

Raising the bar for our suppliers

The sustainability of ABB's supply base is integral to the long-term success of our company

ABB works closely with its suppliers to ensure that its sustainability expectations, ambitions and targets are understood and met. Our suppliers are an extension of our enterprise; as such, they are integral to our own sustainable performance. To clarify our expectations, we issued the **ABB Supplier Code of Conduct (SCoC)**. This policy document, which is published in multiple languages, is based on principles contained within the International Bill of Human Rights, the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, the ILO Core Conventions on Labor Standards, and all applicable laws and principles in the areas of human rights and decent work. The SCoC complements the binding **ABB Code of Conduct**. In 2024, we introduced a major update to the SCoC to align with the rapidly changing legal landscape and stakeholder expectations towards sustainability performance.

ABB has implemented the Sustainable Supply Base Management (SSBM) approach to fulfill its legal human rights and supply chain due diligence requirements and to verify supplier compliance with the Supplier Code of Conduct. Its main purpose is to improve the sustainability performance of our suppliers, especially those exposed to sustainability risks.

The SSBM program addresses sustainability topics and performance at each stage of supplier life cycle management, as part of our "beyond audit" approach. It covers issues in the same main categories as our Supplier Code of Conduct: human rights and decent work, health and safety, climate and environment, material compliance and responsible minerals, business ethics, business and information security, procurement by suppliers, documentation, inspections, reporting and corrective actions, and reporting concerns and access to remedy.



As part of the onboarding process, new suppliers are required to go through ABB's supplier registration and qualification process, during which we assess the business and sustainability performance of potential business partners. Sustainability performance is screened, and eligible suppliers are requested to perform a sustainability self-assessment. Depending on the result of the screening, potential self-assessment and other key parameters, further due diligence may be performed, such as an onsite sustainability audit. To become qualified to do business with ABB, new suppliers must commit to our SCoC. Therefore, the SCoC is part of the General Terms and Conditions.

Once a supplier has become part of ABB's supply chain, a risk-based approach is used to monitor their sustainability performance. With this approach, we engage with suppliers for training, onsite assessments and follow-up audits until closure of all deficiencies is achieved. We consider geographical and commodity risks, specifically, health, safety and environmental risks associated with the manufacture and supply of certain commodities, to prioritize among suppliers selected for on-site assessments.

The management and implementation of the SSBM program is handled by ABB's business areas, with on-site assessments and audits executed by a combination of internal and external resources. The program is furthermore governed by a steering committee composed of representatives from our business areas, human rights and corporate sustainability functions and a working group comprised of representatives from all our divisions.

We evaluate our progress using a range of internal and external metrics. We are aiming to cover at least 80 percent of our high-risk supply spending in selected focus countries with the SSBM program by 2025. By 2030, we are aiming to cover 80 percent of all ABB supply spend in focus countries with the SSBM program. To track the effectiveness of the SSBM program, we report on the reduction of risk using a KPI for "percentage of identified risks closed".

While the focus of our Sustainable Supply Base Management Programs is on working with suppliers to improve their performance, there are consequences for suppliers who are unwilling to align their sustainability performance standards with our requirements, where contract termination between ABB and the supplier serves as the ultimate consequence.