

ABB Annual Report 2005

Sustainability review



ABB

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Group

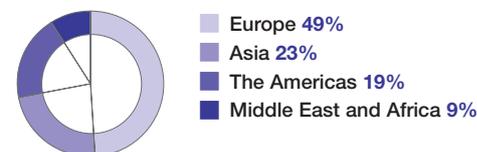
(2005 results and organizational structure)

Group revenues
(2004 \$ 20,610m) **\$22,442m**

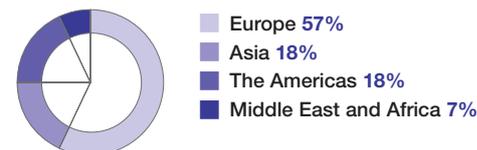
EBIT
(2004 \$ 1,046m) **\$1,742m**

Net income
(2004 net loss \$ 35m) **\$735m**

Group revenues by region (in %)



Group employees by region (in %)



Core division revenues

(in \$ millions unless indicated otherwise)



Core division EBIT

(in \$ millions unless indicated otherwise)



■ Power Technologies ■ Automation Technologies

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This report is printed on paper made from elementary chlorine-free (ECF) pulp in mills which are certified to ISO 14001. Over a quarter of the wood used for this report comes from forests certified by the Pan-European Forest Certification Council (PEFC).

The complete ABB Annual Report 2005 consists of an Operational review, a Financial review and a Sustainability review. For an additional copy of this or any other of the reviews, please use the contact information at the back of this document, or download copies from: www.abb.com

ABB's Sustainability review is available on the internet: www.abb.com/sustainability

ABB's divisional structure was reorganized as of January 1, 2006. There are now five divisions: Power Products, Power Systems, Automation Products, Process Automation, and Robotics.

Sustainability highlights

- Economic Environmental Social** ABB presents its vision statement to 2009, which includes a focus on sustainability performance and energy savings for customers
- Environmental** ABB launches new targets for phasing out use of hazardous materials
- Social** Health and safety training for managers stepped up throughout group
- Economic Environmental** Corporate-level stakeholder dialogue held on ways of compensating for ABB's greenhouse gas emissions
- Economic Social** ABB enters into six-year corporate sponsorship support program with International Committee of the Red Cross
- Economic Environmental Social** ABB set to expand Access to Electricity rural electrification projects
- Social** Prestigious Hellen Keller award won by ABB in India for efforts to help disabled people obtain gainful employment
- Economic Social** ABB in China wins 2005 Star Enterprise for Poverty Alleviation award for its support of underprivileged university students

For more information on Sustainability initiatives in ABB, visit our Web Site: www.abb.com/sustainability

Letter to stakeholders

Fred Kindle, President and CEO

At ABB, a sustainable approach to business is part of our commitment to act responsibly towards all stakeholders – from shareholders and customers to employees and the communities where we operate around the world. But corporate responsibility, underpinned by key values and beliefs, is ongoing work that requires careful monitoring and openness in order to improve performance.



As a company we try to do the right thing. We seek to balance economic development, environmental stewardship and social progress.

We exercise corporate responsibility, for example, by developing technologies that lower the environmental impact of our activities and those of our customers; sustainability is built into different aspects of our business, including the manufacture of energy-saving products, systems and solutions.

Technologies such as high-voltage direct current systems for long-distance power transmission, energy-efficient motors and drives, Azipod podded propulsion units that steer ships, automation solutions that control factories and power plants, are some of ABB's offerings that contribute significantly to lower energy use and emissions.

In the 2005 Sustainability review, we highlight a number of spheres of responsibility: for example, the contribution that our technologies are making to bring alternative sources of power – in particular wind energy – via the power grid to consumers, as a contribution towards improving our environment.

The ABB case studies from around the world (pages 6-10) highlight different aspects of following the triple bottom line approach to business – including how our technologies reduce costs and emissions, and our social projects from Brazil to China.

One of our key priorities in 2005 and the years to come is rather closer to home: it involves improving health and safety awareness and performance. Every death or injury involving an ABB employee or subcontractor is unacceptable; such incidents are

a tragedy for us all. We will continue to focus on training and improving procedures to raise our performance.

Another area of focus for ABB is in human rights. In this report we highlight how we have approached some of the issues we faced in 2005, and – both as a company and in multilateral efforts - how we are trying to support and promote human rights in business. This is both a highly complex area and a fundamental of corporate responsibility.

We remain committed to a sustainable approach to business. Sustainability is embedded in both our products and systems, and in our vision for the future.

Part of our vision statement for the coming years reads: “By 2009, ABB will be recognized as the top global

engineering company in terms of market impact, growth and profitability, value creation, sustainability and ethical behavior.” We will seek to live up to our responsibilities and achieve these goals.

Sincerely,



Fred Kindle
President and CEO, ABB Ltd

ABB technology that contributes to a cleaner world

Environmental

Wind power has become one of the world's fastest growing sources for renewable energy – a source that is clean and free. ABB is a leading supplier to the worldwide wind power industry, offering a comprehensive range of high-technology products and systems.

Claus Madsen, who heads a newly-created wind power business initiative in ABB, says: "There are three main reasons why the wind power market suits ABB so well; it's a rapidly growing global need, its requirements are matched perfectly by our product portfolio, and it meets our quest for sustainability."

The demand for electricity is growing steadily with consumption worldwide expected to increase by 2.4 percent each year over the next few decades.

In the developing world, consumption is rising due to economic progress, population growth and the increasing number of new consumers being connected each day to electricity networks. In developed countries, more extensive automation and greater use of information technology throughout society increase dependence on power.

A wider use of renewable energy sources is an obvious way to meet Kyoto Protocol commitments and the challenge of climate change. The countries of the European Union, for example, have set themselves the target of generating ten percent of their electricity from renewable sources by 2020.

Wind energy is one of the fastest growing energy sources. Installed capacity has increased on average by almost 16 percent in each of the last five years and reached a total of 50 gigawatts in 2005 – that is approximately one third of the United Kingdom's electricity needs. The value of the global wind installation business was more than \$9 billion in 2004 and the industry expects it to double by 2010.

To date, close to 70 percent of wind energy plants have been installed in Europe, where Germany, Spain and Denmark are the leading nations. Outside Europe, the United States, India and China are important growth markets.

Over the years, the wind business has evolved from small scale, land-based, individual wind mills to large scale, multi-turbine wind farms developed and owned by large professional investors. The coming years are expected to see rapid growth in the offshore wind market where large wind turbines are more acceptable, each having a capacity of 3-5 megawatts (MW).

ABB is the world's largest supplier of the electrical heart of wind turbines with a global market share of 25 percent for generators and 35 percent for low- and medium-voltage equipment.

Based on this strong market position and its close collaboration with leading turbine manufacturers, ABB has developed cost-efficient products and solutions that have become today's de-facto standard for wind turbine pods.

ABB is also a leading supplier to the whole wind power industry, supplying not only generators, transformers and low- and medium-voltage equipment for individual wind turbines. ABB also connects entire wind farms to the grid and delivers large scale control systems (SCADA), transformers and HVDC (high-voltage direct current) Light transmission technology for offshore wind parks.

The journey so far

1992

ABB signs International Chamber of Commerce Business Charter for Sustainable Development, establishes its environmental affairs organization and sets up an environmental advisory board.

1993

Network of environmental controllers appointed for countries and factories. Thirty-eight countries participate in start-up of ABB's environmental management program. First reporting procedures introduced.

1994

Implementation of environmental management systems is set as group-wide objective, involving 43 countries. ABB publishes its first environmental report.

1995

ABB publishes its environmental objectives and launches design tool for life cycle assessment of products. Fifteen sites certified to BS 7750 or EMAS environmental standards.

1996

ISO 14001 is introduced. A total of 50 sites gain certification, including first site in China and first construction site.

1997

123 sites gain certification to ISO 14001. ABB publishes second generation of environmental objectives and launches second-generation life cycle assessment software tool and database.

1998

ISO 14001 is implemented in 449 sites. ABB's CEO serves on World Commission on Dams, which produced guidelines for hydro-electric power projects. Summaries of ABB's environmental report published in 23 languages.



Two examples illustrate the worldwide nature of ABB's wind power business:

The Nysted offshore wind farm, close to the Danish island Lolland, produces 500 gigawatt-hours of electricity per year. A 132 kilovolt sea cable connects the wind farm to the mainland grid. Overall, the power plant comprises 72 wind turbines, each rated at 2.1 MW, providing a total installed capacity of 150 MW.

ABB supplied generators, converters, switches, relays and cables to the wind turbine manufacturer, and power transmission cables, power transformers, switchgear, control and communication equipment to the park owner and developer. In total, ABB's deliveries to the Nysted wind farm reached \$25 million, which demonstrates ABB's ability to meet the comprehensive needs of the wind power industry.

Further afield, ABB is supplying equipment and services to Hawaii's newest and largest wind energy farm - the Kaheawa Pastures Wind Farm project on the island of Maui.

The ABB scope of supply includes engineering services and key project components – including a modular substation and interconnect facility, the plant's electrical infrastructure collections system and a fiber optics SCADA communications network.

Working in the wind power industry also encapsulates ABB's triple bottom line approach to business: such projects lead to clear economic, environmental and societal benefits.

1999

ABB produces first environmental product declarations (EPDs). ABB's CEO initiates World Energy Council's greenhouse gas reduction program. ISO 14001 is implemented in an ABB Black Economic Empowerment company.

2000

ABB launches social policy and publishes first sustainability report including both environmental and social performance. ABB participates in launch of the United Nations Global Compact. ISO 14001 is implemented in 539 sites.

2001

Dow Jones Sustainability Index rates ABB top of its group for the third year. ABB produces first "triple bottom line" sustainability report, inspired by the Global Reporting Initiative. ISO 14001 implemented in 98 percent of sites.

2002

Sustainability business plans implemented in 50 countries. ABB launches "Access to Electricity" initiative at World Summit in Johannesburg. Environmental program expanded to include employees in non-manufacturing facilities.

2003

ABB to implement health and safety systems based on OHSAS 18001 by end 2004. First "Access to Electricity" projects in Tanzania. With other companies, ABB launches Business Leaders Initiative on Human Rights. New environmental policy launched.

2004

Health and safety training for top managers begins worldwide. Group-wide conference addresses diversity issues. ABB starts investigation to become a CO₂-neutral company in the medium-term. Implementation of new environmental policy continues worldwide.

2005

ABB launches new targets for phasing out hazardous materials. ABB joins corporate support group of International Committee of Red Cross. Corporate-level stakeholder dialogue held on ways of compensating for ABB's greenhouse gas emissions.

Case studies

The triple bottom line in action

Economic

Environmental

Social

ABB aims to contribute to economic growth, environmental stewardship and societal development through its businesses, and follows the Global Reporting Initiative's triple bottom line guidelines, covering the economic, environmental and social dimensions of the company's activities. On the following pages, we present examples of how our products and activities in different countries, are strengthening economic growth, lowering environmental impact and fostering social progress.

Economic

Social

A prestigious award for helping disabled people

ABB in India won the prestigious Helen Keller award in 2005 for its innovative projects to help people with disabilities to obtain jobs.

Besides employing disabled people, ABB supports an initiative with Prabodhini, a leading NGO in the western city of Nashik where mentally challenged students learn in a special workshop how to be productive.

Among other activities, they are engaged in supplying sub-assemblies for ABB's medium-voltage switch-gear plant in the city. ABB is now extending this initiative to other locations in India where it has manufacturing sites.

The Helen Keller award – instituted by a leading NGO, the National Centre for the Promotion of Employment for Disabled People – is for individuals, organizations and institutions which support and provide gainful employment for people

with disabilities. It was presented to ABB by the Minister for Human Resource Development at the end of 2005.

The award also acknowledges the company's work with other organizations in the southern state of Tamil Nadu to help disabled people rebuild their lives after the Tsunami.

More than 100 people who suddenly found themselves family breadwinners were helped through training in tailoring, rope-making and construction-related activities.

Small businesses were also set up. In one such case, Selvaraj, a disabled man who cannot move without help, got a new refrigerator to set up a cold drinks shop so he could work and earn money. He is now supporting himself and his family in his home village of Nambiyar Nagar in Tamil Nadu.

Economic

Environmental

Committed to energy efficiency

When the Department of Minerals and Energy in South Africa called on the public and private sector to sign a voluntary energy efficiency accord in May 2005, ABB was one of the first companies to commit to the program.

The accord aims for a 12 percent cut in national energy demand and a 15 percent reduction for industry and mining by 2015. Signatories will also collaborate to attract investment in Clean Development Mechanism projects, set up under the Kyoto Protocol.

ABB in South Africa believes its largest contribution will be to help customers meet these targets by continuing to supply them with products and systems that improve efficiency, productivity, and save energy and costs.

Initiatives have also been launched within ABB to improve energy efficiency at all of the company's eight manufacturing sites under its ISO 14001 program.

Left: Employing people with disabilities like this man at an ABB site in Peenya, near Bangalore, is one of many ways ABB in India helps raise social standards.



Right: ABB manufactures products and systems that raise energy efficiency and reduce environmental impact. In South Africa, these products help customers meet the government's energy savings targets.



At the largest site in Alrode, Johannesburg, which manufactures AC motors, power electronics equipment and low-voltage systems, the measures include installing a smaller oven in the motor factory, and introducing gas heating for winter and roof windows for natural light.

At Midrand, Johannesburg – a light industry site – improvements were harder as it concentrates on assembly, product sales and engineering. Here the measures included the installation of new air-conditioning and heaters, and recommendations to employees to use the equipment only when needed.

“We know much work still remains, but we can make a difference both through what we supply our customers and internal measures,” says Carlos Poñe, country manager.

Environmental

Analyzing greenhouse gases from space

For more than half a century, ABB has developed, manufactured and supplied analytical instruments for the process, steam and power industries. One, perhaps surprising, application is their use hundreds of kilometers in space to monitor the earth’s environmental changes.

Canadian engineers in the remote sensing group at ABB Analytical Business in Quebec City are critical players in several satellite projects to monitor weather conditions.

In 2005, the group won another contract – this time with NEC Toshiba Space Systems to supply the main component for a new satellite that will enable the Japanese government to study and measure greenhouse gases and compliance with the Kyoto protocol.

The ABB Michelson Interferometer, which will be on the GOSAT satellite slated for launch in 2008, will collect and transmit data on the atmosphere’s carbon dioxide and methane levels to Japanese scientists up to 30 times daily from 650 kilometers above the earth.

GOSAT is the first mission to measure global carbon dioxide levels.

The ability to monitor emissions from land has been limited by the sparse distribution of observatories. But with GOSAT, “scientists will be able to combine readings from space with data already being gathered on land,” said Jun Tanii, manager at NEC’s Toshiba Space Systems.

A similar Michelson Interferometer is currently measuring the ozone layer for the Canadian Space Agency aboard ACE / SciSat-1 satellite and another one will monitor weather on board the NPOESS U.S. satellite scheduled for launch in 2008.

Economic

Social

ABB helps to develop children’s talents in Poland

Being at home in the communities where it operates is a core element of ABB’s business philosophy. Social projects near ABB’s plants, such as those in Poland, are one way that ABB becomes integrated into the community.

ABB is sponsoring two projects in Poland designed to support the development of children’s talents, education and understanding of business, as part of the company’s community activities.

Under the first project, ABB supports The Association in Favor of Children and Young People which has set up a community center near ABB offices in Warsaw to help children aged seven to 15 develop skills and use their free time more productively. It is the first such center in the Miedzylesie area, where about 8,000 people have lived until now without community halls or youth clubs.

Among the courses and workshops, children are taught how to cope with aggression, how to develop their imagination, and can take computer, photography and literature courses. The center also organizes English, French and Italian language courses, as well as holidays and excursions.

Left: Components and instruments manufactured by ABB in Quebec City are installed in satellites to monitor environmental changes and measure greenhouse gases hundreds of kilometers above the earth.

Right: A priority for ABB is to support communities close to its manufacturing plants. In Poland, the company and employees offer a range of projects to help children develop skills and use their free time more productively.



Case studies

The triple bottom line in action

In Przasnysz, the company is working with a school to develop the skills of pupils aged between 13 and 15. ABB employees, as well as the company's customers and business partners, join courses and workshops on a variety of subjects to share their knowledge and experience of business and economics. To date 650 pupils have attended 270 hours of workshops, and about 400 pupils have gone on educational tours, such as visiting the Polish Television headquarters in Warsaw.

"The program launched by ABB is contributing to a fundamental change in the children's behavior and their attitude towards the future," said Zenon Wojda, chairman of the Przasnysz city board. "Our teenagers, from a small community, are becoming much closer to Europe."

Economic

Environmental

Students advance motor control with ABB drives

ABB's AC drives are renowned for helping customers reduce energy consumption, lower emissions and cut costs. ABB's installed base of AC drives is estimated to save 96 million megawatt hours of energy per year (the equivalent of 12 nuclear power reactors).

An innovative new application for these drives has now been found. Electrical engineering students at the University of Wisconsin – Madison in the United States are using donated ABB industrial drives to test motors, as part of their electrical engineering curriculum and studies.

The ACS800 adjustable-speed drive is used in five test benches at what is the world's largest research center for machines and power electronics.

"Motor drives are a critical part of the research, curriculum and work," said Dr. Thomas Lipo, professor and co-director of the research laboratory. "So providing students with access to the most current technology available provides them the tools at work in the marketplace now."

The ACS800 adjustable-speed drive provides precise control over the motor that powers mechanical equipment so that motor speeds may be ramped up and down using only the amount of energy that is needed. The motor requires 25 to 70 per cent less energy than if it is run at a constant speed.

The ground-breaking technology in ABB's drive is Direct Torque Control, which delivers full torque to a motor at no speed.

ABB also benefits from the scheme, receiving research reports and having access to faculty employees to discuss technical issues and cutting-edge research developments.

Social

Supporting the needy in Brazil

ABB and its employees are involved in more than a dozen social welfare projects in Brazil, which range from providing shelter for ill people to soup kitchens and extracurricular teaching for the socially disadvantaged.

More than 1,000 employees donate part of their salaries and many of them also volunteer free time to help regularly in a variety of projects.

Underprivileged children aged between seven and 14 receive additional schooling, including computer training, English and art lessons, as well as food and medical and dental checkups, on the grounds of ABB's plants in Osasco and Guarulhos on the outskirts of São Paulo.

ABB supports an institution in Betim in Minas Gerais state which offers shelter to young people with cerebral palsy; employees in Osasco also support a program for recovering drug addicts, which offers them shelter, legal services, medical support and sex education.

In another innovative program, workers at two ABB plants return used cooking oil to be recycled as hundreds of kilograms of washing powder for the community.

Left: Engineering students at the University of Wisconsin-Madison in the U.S. work with energy-saving adjustable speed drives donated by ABB, as part of their electrical-engineering studies and research.

Right: Disadvantaged people line up at an ABB-supported soup kitchen close to one of the company's plants in Brazil. Feeding hundreds of people every day, it's one of many social programs supported by ABB in the country.



For the past nine years, ABB – working with local organizations – has also been supporting needy people with soup kitchens near three of its plants. More than 600 people receive food every day under the “Sopão” (Soup) scheme.

About 270 liters of soup are made daily from surplus food taken from ABB factory cafeterias. Soup preparation is managed by nutritionists, and only food that has not appeared on display is used to ensure that it is fresh.

Economic Environmental

Energy-efficient motors bring long-term benefits

The introduction of ABB’s high-efficiency motors at a state-owned mining company in Sweden has led to major energy and cost savings, as well as a reduction in carbon dioxide emissions.

The company LKAB consumes 1700 gigawatt hours of electricity a year – one percent of Sweden’s total – virtually all of which is used to operate 15,000 electrical motors. It began a program in 1992 to buy only energy-efficient motors – and since then it has relied heavily on ABB.

Over the past 13 years LKAB has replaced most of the motors in its mines and processing plants with ABB high-efficiency motors and has seen its energy bill plummet.

“By changing to high-efficiency motors we’ve knocked several hundred thousand dollars off our annual energy bill,” says Lennart Mukka,

LKAB energy expert. “A high-efficiency motor might cost more but at the end of the day, the procurement price is only one percent of a motor’s life-cycle cost. That makes for an enormous saving.”

A further benefit with high-efficiency motors is the reduction in CO₂ emissions which comes from consuming less energy. This is a key issue in Europe where companies are now subject to an emissions cap.

ABB’s new heavy duty process performance motor exceeds the European Union’s highest efficiency level classification (Eff1), and can reduce greenhouse gas emissions by eight tons a year compared to less efficient 75 kW 4-pole motors. Lower energy use means payback time is about one and half years.

Economic Social

ABB supports technology training in China

ABB is supporting the training of engineers and helping educational facilities in parts of China where it has manufacturing sites.

In the coastal city of Xiamen, for example, the ABB Xiamen Switchgear Co. Ltd, has set up scholarships in the city’s University of Technology, donated more than 3,000 books and established a training center with the university for students majoring in electrical and mechanical engineering.

Under the agreement, ABB is donating \$18,000 each year to further the education of top engineering students, and aid financially-

disadvantaged students with good academic prospects. In 2005, more than 20 students attended a summer course at the training center, which is located on the company’s site.

“We are grateful to ABB for its great support for education in Xiamen,” said Guo Zhenjia, vice mayor of Xiamen’s municipal government. “The move will not only expand cooperation, but also help meet ABB’s increasing demand for electrical and mechanical engineering professionals in Xiamen.”

Meanwhile, the ABB Xiamen Low Voltage Equipment Co donated 10 computers and popular science books to help improve educational facilities in village schools in economically depressed areas, and to give students greater exposure to technology at an early age.

Also in 2005, ABB awarded five scholarships to graduates from Chinese universities and researchers from its laboratories. The graduates will go to ABB’s corporate research centers in Poland, Germany and Sweden, and the Northern Institute of Technology in Hamburg, Germany.

Left: A wide range of high-efficiency ABB motors installed around the world help customers save energy and costs in many industries, including automotive, mining, marine and pulp and paper.

Right: In China, ABB develops engineering talent by helping students pursue their studies. The company has also awarded scholarships to graduates and researchers.



Case studies

The triple bottom line in action

Environmental

Turning wind into power
ABB is a leading component supplier to the wind power industry, with a portfolio of innovative products to meet growing demands for clean sources of power.

One example of ABB's products at work is on top of a 100-meter-high wind tower built on an island near Oulu, Finland that houses the country's largest wind power generator – a three-megawatt power plant that produces about 7,000 megawatt hours annually, enough to heat 500 single family homes.

ABB provided the generator that converts the wind energy into electricity, and the converter that controls the speed and voltage so the turbine can be connected to the power distribution system.

"We are now a leading supplier to the wind power industry, and we want to be the leading supplier," says Anders Nordström, ABB's head of Electrical Machines in Finland. "Our technology really is cutting edge, and we can basically support all kinds of wind power solutions – from a traditional system using a three-stage gearbox to permanent magnet direct drive solutions."

ABB offers various electrical components for wind power – generators and motors, low- and medium-voltage drives, medium-voltage switchgear, transformers, low-voltage products, control and protection, electrical substations, plus grid connection and electrical infrastructure projects.

The business is worldwide. One of the latest contracts in 2005 was to supply equipment and services to Hawaii's newest and largest wind energy farm – the Kaheawa Pastures Wind Farm project on the island of Maui.

Economic Environmental

ABB helps build world's largest lithium-ion battery

ABB has worked with Saft, manufacturer of high-performance batteries, to develop and install the world's largest lithium-ion (Li-ion) battery, which will provide emergency backup power for control systems at a Swedish hydroelectric plant.

Early in 2006, Swedish energy producer, Vattenfall, replaced the existing lead-acid backup battery system with the small, light and powerful 300-cell Li-ion battery.

The new Li-ion battery system offers the same amount of power as the lead-acid backup system it replaced (up to three hours of emergency power) but is 80 percent smaller. There are other major advantages: a special battery room is not needed, there is zero maintenance and the technology is more environmentally friendly.

The battery can be monitored and controlled remotely. ABB helped to design the remote monitoring system, which contains an AC800M controller that communicates with the operator and the maintenance system of the plant.

"ABB is at the forefront of efforts to develop environmentally friendly technologies like this one, which increase grid reliability and power availability in remote areas," said ABB's Chief Technology Officer, Peter Terwiesch.

Li-ion, with 220-volt, 210-ampere/hour capacity, is sealed and requires no special ventilation system. It will operate maintenance-free through a long service life, unlike lead-acid batteries that require regular topping-up.

In 2004, ABB and Saft collaborated in developing the world's most powerful battery, BESS, located in Alaska, which was subsequently listed in the Guinness Book of World Records.

As in many countries where the wind power industry is growing, ABB supplies wind mills in Finland with components like motors, drives and generators to produce electrical power, as well as the equipment to connect this power to an electrical grid.



ABB's safety performance in 2005 was characterized by contrasts. On the one hand, the number of deaths and injuries was similar to 2004 and this remains a matter of concern and priority action. At the same time, safety leadership training has been continuing at many levels of management and for safety specialists throughout ABB.

A total of 20 people died as a result of ABB operations in 2005. Of these 11 were in the workplace, and nine were road travel-related. A total of 47 people were seriously injured.

The number of employees who died and Lost Time Incidents (LTIs) at work fell for the second year, but contractor fatalities and road traffic-related incidents rose.

A number of measures initiated in 2004 were driven forward last year. ABB implemented an Occupational Health and Safety Management System (OHMSMS) globally and continued safety leadership training for senior managers. By the end of 2005, 96 percent of business units had achieved 75 percent or more OHMSMS implementation.

Site observational tours, in which managers monitor health and safety

standards and implementation, were introduced to encourage greater local involvement in health and safety matters. By the end of 2005, 1,470 managers had received this training. This is continuing in 2006.

Training top managers is only a part of embedding a safety-conscious culture within a company. Cascading safety leadership training into countries and business units plays a critical role. At the end of 2005, 1,700 local managers had received such training.

To ensure actions target key risk areas, ABB country-level operations were required in 2005 to establish formal Lost Time Injury reduction programs for their businesses. These programs will be supported by a new global reporting and analysis tool for incidents and will continue to be reported to the Group Executive Committee.

Among the other safety improvement measures: ABB is continuing to engage outside expert safety assistance, and global business operations with similar risks around the world have been focusing on key issues such as working at height or with high-voltage equipment.

ABB recognizes it still has a long way to go in its safety journey. Involving and engaging people at every level of the organization is key to building an effective safety culture.

This "spirit of working safely" with supporting safety-related systems and practices are designed to make ABB a safe place to work.



Social

Testing a human rights checklist

As part of efforts to strengthen the management of human rights risks in customer projects, ABB has developed and tested a checklist on larger projects in sub-Saharan Africa. The results so far have been mixed.

ABB agreed – on behalf of the Business Leaders Initiative on Human Rights (BLIHR) – to road test the United Nations human rights rules for business, known as the UN Norms, by developing a checklist for use by managers of infrastructure projects.

The checklist focuses on human rights risks involved in the development, execution and long-term impact of a project. In addition to topics such as the rights of local communities, transparency and

business ethics, discrimination, security and rights of workers, the checklist also raises general awareness of non-financial risks in projects.

Experience so far shows the checklist helps ABB assess human rights risks in a more systematic way.

In some cases, such as in Botswana where ABB tendered to refurbish the control and instrumentation system of a power plant, no human rights obstacles to the project were found. The analysis showed that:

- The project will benefit the community by creating employment and securing the long-term operation of the power plant.

- The rights of workers are secured by strong labor unions and by ABB's policies.
- Conditions for contracted workers are well known by ABB.
- Corruption and bribery is not a problem in the area, as confirmed by a World Bank assessment.

However, the road test also showed the checklist still needs to be expanded and refined, and in some cases tailored for countries with a poor human rights record. This work is ongoing in 2006.

Economic

Social

Raising human rights awareness

Membership of international organizations often provides ABB with useful insight into ways of improving performance. Being a member of BLIHR is helping the company to focus on an important element of business practice.

ABB is a founding member of BLIHR, a group of ten international companies set up to help develop practical ways for businesses to protect and promote human rights.

BLIHR, in conjunction with the UN Global Compact and the Office of the High Commissioner for Human

Rights, launched a detailed and practical guide early in 2006 showing companies how to integrate human rights into their business management, and how they can contribute to advancing human rights within their sphere of influence.

The guide, aimed at the member companies of the Global Compact, covers a wide range of human rights issues: from developing a policy and strategy, helpful processes and procedures and internal and external communications through to training, measuring impact and auditing, and reporting. Case studies serve to illustrate best practice.

Membership of BLIHR, as well as ongoing internal reviews, also help ABB improve its own performance.

The company's risk review process for managers of potential business projects is being updated in 2006 to strengthen human rights considerations; ABB is also improving a checklist for project managers which was road tested in sub-Saharan Africa (see above story); and the company is planning training, with outside assistance, to raise awareness and performance levels.

Access to Electricity program set to expand

ABB's Access to Electricity rural electrification program in Tanzania is set to expand, following its success in promoting economic, environmental and social development over the project's first 18 months.

The introduction of electricity in the village of Ngarambe has led to tangible benefits: a number of small shops and houses have been built; the health dispensary stays open longer and treats more patients; there have been significant improvements among students who benefit from being able to study at night; and villagers have received lessons on forest management and HIV/Aids.

Before electrification of the village school, only two out of 15 students passed the secondary school exam; in the year after power was turned on, 13 out of 15 passed.

The Access to Electricity program was launched as part of ABB's contribution to the United Nations Global Compact which urged companies and organizations to provide greater assistance to least developed countries.

The program relies on partnerships. In Ngarambe, ABB and WWF, the global conservation organization, are working together to carefully develop the village, and are working closely with villagers and local authorities to ensure full buy-in for new projects and agreement on the price to be paid for electricity.

ABB installed a diesel-fired generator in 2004, and studies are now being made to replace the diesel with biomass to make it more environmentally friendly.

Carefully planned efforts are also underway to extend the scheme, although they will depend on external financing being available to make the project a viable business concern. Among the projects:

- An undertaking to raise the socio-economic standards of smallholders and farmers living close to a sugar plantation in eastern Tanzania. The United Nations Development Program has already endorsed it as a potential project.
- A replication of the project in Ngarambe in nearby villages.

For the first time, an Access to Electricity project is being set up outside Africa. ABB is working on a rural electrification project with the state government of Rajasthan and an NGO in western India.

ABB pledges long-term support to ICRC

ABB has joined six other Swiss-based companies in a long-term corporate partnership agreement with the International Committee of the Red Cross (ICRC) to support the organization's humanitarian work.

Under the agreement, launched in July 2005, ABB and the other corporate partners pledged to make a substantial donation over the next six years to either the operational activities of the ICRC or the endowment fund of the Foundation for the ICRC. Interest from the endowment fund will be used to train ICRC staff.

It is the first time the ICRC has established a long-term partnership with the private sector.

The objectives are to diversify the organization's sources of funding and to promote exchanges between the ICRC and its partners in areas of mutual interest such as risk management, human resources development and training, logistics, information technology and communication. The ICRC will treat the members of the Corporate Support Group as 'preferred partners' for specific events and campaigns.



Stakeholder engagement

Economic

Environmental

Social

Consulting a wide range of experts

Organizations that strive to enhance their sustainability performance find constructive support in stakeholder dialogue.

The first principle of ABB's social policy calls for ABB to contribute within the scope of its capabilities to improving economic, environmental and social conditions through open dialogue with stakeholders.

In a multinational organization like ABB, it is beneficial to conduct dialogues on two levels – the corporate level, and the national level in countries where we have significant operations.

Corporate-level dialogues are led by ABB's Executive Committee members and focus on global issues likely to affect the whole group.

ABB's most recent corporate-level stakeholder consultation in May 2005 covered such topics as the company's approach to the globalized economy, stakeholders' concerns about our businesses, climate change and emissions trading, and how the group deals with issues such as corruption and human rights.

The globalization of business has implications for the standards of ethics that companies practise throughout the world. Global companies are

often confronted with dilemmas, such as the situation in Sudan (see page opposite), where complex issues are evaluated differently by commentators with very different perspectives. Our stakeholders encouraged ABB to publicly explain the thinking behind complex business decisions.

At the meeting held in Zurich, Switzerland, ABB was able to demonstrate its strong commitment to sustainability which has been maintained despite business troubles in recent years – a point much appreciated by the stakeholders. However, they said ABB needs to improve communication with line managers and employees to ensure their commitment to sustainability, showing them how it can enhance their businesses.

The agenda for country-level stakeholder dialogues is set by the participants and focuses on ABB's activities in the country and the concerns of local communities. They are usually led by ABB's country managers or an independent moderator.

Some examples from 2005: ABB in Italy hosted the country's first

exhibition and conference on corporate social responsibility, naming the event "Dal dire al fare" – "From saying to doing." About 1,300 people attended the event; nearly 70 people, including local government officials and professors, spoke at the seminars.

At a stakeholder meeting in Sweden, ABB discussed how to assess the sustainability impacts of customer projects, how to define the boundaries of responsibility between client and contractor, and how to determine criteria for project risk assessments.

ABB in the Czech Republic discussed the new European Union directive on Waste Electrical and Electronic Equipment to help improve its waste management program.

ABB believes in the business value of stakeholder dialogue, which allows us to acquire and spread learning throughout our organization. This learning reduces uncertainty, misunderstanding, risk and liability, while increasing public awareness and acceptance of ABB's activities.



Dialogue and openness in the face of criticism

How does a multinational company react when it is accused of complicity in human rights abuses in a particular country? ABB has faced this situation over its business operations in Sudan.

ABB has run a number of checks on its business operations, and has opted for proactive and wide-ranging stakeholder dialogue to ensure it is not complicit in human right abuses and that it is acting correctly within its sphere of influence. This ongoing dialogue also covers a small group of investors, mainly in the United States, who want the company to withdraw from Sudan because of atrocities in the Darfur region.

The company's operations in Sudan – it only has one staff member based there – focus on two projects: the main one is the transmission of power from the Merowe dam to the capital, Khartoum, Port Sudan on the Red Sea and a city on the Nile. Another, very small contract, involved the provision of flow control meters, essential for safety, to an oil field in the south.

ABB firmly believes it is acting as a force for progress in Sudan; that our business is supporting infrastructure development and the human right to power – and the benefits that this brings.

The company embarked on a process of wide-ranging stakeholder engagement on the issue. It started internally: with internal discussions and project risk reviews, and a letter

written in 2004 by the former CEO to all employees about the issue of long-term involvement in sensitive countries.

ABB also decided to seek the advice of different external stakeholders. This included helpful consultations outside Sudan with an international human rights expert and the Amnesty International Business Group, and interested parties in Sudan whom ABB delegates visited on several occasions.

The advice we have received consistently in Sudan from government officials, NGOs, diplomats, international agencies and organizations, and representatives of other companies has been: stay in Sudan to help the country develop its economic and social infrastructure, and to support the coalition government's efforts to return the country to peace and prosperity. To pull out, our stakeholders tell us, would be to undermine the positive steps taken since the Comprehensive Peace Agreement was signed in January 2005.

ABB has had frank meetings with certain investors concerned about our involvement. We have made it clear why we are continuing business activities in the country. Discussions have also been held with

two organizations which are expert in the human rights field – the UN Global Compact and the Business Leaders Initiative on Human Rights, which have been supportive of our approach.

As our series of discussions progressed, ABB launched the idea of holding a broader meeting of interested parties in Sudan to discuss issues of foreign investment and good governance. There has been considerable interest in this, and it is being pursued.

While ABB shares international concern about the situation in Darfur and continues to watch the situation in the country closely, the company firmly believes constructive engagement is in the interests of the people of Sudan.

Our dialogue has confirmed our view that we are a force for long-term social and economic development. We will continue to learn much from this dialogue that is beneficial not just in this specific case but in other areas where ABB is active.

Achievements and outlook

Corporate

Achievements during 2005

- The implementation of occupational health and safety management systems and a continued drive toward a positive health and safety culture
- Environmental and social performance requirements defined for use by ABB's freight forwarders
- Application of environmental and social assessments of customer projects intensified
- Decision taken to establish necessary actions to compensate for ABB's emissions of CO₂ and other greenhouse gases
- Wind power business initiative launched to better serve the global wind power industry
- Solutions to reduce customers' energy needs given top priority

Outlook for 2006

- Continue a strong focus on management and employee engagement in health and safety
- Establish action plan to compensate for ABB's emissions of greenhouse gases (approximately 1.5 million tons of CO₂ equivalent per year)
- Conduct stakeholder dialogues to assess ABB's sustainability performance and identify new priorities
- Establish and formalize system for the sustainability assessment of customer projects
- Assess and identify sustainability requirements for ABB's supply chain
- Further integrate sustainability issues in ABB's project risk assessment model

Environmental dimension

Achievements during 2005

- Significantly reduced the use of hazardous materials
- Updated ABB's list of restricted materials
- Introduced lead-free soldering to comply with the EU Directive on the Restriction of Hazardous Substances
- Established take-back systems to comply with the EU Directive on Waste Electrical and Electronic Equipment
- Completed approximately 200 continual improvement projects identified by the local environmental management systems
- Helped develop and install the world's largest lithium ion (Li-ion) battery for emergency back-up power
- In Finland, delivered the country's largest wind power generator
- CO₂ emissions from oil and gas platforms in the North Sea reduced through the introduction of HVDC Light technology

Outlook for 2006

- Complete the phasing out of remaining hazardous materials, where technically viable
- Establish new environmental performance challenges for the group
- Identify opportunities to reduce ABB's internal use of energy and to compensate for ABB's emissions of greenhouse gases
- Introduce water-borne paint for robots to reduce emission of solvents
- Publish the first Environmental Product Declaration for robots
- Significantly reduce the use of cadmium in batteries for robots
- Significantly reduce the use of lead-based soldering

Social dimension

Achievements during 2005

- Health and safety training for senior managers stepped up throughout the group; regional occupational health and safety advisor network developed
- Received 12 awards worldwide for ABB's social performance
- In ten countries employee job satisfaction improved. In 12 it remained unchanged, and in one country it decreased
- Twelve countries implemented policies which go beyond the national requirements for equal opportunities and non-discrimination
- Fifteen countries conducted stakeholder dialogues
- Launched Access to Electricity project in India
- Contributed to the development of BLIHR's new human rights guide for business
- Entered into a corporate sponsorship support program with the International Committee of the Red Cross

Outlook for 2006

- Establish procedures to audit ABB's business ethics performance
- Review criteria for assessing countries that could fall under ABB's export control policy
- Review reporting procedures to better quantify social performance
- Conduct training courses for employees on human rights issues
- Continue with the development of safety leadership throughout the organization
- Further develop the ABB health and safety audit process

In this section of the Sustainability review, you will find facts and figures concerning ABB's economic, environmental, social and occupational health and safety performance in 2005.

Each item carries the relevant GRI performance indicator number. Some of the GRI indicators, such as the amount of materials used (EN1) and net employment creation (LA2), are almost impossible to answer for a global company manufacturing a wide range of products at many different sites.

Apart from these two indicators, we have reported against all the GRI core indicators and many of the additional indicators covering our environmental and social performance.

In 2005, we continued to build up occupational health and safety performance across the Group, focusing strongly on training. More than 1,750 senior managers at divisional and country level were trained in health and safety leadership, and more than 1,000 senior managers were trained to do safety observation tours to strengthen the Group's safety culture.

To date, 96 percent of all business units have achieved at least 75 percent implementation of occupational health and safety management systems. ABB's goal is to fully implement such systems in all business units.

The reporting boundaries encompass all manufacturing facilities, comprising approximately 380 sites in the 48 countries where we have substantial manufacturing activities.

In addition, our non-manufacturing organizations are also included, although these cause only limited environmental impact. Many of these sites are reporting hard data. For the remainder, we have estimated their main indicators, such as the use of electricity, district heating and water consumption per person.

The estimates are based on data from comparable non-manufacturing premises. We indicate in the text when an estimate is used.

Integrating sustainability in our business

In the Operational review of the ABB Group Annual Report, you will find more information on the role that our products, systems and solutions have in ensuring power grid reliability, improving industrial productivity and reducing energy use. These are the key themes for ABB business activities.

Technologies such as high-voltage direct current for long-distance power transmission, energy-efficient motors and drives, Azipod podded propulsion units that steer ships, automation solutions that regulate factories and power plants – these are some of the ABB offerings which contribute to lower energy use and emissions.

ABB President and CEO, Fred Kindle, says: "Sustainability is embedded in both our products and systems, and in our vision for the future."

This is underlined in part of ABB's vision statement for the next few years: "By 2009, ABB will be recognized as the top global engineering company in terms of market impact, growth and profitability, value creation, sustainability and ethical behavior."

Monitoring and reporting performance

Our global network of some 450 sustainability controllers and officers, some part-time, is responsible for implementing our sustainability policies and systems to meet group objectives, and for auditing and reporting performance annually by means of an intranet-based system.

About 350 local sustainability officers report environmental data from 380 manufacturing sites, while 46 country sustainability controllers report management and social performance from 48 countries and regions.

Health and safety data is reported by the country health and safety advisors or by local health and safety advisors at key facility and project sites in all countries. In addition, a regional advisor network facilitates data monitoring and benchmarking.

Performance data relating to products and product stewardship is provided by the technology liaison managers responsible for those issues in ABB's divisions: Power Products, Power Systems, Automation Products, Process Automation and Robotics.

The intranet reporting scope is extensive, with data collected against defined performance indicators covering environmental, social, and health and safety areas. The data is consolidated and checked against GRI definitions at group level, and then verified by the independent accreditation society Det Norske Veritas (DNV) through a review of documents, site visits and interviews at various levels within ABB, before being published in this report.

Profile of ABB and scope of report

Organizational profile

2.1 Name of reporting organization

ABB Ltd – the worldwide ABB Group – headquartered in Zurich, Switzerland.

2.2 Major products and services

ABB is a leader in power and automation technologies that enable utility and industry customers to increase their productivity while lowering environmental impact. ABB's products, systems, solutions and services are designed to improve the reliability of electricity supply grids, raise industrial productivity and save energy.

The Power Products and Power Systems divisions serve electric, gas and water utilities, as well as industrial and commercial customers, and channel partners, with a broad range of products, systems and services for power transmission, distribution and power plant automation.

The Automation Products, Process Automation and Robotics divisions blend a comprehensive portfolio of standard and customer-tailored products, systems and services for increased productivity and energy efficiency among industrial, utility and building industry customers.

ABB is a manufacturing and services group which outsources some of its work (for example, information technology infrastructure).

2.3 – 2.5 Operational structure, description of major divisions, and locations of the organization

The operational structure comprises five power and automation divisions named in 2.2 above, supported by group staff functions (such as sustainability affairs, corporate communications, controlling, legal and compliance, human resources, etc), all reporting to a ten-member Executive Committee. The president of the Executive Committee is the Chief Executive Officer of the company. Also represented on the committee are the five heads of the divisions, the Chief Financial Officer, the head of Global Markets and Technology and the head of Human Resources, who is also the Executive Committee member responsible for sustainability affairs.

At the end of 2005, the number of employees was approximately 104,000. The formal sustainability reporting system covers 96,800 employees in 48 countries and regions. The ABB Group of companies operates in around 100 countries. The headquarters is in Zurich, Switzerland.

2.6 Nature of ownership; legal form

ABB is listed on the SWX Swiss Exchange and the exchanges in Stockholm and New York.

As of December 31, 2004, Investor AB, Stockholm, Sweden, held 204,115,142 ABB shares, reflecting 9.9 percent of the company's share capital. On March 8, 2005 Investor AB announced that it reduced its holdings to 187,374,142 ABB

shares representing 9.1 percent of the company's share capital. Up to June 30, 2005, Investor AB further reduced its holdings to 166,330,142 ABB shares representing 8.0 percent of the company's share capital. This figure remained unchanged during the remainder of 2005.

To the best of ABB's knowledge, no other shareholder holds 5 percent or more of ABB's shares.

2.7 Nature of markets served

ABB's products, systems, solutions and services are involved in many industries. These industries include: electric, gas and water utilities, oil, gas and petrochemicals, automotive, cement, chemical and pharmaceutical, metals, minerals and mining, power generation, commercial and industrial buildings, food and beverages, pulp and paper, refining, railways, marine and turbocharging, telecommunications and data communication. ABB also delivers its expertise to channel partners such as original equipment manufacturers, engineering, procurement and construction.

2.8 Scale of reporting organization

Number of employees worldwide at end 2005: 104,000 (102,500 end 2004).

Employees by region:	2005	2004	2003
Europe	57%	59%	61%
The Americas	18%	16%	16%
Asia	18%	16%	13%
Middle East and Africa	7%	9%	10%

Sales (revenues) for 2005:
\$22,442 million (\$20,610* million for 2004)

Sales by region:	2005	2004	2003
Europe	49%	52%	54%
The Americas	19%	17%	19%
Asia	23%	21%	17%
Middle East and Africa	9%	10%	10%

*Adjusted to reflect the reclassification of activities to Discontinued operations

Total capitalization: On December 31, 2005, the total capitalization (short-term borrowings and current maturities of long-term borrowings plus long-term borrowings and total stockholders' equity including minority interest) was \$7.9 billion (\$8.5 billion end 2004).

Debt: (short-term borrowings and current maturities of long-term borrowings and long-term borrowings) was \$4.1 billion (\$5.4 billion end 2004).

Equity: (total stockholders' equity including minority interest) was \$3.8 billion (\$3.1 billion end 2004).

Total assets: total assets were \$22.3 billion (\$24.7 billion end 2004).

2.9 Main stakeholders

Customers, employees, shareholders, creditors, suppliers, media and investment communities, business partners, and society at large (local communities where we have operations, NGOs, academia, central and local government, trade unions, media and banks).

Report scope

2.10 Contact for the report

e-mail: sustainability.abbzh@ch.abb.com

Web address: www.abb.com/sustainability

2.11 Reporting period

Fiscal year 2005.

2.12 Date of previous report

April 2005, covering fiscal year 2004.

2.13 Boundaries of report

Unless otherwise stated, the Sustainability review covers ABB Group employees in owned or leased premises in countries and regions where ABB has appointed country/regional sustainability controllers, who are responsible for driving ABB's sustainability management program worldwide and gathering the data consolidated in this report. All ABB employees, except those in units being divested, are covered by this report.

For environmental performance, a total of 78 percent of employees are covered by confirmed data gathered through ABB's formal environmental reporting system, while 22 percent in low-impact non-manufacturing organizations are covered by estimated data.

For social performance, a total of 93 percent of employees are covered by confirmed data gathered through ABB's formal social reporting system.

The report does not cover our customers' sites or suppliers.

2.14 Significant changes in size, structure and ownership

There were no significant changes in size and structure during the fiscal year 2005. However, effective from January 1, 2006, the previously existing two core divisions Power Technologies and Automation Technologies were disbanded and five new divisions were created in their place: Power Products, Power Systems, Automation Products, Process Automation and Robotics. The managers of these divisions were appointed members of ABB's Executive Committee, which manages the day-to-day operations of the ABB Group.

There were no significant ownership changes in 2005. FMR Corporation, Boston, Massachusetts, U.S., announced that as per April 7, 2005 it held for its funds and clients 103,744,180 ABB shares representing 5.0 percent of total share capital. It subsequently reported that as per August 12, 2005 it had reduced its holdings in ABB shares to a total below the 5 percent threshold.

2.16 Effect of restatement of information

The number of ABB employees was around 104,000 in 2005, compared to around 102,500 in 2004, and the number of manufacturing sites and workshops covered by the sustainability management program was approximately 380 in 2005, compared to 390 in 2004.

Sustainability review profile

2.19 Significant changes in sustainability information measurement methods

Sustainability information measurement methods remain much the same as in the previous year. However, in 2005 we increased the scope of reporting to cover all GRI core indicators, including EN7 (Major impacts on biodiversity), LA2 (Employment and turnover) and PR3 (Consumer privacy). On the other hand, we ceased reporting against some GRI additional indicators that are not affected by our activities, such as EN20, EN21, EN32 (Water sources) and have focused more strongly on other issues of importance to ABB. The quarterly reporting process for occupational health and safety incidents and ill-health, which we introduced in 2004, has now enabled both input and output data to be better monitored.

ABB uses three computerized data reporting questionnaires to measure and collect performance data throughout the group via the ABB intranet – a social report from every country, an environmental report from every site, and a health and safety report from every country.

2.20 Policies and practices to enhance accuracy, completeness and reliability of the report

The three sets of computerized data collected from each country and ABB site, as described in indicator 2.19, are consolidated and checked at country level and again at group level. Country sustainability controllers audit the data from each site.

The help texts to define the data required, which are provided in the reporting questionnaires, have been further expanded and edited to ensure accuracy and consistency.

2.21 Independent assurance for the full report

ABB's triple bottom line performance, as covered in this Sustainability review, has been verified by independent external organizations. The data reported in the economic performance section (page 31) comprises extracts from ABB's Annual Report 2005. The environmental and social sections (pages 32-36, and 37-42) have been verified by the independent verification body, Det Norske Veritas, whose statement appears on page 47.

2.22 Additional information on sustainability matters

Information on ABB's sustainability performance is also described in the Operational review of the ABB Group Annual Report 2005, and is published on the ABB Group Web site under: www.abb.com/sustainability

Governance structure and stakeholder engagement

Structure and governance

3.1 Governance structure of the organization, including committees

ABB is committed to the highest standards of corporate governance, and supports the general principles stated in the Swiss Code of Best Practice, as well as those of the capital markets where ABB's shares are listed: the SWX Swiss Exchange and the exchanges in Stockholm and New York.

In addition to the provisions of the Swiss Code of Obligations, ABB's principles and rules on corporate governance are laid down in its articles of incorporation, its standards for corporate governance, the charters of the board committees, the board membership guidelines, several directives (e.g. on insider information) and the code on business ethics.

The Board of Directors defines the ultimate direction of the business of ABB and issues the necessary instructions. It determines the organization of the ABB Group and appoints, removes and supervises the persons entrusted with the management and representation of ABB.

The board has established from among its members two board committees – the Nomination and Compensation Committee and the Finance and Audit Committee.

The Nomination and Compensation Committee determines the selection of candidates for the Board of Directors and its committees, plans for the succession of directors, and ensures that directors receive the appropriate training to fulfill their obligations. The committee also proposes appointments to the Group Executive Committee and determines the remuneration of the Executive Committee members.

The Finance and Audit committee oversees the financial reporting processes and accounting practices, evaluates the external and internal auditors, reviews audit results, monitors the legal compliance of ABB's financial statements, and assesses the processes relating to risk management and internal control systems.

The Board of Directors has delegated the executive management of ABB to the CEO and the other members of the Group Executive Committee who are responsible for ABB's overall business and the day-to-day management of the group. The CEO reports to the board regularly on the course of ABB's business and financial performance and on all organizational and personnel matters, transactions and other issues relevant to the group.

Upon proposal by the Nomination and Compensation Committee, the Group Executive Committee is appointed and discharged by the board. Until December 31, 2005, the Group Executive Committee consisted of the CEO, the Chief Financial Officer and four other members; as of January 1, 2006, it consists of the CEO, the Chief Financial Officer and eight other members.

Further information on corporate governance is published on ABB's Web site: www.abb.com/about

3.2 Independent, non-executive directors

The ABB Board of Directors has eight members – all are non-executive and independent directors. The independence of directors was determined according to the Swiss Code of Best Practice and the independence criteria in the corporate governance rules of the New York Stock Exchange.

3.3 Expertise of board members

The Nomination and Compensation Committee selects and recommends suitable candidates for the board in accordance with guidelines contained in the committee's charter. The committee ensures that new directors receive the appropriate introduction, and that all directors receive continuing education and training to fulfill their obligations.

3.4 Board-level processes for overseeing sustainability

The Board of Directors supervises the Executive Committee and the CEO. The sustainability performance of the group, namely its health and safety, social and environmental performance, is the responsibility of one of the Executive Committee members, to whom the head of ABB's Sustainability Affairs organization reports. Sustainability risks and opportunities are also investigated in coordination with other group functions, e.g. internal audit, mergers and acquisitions (due diligence), site risk and insurance (real estate liabilities), and ABB's bid evaluation committee (customer and project risk assessments).

3.5 Linkage between executive compensation and performance

Executive compensation consists principally of a base salary and a performance bonus linked to individual areas of responsibility and group performance. The criteria for both includes the achievement of non-financial goals. In addition, executives may participate in share-based programs to an extent that is also performance-driven.

3.6 Organizational structure for sustainability policies

The head of ABB's Sustainability Affairs organization is responsible for these matters. He reports directly to an Executive Committee member – whose responsibilities include human resources and sustainability. A network of some 450 sustainability controllers worldwide report to the sustainability affairs team.

3.7 Business principles statements relevant to sustainability performance

Sustainability is one of ABB's core values, described in the business principles statements which are mandatory for all employees and are published on the group Web site (www.abb.com/about). These principles are supported by group environmental, social, health and safety, and business ethics policies. These policies are published in full on pages 29-30.

3.8 Mechanisms for shareholders to give recommendations to the board

Shareholders representing shares of a par value of at least CHF 1,000,000 may request items to be included in the agenda of an annual general meeting.

To provide a service to all shareholders, ABB's Investor Relations team is in frequent contact with shareholders and holds quarterly briefings, inviting feedback through the ABB Group Web site.

These facilities provide opportunities for minority shareholders to express their views to ABB's management.

Stakeholder engagement

3.9 Identification and selection of major stakeholders

Stakeholder dialogue is conducted on two levels:

1. At corporate level, led by Executive Committee members.
2. At country and site levels, in countries and regions where we have country sustainability controllers. The respective country managers are recommended to lead these dialogues, supported by their communication managers.

Stakeholders are from representative groups that are impacted by, or have an impact on, the company, e.g. customers, employees, suppliers, business partners, and society at large.

3.10 Stakeholder consultation

The most recent corporate-level stakeholder consultation was conducted in May 2005. The next is planned for Spring 2006. This will focus on ABB's environmental, social, and health and safety performance during 2005 and will invite the participants to recommend key areas on which ABB should focus to pursue its goal of achieving sustainability leadership.

The country-level stakeholder dialogue sessions are "issue-determined" and held whenever a sustainability issue arises which could affect ABB's activities in the country and where ABB's course of action could benefit from consultation with stakeholders. Typical issues could relate to suppliers' and customers' sustainability performance and to ABB's corporate social responsibility towards the local community. During 2005, stakeholder dialogues were held in 15 countries.

3.11 Type of information generated by stakeholder consultations

The issues discussed at the corporate-level stakeholder dialogues help to identify opportunities, challenges and weaknesses for the ABB Group in the field of sustainability. Topics discussed at corporate level during 2005 included the ethical standards of a global company and examination of ABB's commitment to sustainability.

The stakeholders at these corporate level discussions challenged ABB to turn debate into tangible progress and to integrate sustainability into company performance. Communication with line managers and employees could be improved to gain their commitment to sustainability and to show how it could enhance their business. Details of these discussions are given on page 14.

The agenda for country-level stakeholder dialogues is set by the participants and focuses on ABB's activities in the country and the concerns of local communities.

For example, ABB in Italy hosted the country's first exhibition and conference on corporate social responsibility, naming the event "Dal dire al fare" – "From saying to doing."

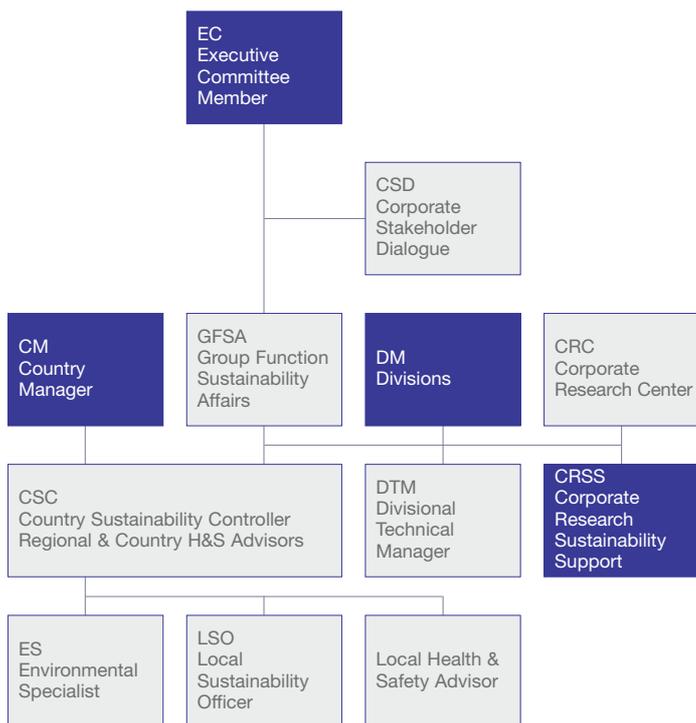
ABB in Sweden discussed how to assess the sustainability impacts of customer projects and how to define the responsibility boundaries between client and contractor.

3.12 Use of information resulting from stakeholder engagements

Information from corporate-level stakeholder engagements helps ABB to set future strategy and to respond to the issues and challenges discussed. The information, opinions, advice and follow-up from country-level dialogues benefit a country's awareness and strategic direction. Information from country stakeholder dialogue sessions is fed back to the corporate sustainability affairs team to assess its relevance to the group.

Policies and management systems

ABB's sustainability affairs organization



ABB's sustainability policies

Our goal is to improve our economic, environmental and social performance continuously, and improve the quality of life in the communities and countries where we operate.

We create value for society by:

- Contributing to economies through promoting business, creating jobs, paying taxes
- Joining initiatives that foster economic, environmental, social and educational development
- Making positive contributions in the communities where we operate so they will welcome us, and consider ABB an attractive employer and a good investment
- Offering our customers eco-efficient products that save energy and are safe to use, that optimize the use of natural resources, minimize waste and reduce environmental impact over their complete life cycles
- Sharing our state-of-the-art technologies with emerging markets
- Ensuring our operations and processes comply with applicable environmental standards and legislation. Specifically, that every ABB operating unit implements an environmental management system that continuously improves its environmental performance

- Ensuring our social and environmental policies are communicated and implemented
- Working toward achieving best practice in occupational health and safety, and ensuring the health and safety of our employees, contractors and others involved in or affected by our activities
- Favoring and motivating suppliers who have sustainability policies and systems similar to our own

Environmental policy

Environmental management is one of ABB's highest business priorities. We address environmental issues in all our business operations.

ABB's environmental policy is an integral part of our commitment to sustainability and is embedded in our strategies, processes and day-to-day business throughout the group.

The ABB environmental policy is printed in full on page 29, and is also on www.abb.com/sustainability

Social policy

ABB's commitment to good social performance is elaborated in the group's social policy, which applies to all employees.

The ABB social policy is printed in full on pages 29-30, and is also on www.abb.com/sustainability

Occupational health and safety policy

Principle 5 of the social policy defines a clear policy for health and safety, underpinned by eight health and safety expectations which we have set up for our group.

The ABB occupational health and safety policy is printed in full on page 30, and is also on www.abb.com/sustainability

Group function sustainability affairs

ABB's sustainability affairs organization is composed of nearly 450 people in 48 countries and regions, and directs ABB's sustainability management program relating to social, health and safety, and environmental performance.

The team also coordinates group-wide common efforts programs and commissions auditing programs to verify that the ABB Group is in compliance with its sustainability commitments.

The country sustainability controllers implement sustainability business plans within each country, covering environmental, social and communication policies, programs and procedures. The plans must first be endorsed by the respective country manager, before being submitted to the head of ABB's Sustainability Affairs organization for review, consolidation in group-wide activities, and monitoring.

About 350 local sustainability officers are responsible for environmental management programs on ABB sites in accordance with ISO 14001.

Some countries and facilities maintain additional environmental specialists to support the implementation of environmental management systems.

To ensure the effective implementation of ABB's health and safety strategy, each country has a country-level health and safety advisor. To match ABB's new regional structure, which was introduced in January 2006, regional advisors have also been appointed. These specialists support senior management and work through a network of local occupational health and safety advisors at facility and project site level. Meetings are held regularly, both within and between regions to share health and safety experience.

The technical managers in the five divisions work to integrate sustainability performance into product development, product stewardship and project management, focusing on division-level objectives.

A sustainability support group also works within ABB's corporate research team to develop and maintain sustainability tools and training, which cover life cycle assessment of products and systems, life cycle costs and design tools – with the aim of integrating the tools into daily business activities. The group also plays an important role in developing global sustainability objectives, formulating ABB's policies and directives for the elimination of hazardous substances and serving as a contact for a large number of external sustainability partnerships.

Stakeholder consultations at corporate level are normally held at least once a year. Senior members of relevant stakeholder groups are selected on a case-by-case basis, depending on the nature of the sustainability issues to be discussed. See the article "Consulting a wide range of experts" on page 14 for more information.

3.13 Precautionary approach

ABB has group-wide mandatory sustainability checks in place, to be applied in conjunction with the development of new products and projects. This precautionary approach is also integrated into the GATE model – an internal approvals process governing the development of new products and projects which requires documented assessment at the development phase of their life-long sustainability impact.

The GATE model requires a life cycle assessment study of each new product and project, and provides advice on how to reduce the use of unwanted substances and avoid other environmental risks. The model is also being expanded to cover occupational health and safety and supply management issues relating to a product or project.

Backing up the GATE model is ABB's sustainability toolbox, which underwent a major update in 2005. The toolbox, which is intranet-based for ease of access and update, contains comprehensive information and guidance relating to sustainability criteria to be applied in the development of ABB products and projects. For example, it contains information on restricted substances and European Union directives, such as those on the restriction of hazardous substances (RoHS) and on waste electrical and electronic equipment (WEEE). The toolbox also contains guidance on the application of life cycle assessment and environmental assessment to products and projects.

See under "product stewardship" on pages 24-25 for more information on the GATE model.

ABB has also integrated sustainability criteria into its risk assessment process for projects.

3.14 Use of externally developed charters and principles

ABB subscribes to externally developed charters and principles for sustainability management. They include the ICC Business Charter for Sustainable Development which ABB signed in 1992, and ISO 14000 standards and technical reports.

ABB has adopted ISO 14001 for environmental management systems; ISO/TR 14025 for environmental product declarations; ISO 14040-45 for life cycle assessment; and ISO 19011 for environmental auditing of organizations.

ABB has incorporated the principles of OHSAS 18001, the International Labour Organization (ILO) guidelines on occupational health and safety management systems, and the ILO Code of Practice on Recording and Notification of Occupational Accidents and Diseases into its health and safety program.

In January 2004, ABB was one of ten international companies to sign a set of "Business Principles for Countering Bribery in the Engineering and Construction Industry".

ABB facilities are encouraged to produce integrated management systems for environmental and quality issues, and for occupational health and safety. More than 200 sites now use integrated systems, several of which have been externally certified. The most recent sites are in Colombia, Germany and Norway.

EMS to cover all employees

In line with ABB's policy, practically all manufacturing and service sites have implemented the ISO 14001 standard. A complete list of these sites per country is provided on page 26.

ABB is extending environmental management systems to also cover employees in non-manufacturing facilities. Our goal is to ensure that all ABB employees, whatever their function, are subject to environmental management systems.

Policies and management systems

Social management

An Executive Committee member is responsible for sustainability affairs throughout the group and for the worldwide implementation of ABB's social policy. Under this member's influence, there was a continuing focus in 2005 on improving health and safety performance throughout the group.

ABB continued its efforts to encourage its main suppliers to follow the principles set out in the group's social policy, covering such issues as equality of opportunity, health and safety and child labor. For example, ABB and its international freight-forwarders for sea and air are jointly implementing effective and practicable guidelines covering environmental and social performance objectives. The current status of this collaboration is described on page 36.

Business ethics compliance programs continued throughout the year, targeting employees involved in business transactions.

Stakeholder dialogue, designed to guide ABB's role in society, was conducted at corporate level in May 2005. Dialogues were also conducted at country and regional level to gain the views of stakeholders on particular sustainability issues faced locally by ABB. Details are given in the article on "Consulting a wide range of experts" on page 14.

During 2005, ABB deepened its engagement on the responsibilities of business for human rights and maintained its membership of Amnesty International's Business Group, participating in its work and taking advice from Amnesty on human rights issues.

ABB also continued during the year as an active member of the Business Leaders Initiative on Human Rights (BLIHR) and contributed to the development of "A Guide for Integrating Human Rights into Business Management" which is designed to promote a more human rights-aware approach to business. This is a joint publication of BLIHR, the United Nations Global Compact and the United Nations High Commissioner for Human Rights.

In 2005, ABB continued to investigate ways of reducing and compensating for its direct and indirect greenhouse gas emissions and supporting efforts to raise awareness about climate change.

Occupational health and safety

Implementation of occupational health and safety management systems (OHMSs), based on the internationally recognized OHSAS 18001 standard and the ILO Guidelines on Occupational Health and Safety Management Systems, continued in 2005. By the end of the year, 96 percent of all business units had achieved at least 75 percent implementation.

3.15 Principal memberships in industry and business associations

Listed below are some of the principal associations and initiatives with which ABB is involved in the area of sustainability:

Amnesty International, AI, U.K.
Business Leaders Initiative for Human Rights, BLIHR, U.K.
Chalmers University of Technology, CPM, Sweden
CSR Europe, Belgium
Global Village Energy Partnership, GVEP, U.S.
Global Reporting Initiative, GRI, Netherlands
International Committee of the Red Cross, ICRC, Switzerland
International Institute for Management Development, IMD, Switzerland
International Organization for Standardization, ISO, Switzerland
oikos International, Switzerland
The Pew Center on Global Climate Change, U.S.
Transparency International, TI, Germany
United Nations Global Compact, U.S.
World Business Council for Sustainable Development, WBCSD, Switzerland
World Childhood Foundation, Sweden
WWF, Switzerland

See pages 44-45 for more details concerning these memberships.

3.16 Policies for managing upstream and downstream impacts Sustainability in the supply chain

ABB's sustainability management principles – environmental and social – are also applied to its main suppliers and incorporated into the contracts it signs with them. ABB favors and motivates suppliers who are committed to improving their environmental performance continuously, are certified to ISO 14001 or its equivalent, and who have in place a social policy similar to that of ABB.

In order to clarify its requirements, ABB has produced guidelines for environmental and social performance expected of its suppliers, which it incorporates into its contracts with main suppliers.

See indicators EN33 on page 36, and HR3 on page 40 for information on ABB's collaboration with its main freight-forwarding suppliers on these measures.

ABB participated in IMD's Corporate Sustainability Management Forum research project "Corporate Value Chains – Supplier Relationships and Sustainable Development" and has developed a practical guide to sustainability in the supply chain.

Product stewardship

To assess and continually improve the sustainability performance of new products and projects, ABB applies its GATE model to their development. The model contains seven steps which assess sustainability objectives and performance

throughout the life cycle. The model provides the opportunity to correct deficiencies and adopt new designs.

ABB has also integrated sustainability criteria into its risk assessment process for projects.

Large customer projects may provide many benefits but it is important to minimize their potential negative effects on the environment and on the local community.

ABB therefore carries out impact assessments of its scope of work, comparing the potential negative impacts with alternative technical solutions for such projects. These assessments may cover direct impacts such as land use, noise and material use, and indirect effects, such as power losses in cables, overhead lines, transformers and other electrical equipment.

3.17 Management of indirect impacts

See under environmental and social performance on pages 32-42 for information on the indirect impacts resulting from our activities.

3.18 Major changes in operations

See indicator 2.14, on page 19, for details.

3.19 Programs and procedures related to sustainability performance

Priority and target setting

- An ongoing priority is to consolidate training in health and safety leadership covering all aspects, including key risks such as electrical safety, project safety management, road safety, and compliance
- The objective to reduce energy use year-on-year continues
- A goal has been set to eliminate the use of chromium VI+ and the emission of chlorinated solvents during 2006, and to increase the use of water-borne paints by 50 percent
- During 2006, new environmental performance challenges for ABB will be identified and addressed, in line with the group's commitment to continuous improvement
- An action plan is to be established in 2006 for ABB to reduce, and compensate for, its own emissions of greenhouse gases

Programs for performance improvement

- The completion of implementation of occupational health and safety management systems in all business units
- The application of ISO 14001 principles to all employees – not only to those in manufacturing and service facilities
- The establishment of audit procedures to strengthen ABB's business ethics performance
- Ongoing development of country-specific business plans to implement our sustainability priorities and objectives during 2006

See page 16 – “Achievements and Outlook” – for a more detailed account of ABB's sustainability priorities during 2005 and targets for 2006.

Sustainability costs

ABB limits the accounting of sustainability to the costs of implementing and maintaining environmental management systems to ISO 14001, health and safety management systems to ISO 18001, and running the sustainability network, including personnel costs and the cost of developing sustainability tools, education and training.

This does not include costs related to improvement projects. For example, the decision to invest in a new manufacturing process is the result of integrating many decisions in addition to environmental considerations.

	\$ thousands		
Sustainability network	2005	2004	2003
Group level	2,798	2,653	1,450
Country level	4,890	4,215	4,323
Site level	4,134	3,835	3,783

3.20 Status of certification

Internal communication and training

The network of country sustainability controllers, country and local health and safety advisors, and local sustainability officers communicates sustainability priorities and goals internally, and identifies sustainability training needs.

In 2005, leadership training in health and safety of the top 100 managers continued, and was expanded to include senior managers at country level. To date, over 1,750 senior managers have been trained in health and safety leadership. Meanwhile, over 1,000 senior managers were trained during the year to do safety observation tours at manufacturing sites and offices to strengthen the group's safety culture.

Performance monitoring

Sustainability performance is monitored by an internal reporting system. Local sustainability officers report on environmental performance from 380 sites in 321 annual reports, each comprising approximately 80 environmental indicators.

Country sustainability controllers (CSCs) report on social performance, and country health and safety advisors report on occupational health and safety performance (OHS) in annual reports, each comprising approximately 45 social indicators for each country. See the list below for those responsible in each country.

Any fatal or serious incident within ABB's jurisdiction is to be reported to the Chief Executive and other company officers within 24 hours, and the cause of the incident to be determined by an investigation. An alert is then sent out group-wide to ensure that preventive action is taken to avoid a similar incident in the future.

Policies and management systems

Country Sustainability Controllers and Occupational Health and Safety advisors

Country	Name	Function	ISO 14001 sites
Argentina	Justo Gonzalez Litardo	CSC	3
	Leandro Doglio	OHS	
Australia/ New Zealand	Peter Kinsey	CSC	21
	Marian McLean	OHS	
	Craig McEwan	OHS	
Austria	Arnd Schneider	CSC & OHS	0
Benelux	Bart Maes	CSC & OHS	2
Brazil	Carlos-Roberto Hohl	CSC	4
	Gerson Arra	OHS	
Canada	Grazyna A Momot	CSC & OHS	7
China	Vincent Lim	CSC	18
	Tim-LingYe Li	OHS	
Colombia	Albert Tibavizco	CSC & OHS	2
Czech Republic	Miroslav Silar	CSC & OHS	4
Denmark	Jan F Relster	CSC & OHS	6
Egypt	Said Ismail	CSC & OHS	4
Estonia	Liis Metusala	CSC	4
	Andres Oja	OHS	
Finland	Hannu Rintala	CSC & OHS	26
France	Valérie Rimonteil	CSC & OHS	8
Germany	Udo Weis	CSC & OHS	34
Greece	Andreas Mamalis	CSC	2
	Caterina Paleorouta	OHS	
Gulf Region	Gary Foote	CSC & OHS	5
Hungary	Zsolt Horváth	CSC & OHS	1
India	Sonia Shrivastava	CSC	8
	Sanjeev Nagpal	OHS	
Indonesia	Sofyan Akib	CSC & OHS	3
Ireland	Anthony McFeely	CSC & OHS	4
Italy	Antonio Giacomucci	CSC & OHS	20
Japan	Nobuo Kawakami	CSC	2
	Takashi Mizuno	OHS	
Latvia	Peteris Gals	CSC & OHS	2
Lithuania	Ineta Mensikovaite	CSC & OHS	1
Malaysia	Karel Fuska	CSC	1
	Nordin Ibrahim	OHS	
Mexico	Luis-Eduardo Martinez	CSC & OHS	1
Norway	Kjell Brandal	CSC & OHS	16
Peru	Olenka Espinoza	CSC	1
	Martin Asencio	OHS	
Philippines	T.J. Ponce	CSC & OHS	1
Poland	Andrzej Brzozowski	CSC	9
	Anna Swiernoga	OHS	
Portugal	Joao Oliveira	CSC	1
	Diogo Teixeira	OHS	

Romania	Rares Lutia	CSC & OHS	1
Russia	Alexander Burov	CSC & OHS	5
Saudi Arabia	Khizar Usmani	CSC	1
	Zeid Al-Rumaihi	OHS	
Singapore	Emely Tan	CSC	3
	James Foo	OHS	
South Africa	Chesney Bradshaw	CSC	6
South Korea	Kyeong-Hee Lee	CSC & OHS	1
Spain	José Vera	CSC	15
	Angel Madrid	OHS	
Sweden	Gunnel Wisén-Persson	CSC & OHS	60
Switzerland	Remo Kuary	CSC	15
	Andreas Merz	OHS	
Thailand	Pornchai Satheinsep	CSC & OHS	1
Turkey	Gulden Turktan	CSC	2
	Levent Baser	OHS	
United Kingdom	John Watson	CSC & OHS	12
United States	David Onuscheck	CSC	29
	Darryl Hill	OHS	
Venezuela	Andrea Greselin	CSC	2
	Dazara Perez	OHS	
Total ISO sites			374

Some countries and facilities employ additional specialists to maintain environmental management.

Environmental specialists

Country	Name
Argentina	Leandro Doglio
Australia	Jaroslav Kovar
Brazil	Manoel Siqueira
Colombia	Carlos E Ossa
China	ShiWen Zheng
Finland	Roope Jokela
Germany	Lothar Kinzig
India	S. Ramamoorthy
Ireland	David Maguire
Italy	Gianluca Donato
Malaysia	Chung-Seng Lee
Mexico	Gabriela Salas
Norway	Kirsten Knudsen
Poland	Anna Swiernoga
Singapore	SooHeng Chua
Spain	Laurent Menard
Switzerland	Jakob Weber
Thailand	Sutthi Sangarunsiri
Turkey	Levent Baser
United States	Clair Clairborne

Internal and external auditing

Approximately 85 percent of ABB facilities have appointed an accredited certification body to verify regularly how well they meet ISO 14001 standards.

Based on acquiring more than 500 certificates over a period of almost 12 years, ABB believes the benefits of external verification far outweigh the cost for most facilities. The process can, for example, help identify projects that may improve environmental performance and reduce cost at the same time. External verification also helps keep the internal system up to date and informs us of new legislation.

In addition, ABB's Sustainability review is verified by Det Norske Veritas (DNV), an independent verification body. The DNV audit includes verification of reports and indicators, and focuses on the Global Reporting Initiative guidelines for reporting on sustainability.

Country sustainability controllers also perform regular audits of sustainability performance at ABB sites. In general, every site is audited at least every third year.

To consolidate the implementation of ABB's health and safety strategy, internal compliance and spot check audits are conducted to ensure group health and safety processes are being followed and that actions arising from group-wide safety alerts are being implemented.

Senior management review and governance

ABB's top-level health and safety committee, chaired by the Executive Committee member responsible for sustainability affairs, continued to meet in 2005, monitoring progress against OHMS goals, and safety performance generally.

ABB's Executive Committee members, when discharging their stewardship duties on the boards of ABB's subsidiary companies, are charged with addressing the sustainability performance of these companies in the areas of health and safety, environmental performance and corporate social responsibility. The latter covers stakeholder dialogue, community involvement and human rights issues.

The head of ABB's sustainability affairs organization reports on the group's sustainability performance regularly to the Executive Committee member responsible for sustainability affairs.

Business ethics

Policy

Principle 13 of ABB's social policy commits ABB to uphold high standards in business ethics and to support the efforts of national and international authorities to establish and enforce high ethical standards for all businesses.

The ABB Group subscribes to the basic principles in the International Chamber of Commerce (ICC) Rules of Conduct, 1999 edition, and the Organization for Economic Cooperation and Development (OECD) Convention from 1997, as well as the U.S. Foreign Corrupt Practices Act, 1977.

ABB's policy on business ethics belongs to the company's core set of values and guiding principles. It is incorporated in ABB's business ethics standards, which set a "zero tolerance" ruling on non-compliance.

In implementing this policy, ABB management and employees:

- Recognize that ethical and economic values are interdependent, and that high business ethics and integrity ensure ABB's market credibility
- Insist on honesty and fairness in all aspects of their business and expect the same from their business partners
- Ensure all ABB business transactions are fully and fairly recorded according to the company's accounting principles
- Undergo continuous training and awareness-raising sessions on how to handle ethical issues, and provide timely advice and guidance
- Apply a "zero tolerance" policy regarding compliance issues to ensure strict adherence to local and international laws and regulations, as well as to ABB Group ethical standards
- Regularly monitor ethical conduct and ensure that accessible systems are in place for employees or others to report potential violations

Global compliance support network

The group function Legal and Compliance is designated by ABB's Board of Directors and executive committee to implement and oversee business ethics within ABB and to manage a global network to ensure compliance.

Under the direction of the Group Chief Compliance Officer, local and regional compliance officers in more than 50 countries, together with regional managers in specific regions, train, advise and monitor employees in all parts of the organization. In addition, ethical coordinators in the business divisions identify critical issues and develop programs to address them. Another section covering lenders and export credit agencies (ECAs) is also included in the business ethics policy. Specially trained ECA compliance officers are responsible for overseeing and certifying all necessary disclosures in this area.

This global network distributes information and guidance, fosters internal dialogue, and supports ethical education and training. Over the last few years, ABB has carried out a rigorous program throughout the group to promote its business ethics policy and ensure compliance. Such training programs have covered almost all employees directly involved in business transactions, while awareness has been raised among almost all other employees.

In addition, a special training program is conducted each year to address selected important issues. The participants are those people most likely to face such issues. Members of ABB's top management also participate in this program and receive training directly from the head of the Legal and Compliance group function.

Access for employees

Employees have access via the group's global intranet to information, guidelines, documents, forms and useful agreements covering all aspects of the business ethics compliance program.

Help lines

Round-the-clock response helpdesks and details of the compliance counselor network are also provided to facilitate consultation or questions. In addition to the Legal and Compliance team helpline at group headquarters, there are help lines to units in almost every country and region that are working to accommodate national sensitivities. In some countries, for example, communications are strictly anonymous, whereas in others they go through trusted confidants, always respecting specific local legal requirements.

External liaisons

ABB is a group contributor and donor to Transparency International, the coalition against corruption, and liaises with the Basel Institute on Governance.

Anti-bribery business initiatives

ABB is a signatory to the World Economic Forum's Partnering against Corruption Initiative (PACI), which has been signed by around 90 companies. As a signatory, ABB has committed to strengthening efforts to counter corruption and bribery, and has signed a statement supporting the PACI Principles. These Principles call for a commitment to two fundamental actions:

- Zero-tolerance policy towards bribery
- Development of a practical and effective implementation program

As a signatory to the United Nations Global Compact, ABB adheres to its 10th principle, adopted in 2004, which calls on businesses to work against all forms of corruption, including extortion and bribery.

ABB representatives actively participate in PACI and UN Global Compact working groups.

ABB's sustainability policies

ABB's environmental policy

ABB is committed to developing resource-efficient products and systems and to conducting ongoing dialogue with customers to help them select the most environmentally friendly products, systems and solutions.

The environmental policy focuses on the management of environmental issues in nine key areas throughout the life cycle of ABB products – from suppliers and contractors, through the customers' use of our products, to their eventual disposal and recycling at the end of their useful life.

The commitment:

1. To conduct our operations in an environmentally sound manner by applying environmental management systems, such as ISO 14001, in all our operations and by applying environmental principles, such as commitment to continual improvement, legal compliance and awareness training of employees, in all our operations worldwide.
2. To promote environmental responsibility along the value chain by encouraging suppliers, subcontractors and customers to adopt international environmental standards.
3. To develop our manufacturing processes with a focus on energy and resource efficiency.
4. To conduct regular audits of our facilities' environmental performance, including facilities involved in acquisitions, divestments and mergers.
5. To transfer eco-efficient technologies to developing countries.
6. To develop and market products and systems which are resource efficient and facilitate use of renewable energy sources.
7. To declare the environmental performance of our core products by publishing environmental product declarations based on life cycle assessment.
8. To include environmental aspects in the risk assessment of major customer projects.
9. To ensure transparency by producing an annual Sustainability review, based on Global Reporting Initiative (GRI) requirements, which is independently verified.

ABB's social policy

As well as seeking to contribute economically and environmentally, ABB recognizes social performance as a key to sustainable development.

ABB's social policy is applicable to areas that ABB can directly influence. It draws on five sources: the United Nations Universal Declaration of Human Rights, the International Labour Organization's fundamental principles on rights at work, the Organisation for Economic Cooperation and Development's Guidelines for Multinational Enterprises, the Global Sullivan Principles, and the Social Accountability 8000 (SA 8000) standard, an auditable standard for the protection of workers' rights.

We engage in stakeholder review and consultations on this policy to ensure it is continuously improved. Our policy aims:

1. ABB in society:

To contribute within the scope of our capabilities to improving economic, environmental and social conditions through open dialogue with stakeholders and through active participation in common efforts.

2. Human rights:

To support and respect the protection of internationally proclaimed human rights.

To ensure that employees and contractors engaged as security personnel observe international human rights norms in their work.

3. Children and young workers:

To ensure that minors are properly protected; and as a fundamental principle, not to employ children or support the use of child labor, except as part of government-approved youth training schemes (such as work-experience programs).

4. Freedom of engagement:

To require that all employees enter into employment with the company of their own free will; and not to apply any coercion when engaging employees or support any form of forced or compulsory labor.

5. Health and safety:

To provide a safe and healthy working environment at all sites and facilities and to take adequate steps to prevent accidents and injury to health arising from the course of work by minimizing, so far as is reasonably practicable, the causes of hazards inherent in the working environment.

6. Employee consultation and communication:

To facilitate regular consultation with all employees to address areas of concern.

To respect the right of all personnel to form and join trade unions of their choice and to bargain collectively.

To ensure that employee representatives are not the subject of discrimination and that such representatives have access to their members in the workplace.

ABB's sustainability policies

To ensure, in case of major layoffs, that a social benefits and guidance plan is in place, and already known to employees or their official representatives.

7. Equality of opportunity:

To offer equal opportunity to all employees and not to engage in or support discrimination in hiring, compensation, access to training, promotion, termination or retirement based on ethnic or national origin, caste, religion, disability, sex, age, sexual orientation, union membership, or political affiliation.

8. Harassment and disciplinary practices:

To oppose the use of mental or physical coercion, verbal abuse or corporal/hard-labor punishment; and not to allow behavior, including gestures, language and physical contact, that is sexual, coercive, threatening, abusive or exploitative.

To develop and maintain equitable procedures to deal with employee grievances and disciplinary practices.

9. Working hours:

To comply with applicable laws and industry standards on working hours, including overtime.

10. Compensation:

To ensure that wages paid meet or exceed the legal or industry minimum standards, and are always sufficient to meet the basic needs of personnel and to provide some discretionary income.

To ensure that wage and benefits composition are detailed clearly and regularly for workers, and that compensation is rendered in full compliance with all applicable laws and in a manner convenient to workers.

To ensure that labor-only contracting arrangements and apprenticeship schemes are undertaken in full compliance with ABB's obligations under applicable laws pertaining to labor and social security legislation and regulations.

11. Suppliers:

To establish and maintain appropriate procedures to evaluate and select major 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.

12. Community involvement:

To promote and participate in community engagement activities that actively foster economic, environmental, social and educational development, as part of ABB's commitment to the communities where it operates.

13. Business ethics:

To uphold the highest standards of business ethics and integrity and to support efforts of national and international authorities to establish and enforce high ethical standards for all businesses.

ABB's health and safety policy

ABB seeks to provide a healthy and safe working environment at all sites and facilities and to take adequate steps to prevent accidents and injury to health arising from the course of work by minimizing, so far as is reasonably practicable, the causes of hazards inherent in the working environment.

Eight health and safety "expectations" support the policy and comprise the framework of the health and safety culture we are pursuing in ABB.

1. Leadership and accountability – with clearly defined responsibilities, resources, and accountability for managers.
2. Managing health and safety risks – at every stage of project, service or manufacturing life cycle, where meeting national and international standards is the minimum requirement.
3. Demonstrating health and safety competence so that all managers, employees, safety advisors and contractors know their responsibilities and have the training and experience to carry them out.
4. Ensuring safe contractors and business partners by selecting contractors and suppliers that perform to ABB's health and safety requirements.
5. Ensuring health and safety is integrated into the processes for managing change, both globally and locally.
6. Ensuring a crisis and emergency management system is in place.
7. Ensuring accident analysis and prevention is in place.
8. Routine review of health and safety performance by managers, supported by a reporting process.

ABB's business ethics policy

ABB seeks to uphold the highest standards of business ethics and integrity and to support efforts of national and international authorities to establish and enforce high ethical standards for all businesses.

ABB's policy on business ethics belongs to the company's core set of values and guiding principles. It is incorporated in ABB's Business Ethics Standards, which set a "zero tolerance" ruling on non-compliance.

The ABB Group subscribes to the basic principles in the International Chamber of Commerce (ICC) Rules of Conduct, 1999 revised edition, the OECD Convention from 1997, the U.S. Foreign Corrupt Practices Act, 1977, and the United Nations Convention against Corruption from 2003.

ABB entered a new phase in 2005. After successfully completing its turnaround in 2004, the company has moved into a phase of profitable organic growth and is progressing confidently towards new mid-term business targets.

Net income reached \$735 million compared to a \$35-million loss in 2004, with strong increases in orders, revenues and earnings before interest and taxes (EBIT). Continuing market strength and further operational improvements in the second half of 2005 contributed to the strong result.

Orders and revenues both grew by nine percent in the full-year 2005, while EBIT reached \$1.7 billion, 67 per cent higher than in 2004. EBIT margin rose to 7.8 percent, compared to 5.1 percent in the previous year.

The group's two divisions – Power Technologies and Automation Technologies – also posted strong results, with their EBIT rising by 30 and 28 percent, and EBIT margin increasing to 8.1 and 10.8 percent respectively.

ABB also halved its net debt, reducing it to approximately \$500 million at December 31, 2005, from more than \$1 billion a year earlier. Cash flow from operating activities amounted to \$1,012 million compared to \$902 million in 2004.

For the first time since fiscal year 2000, ABB's Board of Directors proposed a dividend for 2005 of CHF 0.12 per share. Translated into U.S. dollars using year-end 2005 exchange rates, the dividend corresponds to approximately 26 percent of ABB's 2005 net income. The proposal is subject to approval by shareholders at the company's annual general meeting, scheduled for May 4, 2006, in Zurich, Switzerland. Should the proposal be approved, the ex-dividend date would be May 9, 2006.

ABB continues to make strong progress towards resolving all asbestos claims relating to our U.S. subsidiary Combustion Engineering (CE). On March 1, 2006, a U.S. District Court judge issued an order confirming the modified Plan of Reorganization for CE. In the absence of any appeals within the 30-day appeals period that began on March 1, 2006, confirmation of the CE Plan becomes final.

ABB continued its focus on research and development. Spending on research and order-related development in the two divisions was \$960 in 2005, compared to \$905 million in 2004.

The group opened another research center – in China in March 2005, following earlier expansion in India. Research is conducted in Beijing and Shanghai, focusing on power transmission and distribution, manufacturing and robotics.

As a result of the very low volume of trading in Frankfurt and London, ABB delisted its shares from the Frankfurt Stock Exchange and the London Stock Exchange in the second half of 2005. ABB's shares continue to be traded on the Swiss Stock Exchange, the Stockholm Stock Exchange and the New York Stock Exchange.

The ABB group of companies operates in around 100 countries and employed 104,000 people at the end of 2005.

On September 6, 2005, ABB published performance targets for the period 2005 to 2009 and announced a revised divisional structure, which took effect on January 1, 2006.

The Power Technologies and Automation Technologies were eliminated at the end of 2005, and their respective business areas became divisions as of 2006: Power Products (formerly the Power Technology Products business area), Power Systems (formerly the Power Technology Systems business area), Automation Products (as at present), Process Automation (as at present), and Robotics (formerly the Manufacturing Automation business area).

A new function at the group level, Global Markets and Technology, will help to drive execution of the strategy across national and regional borders.

The ABB Group and divisional targets are as follows:

Summary of group targets 2005-09

Revenue growth 2005-2009	> 5% (CAGR*)
EBIT margin	> 10%
Net margin	> 5%
Return on capital employed (after tax) (ROCE)	Mid-teens
Free cash flow as share of net income	100%

* Compound annual growth rate over five years from 2005 to 2009, excluding major acquisitions and divestitures and assuming constant exchange rates.

Summary of division targets 2005-09

Division*	Revenue growth 2005-09**	EBIT margin 2009
Power Products	> 6%	> 11%
Power Systems	> 5%	> 6%
Automation Products	> 5%	> 14%
Process Automation	> 5%	> 9%
Robotics	> 4%	> 9%

* Division structure effective January 1, 2006.

** Compound annual growth rate for the five years from 2005 to 2009, excluding major acquisitions and divestitures and assuming constant exchange rates.

Environmental performance

Overview

This section on our environmental performance relates to all employees working in premises owned or leased by ABB, including manufacturing and non-manufacturing sites. It does not cover our customers' sites or suppliers.

For non-manufacturing sites, which by nature have only limited environmental impact, we have made assumptions of the levels of their main environmental indicators, such as the use of electricity, district heating and water consumption per person. These assumptions are based on data from comparable premises and relate to about 22 percent of employees, unchanged from last year. When we have made an assumption, it is stated in the text.

The remaining 78 percent of employees are covered by data collected year-on-year from approximately 380 sites, mainly manufacturing and service organizations.

Under the indicators in the GRI Guidelines, we have chosen to report data which is relevant to the environmental impact caused by ABB's activities, products and services. In recent years we have steadily expanded our data collection system to cover most of the GRI indicators.

However, rather than report the amount of materials used (EN1), we believe it is more useful and challenging to report on our use of hazardous substances as defined by official international lists of restricted substances, and to show the progress we are making in eliminating them. To report precise figures for all other (non-hazardous) materials would be very difficult for a company like ABB, which manufactures such a wide range of products in many different sites, and sources millions of different materials and components globally and locally. Apart from EN1, we have reported against all the GRI core environmental indicators and many of the additional indicators.

We have also discontinued the reporting of data – either where the quantities have become negligible, or where ABB's activities have almost no impact (for example on water sources), or where data can only be based on estimates (for example, types and impacts of transportation, disposal methods of regular waste).

For information covering ABB's asbestos liabilities, please refer to the Operational review and the Financial review of ABB's Annual Report.

Materials

EN1 Total materials consumption

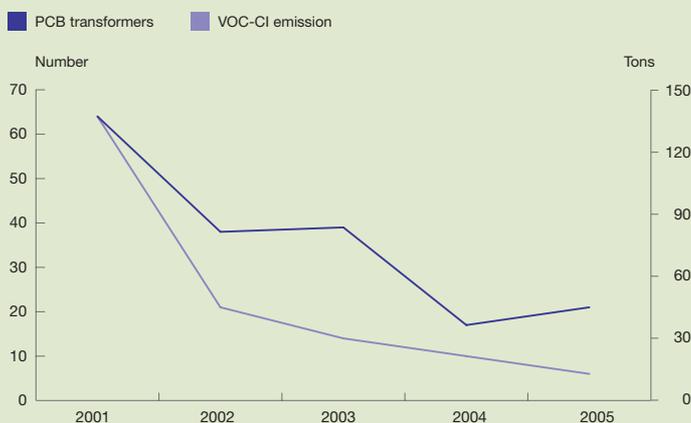
The main materials used in ABB's products by weight are steel, sheet metal, copper, aluminum, mineral oil and various plastics. ABB's diverse range of standard products and the fact that many products are made to customer specifications means that aggregate reporting of materials consumption is not meaningful. ABB's corporate objective is to minimize the use of materials and substances.

Use of hazardous material

ABB follows or, in some countries, exceeds the standard definitions of hazardous substances set by international agreements.

A corporate program is ongoing in ABB with the objective of reducing the use of hazardous substances, setting end-of-use deadlines.

In 2004 and 2005 the program focused on reducing the use of VOC-Cl and replacing existing PCB-filled equipment. The outcome was positive (see diagram below) and plans have been made to replace all transformers and capacitors containing PCB before the end of 2007, three years before legal bans come into force. The emission of chlorinated solvents during 2004 and 2005 has also been significantly reduced.



Product development plays an important role in phasing out hazardous materials and tools have been established to ensure that the environmental performance of ABB's products is considered at the development stage. In the Gate model (see pages 23-24) we have introduced new checklists to prevent the use of any hazardous materials. We have also started an education program for product developers at ABB's technology centers, which addresses this issue.

Priorities for replacement depend on the environmental safety and technical acceptability of alternatives. Progress is reported by local sustainability officers, who describe in greater detail the results of local improvement projects.

In the following tables, we list some monitored hazardous substances used by ABB to make products, or by suppliers working to ABB's specifications.

Use of hazardous substances (tons)

	2005	2004	2003
Phthalates (DIDP) – softener for PVC	19*	1.7	9
PBB and PBDE – flame retardants in plastics	9**	108	103
Fungicides – control of water fungi	3.6	3.4	2.5
Lead			
Submarine cables	4,306***	2,810	2,967
Other products, e.g. counterweights in robots	316	211	222
Cadmium			
Rechargeable batteries	20	1.9	1.7
Industrial batteries delivered to customers	26	69	0
In lead alloy	3	2.0	2.6
Mercury			
In products delivered to customers	0.014	0.020	0.020
SF ₆ insulation gas (inflow to ABB facilities)	481	388	395
SF ₆ insulation gas (outflow to customers)	441	353	319

* Increase due to specific customer requirements for PVC

** Decrease due to replacement of flame retardants at one manufacturing site

*** Increase due to higher business volume

Equipment containing hazardous substances in use in ABB facilities

	2005	2004	2003
No. of transformers with PCB oil*	21**	17	39
No. of capacitors with PCB oil	2,837**	2,369	2,329
Mercury in measuring instruments for gas analysis of transformer oil (kg)	129**	62	15

* Covers equipment contaminated by more than the international threshold of 50 ppm

** Increase due to inclusion of previously unidentified equipment

EN2 Percentage of waste materials used from external sources

In the first table, the lead used as counterweights for robots and the cadmium used in industrial batteries are recycled materials.

Energy

EN3 Direct energy use (Gigawatthours – GWh)

	2005*	2004	2003
Primary fuel			
Oil (9.96 MWh/m ³)	134	126	138
Coal (7.56 MWh/ton)	8	17	15
Gas	460	417	494
District heat*	217	256	247
Electricity*	1,304	1,212	1,348
Total energy used	2,123	2,028	2,242
Megawatthours (MWh) per employee	20	20	19

* The figures are based on reported data from 78 percent of employees and an assumed energy use of 3 MWh/employee for district heat and 12 MWh/employee for electricity for the remaining 22 percent of employees

Due to a heterogeneous product mix comprising thousands of different sized products, we do not report energy consumption per unit of production. Instead, we monitor the use of energy per employee.

EN4 Indirect energy use (Gigawatthours – GWh)

	Used by ABB			Losses at utilities			Total use of energy		
	2005	2004	2003	2005	2004	2003	2005	2004	2003
District heat*	217	256	238	32	38	36	249	294	274
Electricity*	1,304	1,212	1,311	1,801	1,674	1,811	3,105	2,886	3,122

(District heat and electricity are the main categories of indirect energy used by ABB.)

* The figures are based on reported data from 78 percent of employees and an assumed energy use of 3 MWh/employee for district heat and 12 MWh/employee for electricity for the remaining 22 percent of employees

Indirect energy use is defined in this table as the energy losses incurred by the utilities supplying ABB's energy. For example, to supply ABB with 217 GWh of useable district heating, the utilities consume 249 GWh of energy, incurring losses of 32 GWh. This provides a measure of the utilities' efficiency in providing ABB with useable energy – 13 percent lost for district heating, and 58 percent lost for the supply of useful electricity.

EN17 Initiatives to use renewable energy

Most ABB facilities are bound to the energy mix supplied by local utilities. In countries where utilities offer "green energy," ABB's objective for 2006 is to increase the amount of renewable energy it buys.

EN18 Energy consumption footprint of major products

For an energy-driven ABB product, most environmental impacts are caused during its operating life rather than during its manufacture. It is therefore important for ABB to focus on energy efficiency to reduce the energy consumption footprint of its products.

This footprint is identified through a life cycle assessment study, which ABB carries out on all major products. The results

Environmental performance

are given in environmental product declarations (EPDs), published on ABB's Web site www.abb.com/sustainability. They are presented in the EPD as contributions that the product makes to known environmental impacts, such as global warming, ozone depletion, etc.

See under indicator E14 for more information on EPDs.

EN19 Other indirect energy use

a) Organizational travel

There have been no significant changes in travel patterns since 2004. We estimate that during the last three years over half of all business traveling journeys by ABB employees were by road, over two-fifths by air and the remainder by rail.

ABB is not in a position to obtain figures for the distances covered by business travel and therefore cannot provide figures for indirect energy use for organizational travel.

In 2005, ABB Service in Sweden, introduced an initiative offering all employees an EcoDriving training program in fuel efficiency and in the safe driving of company cars.

b) Use of energy-intensive materials

For the reasons already given, ABB does not account for the total amount of materials used. The most energy-intensive materials we use are: aluminum (284 megajoules per kilogram – MJ/kg), copper (128 MJ/kg) and steel (28 MJ/kg).

c) Product life cycle management

All major ABB products come with recycling instructions to facilitate their efficient disposal at the end of their useful life. As an example, up to 90 percent by weight of ABB drives and transformers can be reused or recycled.

Water

EN5 Water consumption (kilotons)

	2005*	2004	2003
Purchased from water companies	3,432*	3,200*	3,633
Extracted by ABB**			
Groundwater	2,500	2,500	1,921
Surface water	1,700***	1,000	850
Total consumption of water	7,632	6,700	6,374

* The figures are based on reported data from 78 percent of employees and an assumed water consumption of ten tons/year/employee for the remaining 22 percent of employees

** Estimated (rounded) figures

*** Increase due to use of surface water at one site during repair of a water filter

EN20 Water sources significantly affected by use of water

ABB's manufacturing processes do not use significant amounts of water. Extracted ground and surface water is mainly used for cooling purposes. Almost all of the cooling water is discharged without any added contamination.

EN21 Annual withdrawals of ground and surface water

See EN5 and EN20.

EN22 Recycling and reuse of water

The amount of water in closed loop processes is mainly used in cooling systems, surface treatment processes and the production of electrical insulation paper.

Biodiversity

EN6 Land owned, leased or managed in biodiversity-rich habitats

ABB's manufacturing units are not located in biodiversity-rich habitats, as defined in IUCN Protected Areas Categories 1-4, world heritage sites or biosphere reserves.

EN23 Total amount of land owned, leased or managed for production activities (million square meters)

	2005	2004	2003
Land occupied by buildings	7*	7.3**	7.3**
Total land area	13*	13.6**	19.7**

* Approximate figures

** Accurate figures now replace previously reported approximate figures

Emissions

EN8 Greenhouse gases (kilotons)

	2005*	2004	2003
CO ₂ from use of energy*	870	824	911
SF ₆ (in CO ₂ equivalents)	295	253	229
CO ₂ from transport by own fleet**	350	350	n.acc

* The figures are based on reported data from 78 percent of employees and an assumed energy use of 3 MWh/employee for district heat and 12 MWh/employee for electricity for the remaining 22 percent of employees

** Estimated figures

Carbon dioxide (CO₂) emissions calculations are based on in-house energy use for production, lighting, heating and air-conditioning, and include indirect emissions at utilities where ABB buys power. Sulfur hexafluoride (SF₆) emissions are estimated to be equivalent to 3 percent of all SF₆ gas used by ABB. As from 2005, ABB started using a CO₂ equivalent for SF₆ of 22,200, as specified by the Intergovernmental Panel on Climate Change.

As can be seen from the table above, the total amount of ABB's greenhouse gas emissions, based on the WBCSD/WRI Greenhouse Gas Protocol (Scope I and II), is estimated to be 1.5 million tons for the whole ABB Group.

EN9 Ozone-depleting substances (tons)

Ozone-depleting substances class II	2005	2004	2003
Contained in own equipment and in air conditioning*	22	11.8	12.4
Top-up (to compensate for leakages)	0.01	n.a	n.a

* Increase due to improved inventory of equipment

All CFCs are handled according to procedures in each manufacturing site's environmental management program.

Volatile organic compounds, VOC (tons)

	2005	2004	2003
VOC	981	861	724
VOC-Cl	13.5*	22	31

* The use of chlorinated VOC in non-closed loops has almost been eliminated

ABB's objective for chlorinated volatile organic compounds (VOC-Cl) is to eliminate all emissions to air.

The current reporting system does not distinguish between the various types of VOC and VOC-Cl. It is therefore not meaningful to convert the data into ethane equivalents. The major constituents of VOCs and VOC-Cl are xylene, thinner and perchloroethylene.

EN10 Emission of NO_x and SO_x (tons SO₂ and NO₂)

	2005	2004	2003
SO _x from burning coal	6	12	11
SO _x from burning oil	97	92	84
NO _x from burning coal	4	9	8
NO _x from burning oil	73	69	63
NO _x from burning gas	99	90	107

These figures are for fossil fuels consumed in ABB premises for heating and process purposes.

EN30 Other indirect greenhouse gas emissions

Indirect emissions from traveling, transportation, manufacturing of materials and emissions related to product use, are not aggregated at group level. For core products however, the greenhouse gas emissions throughout a product's life cycle are shown in its environmental product declaration (published on www.abb.com/sustainability).

See under indicator EN14 for more information on EPDs.

EN11 Waste (tons)

The main waste streams at ABB organizations are wood, paper, oil and plastic. We estimate that around three-quarters of waste is sent for recycling. The remaining quarter is sent for incineration or to landfill. ABB's aim is to reduce the amount of waste sent to landfill and to increase its use of materials which are recycled or made available for reuse. However, in some countries proper waste recycling programs are unavailable.

	2005	2004	2003
Waste sent for recycling	85,131	70,291	84,890
General waste sent for disposal	28,514	n.a.	n.a.
Hazardous waste	5,775*	3,719	4,191

* Increase due to larger production volume, wider scope of regulatory waste classifications and more accurate inventories

EN31 Transport of hazardous waste

ABB follows legal regulations to transport and dispose of hazardous waste only through officially authorized disposal agents.

EN12 Discharge of process water (percentage of ABB process plants)

	2005	2004	2003
Public sewer	75	75	75
Water sources	25	25	25

The figures, which remain unchanged from previous years, indicate the percentage of ABB process plants that discharge water to public sewers or to local water sources such as lakes or rivers. The water discharge to local water sources is returned without additional contamination and comes mainly from surface treatment plants, cooling water systems and test plants.

EN32 Water sources and related ecosystems significantly affected by discharges of water

ABB sites do not significantly affect water sources and related ecosystems or ground water.

EN13 Spills and other incidents

8 oil spills
6 spills of chemicals
3 emissions to air
1 dump of waste

ABB's environmental management program includes mechanisms for reporting incidents with potential environmental impact. During 2005, 18 such incidents were reported. Adequate decontamination procedures were implemented to prevent any permanent contamination of soil and water due to these oil and chemical spills, and corrective actions, such as improved control systems, have been taken to ensure such incidents do not recur.

Transportation

EN34 Environmental impacts of transportation

We estimate that over the last three years, more than three-quarters of the deliveries of materials from ABB suppliers and the deliveries of ABB finished products to customers, have been by road. The remainder have been shared between rail, sea and air.

As part of its collaboration with Chalmers University of Technology, Sweden, ABB is currently participating in the Chalmers/CPM project "Sustainable Transport" to develop common strategies to achieve sustainable transport systems.

See EN33 below for more information on ABB's collaboration with its international freight-forwarders.

Suppliers

EN33 Performance of suppliers

ABB segregates its major and strategic suppliers of materials, components and services into categories according to the severity of the environmental and social impacts they may cause.

Suppliers who provide materials and services used in ABB products, and those handling hazardous materials, are required to undertake the following:

- Implement an environmental policy
- Identify the significant environmental aspects of manufacturing or providing the materials, components or services they supply to ABB
- Ensure that all operations and processes comply with environmental standards and legislation
- Have in place the basic elements for continuous improvement
- In particular, they must have in place an environmental management system certified to ISO 14001

ABB incorporates such sustainability requirements into its contracts with major and strategic suppliers.

ABB is working with its international freight-forwarders for sea and air and has jointly implemented effective and practicable guidelines covering environmental and social performance objectives and requirements, contractually binding on all parties.

ABB's sustainability performance expectations have been communicated to the freight-forwarders, who are now undergoing an audit program, which will assess their environmental and social performance. The audit focuses on the implementation of management systems, occupational health and safety performance and the reporting of environmental performance indicators.

During the course of this work, logistics pilot projects will be identified to be used in the "Sustainable Transport" project described above in EN34, and to determine how results can best be put into practice.

Products and services

EN14 Significant environmental impacts of principal products and services

The environmental performance and impacts of ABB core products are presented in environmental product declarations (EPDs). An EPD is a standardized tool, meeting the requirements of ISO/TR 14025, to communicate the environmental performance of a product or system over its complete life cycle, and is a recognized worldwide reference for all interested parties. It is based on a formal life cycle assessment (LCA), providing information on environmental impacts such as raw material acquisition, energy use and efficiency, content of materials and substances, emissions and waste generation. It also includes product and recycling information.

EPDs for ABB products are published on the ABB Web site: www.abb.com/sustainability

EN15 Percentage of ABB products reclaimable after use

ABB products contain mostly steel, copper, aluminum, oil and plastics. Approximately 90 percent of the material is reclaimable after the end of a product's useful life. ABB aims to encourage recycling by designing products that can be dismantled more easily, and by providing users with recycling instructions.

Compliance

EN16 Fines for non-compliance with applicable legislations

Two penalties for environmental infringements by ABB companies were reported during 2005. One related to an incorrect environmental declaration of sand blasting equipment and the other to excessive emissions. Both were considered minor infringements by the authorities.

Overview

During 2005, ABB deepened the implementation of its social policy and for the third successive year continued to focus strongly on health and safety performance.

An ABB Executive Committee member chairs a steering group responsible for supervising the group-wide implementation of ABB's social policy, which includes the health and safety policy. During the year, health and safety was also monitored by a sub-committee of ABB's Executive Committee.

Implementation of the 13 principles of the ABB social policy are covered by group function heads according to their areas of expertise. For example, health and safety is covered by the group function for Sustainability Affairs, business ethics by Legal and Compliance, ABB in society by Corporate Communications, suppliers by Supply Management, and labor principles by Human Resources.

ABB continued to implement the internationally recognized OHSAS 18001 management standard in all business units, including manufacturing, office work, construction projects and service. Progress on introducing the standard determines part of senior managers' remuneration via a scorecard performance assessment system. By the end of 2005, 96 percent of all business units achieved at least 75 percent implementation of occupational health and safety management systems.

ABB continued its efforts to encourage its main suppliers to follow the principles laid out in the group's environmental, social, and health and safety policies. For example, ABB and its international freight-forwarders for sea and air are jointly implementing effective and practicable guidelines covering environmental and social performance objectives and requirements, to be contractually binding on all parties.

Business ethics compliance programs continued throughout the year, targeting all employees involved in business transactions.

The group's corporate social responsibility policies and activities are strongly influenced by stakeholder dialogues conducted at corporate and country level. In 2005, stakeholder dialogue was conducted at corporate level and in 15 countries.

An ABB working team has been addressing the broader issues of equal opportunity, and how to encourage the promotion of women and people from minority groups to positions of greater responsibility. ABB in Switzerland now has a woman as its country manager.

During 2005, ABB deepened its engagement on the responsibilities of business for human rights. ABB remains a member of the Amnesty International's Business Group. It participated in its work and took advice from Amnesty on human rights issues.

ABB also continued as an active member of Business Leaders' Initiative on Human Rights (BLIHR). During the year, ABB

contributed to the development of "A Guide for Integrating Human Rights into Business Management," which is a joint publication of BLIHR, the Global Compact, and the High Commissioner for Human Rights.

This report on our social performance has been expanded each year and is in line with the GRI Guidelines relevant to ABB's activities. The GRI reference numbers are shown against each indicator.

Employment

LA1 Breakdown of workforce (total numbers of ABB employees)

	2005	2004	2003
Europe	58,240	60,000	70,500
The Americas	18,720	16,500	19,000
Asia	18,720	16,500	15,500
Middle East and Africa	8,320	9,500	11,500
Total	104,000	102,500	116,500

LA1 Numbers of part-time employees (included in above totals)

	2005	2004	2003
Europe	2,200	2,600	3,458
The Americas	190	130	147
Asia	190	140	212
Middle East and Africa	48	130	336
Total	2628	3,000	4,153

ABB started to report these part-time statistics in 2003. Not all countries are yet included. In Benelux and Finland ten percent of ABB employees work part-time, in Switzerland nine percent, in Australia seven percent, in Austria six percent, and in Sweden five percent. In all other countries more than 95 percent are employed full-time.

Labor/management relations

LA3 Percentage of employees represented by independent trade unions

For 2005, we clarified the definition for independent trade unions and collected data from most countries. We will now verify this data internally before publishing it in a future report.

LA4 Information, consultation and negotiation with employees

Principle 6 of the social policy commits ABB to facilitate regular consultation with employees to address areas of concern and to make sure, in case of major layoffs, that a social benefits and guidance plan is in place and is already known to employees or their official representatives.

All countries in ABB's sustainability management program were asked to explain their procedures. In several countries such consultation is, in any event, a legal requirement. Various methods are used, including employee-management meetings, committees, works council and trade union meetings, seminars,

Social performance

video conference events, country manager road shows and intranet-based information forums.

The new European Union directive “Information and Consultation” came into force in the EU member states during 2005. The directive gives employees across the EU new rights to be informed and consulted on an ongoing basis about developments in the organizations for which they work. ABB has implemented the necessary processes to ensure compliance.

Health and safety

LA5 Recording and notification of occupational accidents and diseases

Principle 5 of ABB’s social policy commits ABB to provide a safe and healthy working environment at all sites.

All countries are required to report a fatality, serious injury or defined dangerous occurrence immediately to ABB’s CEO, members of the executive committee and group function heads, and to conduct an investigation. They must also establish procedures for reporting and investigating by business all work-related incidents, lost days and occupational diseases, including work-related travel incidents.

The general principles of the International Labour Organization code of practice on recording and notification of occupational incidents and diseases have been followed in developing ABB’s reporting and investigation process.

In 2004, ABB commenced quarterly reporting of lost-day incidents, total lost days, and defined occupational diseases. This continued in 2005.

LA6 Description of formal joint health and safety committees

Health and safety consultation is an integral part of ABB’s commitment to introduce into all businesses the occupational health and safety management systems based on OHSAS 18001 and the ILO guidelines. The form of health and safety consultation with employees varies according to local requirements, and includes health and safety committees and employee forums.

LA7 Standard injuries, lost days, absentee rates and fatalities

It is highly regrettable that people died in 2005 as a result of ABB’s activities. A total of 20 people, including ABB employees and contractors, died in work-related and commuting incidents.

Nine ABB employees died in work-related incidents: four of them in industrial incidents, three in work-related road traffic incidents, and two in commuting road traffic incidents.

A total of 11 contractors died in work-related incidents. Seven were killed in industrial incidents, and four died in work-related road traffic incidents.

ABB has continued to drive its health and safety strategy to ensure that the causes of such incidents are identified, and actions are taken to prevent, wherever possible, a recurrence.

Employee industrial incidents

	2005		2004	
	Total	Incident rate	Total	Incident rate
Fatal	4	0.04	5	0.05
Serious injury	18	0.17	13	0.13

Employee security and crime incidents

	2005		2004	
	Total	Incident rate	Total	Incident rate
Fatal	0	0	6	0.06
Serious injury	0	0	1	0.01

Employee commuting and business travel incidents

	2005		2004	
	Total	Incident rate	Total	Incident rate
Fatal	5	0.05	2	0.02
Serious injury	9	0.09	8	0.08

Note: Figures per employee are calculated based on a 2005 year-end total of approximately 104,000. Rates are per 1,000 employees.

Contractor industrial incidents

	2005	2004
	Total	Total
Fatal	7	5
Serious injury	18	13

Employee lost days due to industrial incidents

2005	2004
25,750	27,762

In 2005, lost days in employee industrial incidents amounted to 25,750. This represents an improvement on the 2004 total of 27,762 lost days.

Employee occupational health diseases

2005	2004
162	384

In 2005, there were 162 nationally-reportable occupational health diseases recorded among ABB employees. This was less than half the number in 2004. The reduction reflects the greater focus on occupational health in 2004 and 2005, with strategies to prevent illness and to identify potential risks at an early stage.

In 2005, ABB continued to move towards the ILO recommendations for accident reporting as part of our commitment to the Global Reporting Initiative.

LA8 Policies or programs on HIV/AIDS

All countries in ABB’s sustainability management program were asked to give details of their activities in this area. Six countries (Brazil, India, Philippines, South Africa, South Korea and Thailand) confirmed they had policies to address HIV/AIDS, and described their programs and initiatives. Several other countries referred to national programs.

Plans to prepare for other pandemics, such as Avian flu, were initiated.

LA14 Compliance with the ILO Guidelines for Occupational Health Management Systems

In 2004, ABB set a goal for all business units to implement the ABB occupational health and safety management system (OHSMS). The ABB system follows the principles of OHSAS 18001:1999, and the ILO Guidelines for Occupational Health Management Systems. A self assessment, carried out quarterly by all business units and reported to ABB's Executive Committee, showed that by the end of 2005, 96 percent achieved at least 75 percent implementation of OHMSs. A total of 140 sites have achieved external certification.

Training and education

LA9 Training and education

All countries and regions reported figures for the average hours of organized "classroom" training per employee per year. The figures, which exclude "on the job" training, are from the following selection of countries:

Greece	2
Portugal	8
Austria	10
Canada	15
Norway	15
Brazil	20
Latvia	22
Saudi Arabia	23
India	24
Mexico	25
Australia	30
Philippines	41
Romania	49

It is noteworthy that training in Asian and East European countries is substantially higher than in western countries. ABB in Romania reported the highest number of training hours per employee, although the number of employees was low. This is the third year in which we are reporting training figures. Each year we select different countries for this table so that over a four-year period we cover all countries where ABB has operations. We report on the same countries in LA11 – composition of senior management.

Diversity and opportunity

LA10 Equal opportunity policies, programs and monitoring

Principle 7 of the social policy commits ABB to offer equal opportunities to all employees.

All countries and regions in ABB's sustainability management program are asked to give details of their policies and programs to promote equal opportunities. Nearly half have policies and programs in place.

During 2005, a working team addressed the broader issues of equal opportunity, and how to encourage the promotion of women and people from minority groups to positions of greater responsibility. As a first step, it has prepared a "Diversity and Inclusion" statement, endorsed by ABB's Executive Committee, and published on ABB's Web site.

ABB in Switzerland now has a woman as its country manager.

LA11 Composition of senior management

ABB's Board of Directors comprises eight men of six nationalities.

The Executive Committee is made up of ten men of seven nationalities.

Percentage figures of women in senior executive, senior and middle management ranks taken from the same countries randomly selected for LA9 are as follows:

India	0
Saudi Arabia	0
Mexico	1
Australia	7
Austria	8
Brazil	8
Canada	9
Portugal	13
Norway	17
Greece	18
Latvia	21
Philippines	20
Romania	33

These figures relate to the top three levels of management in ABB's countries of operation and business areas. This is the third year in which we are reporting these figures. Our intention is to select other countries in future reports so that all are reported over a four-year period.

Strategy and management

HR1 Policies, guidelines, procedures to deal with human rights in operations

Principle 2 of the social policy commits the group to support and respect the protection of internationally proclaimed human rights, including the United Nations Universal Declaration of Human Rights.

ABB and nine other international companies participate in the Business Leaders Initiative on Human Rights (BLIHR), aimed at further integrating human rights in business. During 2005, BLIHR published a new guide for business – "A Guide for Integrating Human Rights into Business Management." ABB contributed to the development of the guide, which is a hands-on toolkit to help a company integrate human rights practices into

its existing management system. It is a joint publication of BLIHR, the Global Compact, and the Office of the High Commissioner for Human Rights.

HR2 Consideration of human rights impacts as part of investment decisions

One of the performance indicators used in ABB's implementation guidelines for Principle 2 in the social policy comprises a checklist to investigate human rights impacts as part of investment decisions in a country. The checklist was tested in 2005. This testing revealed that whereas it is suitable for some countries, it can be strengthened and made more country-specific, particularly when used for projects in more sensitive nations.

ABB maintains and reviews a list of countries where it has banned business operations because of unacceptable human rights records. Myanmar remains on the list.

HR3 Consideration of human rights impacts within the supply chain

Principle 11 of the social policy commits ABB to evaluate and select key suppliers and subcontractors on their ability to meet the requirements of ABB's social policy – including our human rights commitments in Principle 2.

ABB has incorporated social performance criteria, including human rights performance, into its suppliers' qualification process (SQP) requirements. SQP is now being used in purchasing contracts. To date, 25 countries apply the sustainability section of SQP for their key suppliers. The human rights performance of key suppliers is to form part of ABB's screening and auditing procedures.

ABB participated in a Corporate Sustainability Management Forum research project "Corporate Value Chains – Supplier Relationships and Sustainable Development" run by the International Institute of Management Development, Lausanne, Switzerland, and has developed a practical guide to sustainability in the supply chain.

ABB is working with its international freight-forwarders for sea and air, and has jointly implemented effective and practicable guidelines covering environmental and social performance objectives and requirements, contractually binding on all parties.

HR8 Employee training on policies and practices concerning human rights

During 2005, ABB deepened its engagement on the responsibilities of business for human rights and maintained its membership of Amnesty International's Business Group, participating in its work and taking advice from Amnesty on human rights issues.

ABB recognizes that for a company operating globally, human rights issues are important and to be included in employee training programs. ABB has therefore commissioned an external expert in human rights to provide training for relevant groups of employees.

Non-discrimination

HR4 Policies to promote non-discrimination in operations

Principle 7 of ABB's social policy prohibits the group from engaging in or supporting discrimination in any form throughout its operations.

Freedom of association and collective bargaining

HR5 Policies to facilitate freedom of association

Principle 6 of the social policy commits ABB to respect the right of all personnel to form and join trade unions of their choice and bargain collectively.

In countries where the law does not permit this right, Principle 6 obliges ABB to facilitate regular consultation with employees to address areas of concern.

Child labor

HR6 Policies to exclude child labor

Principle 3 of the social policy obliges the group to ensure that minors are protected and, as a basic principle, not to employ children or support the use of child labor.

Forced and compulsory labor

HR7 Policies to prevent forced and compulsory labor

Principle 4 of the social policy requires that all employees enter into employment with ABB of their own free will.

Disciplinary practices

HR9 Policies to facilitate disciplinary appeal practices

Principle 8 of the social policy commits ABB to develop and maintain equitable procedures to deal with employee grievances and disciplinary practices.

Job satisfaction levels

Job satisfaction surveys were conducted in 2005 among ABB employees in 23 countries.

In ten countries or regions (Australia, Brazil, Czech Republic, Finland, Hungary, Latvia, Lithuania, Norway, Switzerland and the Gulf region), job satisfaction increased over the previous year. In one country (Egypt), job satisfaction decreased.

In Australia, the level of satisfaction was up by 13 percent, whereas the decrease in Egypt was more related to the work environment.

Many countries also described the practical outcomes of the surveys. These included action plans and regular feedback to management.

ABB's ranking as an employer

National surveys identifying employers of choice are not held every year. In 2005, ABB was ranked as an employer of choice in surveys in nine countries. In Poland, ABB was ranked as number eight by more than 10,000 engineers and students. For the second successive year, ABB was the employer of choice among engineers in Switzerland. In Norway, ABB was ranked sixth out of almost 100 companies by engineers and scientists, and 11th by information technology specialists.

HR10 Non-retaliation policy and employee grievance system

In addition to Principle 8 of the social policy, which requires ABB to develop and maintain equitable procedures to deal with employee grievances, Principle 6 commits ABB to ensure that representatives of personnel are not subject to discrimination and have access to their members.

Security practices

HR11 Human rights training for security personnel

In 2005, 20 countries confirmed that training was given.

In Norway, human rights training of security staff forms part of their initial employment training. In addition, regular updating is conducted every year. In Saudi Arabia, security is subcontracted to an external supplier, but ABB manages the coordination and requirements for education and training.

ABB has expanded Principle 2 of its social policy to include the responsibilities, conduct, training and supervision of security personnel in the practice of human rights.

Indigenous rights

HR12 Policies to address the needs of indigenous people

The needs of indigenous people are generally covered by Principle 7 of ABB's social policy, which obliges ABB to offer equality of opportunity to all employees and not to engage in or support discrimination in any form.

In the few countries where this is relevant to ABB's activities, such as South Africa and Saudi Arabia, we have additional policies in place. In South Africa and India, ABB has a policy to ensure that the ethnic mix within the country is reflected in ABB's recruitment of employees.

Community

SO1 Policies to manage impacts on communities

Principle 12 of ABB's social policy commits ABB to promote and participate in community engagement activities that actively foster environmental, social, economic and educational development of the communities where it operates.

In 2005, ABB companies in 39 countries supported community development projects, donating approximately \$1.5 million in funding, and employees volunteered more than 1,000 man-days of work.

Examples include donations of \$120,000 and 55 man-days of volunteer work for the McMillan Cancer Charity in the U.K., \$50,000 and 400 man-days support for the Special Olympics in Germany, \$60,000 for Tsunami-affected villages in India, \$120,000 in Finland and \$80,000 in Spain for social, cultural and sporting activities.

In the U.S., ABB donated over \$500,000 to relief agencies responding to the Asian Tsunami and the Katrina hurricane disasters. In Sweden, ABB contributed over \$250,000 to the Nobel and National museums. In China, ABB contributed \$40,000 to the support of the China Europe International Business School.

ABB continued to invest heavily in Brazil – over \$400,000 in 2005 – in ongoing social and educational projects in the vicinity of its plants.

Overall, many initiatives for community development arise from ABB's worldwide program of stakeholder dialogue where preference is given to those initiatives which help the communities where ABB has its operations, while directly or indirectly supporting ABB's business aims.

SO4 Awards received

In 2005, ABB in India was awarded the prestigious Helen Keller Award for its efforts in facilitating employment for people with disabilities. (See page 6 for more details).

In Colombia, ABB won an award for environmental excellence for its environmental performance and contribution to society.

In China, the national Red Cross society gave a "Special Contribution" award to ABB for its efforts to help victims of the Tsunami disaster.

In Saudi Arabia, ABB received an award from the General Organization for Technical and Vocational Training for its commitment to "Saudization" – training, developing and employing Saudi nationals.

In Brazil, for the third successive year ABB won an award for its health and quality of life projects from the Brazilian Quality of Life association.

Bribery and corruption

SO2 Policies and compliance mechanisms addressing bribery and corruption

Principle 13 of ABB's social policy commits the group to uphold the highest standards in business ethics.

ABB also subscribes to the basic principles in the International Chamber of Commerce rules of conduct, 1999 revised edition, the OECD Convention from 1997, the U.S. Foreign Corrupt Practices Act, 1977, and the United Nations Convention against Corruption from 2003.

ABB has implemented a rigorous compliance program worldwide to promote its business ethics policy, which belongs to the company's core set of values and guiding principles. It is incorporated in ABB's business ethics standards, published on our group Web site, which set a "zero tolerance" ruling for non-compliance.

Political contributions

SO3 & 5 Policies and compliance mechanisms for managing political contributions

In accordance with ABB's business ethics standards, contributions to political parties or committees, or to individual politicians, are not to be made. Any exceptions, for countries whose cultures call for such practices, have to be cleared in advance with the ABB Group Legal Affairs and Compliance department.

Competition and pricing

SO7 Policies and compliance mechanisms to prevent anti-competitive behavior

In accordance with ABB's business ethics standards, ABB is committed to fair and open competition in markets around the world and would take immediate steps under its "zero tolerance" ruling to address any incidents of non-compliance among its employees or other actions which restrict or distort competition in violation of applicable anti-trust laws. (See pages 27-28 for information on ABB's business ethics policy and standards.)

Customer health and safety

PR1 Policy for preserving customer health and safety during use of products

ABB products generally help improve users' health and safety. They do this, for example, by improving industrial environments (automation control products), reducing exposure to aggressive and hazardous operations (robotics), and reducing potential explosions, fire risks and oil pollution (oil-free capacitors and cables).

The high level of performance of ABB products, ensured through solid investment in research and development, enhances health and safety by reducing the risk of power or equipment failures in factories, public institutions and transportation. The high efficiency of ABB motors reduces energy consumption and thereby the indirect emissions of greenhouse gases, which cause global warming.

Products with a potentially negative impact are those which could contribute to global warming (leak of SF₆ gas), require deforestation and present a visual impact (transmission lines), cause losses of energy (most electrical products), or cause electrocution if misused.

One of the main tasks of ABB's divisional technical managers is to focus on the environmental and social performance of products and projects, including their health and safety impacts. This includes the phasing out of substances and materials which could be detrimental to the environment or present a health hazard. For example, whenever technically viable, ABB is phasing out the use of lead, cadmium, brominated substances and chromium VI+. For additional information, see the environmental performance section (page 34).

Products and services

PR2 Policy related to product information and labeling

ABB's objective is to produce environmental product declarations (EPDs) for core products. These declarations take a life cycle approach and are based on assessments carried out in accordance with ISO/TR 14025. They describe and quantify the environmental impact and performance of ABB products over all phases of their life cycles, covering material extraction, component manufacture, transportation and use over their full operating lifetime. They also contain recovery, recycling and disposal instructions when the product has completed its useful life.

To date, ABB has prepared about 55 EPDs covering a broad range of products. ABB is pursuing ways to use environmental data from EPDs as a marketing tool to assist customers in their selection of environmentally sound products.

Since an EPD contains information on recycling, it also supports the implementation of the European Union's directive on the handling of Waste Electrical and Electronic equipment (WEEE).

PR8 Policy and compliance mechanisms related to customer satisfaction

Most ABB companies carry out customer surveys every one to three years, depending on the nature of their businesses. They are often undertaken by external agencies.

Several companies routinely use questionnaire surveys with the delivery of a product or execution of a project.

ABB also compiles, validates, tracks and analyzes all customer complaints in a single, global system that helps resolve problems quickly and efficiently. This system – the Customer Complaints Resolution Process (CCRP) – gives a basic indicator of customer satisfaction. It also provides valuable pointers for improvement. The CCRP system is applied in 40 out of 48 countries and regions.

In addition to determining the satisfaction of customers, ABB also carries out satisfaction surveys with stakeholder groups other than customers, such as suppliers, authorities and trade unions. Such surveys were conducted in the Czech Republic and South Africa (with authorities), Denmark, Finland, Italy, Portugal, Russia, Singapore and South Korea (with suppliers) and France, Philippines and Sweden (with trade unions).

Advertising

PR9 Policies and compliance mechanisms for adherence to advertising standards and codes

Since ABB works in the field of advanced technologies and does not provide consumer products or services, this has not been an issue up to now. The responsibility for ensuring compliance with advertising standards and voluntary codes on a worldwide scale is assigned to ABB's corporate specialist advertising agencies that perform these checks.

Respect for privacy

PR3 Policy and compliance mechanisms for consumer privacy

Although ABB is not a supplier of consumer goods, we collected data in 2005 from most countries, which confirmed that customer privacy is regulated by law and/or by contractual agreements with customers.

ABB in the sustainability performance ratings

ABB believes in the business case for sustainability and is convinced that high rankings in reputable sustainability performance indices translate into tangible benefits for its customers and investors, and distinguish ABB from many of its competitors.

Dow Jones Sustainability Indices (DJSI)

Launched in 1999, the DJSI was the world's first index comprising companies with superior sustainability performance, including economic, environmental and social aspects.

In 2005, ABB was allocated to a different industry group – the ITC Electronic Equipment group – where it achieved rankings in both the Dow Jones Sustainability World Index (DJSI World) and the Dow Jones STOXX Sustainability Index (DJSI STOXX).

In the economic dimension, ABB achieved the best score in its industry group for its investor relations performance and for its codes of conduct, compliance and procedures to combat bribery and corruption, but was rated below average for corporate governance.

In the environmental dimension, ABB achieved the best score for environmental reporting and a near top score for its environmental performance and eco-efficiency achievements, but was rated below average for its involvement in large projects.

In the social dimension, ABB achieved the best score for social reporting, but was rated below average for human capital development.

FTSE4Good

The FTSE4Good indices were launched in July 2001 to highlight the best performers in corporate social responsibility.

In 2005, ABB again featured in both the FTSE4Good Europe Index and in the FTSE4Good Global Index.

Business in the Environment (BiE)

Business in the Environment (BiE) is the business-led campaign for corporate environmental responsibility, which launched the annual index of Corporate Environmental Engagement in 1996 to assess companies' environmental performance.

In the latest ranking, published in 2005, covering 168 companies, ABB held its position at the top of its sector Engineering and Machinery and top of the General Industrial group with a score of more than 95 percent. ABB thereby retained its place in the Premier League of the index.

Sarasin Bank

Bank Sarasin, based in Basel, Switzerland, assesses selected companies' environmental and social performance as a basis for its socially responsible investment funds and services.

In the assessment for 2005, ABB scored above the industry average for its sustainability performance.

On the environmental side it was above the industry average in every aspect. On the social side it scored well in some categories, especially its strategy and management, and supplier and investor relations, but was criticized for business activities in countries with poor human rights records and for its involvement in cases of corruption and breaches of competition rules.

SiRi Company

SiRi Company is a socially responsible investment research organization based in Europe, North America and Australia.

In SiRi's corporate sustainability rating assessment published in May 2005, ABB scored 65.5 out of 100. The industry average was 53.5.

Swedish Environment Fund

In its list of rated companies for 2005, ABB is ranked among the most sustainable corporations quoted on the Swedish Stock Exchange. The list is a venture between Banco Funds, which administers the Swedish Environment Fund, and The Natural Step Foundation.

Innovest

Innovest Strategic Value Advisors is headquartered in New York. In its latest review of ABB's environmental performance, published in 2005, it states:

"Innovest maintains a high rating and sector ranking for ABB. With the concerns over asbestos liabilities and other financial issues now close to resolution, the company's continued strategic and comprehensive approach to sustainability factors, even under difficult financial conditions, marks it as a leader. This approach will continue to provide it with a competitive edge."

At the World Economic Forum's meeting in Davos, Switzerland in January 2006, Innovest and Corporate Knights Magazine jointly released a listing of the 2006 Global 100 Most Sustainable Corporations in the World. ABB was included in this listing. In a separate benchmarking study, the listing was shown to out-perform the MSCI World Index by over 7 percent.

Robur

Robur is one of Scandinavia's largest mutual fund managers and a wholly-owned subsidiary of Swedbank, Sweden, and serves close to 3 million customers.

ABB is approved by Robur's ethical board for investments in all environmental and ethical funds.

Principal memberships

3.13 Principal memberships

Listed below are some of ABB's principal associations and initiatives at corporate level involving sustainability.

Amnesty International (AI), U.K.

ABB is a member of Amnesty International's Business Group which gives advice to member companies on business-related human rights matters and organizes round-tables for its members to share experience and best practice.

Web site: www.amnesty.org

Business Leaders Initiative on Human Rights (BLIHR), U.K.

ABB was one of the founding members of this initiative, launched in 2003 to help lead and develop the corporate response to human rights, and now comprising ten international companies. BLIHR believes in an evidence-based approach to apply and test human rights across a number of business sectors and geographic locations. During 2005, BLIHR published a new guide for business – "A Guide for Integrating Human Rights into Business Management." ABB contributed to the development of the guide, which is a hands-on toolkit to help a company integrate human rights practices into its existing management system.

Web site: www.blihr.org

Centre for Environmental Assessment of Product and Material (CPM), Chalmers University of Technology, Gothenburg, Sweden

CPM is a national competence center dedicated to sustainable product development. It is jointly funded by industry, VINNOVA (the Swedish Agency for Innovation Systems), and Chalmers. ABB is a board member.

Web site: www.cpm.chalmers.se

CSR Europe, Belgium

Corporate Social Responsibility Europe is a leading European business network for corporate social responsibility with over 70 multinational corporations as members. Since its inception in 1995, its mission has been to help companies integrate corporate social responsibility into the way they do business. ABB is a member of the Board of Directors.

Web site: www.csreurope.org

Global Village Energy Partnership (GVEP), U.S.

The partnership was launched at the United Nations World Summit on Sustainable Development in Johannesburg in 2002. The World Bank and the United Nations Development Programme are important drivers of the initiative. The partnership aims to build coalitions to help bring energy to up to two billion people who currently lack access to electricity. GVEP addresses both urban and rural communities and focuses on action plans, knowledge exchange, capacity development, financing facilitation and results monitoring. ABB is a registered partner in GVEP.

Web site: www.gvep.org

Global Reporting Initiative (GRI), Netherlands

ABB is an organizational stakeholder for the GRI – a multi-stakeholder process which started in 1997 and became an independent institution in 2002. The initiative has the active support and engagement of representatives from business, non-profit advocacy groups, accounting bodies, investor organizations, trade unions and others. These constituencies have worked together to build a consensus on a set of sustainability reporting guidelines with the aim of achieving worldwide acceptance. ABB participated in an expert group to develop a new protocol for the next edition of the GRI guidelines, scheduled for 2006.

Web site: www.globalreporting.org

International Committee of the Red Cross (ICRC), Switzerland

ABB was one of seven companies which joined the ICRC Corporate Support Group in October 2005. The group consists of companies committed to supporting financially the ICRC's humanitarian mission over a six-year period. The agreement also provides for exchanges between the ICRC and its partners in areas of mutual interest such as risk management, human resources development and training, logistics, information technology and communication.

Web site: www.icrc.org

International Institute for Management Development (IMD), Switzerland

IMD, based in Lausanne, Switzerland, is one of the world's leading business schools with over 50 years of experience in developing the leadership capabilities of international business executives. ABB is a corporate sponsor and active participant in IMD's Forum for Corporate Sustainability Management.

Web site: www.imd.ch

International Organization for Standardization (ISO), Switzerland

ISO is responsible for standardization in all fields except electrical and electronic engineering. ABB's corporate staff for sustainability affairs is an active member of Technical Committee 207.

Web site: www.iso.ch

oikos International, Switzerland

oikos is an international student organization for sustainable economics and management, founded in 1987 at the University of St. Gallen, Switzerland, and now present in some 20 universities in 16 countries. In 2005, ABB was a corporate sponsor of oikos.

Web site: www.oikosinternational.org

Pew Center on Global Climate Change, U.S.

ABB is one of nearly 40 companies on the Business Environmental Leadership Council. The Pew Charitable Trust established the organization in 1998 to bring together "ingenuity and experience of all sectors of our society – private, public, and non-governmental organizations" to work together to protect the climate while sustaining economic growth.

Web site: www.pewclimate.org

Transparency International, Germany

This global non-governmental organization, founded in 1993, is dedicated to fighting corruption. ABB is a group contributor and donor and was one of ten international companies to sign a set of “Business Principles for Countering Bribery in the Engineering and Construction Industry” at the World Economic Forum’s annual meeting in 2004 in Davos, Switzerland. The principles were developed by a multinational task force of engineering and construction companies, including ABB, working with the World Economic Forum, the Basel Institute on Governance, and Transparency International.

Web site: www.transparency.org

United Nations Global Compact, U.S.

ABB was one of the 50 companies that supported the inaugural launch of the Global Compact in New York in July 2000. The Compact is a platform for encouraging and promoting good corporate practices and learning experiences in the areas of human rights, labor, the environment and anti-corruption. Hundreds of companies worldwide now support the Global Compact.

Web site: www.unglobalcompact.org

World Business Council for Sustainable Development (WBCSD), Switzerland

Established in January 1995, the WBCSD is a coalition of 175 international companies drawn from more than 35 countries and 18 major industrial sectors, and united by a shared commitment to sustainable development via the three pillars of economic growth, ecological balance and social progress. ABB is a member of the Council and two executives are members of key committees.

Web site: www.wbcسد.ch

World Childhood Foundation, Sweden

The World Childhood Foundation was founded in 1999 by Queen Silvia of Sweden. ABB was one of the co-founders of the organization. Its mission is to defend the rights of the child and to promote better living conditions for vulnerable and exploited children all over the world. Over the last five years the organization has grown to support 75 programs in 15 countries.

Web site: www.childhood.org

WWF, Switzerland

One of the world’s largest and most effective organizations devoted to the conservation of the environment, operating in around 100 countries and supported by nearly five million people. ABB is currently working on two projects with WWF: on energy efficiency, and Access to Electricity in Tanzania.

Web site: www.wwf.org

Position statements

ABB's position on climate change and global warming

The United Nations Intergovernmental Panel on Climate Change believes man-made emissions of greenhouse gases – mainly carbon dioxide (CO₂) – are influencing global climate. Through the Kyoto Protocol, most industrialized countries have agreed to cut their greenhouse gas emissions.

ABB shares the U.N.'s concern about global warming and is committed to the pursuit of emission reductions. We regard the Kyoto Protocol, and other national and international efforts, as important initial steps in lowering greenhouse gas emissions and stabilizing global temperatures.

While recognizing that reshaping the world's energy supply sources will take time, ABB believes that other actions to cut greenhouse gas emissions can already be taken now: for example, stimulating energy savings and energy efficiency will have an immediate beneficial impact on emissions.

ABB initiated a global project with the World Energy Council (WEC) to reduce greenhouse gas emissions by one billion tons annually by 2005. Progress was publicly reported in a database on the WEC Web site. By the time the project closed, the target had been exceeded and the database contained more than 1,300 projects in 124 countries.

In 1999, we set a target to reduce ABB's own greenhouse gas emissions by 1 percent per year over the next five years. We accomplished this through a large number of improvement projects throughout ABB. The Executive Committee also sanctioned the investigation of current and upcoming international instruments that would help ABB to compensate for its CO₂ emissions.

ABB's greatest contribution to the reduction of greenhouse gas emissions is through its products. For example, our advanced industrial information technology for the control and optimization of integrated systems, electrical power grids, buildings and industrial processes saves energy and reduces emissions. The interconnection of power systems with high voltage direct current (HVDC and HVDC Light) brings large savings through a more even distribution of loads and a more efficient use of primary energy resources, thereby reducing CO₂ emissions. ABB's high efficiency motors and variable speed drives for motors contribute to large emission reductions. ABB drives installed worldwide save some 96 million megawatt hours of energy per year, corresponding to an ongoing reduction of CO₂ emissions of 80 million tons each and every year.

ABB's products are designed to give optimal performance over their complete life cycles. Using life cycle assessments, ABB delivers products and systems that require less material, have higher efficiencies and consume less energy, which means lower greenhouse gas emissions – particularly over long operating lifetimes.

ABB's position on sulfur hexafluoride (SF₆)

Sulfur hexafluoride (SF₆) is a man-made gas. It is used in electrical equipment and also in such applications as semiconductor manufacture and cover gas in magnesium foundries in some countries. It is one of the most potent greenhouse gases listed in the Kyoto Protocol.

Compared with emissions of carbon dioxide (the main greenhouse gas), the amount of SF₆ that escapes to the atmosphere is minute. Even though SF₆ has a global warming potential some 22,200 times greater than carbon dioxide, SF₆ probably accounts for about 0.1 percent of man's contribution to the greenhouse effect.

Like many other manufacturers, ABB uses SF₆ to make safe, reliable and compact high-voltage electrical equipment. The gas has excellent insulating and arc-quenching properties, which permit much more compact equipment designs than would otherwise be possible. Land use, energy consumption, losses and waste are all considerably reduced, while the potential for recycling is increased.

Life cycle assessments indicate that with proper precautions, these advantages outweigh the environmental impact of leakages of SF₆ to the atmosphere.

In normal use, ABB products emit hardly any SF₆. The gas is contained either in closed systems that require gas handling only once in a lifetime of 40 years, or in systems sealed for life that require no gas handling. Our current closed systems guarantee a maximum leakage rate of 0.5 percent per year, which is in accordance with the latest standards. Our sealed system products guarantee leakage rates below 0.1 percent per year. Field experience shows that actual emissions are considerably less.

SF₆ requires controlled handling. Accidental releases of SF₆ due to mishaps during manufacturing, installation, maintenance and decommissioning are a greater concern than leaks. To minimize them, ABB uses strict tracing and inventory systems and efficient handling procedures in line with the recommendations of environmental agencies.

To this end, ABB plays a leading role in the international organizations responsible for developing guidelines for reuse, recycling and handling of SF₆, including IEC, CIGRE, CAPIEL and NEMA.

ABB also takes back old products for dismantling and recycling under controlled conditions.

Although the international scientific community began searches decades ago, no equivalent substitute gas for SF₆ has been found which is more favorable to the environment.

ABB has ongoing research programs into alternatives to SF₆, and we make SF₆-free products available whenever feasible.



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Independent verification statement 2005

Scope and method of work

Det Norske Veritas AS has been engaged to verify the Sustainability review of the ABB Group Annual Report 2005, covering the environmental and social performance data presented on pages 32 - 42 (the "Review").

The scope and process for this work is that agreed upon with ABB Group Sustainability affairs. The verification was conducted in February 2006.

As part of the verification process we have:

- Interviewed personnel at ABB Group Sustainability Affairs having the responsibility to collect, aggregate and present the data in this Review
- Interviewed a few selected key personnel with defined responsibility for sustainability at corporate and site level
- Conducted telephone interviews with six local sustainability officers and three country sustainability controllers to assess the data and the reporting system
- Visited two ABB sites to closely investigate the data gathered and reported from the sites
- Reviewed documents and information in the database made available to us in connection with the above interviews

The verification process has not included any stakeholder dialogues.

Conclusions

The Review covers all the Global Reporting Initiative (GRI) social and environmental core indicators, except one environmental (EN7) and one social indicator (LA2). Furthermore, many of the additional voluntary indicators are included. The Review covers data for the last three years (for some indicators fewer years) in a consistent and transparent manner, and explanatory notes are used where necessary.

In our opinion, ABB has a well-established web-based internal reporting system, which has been continually improved during the last years.

For the environmental performance, the reporting boundaries encompass all manufacturing facilities and cover 78 percent of the ABB employees. For the social performance, the reporting boundaries cover 93 percent of the ABB employees. However, there are projects in countries with potential social risks, and which are not a part of the internal reporting system. Therefore, in our opinion, ABB should strive to further extend the boundaries of the Review to enhance transparency and inclusiveness.

In order to enhance comparability of the Review, it could include more measurable goals on the social issues. This could also be a driver for ABB's strategy for sustainable development.

Supply chain management has been identified by ABB as a challenge. The work on implementing sustainability policies in ABB's supply chain has been started, but needs a continual focus and additional actions.

During our investigations, nothing has come to our attention that causes us to believe that the reviewed sections do not give a balanced view of ABB's sustainability performance in 2005. On a test basis, we have checked and assessed the reported data, and we have not found any systematic or major errors.

Høvik, 27 February 2006

Iain M. Light
Chief Operating Officer
Det Norske Veritas AS

Jon Jerre
Project Manager

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Thanks to our employees...

ABB volunteers

ABB employees around the world support a wide variety of projects, volunteering their time and making donations to help in social and educational projects. Here are just some of the many examples:

North America

- The St. Laurent, Quebec, office participates in “National Denim Day” in support of breast cancer. Employees donate a minimum of five Canadian dollars to wear their jeans to work.
- At Christmas time, the St. Laurent office collects food, clothes, toys, school supplies and appliances for the “Share the Warmth” foundation for those in need.
- For the past four years, the Burlington, Ontario office has sponsored underprivileged families at Christmas time.
- ABB Low-Voltage drives in New Berlin, Wisconsin sends out surveys to measure customer satisfaction. If they respond, customers are offered the opportunity to designate \$25 towards a charity of their choice. More than \$22,000 has been donated to various charities.
- The New Berlin office sponsored a blood donation drive on behalf of a colleague’s nephew who required a heart transplant at birth.
- Championed by former U.S. President Jimmy Carter, the “Habitat for Humanity” program is dedicated to ending housing poverty. ABB employees at Wickliffe, Ohio donate their time and skills in carpentry, painting and other tasks to erect new homes for those in need.
- The “Race for the Cure” run/walk-a-thon event held in Cleveland once a year brings out company teams and individuals to support the battle against breast cancer. Funds raised are used for medical testing and treatment.
- Volunteers from the ABB Wickliffe facility joined some 650 participants from neighboring companies and organizations for “The United Way Day of Caring” program to make repairs and improvements to low-income housing, public buildings and charities.
- In Raleigh, North Carolina, ABB employees participated in the 2005 UNC-TV Telethon, and took part in a number of sponsored walks and races.

Central and South America

- ABB in Mexico supports elderly people in Mexico City by participating in a Senior Citizens Day, donating home appliances, medical equipment and other supplies.
- More than 1,000 volunteers in Brazil donate part of their salary and many of them also volunteer free time to help regularly in a wide range of social projects.
- In Argentina, ABB participates in a paper recycling program that directly supports the Foundation Hospital of Pediatría Prof. Juan P. Garrahan, a public hospital in Buenos Aires that helps children with severe illnesses from all over Argentina.

Asia

- In India, ABB managers and employees give their time and funds to support needy children at government schools. Contributions include helping to rebuild classrooms, providing computers and supporting a much-needed “midday meal” scheme.
- In the western Indian city of Nasik, ABB maintains an inventory of blood groups of all employees, and anybody from the local community in need of blood donation can contact the company for volunteers.
- ABB Xiamen Low-Voltage Equipment Co in China management and staff visit the local welfare center and make contributions to help widows and orphans, and often organize donation drives to support them.
- In the Philippines, employees contribute manual labor to build houses for the less fortunate of their community.
- Employees in the Philippines celebrate an ABB Kids Christmas Party. Children of employees are given a tour of ABB facilities to learn about their parents’ work and then enjoy a simple Christmas celebration.
- ABB in Japan hosts a tour for elementary schoolchildren every year at the atomizer research and development facility at Shimada Technical Center.

Europe

- ABB headquarters in Zurich, Switzerland, as well as ABB in Austria, Germany and Switzerland, hold a “Take your daughter to work” day to show girls how their parents work.

Left: As part of their efforts to support the community, ABB volunteers in the Philippines help to build houses for less fortunate people in a village close to ABB offices.

Right: On the run for charity: employees in the Benelux countries are seen here taking part in the RoPaRun, a non-stop 530-kilometer run from Paris to Rotterdam to raise money to support cancer patients.



- In Switzerland, ABB contributes financially to the Chinese class of a local school. Last year the pupils traveled to China and visited ABB facilities.
- “Seitenwechsel” (Changing sides) is a program under which managers in Switzerland experience the circumstances of people less privileged than themselves. The managers exchange jobs and volunteer in social institutions for 2-3 week periods. Since 2000, over 60 employees have taken part.
- In the United Kingdom, employees take part every year in the world’s largest coffee morning to support Macmillan Cancer Relief foundation, one of the U.K.’s leading cancer research charities. Managers serve coffees to the employees and raffles are held.
- Over the past seven years, more than 1,000 employees from all ABB sites in Germany have volunteered to help at the Special Olympics national games for mentally handicapped athletes.
- Six ABB sites in Germany took part in a project in 2005 to invite schoolchildren for a week to inform them about ABB and its products. In a workshop, the young people are encouraged to look ahead and invent products and services for 2020.
- For the past four years, employees in the Benelux countries have taken part in the RoPaRun, a non-stop 530-kilometer run from Paris to Rotterdam to collect money for projects to improve the quality of life of cancer patients.
- In the Czech Republic, staff regularly volunteer to help with the Special Olympics for handicapped people and also participate in campaigns to donate blood.
- ABB in Norway has donated money to buy television and video equipment to the children’s cancer and heart patients ward at Haukeland University Hospital in Bergen.
- In Norway, college students have a day each year, called “Operation – A Day’s Work” when they offer their services to local businesses, and their wages for that day are donated to charity. Many students have had their first contact with ABB in Norway through this project.
- ABB in Russia collected donations for the construction of a sports center for handicapped children, and supports a fund to provide illustrated books for blind children.
- In Lithuania, employees have a tradition of collecting supplies such as toys, blankets and even a washing machine for a local orphanage.
- ABB in Austria supports technical schools and colleges with equipment, as well as with financial contributions. It also supports a children’s cancer research foundation.

Africa

- In South Africa, ABB and its employees financially support and volunteer time for a wide variety of social projects, including one – “Conquest for Life” – which encourages young people in a township near Johannesburg to take part in income-generating projects and prevents them from falling into crime.
- Among other projects, ABB in South Africa supports Casual Day which raises funds for disabled children. Last year employees also made donations as part of World AIDS Day to Cotlands baby sanctuary, which caters for needy infants.
- As part of its rural electrification program in Tanzania, employees have trained villagers to maintain a generator which is their source of electricity supply.
- ABB Kabelon in Alingsas, Sweden has helped its twin town in Kartong, Gambia, which has no electricity, to install solar energy panels in a school to supply power for lights and computers.

Middle East

- ABB and its employees in Saudi Arabia provide technical training to students from different universities, colleges and high schools, and regularly make contributions to help victims of natural disasters.
- ABB Industries in Dubai supported a clean-up campaign in the United Arab Emirates. Company premises were used for the distribution of T-shirts, caps and garbage bags to schools supporting the project.
- Senior managers in Dubai are involved in a mentoring scheme to support younger local executives who are emerging as industry leaders. The company has also taken internal and external initiatives to help women to develop their careers.



Left: ABB staff and children in Dubai line up to support a clean-up campaign in the United Arab Emirates. Company premises were used to distribute T-shirts, caps and garbage bags to schools supporting the project.

Right: Demonstrating their skills outside work time – ABB volunteers at Wickliffe, Ohio work as carpenters and painters, and take on other tasks under the “Habitat for Humanity” program, which is dedicated to ending housing poverty.

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Contact us

Sustainability thrives on the exchange of information and ideas between different stakeholder groups. ABB has activities in around 100 countries and we would very much like to hear your views on our sustainability objectives, activities and performance, as described in this review.

We value new ideas, and welcome the opportunity to hear and address your concerns.

You can contact us at www.abb.com/sustainability or at sustainability.abbzh@ch.abb.com

We look forward to hearing from you.



The ABB Annual Report 2005 consists of an Operational review, a Financial review and a Sustainability review.

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