

HUMAN RIGHTS WATCH SPEECH. GARY STEEL, Head of Human Resources and Executive Committee member, ABB Group.

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May I start by saying I would prefer not to be speaking about business and human rights. It implies these are two separate issues, two separate activities. The time has come to stop thinking this way.

There are no soft issues in business any more; the bottom line is directly affected by a wide variety of non-financial criteria – including governance, ethics, social and environmental activities, and human rights.

We increasingly recognize this; socially responsible investment funds clearly see it; civil society has long seen it.

As far as human rights are concerned, I make no claim to knowing all the answers in a business context. Indeed, we don't yet know all the questions. At ABB, we are on a learning curve – to be fair, we sometimes get it right, sometimes we get it nearly right and sometimes we realize we still have much to learn. This is not surprising as human rights is such a complex issue – and a relatively new one for business.

At ABB, we have heard many lawyers speak for many hours about the issue of complicity in human rights abuses. This is not just an esoteric exercise; it underlines the importance of the issue, and its complexity.

At ABB, we deal with real life human rights dilemmas constantly. We are learning to see the risks and opportunities of human rights as part of everyday business practice.

We have some way to go – and quite a lot of internal re-education to get through – before we fully integrate non-financial criteria into our everyday thinking, behaviour and operations.

We need to get real about these issues – as a matter of urgency. Twenty years ago, business was starting to sniff the air on the issue of the environment; we were starting to look at our impacts and responsibilities. Now, that issue has come centre stage.

Looking at the work of a number of people and organizations (Professor John Ruggie, the UN Global Compact and the Business Leaders Initiative on Human Rights – and ABB is involved with all three), it's clear that business responsibilities and accountabilities on human rights is where the environmental debate was a few years back. It is not a passing fad; it's an issue whose time has come.

I also do not see this more “human-rights aware approach to business” as a reputation issue – a branding opportunity. To be effective and real, it needs to be authentic, part of what a company believes in, part of a company's culture. The principles I am talking about need to be embedded in a company's core values and beliefs, and in its management systems.

How do we work on human rights in the context of everyday business? Internally at ABB, we have taken a number of steps particularly in the past two years to embed human rights awareness and practice.

Among the steps we have taken are:

- We have included human rights questions in the risk review process that every major project has to go through
- Human rights considerations are one of the deciding factors in an internal protocol we have for deciding whether to pursue operations in a particular country
- In 2007 we adopted a Human Rights policy and public statement
- And, as a fourth measure, we are looking at ways of stepping up training internally. One example of this: we will have on-the-ground briefings this year for security companies we hire, and training for our senior security managers on the Voluntary Principles on Security and Human Rights.

As a company operating in around 100 countries, we face daily challenges and dilemmas.

As a former colleague used to say: If a company wants to conduct a human rights-aware approach to business in a truly consequent manner, it will end up doing business in Finland.

I believe we can do better than that.

We have certainly turned down potentially very lucrative work for human rights reasons. Let me give you three examples:

- We stayed away from providing electrical supplies to a dam in the Middle East because of the likely social, environmental and human rights fallout
- We declined to tender for a project in Asia because we believed labour rights would be infringed
- And we rejected involvement in a very lucrative project in another part of Asia on compliance and ethical grounds, as well as environmental and social concerns

These kinds of decisions are part of everyday business assessment for a company like ours.

There are also areas where we have contributed to raising standards. This brings me on to a key issue: If a company genuinely believes that human rights are important, then it is time for business to play a more proactive and courageous role.

We need to get over the fear factor that human rights arouses in business – primarily the fear that observance of human rights will be bad for business or will be detrimental to our bonuses.

Those fears run deep in many companies. But the fact of the matter is we have nothing to fear from human rights. We have to learn how we impact them – positively as well as negatively – and understand there are opportunities as well as risks.

Let me give you four practical examples of how a company can make a positive impact.

1. Article 25 of the Universal Declaration of Human Rights speaks of the right to health. At ABB the issue of the health and safety of employees and contractors is of paramount importance. We don't have a good record in this respect, and we're working hard to improve it.

In India, it's particularly hard to ensure the correct procedures are followed all the time by contractors working on power lines in rural areas. Contractors are engaged locally to work on

sections of the lines - some of which are parts of networks thousands of kilometres long. Their knowledge about health and safety can vary from location to location and this is a challenge for us.

However, ABB now insists that all contractors implement the same standards as ABB as a requirement for getting and keeping a contract. This behaviour is monitored. We might have expected our customers to be wary of these strict policies; instead, these customers have now adopted the same regulations as us; they are paying for their employees to receive instruction at an ABB training centre; and they are demanding that their other suppliers adhere to the same strict health and safety policies.

This is one way we can positively influence a local situation to the benefit of employer and employee alike.

2. As a second example, as a company working in around 100 countries, ABB sometimes works in countries or regions of weak governance, where the governments are unwilling or incapable of adhering to human rights standards. This was certainly the case in Sudan, where ABB faced allegations of complicity in genocide – particularly from a divestment campaign in the United States.

We embarked on a wide-ranging stakeholder engagement process - in Sudan and elsewhere - to examine our policies and the allegations of complicity. As part of our stakeholder engagement on the ground in Sudan, we met government officials, NGOs, other companies and international organizations, and hired an independent human rights expert. It was a difficult but very worthwhile process, and we learned much along the way. And we have taken those lessons and applied them to other, similar situations.

The culmination of that stakeholder engagement process in Sudan - after which we decided we were not complicit in genocide – was a workshop in Khartoum in May 2005, co-sponsored by ABB and Shell, when we brought together different stakeholders and the UN Global Compact. The outcome was a decision in principle to set up a Global Compact network. In a few weeks time in Khartoum the formal launch of the network is scheduled to take place; it will – we believe - have the buy-in of Sudanese and international business, government ministries and NGOs.

While I recognize that Global Compact standards are voluntary, the fact that Sudanese businesses are buying in to the ten principles – and the two on human rights – marks a significant step forward in a country of weak governance.

This step forward has come about as a result of a few companies, including ABB, sticking their heads above the parapet and advancing the human rights cause. What we are seeing in Sudan are moves towards a common framework of shared responsibilities – where standards can be raised, and where different stakeholders know what is expected of them. In a difficult environment like Sudan this takes some courage.

3. A third area where companies can raise standards is through the supply chain. This can be a difficult area, and we have seen some very high profile company casualties in recent years. There is also the open question of how far up the supply chain can a company go to ensure no human rights abuses are taking place.

At ABB, we have been strengthening our monitoring of suppliers. Under our Supplier Qualification Process, we currently give priority to suppliers who have implemented international environmental, social and health and safety management systems.

We have ongoing sustainability training of suppliers, and more than 600 audits of their sustainability performance were carried out in 2007. We are now looking at ways of introducing more human rights criteria into these assessments.

Currently, all new strategic suppliers of materials, components and services are graded according to the severity of their potential environmental and social impacts, and are then subjected to appropriate sustainability audits before they can commence business with ABB. This process has resulted in the disqualification of some potential suppliers, in spite of the competitive prices they offer.

ABB does not normally perform its own audits of sub-suppliers further up the supply chain. We do, however, encourage direct suppliers to perform sustainability audits of their suppliers in order to ensure that their environmental and social performance is compatible with our sustainability policies.

4. Another way in which we are seeking to increase awareness of human rights issues and best practice is through support for a human rights institute here in Switzerland. Some may believe there is no need for such an institute in this highly developed country. I believe no one has all the answers to all human rights issues.

If it receives the go-ahead from parliament and the federal cabinet, this institute could be valuable to us – and I'm sure to others – especially if it offered the following services:

- It should be an objective and neutral source of information
- It should be a source where companies could tap in to human rights expertise
- And it should be a forum for serious and confidential debate either on general or specific issues. ABB would want to be able to share dilemmas, challenges and opportunities with people from different backgrounds – the government, private sector, human rights experts, NGOs and labour representatives – as a way of ensuring a consensus on responsibilities and accountabilities in a particular situation. Achieving that consensus is a key factor in a “license to operate.”

I hope this institute comes into being. It could be valuable in many respects.

These then are four examples - health and safety, supply chain, weak governance areas, and through a consultative body - where a company can influence standards positively. We are also very clear about the consequences of less good practice.

These include

- Harming people directly and indirectly
- Damage to a company's reputation
- Damage to your standing among socially responsible investment funds
- Potential for disinvestment
- Damage to your image among employees

It is therefore in our interests, as well as our stakeholders' interests, to get it right. We need our license to operate.

In the past, it has been assumed that observing minimum standards of national and international law were sufficient to earn a company a license to operate. It would of course be excellent if all companies, in all parts of the world observed those minimum standards, although that is still not always the case.

The time has come for companies that claim to have a human rights-aware approach to business – or are on that journey - to move beyond minimum standards.

In the Business Leaders Initiative on Human Rights, we are working not only to embed human rights in business management systems, but also to define ways in which business can move beyond minimum standards and set new – and voluntary standards.

I know there is considerable discussion about voluntary or mandatory standards for business. We saw this during the debate on the Draft UN Norms for trans-national companies.

From my perspective, once we go beyond essential legal requirements, we need to be seeking a framework in which standards of behaviour and the expectations of all actors, including business, governments, investors and NGOs, are clearly understood and acted upon. These standards and expectations will then form a benchmark for business behaviour.

Looking ahead, at some stage in the future, formal Human Rights Impact and Compliance Assessments of countries and projects will be taken for granted.

At the moment, we have environmental and social impact assessments which are normally performed by the customer for major projects. Often they are very complete. But they are not always satisfactory; they are not always made public.

The next step will be Human Rights Impact Assessments which will be performed as part of standard business practice where there is a perceived need. ABB is not ready for this – yet. We need to arrive at a point where we have full buy-in internally to make such exercises meaningful and consistent.

In conclusion, I would say it's time for companies to be more courageous in the human rights debate. It's time for us to recognize we can be players and not victims. I'd like to repeat we don't have all the answers at ABB. We have not reached where we need to be on a consistent basis. But we are trying hard. And we are heading in the right direction.

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