



Invitation to the Annual General Meeting
of ABB Ltd, Zurich
Thursday, April 30, 2015, at 10:00 a.m.

Power and productivity
for a better world™



Invitation

We are pleased to invite you to the **Annual General Meeting of ABB Ltd** which will be held on **Thursday, April 30, 2015, at 10:00 a.m.** (doors open at 8:30 a.m.) at the Messe Zurich hall, Wallisellenstrasse 49, in Zurich-Oerlikon, Switzerland.

There will be coffee and breakfast offered before the meeting.

Chairman's letter

Next Level strategy: Shaping a global leader in power and automation

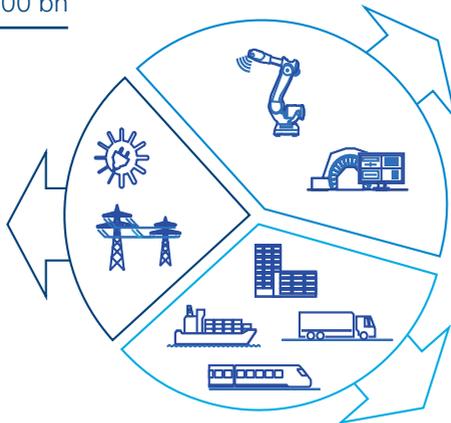
Dear Shareholders

In 2014, ABB laid the foundations to take the Company to the next level, with a new strategy aimed at accelerating sustainable value creation to deliver attractive shareholder returns. The Next Level strategy is designed to build on ABB's strong position in attractive markets.

As a global leader in power and automation, ABB serves utilities, industry, and transport and infrastructure customers in a market worth more than \$600 billion per year. From 2015 to 2020, that market is expected to grow by roughly \$150 billion, implying growth rates above global GDP.

Utilities ~\$200 bn

- Renewables
- Grid automation
- Smart upgrades
- Emerging markets
- New consumption points



Industry ~\$250 bn

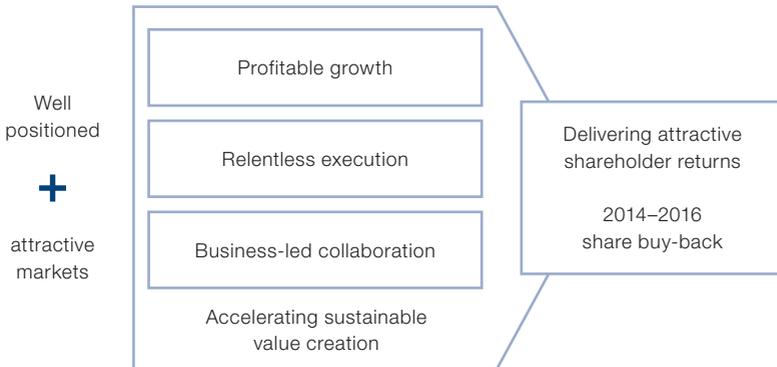
- Productivity
- Energy efficiency
- Automation penetration
- Power quality and reliability
- Emerging markets
- US re-industrialization

Transport & Infrastructure ~\$150 bn

- Urbanization
- Energy efficiency
- Electric transport
- Power quality and reliability

To provide us with a systematic and robust approach for value creation, enhanced earnings per share (EPS) and cash return on invested capital (CROI), ABB defined three focus areas: profitable growth, relentless execution and business-led collaboration.

ABB's Next Level targets are to grow operational EPS at a 10–15 percent compound annual growth rate and deliver CROI in the mid-teens over the period 2015–2020.



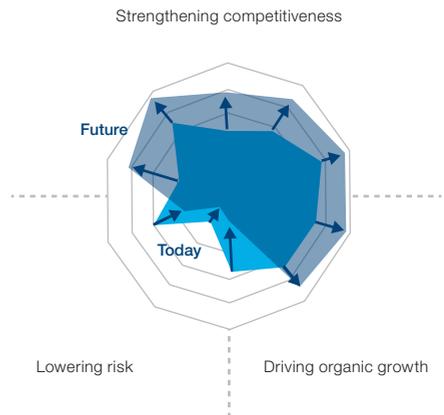
1. Profitable growth

To achieve the next level, ABB is targeting profitable growth by shifting its center of gravity – through strengthening competitiveness, driving organic growth and lowering risk – and through incremental acquisitions and partnerships.

Strengthening competitiveness

We are further enhancing our strong competitive position by expanding our customer value proposition with new engineering and consulting services and advanced software-based services.

As a technology pioneer and leading provider of software for industrial products and processes – the majority of our offerings are software related and we employ 2,600 software developers – ABB is well positioned to make software an even more important differentiator. In embedded software such as drives, for instance, we are enhancing the intelligence of products and increasing their value to improve ease of installation and integration, and enable condition monitoring. In automation system software, we continue to expand functionality, for example, with mobile interfaces and security, while maintaining our architecture leadership. And in application software, we are helping our customers in the planning and design and in the optimization of their operations through focused expansion of value-adding applications.



Our offerings are also addressing the big shift in the electrical value chain – for instance, with more efficient, long-distance power transmission and micro-grids – and we are innovating to help our customers derive the benefits of the “internet of people, things and services”.

Driving organic growth momentum

ABB’s strong global presence means we are well positioned to access high-growth segments. Examples in the utility sector include asset upgrades and retrofits, digital substations and solar and micro-grids; in industry, growth opportunities exist, for instance, in the further development of oil and gas, mining, new robotics applications such as electronics, and food and beverage packaging. In transport and infrastructure, promising areas are data-center electrification, rail retrofits and electric-vehicle charging.

ABB’s global growth opportunities across our businesses have been identified using the “heat map” approach, which gives us visibility on our position in all key markets and segments. We have clear action plans in place to operationalize growth.

A key driver of profitable growth is our “PIE” concept, centered on Penetration, Innovation and Expansion, which was launched in 2014. With PIE, we are driving growth momentum by selling more of our existing offering to accessible customers (penetration), developing new offerings and value propositions with focused resource allocation (innovation), and expanding into additional, high-growth segments.

Lowering risk

Alongside our focus on organic growth, we are taking decisive steps to reduce intrinsic business risk by identifying relevant risks and implementing targeted risk mitigation, for instance, by standardizing approaches to reduce risks in specific areas. In doing so, we will deliver lower volatility, higher predictability and higher margins.

Incremental acquisitions and partnerships

We will complement our strong focus on organic growth by targeting incremental acquisitions that contribute value in line with the new strategy. We will also explore partnerships with other leading global companies along the lines of those with the Chinese technology group BYD on energy storage and electric mobility, with Philips on building automation, and our new joint venture with Hitachi in Japan to develop the country’s high-voltage power transmission network. Going forward, these partnerships will help us enhance growth momentum.

2. Relentless execution

Our second strategic focus area, relentless execution, is one in which ABB has an impressive track record. Our customer satisfaction ratings have improved year after year and we compare favorably with our competitors. On cost reduction, we have consistently been taking out \$1 billion-plus in costs annually.

Results



What we are doing now is taking those successful improvement processes and making them more widely applicable in a leading operating model that covers the entire value chain of our business. We will maintain the momentum on customer satisfaction and cost, for example, while driving forward white-collar productivity and capital efficiency to free up more resources for growth.

To ensure we meet our targets, we have implemented a relentless execution dashboard linked to performance and compensation and are seeing positive results.

In our Power Systems division, we have ring-fenced the risks, changed the business model and are breaking even once again.

To drive change in a focused way, we have initiated 1,000-day programs focusing on high-impact, strategic ABB-wide priorities.

To strengthen the existing alignment among strategy, performance management and compensation, we have introduced a balanced scorecard with robust targets. Progress will be closely tracked through Group-wide program management, which includes dashboards of milestones and actions, and key financial and operational metrics.

3. Business-led collaboration

Our third focus area is aimed at simplifying how we work together and at achieving a more streamlined, market-focused organization.

We have introduced undiluted and clear business-line responsibility as the core of ABB, along with strengthened cross-business customer collaboration, and simple and fast internal processes. One key change has been to reduce the number of regions from eight to three: Americas, Europe and Asia, Middle East and Africa (AMEA).

With this new structure and our clear focus on execution, we have the means to accelerate sustainable value creation now and in the future.

- Next level of external focus in daily operations
- Strengthened cross-business customer collaboration
- Effective empowerment closest to the customer



- Undiluted global business line responsibility as core of ABB
- Efficiency and effectiveness through shared service centers

- Simple and fast internal processes
- Clear roles and responsibilities for everyone

Yours sincerely

Hubertus von Grünberg
Chairman

Agenda and proposals of the Board of Directors

1. Approval of the Annual Report, the consolidated financial statements and the annual financial statements for 2014

Proposal

The Board of Directors **proposes** that the Annual Report, the consolidated financial statements and the annual financial statements for 2014 be approved.

Explanation

The Annual Report, the consolidated financial statements and the annual financial statements for 2014 are available for inspection by the shareholders at the seat of the company. The Annual Report, the consolidated financial statements and the annual financial statements for 2014 are also available electronically under www.abb.com/agm.

2. Consultative vote on the 2014 Compensation report

Proposal

The Board of Directors **proposes** that the Compensation report as per pages 41–71 of the Annual Report be accepted (non-binding consultative vote).

Explanation

The Compensation report contains the principles governing the compensation paid to the Board of Directors and the Executive Committee and reports on the amounts paid to the members of both bodies in 2014. The Compensation report 2014 is available for inspection by the shareholders at the seat of the company and also electronically under www.abb.com/agm.

3. Discharge of the Board of Directors and the persons entrusted with management

Proposal

The Board of Directors **proposes** that the members of the Board of Directors and the persons entrusted with management be granted discharge for fiscal year 2014.

4. Appropriation of earnings and distributions to shareholders

4.1 Appropriation of available earnings and distribution of capital contribution reserve

Proposal

The Board of Directors **proposes:**

a) to carry forward the 2014 total available earnings;

Net income for 2014	CHF	570,106,907
Carried forward from previous year	CHF	5,077,751,744
Total earnings available to the Annual General Meeting	CHF	5,647,858,651

- b) and to convert capital contribution reserve to other reserves in the amount of CHF 0.55 per share and to distribute a dividend for the fiscal year 2014 of CHF 0.55 per share, based on a maximum of 2,314,743,264 dividend-paying shares*.

* The amount payable as a dividend out of capital contribution reserve will be determined on the basis of the shares entitled to a dividend and will be adjusted accordingly (there will be no dividend payments for shares held by ABB). The total amount to be paid may not exceed CHF 1,263,005,171. The first trading day ex-dividend is expected to be May 5, 2015, and the payout date in Switzerland is expected to be May 7, 2015.

4.2 Capital reduction through nominal value repayment

Proposal

The Board of Directors **proposes**:

- a) to reduce the share capital of CHF 2,384,185,561.92 by CHF 393,506,354.88 to CHF 1,990,679,207.04 by way of reducing the nominal value of each registered share from CHF 1.03 by CHF 0.17 to CHF 0.86 and to use the nominal value reduction amount for repayment to the shareholders;
- b) to confirm as a result of the report of the auditors, that the claims of the creditors are fully covered notwithstanding the capital reduction;
- c) to amend article 4 para.1 of the Articles of Incorporation according to the following wording as per the date of the entry of the capital reduction in the commercial register (the proposed amendments are underlined):

Article 4 para. 1

The share capital of the Company is CHF 1,990,679,207.04 and is divided into 2,314,743,264* fully paid registered shares. Each share has a par value of CHF 0.86.

- d) to amend article 4^{bis} paras. 1 (1st sentence) and 4 (1st sentence), and if agenda item 6 is approved, article 4^{ter} para. 1 (1st sentence) of the Articles of Incorporation, correspondingly reflecting the reduced nominal value of each registered share from CHF 1.03 by CHF 0.17 to CHF 0.86, as per the date of the entry of the capital reduction in the commercial register.

* To the extent new shares will be issued under ABB's authorized or contingent capital prior to registration of the capital reduction in the commercial register, the total number of shares may need to be adjusted accordingly.

Explanation

In line with the Company's dividend policy to pay a steadily rising, sustainable dividend over time, the Board of Directors proposes a distribution of CHF 0.72 per share. In order for the distribution to be exempted from the Swiss withholding tax, and given that the capital contribution reserve is not sufficient to cover the full amount of the proposed distribution of CHF 0.72, the Board of Directors proposes the distribution to be paid in two tranches: one of CHF 0.55 from ABB's capital contribution reserve in May 2015 and the other of CHF 0.17 from a reduction of the nominal value of the share from CHF 1.03 to CHF 0.86 in July 2015.

Against this background, the Board of Directors proposes that shareholders approve in Item 4.1 that a) the 2014 total available earnings shall be carried forward and b) instead of a distribution out of available earnings, the distribution of a dividend out of capital contribution reserve in the amount of CHF 0.55 per share. In addition, the Board of Directors proposes that shareholders approve in Item 4.2 to return capital to shareholders in the form of a reduction in the nominal value of each share by CHF 0.17, with the nominal value of one share decreasing from CHF 1.03 to CHF 0.86. The amount of CHF 0.17 for each share released through the capital reduction will be distributed to shareholders. The decrease is expected to be completed in July 2015. This payment is in addition to the dividend of CHF 0.55 per share as proposed in Item 4.1 which results in a total distribution payment of CHF 0.72 per share.

5. Amendment to the Articles of Incorporation related to the capital reduction Proposal

To the extent that the General Meeting of Shareholders approves the Board of Directors' proposal set forth in Item 4.2, the Board of Directors **proposes** to amend article 13 para. 1 of the Articles of Incorporation as follows (the proposed amendment is underlined):

Article 13 para. 1

One or more shareholders whose combined shareholdings represent an aggregate par value of at least CHF 344,000 may demand that an item be included on the agenda of a General Meeting of Shareholders. Such inclusion must be requested in writing at least forty days prior to the meeting and shall specify the agenda items and proposals of such shareholder(s).

Explanation

The proposal under this Item 5 is a result of the proposed share capital reduction under Item 4.2. If the shareholders approve the share capital reduction, it is proposed to reduce the threshold for the submission of agenda items accordingly to not impair the right of a minority to include a subject for discussion on the agenda. The amended article 13 para. 1 of the Articles of Incorporation will only be entered into the commercial register together with the share capital reduction set forth in Item 4.2.

6. Renewal of authorized share capital

Proposal

The Board of Directors **proposes** to renew ABB Ltd's authorized share capital in an amount not to exceed CHF 206,000,000* enabling the issuance of up to 200,000,000 shares with a nominal value of CHF 1.03* each by no later than April 29, 2017, by amending the Articles of Incorporation with a new article 4^{ter} with the following wording:

Article 4^{ter} – Authorized Share Capital

- 1 The Board of Directors shall be authorized to increase the share capital in an amount not to exceed CHF 206,000,000* through the issuance of up to 200,000,000 fully paid registered shares with a par value of CHF 1.03* per share by not later than April 29, 2017. Increases in partial amounts shall be permitted.
- 2 The subscription and acquisition of the new shares, as well as each subsequent transfer of the shares, shall be subject to the restrictions of art. 5 of these Articles of Incorporation.
- 3 The Board of Directors shall determine the date of issue of new shares, the issue price, the type of payment, the conditions for the exercise of pre-emptive rights, and the beginning date for dividend entitlement. In this regard, the Board of Directors may issue new shares by means of a firm underwriting through a banking institution, a syndicate or another third party with a subsequent offer of these shares to the shareholders. The Board of Directors may permit pre-emptive rights that have not been exercised to expire or it may place these rights and/or shares to which pre-emptive rights have been granted but not exercised, at market conditions or use them for other purposes in the interest of the Company.
- 4 The Board of Directors is further authorized to restrict or deny the pre-emptive rights of shareholders and allocate such rights to third parties if the shares are to be used:
 - a) for the acquisition of an enterprise, parts of an enterprise, or participations, or for new investments, or, in case of a share placement, for the financing or refinancing of such transactions; or
 - b) for the purpose of broadening the shareholder constituency in connection with a listing of shares on domestic or foreign stock exchanges.

Explanation

The proposed renewal of authorized share capital is intended to replace the existing authorized share capital, which will expire on April 29, 2015. The proposed renewal will provide again more financial flexibility to the Company. The authorized share capital is not for use in connection with employee share plans.

* In the event of approval of the proposed capital reduction set forth in Item 4.2, the aggregate nominal value and the nominal value per share will be adjusted accordingly once the approved share capital reduction is entered into the commercial register.

7. Binding votes on the compensation of the Board of Directors and the Executive Committee

7.1 Binding vote on the total compensation of the members of the Board of Directors for the next term of office, i.e. from the 2015 Annual General Meeting to the 2016 Annual General Meeting

Proposal

The Board of Directors **proposes** that shareholders approve the maximum aggregate amount of compensation of the Board of Directors covering the period from the 2015 Annual General Meeting to the 2016 Annual General Meeting in the amount of CHF 4,200,000.

Explanation

Pursuant to article 34 of the Articles of Incorporation, the General Meeting of Shareholders shall approve the maximum aggregate amount of compensation of the Board of Directors for the next term of office. Further information on the proposed compensation is described in the annex to this invitation.

7.2 Binding vote on the total compensation of the members of the Executive Committee for the following financial year, i.e. 2016

Proposal

The Board of Directors **proposes** that shareholders approve the maximum aggregate amount of compensation of the Executive Committee for the financial year 2016 in the amount of CHF 52,000,000.

Explanation

Pursuant to article 34 of the Articles of Incorporation, the General Meeting of Shareholders shall approve the maximum aggregate amount of compensation of the Executive Committee for the following financial year. Further information on the proposed compensation is described in the annex to this invitation.

8. Elections to the Board of Directors and election of the Chairman of the Board of Directors

The term of office for all members of the Board of Directors expires at the Annual General Meeting on April 30, 2015.

Proposal

All current members stand for re-election, except for Hubertus von Grünberg and Michael Treschow. In addition, the Board of Directors proposes to elect David Constable as new member to the Board of Directors and Peter Voser as new member and Chairman to the Board of Directors. Accordingly, the Board of Directors **proposes** that the persons presented below be elected/re-elected as members to the Board of Directors for a term of office of one year extending until completion of the ordinary Annual General Meeting 2016. The election of each person standing for election to the Board of Directors shall be effected on an individual basis:



Roger Agnelli (as Director)

He has been a member of ABB's Board of Directors since March 2002. He is the founding partner and chief executive officer of AGN Holding (Brazil). He is the chairman of B&A, a joint venture between BTG Pactual and AGN Holding (Brazil) and a director of WPP plc (U.K.). Mr. Agnelli was born in 1959 and is a Brazilian citizen.



Matti Alahuhta (as Director)

He has been a member of ABB's Board of Directors since April 2014. He is the chairman of the board of Outotec Corporation (Finland). He is also a member of the boards of directors of KONE Corporation (Finland) and Volvo AB (Sweden). Mr. Alahuhta was born in 1952 and is a Finnish citizen.



David Constable (as Director)

He is the president and chief executive officer of and a member of the board of directors of Sasol Limited (South Africa). He was formerly the group president of operations of Fluor Corporation (U.S.) where he served for more than 29 years in leadership positions. Mr. Constable was born in 1961 and is a Canadian citizen.



Louis R. Hughes (as Director)

He has been a member of ABB's Board of Directors since May 2003. He is the chairman of the board of InZero Systems (formerly GBS Laboratories LLC) (U.S.). He is a member of the supervisory board of Akzo Nobel (The Netherlands) and a member of the board of directors of Alcatel Lucent (France). Mr. Hughes was born in 1949 and is an US citizen.



Michel de Rosen (as Director)

He has been a member of ABB's Board of Directors since March 2002. He is the chief executive officer and chairman of the board of Eutelsat Communications (France). He is also a member of the board of directors of Pharnext SAS (France). Mr. de Rosen was born in 1951 and is a French citizen.



Jacob Wallenberg (as Director)

He has been a member of ABB's Board of Directors since June 1999. He is the chairman of the board of Investor AB (Sweden). He is vice chairman of the boards of Telefonaktiebolaget LM Ericsson AB and SAS AB (both Sweden). He is also a member of the boards of directors of the Knut and Alice Wallenberg Foundation and the Stockholm School of Economics (both Sweden). Mr. Wallenberg was born in 1956 and is a Swedish citizen.



Ying Yeh (as Director)

She has been a member of ABB's Board of Directors since April 2011. She is a member of the boards of directors of InterContinental Hotels Group (U.K.) and Samsonite International S.A. (Luxembourg). Ms. Yeh was born in 1948 and is a Chinese citizen.



Peter Voser (as Director and Chairman)

He is a member of the boards of directors of Roche Holdings Ltd (Switzerland), IBM Corporation (U.S.) and Temasek Holdings (Private) Limited (Singapore). He was formerly the chief executive officer of Royal Dutch Shell plc (The Netherlands). Mr. Voser was born in 1958 and is a Swiss citizen.

Explanation

Pursuant to article 21 of the Articles of Incorporation, the General Meeting of Shareholders elects each member of the Board of Directors and the Chairman of the Board of Directors.

9. Elections to the Compensation Committee

The Board of Directors **proposes** the election of:

- David Constable
- Michel de Rosen
- Ying Yeh

to the Compensation Committee for a term of office of one year extending until completion of the ordinary Annual General Meeting 2016. The election of each person standing for election to the Compensation Committee shall be effected on an individual basis.

Explanation

Pursuant to article 29 of the Articles of Incorporation, the General Meeting of Shareholders elects each member of the Compensation Committee.

10. Re-election of the independent proxy

Proposal

The Board of Directors **proposes** the re-election of

- Dr. Hans Zehnder, attorney-at-law and notary, Bahnhofplatz 1, 5401 Baden, Switzerland,

as independent proxy for a term of office of one year extending until completion of the Annual General Meeting 2016.

Explanation

Pursuant to article 15 of the Articles of Incorporation, the General Meeting of Shareholders elects the independent proxy until the conclusion of the next ordinary General Meeting of Shareholders. The Board of Directors confirms that it has determined that the proposed candidate is independent.

11. Re-election of the auditors

Proposal

The Board of Directors **proposes** that Ernst & Young AG be re-elected as auditors for fiscal year 2015.

Zurich, March 27, 2015

ABB Ltd

Board of Directors

Organizational topics

Annual Report

The Annual Report is available to the shareholders for examination at the Company's head office in Zurich-Oerlikon, Switzerland as well as in Sweden at ABB, Kopparbergsvägen 2, Västerås. The invitation including the agenda and the proposals of the Board of Directors will be mailed directly to holders of registered shares with the right to vote. Annual reports will be mailed on request. The Annual Report is also available on the Internet via www.abb.com/agm.

Registration and admission cards

Shareholders entered in the share register, with the right to vote, by **April 22, 2015**, are entitled to participate in the Annual General Meeting. Shareholders registered by April 22, 2015, will receive their admission cards (by priority mail) on request using the reply form enclosed with the invitation. The reply form or a corresponding notification must reach the Company not later than **April 24, 2015**. Reply forms or notifications arriving after that date will not be taken into consideration.

No trading restrictions on shares for registered shareholders

The entry of shareholders with the right to vote in ABB's share register does not affect the trading of shares held by such shareholders before, during or after the Annual General Meeting.

Personal attendance at the Annual General Meeting

If you cannot attend our Annual General Meeting in person, you may:

- a) arrange to be represented by another shareholder with the right to vote; or
- b) authorize Dr. Hans Zehnder, attorney-at-law and notary, Bahnhofplatz 1, 5401 Baden, Switzerland, to act as your independent proxy.

Shares and votes

As of March 20, 2015, the total number of shares and votes in ABB Ltd is 2,314,743,264. As of the same date the company holds 76,729,896 treasury shares, corresponding to 76,729,896 votes that cannot be exercised at the General Meeting.

Electronic authorizations and instructions to the independent proxy

Shareholders may cast their votes remotely through the shareholder application provided by Nimbus AG, an independent third-party, via www.abb.com/agm by issuing electronic authorizations and instructions to the independent proxy. The requisite login data is enclosed with the meeting materials supplied to shareholders. Shareholders thus have the option of voting in person, through a proxy, or remotely by issuing electronic or written authorizations and instructions to the independent proxy. Shareholders may vote by **remote electronic ballot**, or change any instructions they may have communicated electronically, up to but no later than **11:59 p.m. (CET) on April 28, 2015**. Shareholders who have exercised their right to vote at a General Meeting by remote electronic ballot are not then permitted to attend the General Meeting in person. For further information please refer to the enclosed e-voting information sheet.

Translation

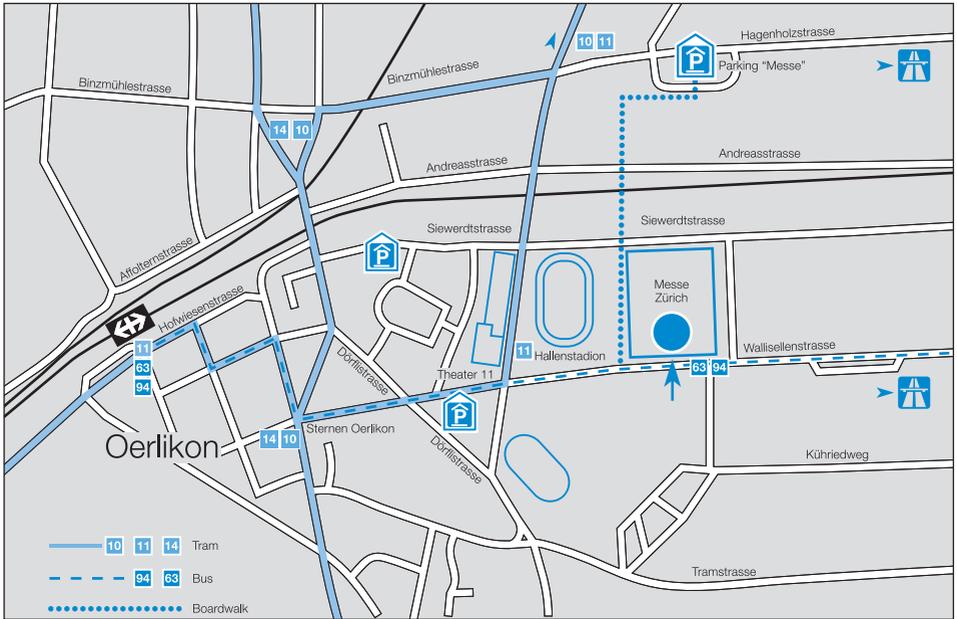
The Annual General Meeting will be conducted principally in German. Simultaneous translation into English and French will be available.

Live webcast

The Annual General Meeting will be broadcast on the Internet via www.abb.com/agm.

Record of decisions

A record of the decisions taken by the Annual General Meeting will be available for inspection shortly after the Annual General Meeting at the Company's head office in Zurich-Oerlikon, Switzerland, and will be published on ABB's website www.abb.com/agm.



Notes for participants

Shareholders are asked to use public transport as there will be limited parking facilities at the meeting location **Messe Zurich**.

Public transport

There are trains from Zurich main station to Oerlikon station every 6 minutes: train S2, S5, S6, S7, S8, S14 or S16. Then use tram No. 11, bus No. 63 (every 6 minutes) or bus No. 94 (every 15 minutes) to the stop **Messe/Hallenstadion**.

On foot: about 10 minutes' walk from Zurich-Oerlikon station to Messe Zurich.

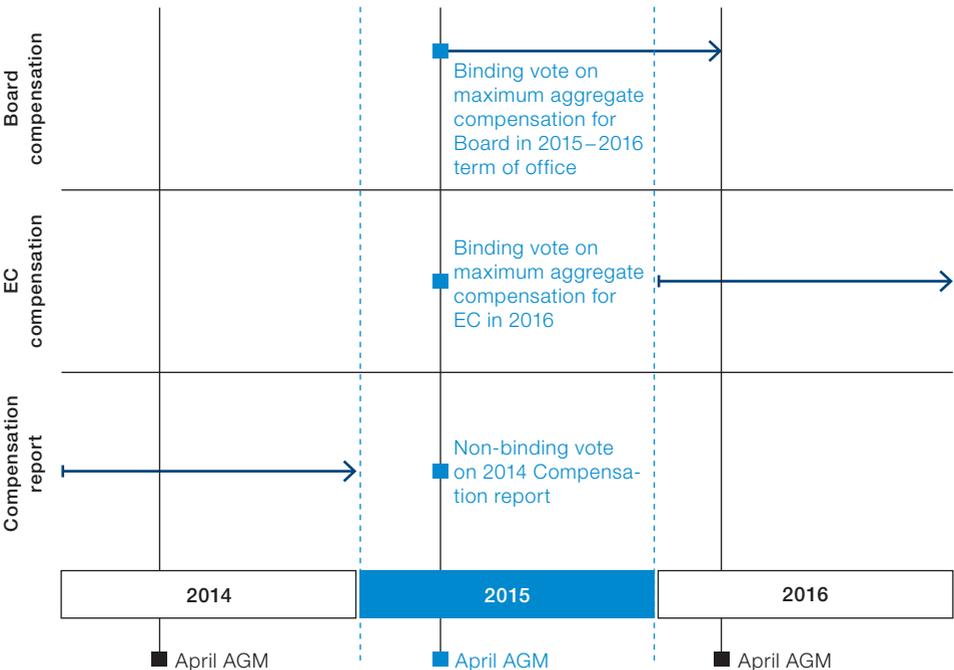
Annex to Agenda Item 7

(Binding votes on the compensation of the Board of Directors and the Executive Committee)

Introduction

At the 2015 Annual General Meeting of ABB Ltd, there will be separate binding votes on maximum aggregate compensation for the Board of Directors (Board) in its 2015–2016 term of office and on maximum aggregate compensation to be paid or granted during or in respect of 2016 to members of the Executive Committee (EC). There will also be a non-binding vote on the 2014 Compensation report.

Overview of compensation votes at the 2015 Annual General Meeting



Compensation period
 Date of vote

7.1 Binding vote on the total compensation of the members of the Board of Directors for the next term of office, i. e. from the 2015 Annual General Meeting to the 2016 Annual General Meeting

The Board of Directors has concluded that there is a need to keep some additional flexibility for Board compensation for the next term as new roles and responsibilities (incl. Vice Chairman) are being allocated within the organization of the Board of Directors.

Board compensation has broadly remained the same since the 2007–2008 board term. The Board of Directors proposes that shareholders approve a total maximum compensation for the members of the Board of Directors of CHF 4,200,000. The Chairman's compensation is planned to remain at the same level as in the current period.

The compensation of the members of the Board of Directors consists only of fixed compensation and the Board members are required to take at least half of their compensation in the form of ABB Ltd shares.

The compensation principles for the members of the Board of Directors are described in Articles 33 of the Articles of Incorporation. Based on the proposals of the Compensation Committee, the Board of Directors determines the compensation of its members taking into account each member's position and responsibilities.

Additional information regarding compensation to the Board is available in the 2014 Compensation report in ABB Ltd's Annual Report on pages 45 and 46.

7.2 Binding vote on the total compensation of the members of the Executive Committee for the following financial year, i. e. 2016

ABB has re-designed its executive compensation system in 2015 to improve business speed, agility and customer focus. It places a greater emphasis on an individual's targets in order to drive and reward outstanding performance, and to achieve a balance between an individual's and ABB's Company-wide objectives. In addition, it broadens the set of targets used to measure performance to include financial, operational, change and leadership objectives aligned with the Next Level strategy.

To help achieve these goals, the Board has further developed ABB's key principles of executive compensation:

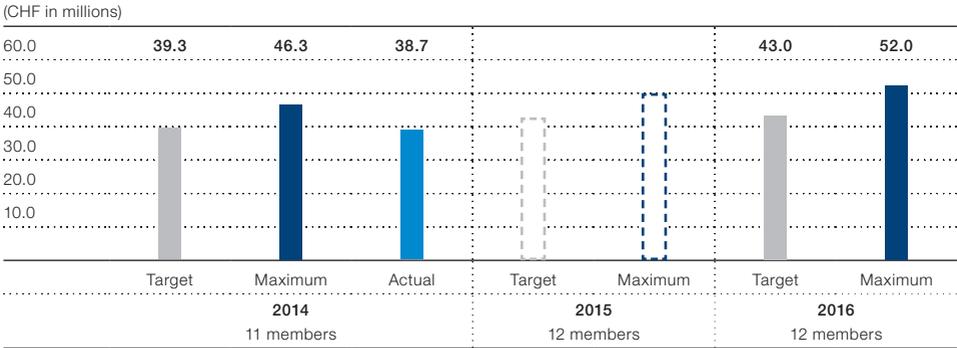
- **Linked and balanced:** Compensation is linked to the Next Level strategy and performance through ambitious objectives, robust performance monitoring and a sound balance between Group and individual performance.
- **Competitive:** Annual base salaries of top management are set between the market median and upper quartile in order to attract suitable talent.
- **Performance driven:** Ambitious objectives are set in ABB's planning processes, and variable pay is aimed at the upper quartile level when these objectives are met.
- **Comprehensive KPIs:** All performance metrics support the development of earnings per share and cash return on invested capital, and cover financial, operational, change and behavioral performance.
- **Market tested:** Compensation mix and levels are tested annually against benchmarks that include selected ABB peers and appropriate markets.

The key features of our executive compensation system as of 2015 are:

- **Base salary and other benefits:** The annual review of the executive's performance assesses each member's results and behavior with respect to the Next Level strategy.
- **Short-term variable compensation:** Formerly based entirely on ABB Group's performance, short-term variable compensation for each EC member will reflect a balance between Group and the individual's performance. Individual performance will cover metrics that help management assess whether the results are achieved in a sustainable way, going beyond financial metrics to measures of operational execution, implementation of Next Level strategy, change and leadership. Also, the achievement level will be computed and assessed and will not include discretionary adjustments.
- **Long-term variable compensation:** To emphasize performance, the weighting of the component that is evaluated on EPS achievement has been increased and the vesting of the other component – whose grant size depends on ABB's performance in the preceding three years and on the individual's performance in the preceding year – is subject to ABB achieving a net income threshold in the financial year prior to the year in which the plan vests.

The chart below shows the expected development of aggregate EC compensation from 2014 to 2016.

Aggregate compensation 2014–2016



The main factors impacting changes in aggregate compensation from year to year are the number of EC members, each member’s target compensation, and Company and individual performance during the relevant performance cycles.

Target compensation would be reached if EC members meet the performance criteria for a 100 percent payout of the short-term variable compensation component and for the allocation of 100 percent of the reference grant size for the P1 performance component of the long-term incentive plan.

The proposed maximum aggregate EC compensation of CHF 52,000,000 for 2016 is higher than the potential maximum compensation for 2014, mainly because of expansion of the EC to include one new member. The proposed amount would only be reached if EC members meet the performance criteria for a 150 percent payout of the short-term variable compensation component and for the allocation of 125 percent of the reference grant size for the P1 performance component of the long-term incentive plan. Over the last three years, this level of payout and allocation for all EC members on an aggregate basis has never occurred at ABB.

Additional information regarding EC compensation, including changes to certain elements of executive compensation to strengthen the focus on performance that directly supports the Next Level strategy’s goals, is available in the 2014 Compensation report in ABB Ltd’s Annual Report on pages 46–59.

Contact us

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