
EXTERNAL ABB DOCUMENT- ISSUED BY CORPORATE FUNCTION TAX

ABB tax policy

ABB is committed to the highest standards of corporate governance and responsibility. Such standards also apply to the management of tax affairs.

ABB's approach to Tax

ABB understands the role taxes play in achieving the UN Sustainable Development Goals, and that taxes are a key mechanism by which organizations contribute to the economies of the countries where they operate.

In alignment with its business and sustainable development strategies, ABB aims to achieve a long-term sustainable approach to the management of tax affairs, having regard to relevant domestic tax laws and international standards.

As a responsible global corporate tax citizen, ABB is committed to comply with the letter and the spirit of applicable tax laws and regulations in the countries where it operates and only engages in business transactions which support genuine commercial activity. In areas of significant uncertainty or particular complexity, ABB seeks advice from external tax advisors.

ABB does not adopt tax structures based on form without economic substance nor use tax havens, hybrid instruments and/or entities in structures that result in tax avoidance, double deduction or no taxation.

ABB operates globally. As a result, there are many intra-group transactions between ABB Group companies. The pricing for these intra-group transactions follows the arm's-length principle, in line with internationally recognized standards for cross-border transactions¹. Transfer pricing is driven by the activities undertaken and the value created. This approach is consistently taken in all countries where ABB operates.

ABB is committed to maintaining an open and honest dialogue with tax authorities and is engaged to resolving any issues in a constructive and timely manner. Where appropriate, we will seek to obtain pre-transaction clearances to reduce or even eliminate uncertainty.

ABB's tax governance

ABB's Tax Function ("the Tax Function") comprises suitably qualified direct and indirect tax professionals as well as data and process specialists, under the leadership of the global Head of Taxes, who reports to the Group's Chief Financial Officer. The Tax Function is located at the Headquarter, in Zurich, Switzerland, and in the largest countries where ABB operates.

¹ The OECD transfer pricing guidelines for multinationals

The activities of the Tax Function are regulated by ABB's Code of Conduct and internal control guidelines. The Tax Function also follows applicable finance and accounting regulations, including the SIX Swiss Exchange guidelines.

The Tax Function is organized as a global center of expertise, which allows ABB to apply tax policy and procedures consistently throughout the group. These are regularly reviewed and updated, if required.

The Tax Function ensures that expertise and guidance are available for all major tax disciplines (such as corporate taxes, transfer pricing and indirect taxes) and jurisdictions. The Tax Function partners with ABB's Business Areas, Divisions and Functions to implement the tax strategy and proactively manage risks.

Roles and responsibilities among the various stakeholders are clearly defined. Relevant training is delivered to key internal stakeholders as required.

The group tax strategy is reviewed annually and approved by the Finance, Audit and Compliance Committee.

ABB's Tax Control Framework

ABB has developed a Tax Control Framework ("TCF") and follows a yearly structured approach with respect to how tax risks are identified, managed and monitored. The TCF applies to all ABB companies and employees dealing with tax matters.

The TCF is further supported by robust reporting and control systems with the aim to deliver timely and accurate tax returns, declarations, payments and refund claims as appropriate.

ABB understands the importance of Tax in the broader context of business decisions and has processes in place to ensure Tax is considered as part of the decision-making process. As part of an M&A transaction, or a significant business reorganization or project (such as investment, start-up or discontinuation of operations), or ERP implementation, the Tax Function is consulted on the potential tax implications prior to execution and evaluates the extent of required disclosures.

ABB's TCF is aligned with the ABB Enterprise Risk Management (ERM) framework which follows five main components:

1. Control environment: demonstrates ABB's commitment to integrity and ethical values, as well as establishes the structure, authority, and responsibility of the different parties involved in maintaining ABB's TCF.
2. Risk assessment: identifies, analyzes, and mitigates risks within the tax function, including operational, financial reporting, and compliance risks.
3. Control activities: designs and rolls-out standard process level controls to address ABB's Tax risk catalog, including a systematic approach for quarterly control self-assessment and the implementation of control strategies in different levels of the organization and jurisdictions.
4. Information and communication: ensures that data used to compute Tax relevant information is accurate, reliable and communicated with all stakeholders involved in ABB's TCF.
5. Monitoring activities: conducts an ongoing risk assessment and evaluates control deficiencies to ensure sustainable remediation.

ABB has established appropriate means, with adequate processes and resources, to adjudicate any potential non-compliance, unethical conduct, or unlawful behavior in tax matters in a timely manner through a dedicated pool of investigators with oversight of all alleged Code of Conduct violations.

ABB TAX POLICY

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