Tone from the Top

Don’t Look the Other Way

“\nA culture of integrity is a prerequisite for a world-class business. Many valuable customers choose to do business with us in part because they know ABB behaves in a responsible and ethical way, and that we respect the needs of individuals, society, and the environment.

At ABB, performance is measured not only by the results achieved, but also how these results were achieved. This is why our stakeholders can rely on the fact that our services, operations, and daily business are based on ethical behavior.”

CEO Ulrich Spiesshofer
ABB’s commitment to integrity

A robust, advanced, risk focused global program

- ABB sets high standards of integrity and compliance which are expected of every employee and in every country where it does business
- ABB uses a systematic approach, designed to foster a culture of integrity and compliance
- This is done through leadership and business accountability, supported by strong tools and processes, and a zero tolerance policy for violations
Program fundamentals: prevent, detect and resolve

ABB is constantly raising the bar on integrity

Fundamentals

The fundamentals of the ABB integrity program are designed to **PREVENT**, **DETECT** and **RESOLVE** any potential concerns.

**PREVENT**
- Business accountability
- Tone from the Top
- Training
- Awareness raising
- Group directives
- Risk review

**DETECT**
- Reporting channels
- Investigations
- Audits and reviews
- Processes and controls
- Risk monitoring

**RESOLVE**
- Resolution
- Zero tolerance
- Ongoing improvement
- Disciplinary actions
- Analysis and response

Raising the bar and creating a fully integrated process
Integrity begins with leadership and tone from the top

Integrity is an integrated business process

Division heads and financial controllers regularly review and report on integrity and compliance developments in their business

Integrity and compliance are a regularly required agenda item for division reviews and an element in the divisions’ business performance evaluations

Five value pairs form the backbone of all operations and our daily life in ABB. The value pair “Safety & Integrity” is the bedrock of our organization. We do not accept business if it means putting people at risk or engaging in unethical practices

Integrity is part of ABB’s focus with the Don’t Look the Other Way campaign

Integrity and compliance are driven by the businesses
Preventing integrity concerns: key employee messages

Program emphasizes substance over form

**ABB is firmly committed to integrity**

- ABB must not, should not, and will not break the law
- We compete and win only by playing by the rules
- There is no place in ABB for anyone who breaks the rules. We have a zero tolerance policy which is rigorously enforced
- We are proactive about integrity and compliance through ongoing training, internal surveys and resources such as the Business Ethics Hotline
Our framework: The ABB Code of Conduct

The ABB Code of Conduct

- The integrity framework which explains the behavior ABB expects of its employees and stakeholders, and practical instructions to help employees in their day-to-day work
- Based on ABB’s business principles: responsibility, respect and determination
- The Code of Conduct has been translated into 45 languages
- All current and new employees are required to take face-to-face and e-learning training, and 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
Standards and policies: a strong set of internal controls

ABB Group Directives

**Bribery and corruption** is prohibited in all business dealings, whether with public officials or private sector business partners. As a rule, facilitation payments are not permitted.

Mandatory, substance-based due diligence prior to the appointment of **ABB representatives, such as third-party agents**. Centralized, transparent approval process with appropriate controls over performance prior to any payments.

**Political and charitable contributions** are subject to detailed internal policy and controls.

**Gifts, entertainment and expenses** policy defines thresholds, approval processes and their documentation, with additional controls for public officials.

Agreements with **subcontractors and consortium partners** are aligned with ABB’s commitment to integrity in the performance of the contract, including commitments not to violate anti-bribery laws. **Suppliers** must also maintain integrity standards which are satisfactory to ABB and agree to the ABB Supplier Code of Conduct.

**Mergers and acquisitions**: mandatory compliance due diligence for any joint venture or acquisition target. Thorough integration strategy for the ABB integrity program.
Standard agreement must be used that includes anti-bribery provisions, audit rights, right to terminate agreements for any violation

All appointments are subject to a robust, structured approval process

Substance-based, thorough due diligence prior to considering engagement

Database supports agent appointments and controls during execution and prior to payment

Maximum percentages for commissions are defined

Strong rules for appointment of representatives, such as third-party agencies
ABB Group Directive on gifts, entertainment and expenses

Legitimate and reasonable business entertainment only

**Gifts, entertainment and expenses policy**

- Covers both giving and receiving
- Sets thresholds and approval processes
  - Lower thresholds than Group standard implemented in many countries based on local conditions
- Approval process documented in global web-based tool
- Additional controls for public officials
  - Employees of government-owned or controlled companies are subject to public official definition
Antitrust guidance notes designed to address practical business situations and focus on specific topics which could raise antitrust concerns, including:

- Participation in trade association meetings
- Competitive intelligence gathering versus commercially sensitive information exchanges
- Participation in benchmarking exercises
- Pricing strategies
## Face-to-Face training

Creates personal accountability, responsible leadership

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Broad</strong></td>
<td>Face-to-face training required for all employees on the Code of Conduct and Anti-Bribery</td>
</tr>
<tr>
<td><strong>Risk-focused</strong></td>
<td>Additional face-to-face training is required for risk- and manager-level employees on selected integrity topics</td>
</tr>
<tr>
<td><strong>Collaborative</strong></td>
<td>Face-to-face training sessions create constructive dialogues throughout the business</td>
</tr>
</tbody>
</table>
Face-to-face training is supplemented with e-learning

Ongoing integrity and compliance training

Required for all employees, completion is tracked and certified:

- Integrity Starts with You (Code of Conduct)
- Global Anti-Bribery ESSENTIALS: Don’t Look the Other Way
- General Data Protection Regulations (GDPR)

Additional, targeted course(s) (mandatory for managers and employees with responsibilities in specific risk areas):

- Antitrust Rules and Best Practices

Online trainings
Regular communications to complement training

Integrity is given visibility at ABB – Don’t Look the Other Way

- Articles regularly published on corporate intranet site – real cases of consequence, integrity updates, and FAQs – all with interactive discussions
- Integrity shorts regularly published with examples of practical dilemma situations and advice on how to handle
- Ongoing hotline Poster campaign at all local sites around the world to encourage reporting
- Display stands at all high traffic areas promoting the integrity reporting channels including brochures and wallet cards
Detecting integrity concerns

ABB offers employees multiple reporting channels

Multiple Reporting Channels

- Multiple reporting channels are available to all employees
- Employees are encouraged to speak up and report integrity and compliance concerns and to seek guidance
- All reports subject to appropriate investigation, follow up, and brought to full closure; systematic process and tracking system
- ABB enforces a rigorous non-retaliation policy
The ABB Business Ethics Hotline

- The ABB Business Ethics Hotline is available for employees to report integrity and compliance concerns or seek guidance. In operation since 2006
- Available in over 180 languages. Toll-free calls taken by an independent provider 24 hours a day, 7 days per week. Web-based reporting also available
- Calls are treated confidentially and reporters can choose to remain anonymous
- Stakeholder hotline for business partners also available
Preventing and detecting

Our risk-based focus

**Anti-bribery reviews**
- Conducted frequently throughout the year by internal audit of business units and countries globally
- Review of business processes, accounts and balances, and test transactions to assess robustness of controls and identify possible violations

**Anti-fraud program**
- Monitored by internal audit, regularly evaluates fraud risk exposure and developing trends
- Substantive cross-functional analysis of 21 program elements and response plan to prevent and detect potential fraud
Preventing and detecting

Additional controls for risk exposure

**Integrity risk and culture survey**
- 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.

**High-risk area process**
- Enhanced integrity and compliance processes to address certain areas with greater compliance risk.

Additional due diligence reviews and controls for identified risk areas.
The ABB Office of Special Investigations conducts internal investigations into integrity and compliance concerns worldwide.

Most investigators are former law enforcement officers from various countries.

15 professional and experienced investigators based in various key locations in Americas; Asia, Middle East and Africa; and Europe, covering all 100+ ABB countries.

Works closely with ABB Legal and Integrity and Internal Audit for an integrated approach to resolving potential concerns.
ABB’s strict zero tolerance policy toward violations

Non-retaliation for whistleblowers

- 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
- ABB maintains a non-retaliation policy for whistleblowers
- Enforced through systematic disciplinary actions
- Human Resources Disciplinary Action Protocol
- Process for dealing with the individual consequences of integrity and compliance matters
- Institutionalized with HR disciplinary committees at ABB headquarters since 2004, with additional committees at the regional level since 2008
Integrity leadership involves every dimension of ABB

<table>
<thead>
<tr>
<th>Top leadership</th>
<th>Local leadership</th>
<th>Integrity resources</th>
<th>Partner resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors</td>
<td>Regional and country management</td>
<td>Chief Integrity Officer</td>
<td>Human Resources</td>
</tr>
<tr>
<td>Board’s Finance, Audit and</td>
<td>Business Unit management</td>
<td>Integrity Committee</td>
<td>Corporate Communications</td>
</tr>
<tr>
<td>Compliance Committee</td>
<td></td>
<td>Legal and Integrity</td>
<td>Sustainability Affairs</td>
</tr>
<tr>
<td>CEO</td>
<td>Regional and country integrity officers</td>
<td></td>
<td>Quality and Supply Chain</td>
</tr>
<tr>
<td>Executive Committee – Division</td>
<td></td>
<td>Antitrust</td>
<td>Internal Audit</td>
</tr>
<tr>
<td>Presidents</td>
<td></td>
<td></td>
<td>Finance and Internal</td>
</tr>
<tr>
<td>General Counsel</td>
<td></td>
<td></td>
<td>Controls</td>
</tr>
</tbody>
</table>

©ABB
March 26, 2018 | Slide 21
ABB’s integrity and antitrust resources

More than 430 resources worldwide – as per January 2018

**ABB headquarters**
- 1 Chief Integrity Officer
- 4 Integrity Professionals
- 16 Investigators
- 4 Antitrust Professionals

**Europe**
- 24 Integrity Officers
- 137 Additional Resources

**Americas**
- 11 Integrity Officers
- 104 Additional Resources

**AMEA**
- 18 Integrity Officers
- 114 Additional Resources

Figures represent full and part-time personnel
Independent recognition for best-in-class integrity program

External Benchmarking

<table>
<thead>
<tr>
<th>Anti-Bribery Program Verification</th>
<th>Compliance Leader Verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>– Objective, independent verification of ABB’s anti-bribery program</td>
<td>– Verification of best-in-industry compliance program demonstrating superior industry requirements and standards</td>
</tr>
<tr>
<td>– Proving ABB has designed, implemented and enforced a robust, best-in-class anti-bribery program</td>
<td></td>
</tr>
</tbody>
</table>
“ABB has developed five “value pairs” which form the backbone of all operations and our daily life in ABB.

The value pair Safety & Integrity is the bedrock of our organization. We do not accept business, if it means putting people at risk or engaging in unethical practices. At ABB, we take care of ourselves and we look out for our colleagues – we don’t look the other way.

We draw attention to behavior and actions that might compromise someone’s health or wellbeing, or that might jeopardize their career or the reputation of the company.”

“Integrity is about behavior and doing what is right. It cannot be delegated or compromised. It is a responsibility that each and every employee has as an individual – a sense of right and wrong, a commitment we make to ourselves and to others, and it exists in everything we do.

Employees are expected to not look the other way and to reflect integrity regardless of whether they are at work or not.”