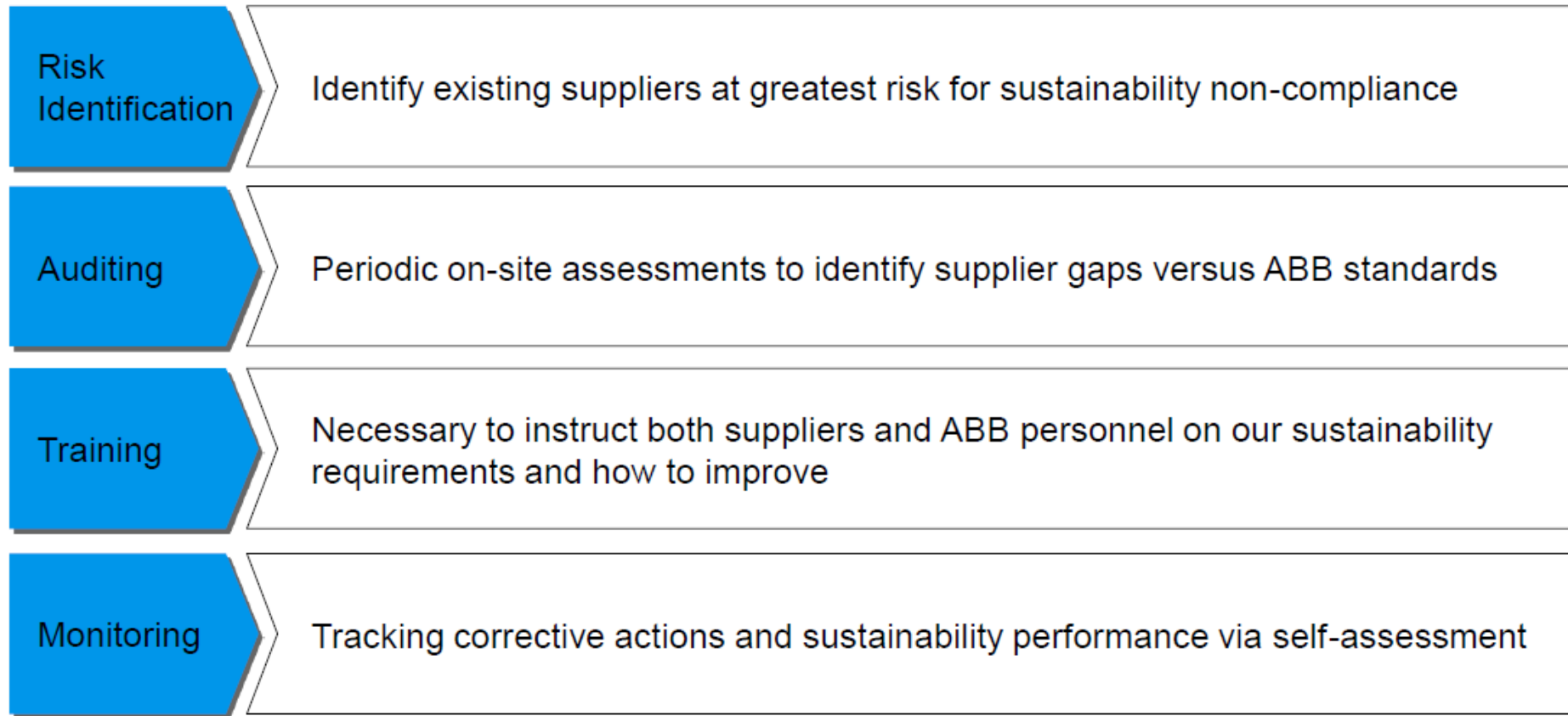
Supplier Sustainability Development Program

Objectives

- Ensure the health and safety of workers within ABB's supply chain
- Protect human rights and ensure fair labor practices within ABB's supply base
- Establish compliance with all local & national laws
- Satisfy our customers' requirements on ABB's Supplier Sustainability performance
- Reduce the impact of ABB's suppliers on the environment
- Mitigate risk to ABB brand from potential negative press on supplier sustainability

Supplier Sustainability Development Program

How to do it?



Supply Chain Management

Lessons Learned from Pilot Audit Project

- These pilot audits revealed a number of situations where ABB's standards were not met.
 - excessive overtime, poor waste disposal practices
 - lack of appropriate protective equipment for workers
- General attitude of suppliers was extremely cooperative, wanting to satisfy ABB requirements
- In most cases, suppliers were ignorant of their non-compliance rather than indifferent. There is a clear need to increase their awareness of sustainability issues and competency in managing them
- The suppliers' improvements are dependent not only on auditing but on follow-up by ABB thereafter
- The audit program continues to focus on those countries with a higher generic risk of compliance issues

Supply Chain Management

Supplier Code of Conduct

- The ABB Supplier Code of Conduct (SCC) defines minimum standards for any company wishing to sell to ABB
 - fair and legal labor conditions
 - occupational health and safety
 - environmental responsibility and business ethics
- Suppliers are responsible for the sustainability performance of the sub-suppliers they hire to provide direct or indirect goods or services to ABB.
- The SCC has been sent to ABB's top 1,000 suppliers and will, over time, be included in all global agreements.

Power and productivity
for a better world™

