

# Procure to Pay Process – Invoice handling and supplier payments

Dear ABB Supplier,

As part of global standardization of the payment process within ABB, find below the country specific information regarding the payment process.

This document contains country specific details. In case no local exception is defined in this document, the global standard is mandatory.

The latest version of the global ABB Procure to Pay Process (P2P) for suppliers is available at the ABB supplier portal (<https://new.abb.com/about/supplying/doing-business-with-abb/invoicehandling>).

## 1. Introduction:

- 1.1. The objective of this Process is to lay down a well-organized and effective invoice handling and supplier payment process as part of the global procure to pay process.
- 1.2. ABB's ambition is to be regarded as a preferred customer by our suppliers. Together with our suppliers we continuously develop our products and processes. As payment process is an important part of business processes, we want to have it optimized.
- 1.3. ABB strives to receive invoices from and make payments to our suppliers in the most efficient way in order to minimize administration for both parties and to avoid delay in payments.
- 1.4. Payments to suppliers should be made with the objective to reduce costs, manual administration effort, minimize time lag and risk of fraud.

## 2. Administration of supplier invoices

- 2.1. The administrative cost for handling of supplier invoices is substantial. It is therefore important that all parties involved adapt the most efficient processes, based on e-Invoice/EDI solutions. Please see more information on e-Invoice in chapter 8.
- 2.2. For countries that can accept emailed invoices, make sure it complies with the following general requirements unless otherwise stated in the country document (<https://new.abb.com/about/supplying/doing-business-with-abb/invoicehandling>):
  1. File formats must either be .PDF or .TIFF file formats. Any other file format will be rejected and returned to the supplier.
  2. Each file / attachment must contain only one invoice along with any supporting documentation. Multiple files can be sent in a single email. If a single invoice is sent in separate files, they will not be merged into one.

3. Statements or other correspondence shall not be sent to the above same email address and will be ignored.
  4. Any invoices that do not meet the above criteria will be returned to the sender's email address
- 2.3. All supplier paper invoices have to be sent to our respective official invoice address, as stated in the PO. In case a purchase is explicit done without PO (permissible in special cases only – to be confirmed by the ABB purchaser), the respective official invoice address will be provided by the ABB purchaser.  
All correctly received invoices will be scanned and electronically stamped with the arrival date. Only this stamping date will be consistently the starting date to secure correct calculation of payment date.

### **3. Administration of supplier payments**

- 3.1. Electronic payments directly to the suppliers' bank account is ABB's preferred payment method. ABB will only pay to one bank account per supplier and currency unless legally required.
- 3.2. To protect the supplier and ABB from fake bank account change changes, ABB requires a formal change request in electronic or paper form and will not initiate a change of standing instructions based on new bank accounting number on invoices or emails requesting a quick change due to problems with the current bank. All such change requests will be verified through a secondary channel, primarily via phone, to ensure the validity of such request.
- 3.3. Non-electronic payments (e.g. check, BAD (bank acceptance draft) or in cash) should be avoided in general. In case of local exceptions, this is specified in country's local version of "ABB Procure to Pay Process" document (<https://new.abb.com/about/supplying/doing-business-with-abb/invoicehandling>).

### **4. Common routines in ABB companies**

- 4.1. There is a continuous development within ABB to improve routines and systems in order to reduce costs and reach optimal efficiency in administration. The objective is to use the most efficient solutions as ABB standard and thereby have a common way of working for the mutual benefit of both ABB and our counterparties.

### **5. Common information to suppliers**

- 5.1. Many of ABB suppliers have relations with more than one ABB company. Therefore, it is most important that conditions and documentation are coordinated and reflect ABB's rules for invoice handling and supplier payments.
- 5.2. Common information for suppliers can be found on ABB Supplier Portal ([www.abb.com/supplyingtoabb](http://www.abb.com/supplyingtoabb)).

### **6. Validity of invoices**

- 6.1. In consideration of the goods delivered and/or the services provided by suppliers, ABB shall pay suppliers the purchase price stated in the contract if the invoice fulfils the con-

tractual requirements. The supplier shall submit invoices in an auditable form, complying with applicable laws, generally accepted accounting principles and specified ABB requirements. At a minimum, the invoice should include the following information:

- Supplier name, address, Tax/VAT/GST number
- ABB reference person including contact details
- invoice date and number
- purchase order number – in case not applicable, to be confirmed by ABB purchaser
- correct delivery and invoicing address of ABB, including correct legal entity name
- quantity, if applicable
- description of goods and/or services
- price (total amount invoiced)
- currency, Tax/VAT/GST amount
- authorized economic operator, approved exporter authorization number and/or other customs identification number (if applicable)

- 6.2. Supplier shall send the invoices to the billing address specified in the purchase order or contract only.
- 6.3. ABB's policy is to purchase through purchase order. As a principle, invoice details should not differ from details defined in the purchase order, e.g. same unit of measure, same currency etc.
- 6.4. In case invoices were sent to ABB without the correct reference to the corresponding purchase order or differs from relevant purchase order details, these will delay the invoice verification process as they need exception handling and can result into late response of ABB
- 6.5. For invoices, not being conform to the clauses listed above, ABB reserves the right to return the invoice back to the supplier with a specified reason. In this case the provided invoice is invalid and has to be replaced by a corrected invoice. For the payment due date calculation, the arrival date of correct invoices will be considered only.

## **7. ABB General Terms and Conditions for Purchases:**

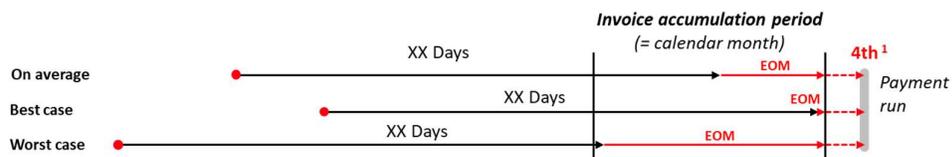
- 7.1. ABB's General Terms & Conditions (ABB GTC) for Purchases contain standardized provisions for invoicing and payments and apply to ABB companies' purchases made by (i) just placing Purchase Orders under the ABB GTCs, or (ii) on the basis of contracts concluded with suppliers. The ABB GTC for Purchases must be expressly referenced as applicable terms and conditions in the Purchase Orders placed by ABB purchasers, or in the respective purchase contract concluded by the ABB purchaser with the supplier and made available to the supplier - to become legally applicable to the respective purchase.
- 7.2. For different categories of purchased items (goods, services, installation of electro-mechanical works etc.) different ABB General Terms & Conditions are officially released and available for use by ABB purchasers (in some cases with country specific versions). All ABB GTCs for purchases are available in the ABB Supplier Portal under [www.abb.com/supplyingtoabb](http://www.abb.com/supplyingtoabb).

## 8. Invoicing via e-Invoice/EDI

- 8.1. ABB is striving for e-Invoice/EDI solutions over time as the preferred solution.
- 8.2. E-Invoicing has benefits for both:
- for Suppliers: lesser rejected invoices, quicker payments, cost reduction, higher productivity, better cash management, improved buyer/supplier collaboration etc.
  - for ABB: better dispute handling, quicker processing and payment cycles, improved accounts reconciliation, leverage early payment discounts, improved AP productivity, eliminates duplicates etc.
  - Thus, ABB's eInvoice program initiative forms a win-win situation with its Suppliers by having measurable value outcomes and creates a balance for mutual sustained success.
- 8.3. e-Invoice program is being implemented in phases. Supplier will be informed, as soon as this instrument is available covering end-to-end processes from purchase order to invoice.

## 9. Payment terms

- 9.1. The supplier payment term policy in ABB depends on region and legal requirements. In general, payment due dates are calculated from the baseline date, which is based upon receipt / stamping date of a valid invoice or the receipt of ordered goods / acknowledged services (whichever is the later).
- 9.2. As part of a standardization process, ABB has introduced a once-a-month-payment concept – paying all suppliers globally at the same time. As a consequence, all permissible payment terms have to follow the End-of-Month (EOM) concept, accumulating all invoices getting due during the month and then processed in one batch at the beginning of next month.
- 9.3. ABB EOM payments ([payment term days] EOM 4th) are part of a P2P process in which accurate and compliant supplier invoices are received, the days calculated from the baseline date, and then paid on the fourth day (4th) of the following month. It is up to the supplier to ensure the invoices are received timely.



<sup>1</sup> Following notes:

Exception to the above is only Japan with the payment date last day of the month.

In case the payment run date is a local bank holiday or weekend, the payment run will take place on the next available bank working day – at the latest on the 2nd local bank working day of the month.

As a principle, all payments via bank transfer will be kicked off by ABB on the specified date on time. In case of payments in foreign currencies, the payment could be delayed due to bank transaction processes.

## 10. Administrative costs, fees and charges

- 10.1. ABB will not pay invoice fee, administration fee, reminder fee or similar fees and charges.

## 11. Payment procedure

- 11.1. Payments will only be executed for:
- Registered and valid invoices

- Fully matched invoices with Purchase Order and Goods/Service Receipt (3-way-match)
- Approved invoices (free of legitimate claims) and
- Invoices due for payment.

## 12. Payment charge

- 12.1. The payment instruction from ABB to the banks for charges related to international payments is SHARED. The definition implies that ABB takes the costs that occur in the sending bank and the supplier takes other costs.

## 13. Handling of reminders

- 13.1. Looking at ABB's payment routines as described in this document and to reduce bureaucracy, we do not expect to receive reminders or penalty interest invoices concerning invoices due less than 14 days.
- 13.2. Due to administrative costs we do not find it meaningful, neither for ABB nor for our suppliers, to work with penalty interest invoices with amounts less than the counter value of USD 500.
- 13.3. If the above prerequisites regarding interest invoices are met, it is important that a separate interest invoice is sent. It is not allowed to have extra line item with interest charges on the next ordinary invoice.
- 13.4. In order to facilitate handling of reminders the supplier should attach a copy of the original invoice. This will prevent unnecessary delay of payment.

## 14. Factoring

- 14.1. Approved Trade Payables Finance (ATPF) is ABB's Supply Chain Finance program in which suppliers can sell their ABB receivables to a bank for immediate payment, and ABB pays the bank only on the invoice due date. For more information on availability of the program in your country, please check your country's local version of "ABB Procure to Pay Process" document (<https://new.abb.com/about/supplying/doing-business-with-abb/invoicehandling>)
- 14.2. In case the supplier is using another factoring concept, ABB will accept paying all invoices to one finance company per supplier only. The supplier is in charge to inform ABB about all relevant details and changes in the factoring set up on time. We will not accept any instruction from a finance company. In case of wrong, missing or delayed information on changes, the supplier bears the additional costs which may incur.

## 15. Country specific payment process details

- 15.1. Due to local legal requirements or business practices, some requirements could be different from country to country. Country specific payment process details are available on this website: <https://new.abb.com/about/supplying/doing-business-with-abb/invoicehandling>