

## **ABB Annual Report 2007 Sustainability review**

The Sustainability review forms part of ABB's annual report. It is available as a separate printed document, or it can be downloaded as a PDF file from ABB's Web site.

So as not to over burden the printed report, some sections have been omitted or are not reported in full. These are now published below, thereby completing ABB's sustainability reporting to the GRI Guidelines, version 3. Wherever relevant, the GRI indicator numbers are shown.

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### **ABB's sustainability mission**

We strive to create value for society by:

- Contributing to economies through promoting business, creating jobs, paying taxes
- Joining initiatives that foster economic, environmental, social and educational development
- Making positive contributions in the communities where we operate so they consider us to be a good corporate citizen, an attractive employer, a worthy partner and a good investment
- Offering our customers eco-efficient products that save energy and are safe to use, that optimize the use of natural resources, minimize waste and reduce environmental impact over their complete life cycles
- Sharing our state-of-the-art technologies with emerging markets
- Ensuring our operations and processes comply with applicable environmental standards and legislation – specifically, that every ABB operating unit implements an environmental management system that continuously improves its environmental performance
- Ensuring our social and environmental policies are communicated and implemented
- Working toward achieving best practice in occupational health and safety, and ensuring the health and safety of our employees, contractors and others involved in or affected by our activities
- Favoring and motivating suppliers who have sustainability policies and systems similar to our own

### **ABB's sustainability organization**

ABB's Sustainability Affairs organization consists of about 400 people in 48 countries and regions, and directs ABB's sustainability management program relating to environmental, social, and health, safety and security performance.

Sustainability Affairs is an ABB Group function led by a six-man management team, based at the company's Zurich headquarters. Each member of the team has Group-wide responsibility for a particular function, namely, climate change, corporate social responsibility, environmental performance, occupational

health and safety, and security and crisis management. The head of Sustainability Affairs reports to an Executive Committee member responsible for the implementation of ABB's sustainability policies throughout the Group.

The team also develops policies and procedures to safeguard the security of all ABB employees from outside threats, as well as from pandemic diseases, while within their working environments and while traveling on company business. It also coordinates Group-wide common efforts programs and commissions audits to verify that the Group is in compliance with its sustainability commitments.

Some 48 country sustainability controllers implement sustainability business plans within 48 countries and regions, covering environmental, social and communication policies and procedures. The plans are first endorsed by the respective country manager before being submitted to the head of ABB's Sustainability Affairs organization for review, consolidation in Group-wide activities, and monitoring.

About 350 local sustainability officers are responsible for environmental management programs on ABB sites in accordance with ISO 14001. Some countries and facilities have additional environmental specialists to support their environmental management programs.

To ensure the effective implementation of ABB's health and safety strategy, each country and region has a health and safety advisor. These specialists support senior management and work through a network of local occupational health and safety advisors at facility and project site level. Meetings are held regularly, both within and between regions to share health and safety experience.

A sustainability support group within ABB's corporate research organization develops and maintains sustainability tools and training, which facilitate the production of life cycle assessments of products and systems, life cycle costs and design tools – with the task of integrating the tools into ABB's daily business activities. The group also plays an important role in developing global sustainability objectives, formulating ABB's policies and directives for the elimination of hazardous substances and serving as a contact for a number of external sustainability partnerships.

### **Performance monitoring**

ABB's sustainability performance is monitored by a Group-wide intranet-based reporting system. The local sustainability officers report on environmental performance from 350 sites in 331 annual reports, each comprising approximately 80 indicators.

The country sustainability controllers report on social performance in annual reports and the health and safety advisors on occupational health and safety performance in quarterly reports, comprising in total approximately 45 indicators for each country. Country sustainability controllers also perform regular audits of sustainability performance at ABB sites. In general, every site is audited at least every third year.

See the list below for those responsible in each country.

Any fatal or serious incident within ABB's jurisdiction is reported to the Chief Executive and other company officers within 24 hours, and the cause of the incident determined by an investigation. An alert is then sent out Group-wide to ensure that operations working with similar hazards immediately review their safety systems and training to avoid a similar incident in the future.

Internal compliance and spot check audits are conducted to ensure group health and safety processes are being followed and that actions arising from Group-wide safety alerts are being implemented.

ABB's top-level health and safety committee, chaired by the Executive Committee member responsible for sustainability affairs, meets regularly to monitor health and safety performance and ongoing progress.

Potential security threats to ABB employees and ABB property are monitored continuously and security alerts backed up with appropriate instructions are issued to all exposed personnel. A Group-wide high-level approvals procedure is mandatory for all employees intending to travel to high-risk areas.

## ABB's Sustainability Affairs organization

### Country sustainability controllers and occupational health and safety advisors

Country	Sites	Name	Function
Argentina	3	Justo Gonzalez Litardo	CSC
		Juan C. Poma	OHS
Australia	11	Peter Kinsey	CSC
		Marian McLean	OHS
Austria	0	Arnd Schneider	CSC & OHS
Belgium	1	Bart Maes	CSC & OHS
Bolivia	0	Gery Cerruto	CSC & OHS
Brazil	4	Carlos-Roberto Hohl	CSC
		Adauto Milanez	OHS
Bulgaria	1	Tomislav Velichkov	CSC
		Leni Zaneva	OHS
Canada	7	Grazyna A. Momot	CSC & OHS
China	20	Vincent Lim	CSC
		Tim-LingYe Li	OHS
Colombia	2	Albert Tibavizco	CSC & OHS
Czech Republic	4	Miroslav Silar	CSC & OHS
Denmark	6	Jan F. Relster	CSC & OHS
Egypt	4	Said Ismail	CSC
		Mohsen William	OHS
Estonia	15	Andres Oja	CSC & OHS
Finland	16	Hannu Rintala	CSC & OHS
France	3	Valérie Rimonteil	CSC
		Georges Louette	OHS
Germany	36	Klaus Epe	CSC
		Lothar Kinzig	OHS
Greece	0	Andreas Mamalis	CSC
		Lambis Papadis	OHS
Hong Kong	0	Barry-ChiFai Kam	CSC
		Tim-LingYe Li	OHS
Hungary	2	Zsolt Horváth	CSC & OHS
India	8	Harmeet Bawa	CSC
		Selvaganapathy S	OHS
Indonesia	4	Sofyan Akib	CSC & OHS
Ireland	2	Mark Sage	CSC & OHS
Italy	20	Antonio Giacomucci	CSC & OHS
Japan	3	Masaki Iwataki	CSC
		Tatsuya Iwaki	OHS
Kuwait	1	Lourdes Machado	CSC
		Gary Foote	OHS
Latvia	4	Peteris Gals	CSC
		Laila Keisele	OHS
Lithuania	1	Ineta Mensikovaite	CSC & OHS
Luxembourg	0	Bart Maes	CSC & OHS
Malaysia	1	Karel Fuksa	CSC
		Ming-Eng Lee	OHS
Mexico	1	Luis Eduardo Martinez	CSC & OHS
Netherlands	1	Bart Maes	CSC & OHS
New Zealand	5	Peter Kinsey	CSC
		Craig McEwan	OHS
Norway	9	Kjell Brandal	CSC & OHS
Peru	1	Yvette Yauri	CSC

		Martin Asencio	OHS
Philippines	1	T.J. Ponce	CSC
		Agnes Magpile	OHS
Poland	6	Aleksander Sosnowski	CSC
		Jerzy Walczuk	OHS
Portugal	1	Nieves Alvarez	CSC
		Angel Madrid	OHS
Romania	1	Rares Lutia	CSC & OHS
Russia	5	Vladislav Petrov	CSC & OHS
Saudi Arabia	1	Khizar Usmani	CSC
		Majed Al-Akeel	OHS
Singapore	1	Emely Tan	CSC
		Dorothy Tan	OHS
Slovakia	5	Tomas Nagy	CSC & OHS
Slovenia	0	Tomas Lasic	OHS
South Africa	5	Chesney Bradshaw	CSC
		Marius Snyman	OHS
South Korea	1	Kyeong-Hee Lee	CSC & OHS
Spain	10	Nieves Alvarez	CSC
		Angel Madrid	OHS
Sweden	48	Gunnel Wisen	CSC
		Lena Westerholm	OHS
Switzerland	15	Remo Kuery	CSC & OHS
Thailand	1	Pornchai Satheinsep	CSC & OHS
Turkey	3	Gulden Turktan	CSC
		Aysegul Delikkaya	OHS
UAE	3	Gary Foote	CSC & OHS
United Kingdom	12	John Watson	CSC & OHS
United States	29	Elaine M. Hammick	CSC
		Darryl C. Hill	OHS
Venezuela	2	Raul Páez	CSC
		Dazara del V. Perez	OHS
<b>Total sites</b>	<b>346</b>		

Some countries and facilities employ additional specialists to maintain environmental management systems.

### Environmental specialists

Country	Name
Australia	Jaroslav Kovar
Belgium	Etienne Biebaut
Brazil	Manoel Siqueira
Bulgaria	Leni Zaneva
China	ShiWen Zheng
Colombia	Paula Mesa
Estonia	Marju Pearnberg
Finland	Roope Jokela
Germany	Lothar Kinzig
Hong Kong	Barry-ChiFai Kam
Hungary	Zsolt Horvath
India	Ajit Joshi
Ireland	David Maguire
Italy	Gianluca Donato
Japan	Tatsuya Iwaki
Mexico	Gabriela Salas
Netherlands	Francesco Luiken
New Zealand	Scott Mexted

Norway	Kirsten Knudsen
Philippines	Rodel Cariaga
Poland	Jolanta Szczepaniak
Russia	Irina Fedorova
Singapore	SoonHeng Chua
Slovakia	Tomas Nagy
Spain	Laurent Menard
Sweden	Lena Westerholm
Switzerland	Jakob Weber
Thailand	Sutthi Sangarunsiri
Turkey	Aysegul Delikkaya
UAE	Liis Metusala
United States	Clair Claiborne

### **Sustainability ratings**

ABB is convinced that high rankings in reputable sustainability performance indices translate into tangible benefits for its customers and investors.

### **Dow Jones Sustainability Indices (DJSI)**

In 2007, ABB was again selected for the Dow Jones Sustainability World Index (DJSI World) and the Dow Jones STOXX Sustainability Index (DJSI STOXX) as part of the industry group Electronic Equipment.

In the economic dimension, ABB achieved the best score in its industry group for corporate governance and scored above average for risk and crisis management and for its codes of conduct, compliance and procedures to combat bribery and corruption. It scored below average for Customer Relationship Management.

In the environmental dimension, ABB scored above the industry average in all categories, scoring particularly highly for Environmental Performance and Environmental Reporting.

In the social dimension, ABB scored particularly highly for its Social Reporting and above average in five out of seven categories. The two categories where ABB scored below the industry average were Human Capital Development and Corporate Citizenship/Philanthropy.

### **FTSE4Good**

In 2006, ABB again featured in both the FTSE4Good Europe Index and in the FTSE4Good Global Index.

### **Business in the Environment (BiE)**

In the latest ranking published in 2007, covering 134 companies, ABB scored 89 percent overall and was ranked at the upper end of the silver category of the index.

During the year ABB continued to work closely with Business in the Community who manage the BiE index. For example, ABB provided inputs to conferences such as Cleantech, London, which promoted the importance and business advantages of good environmental performance. The event was attended by about 1,000 representatives from the financial and investment community as well as the wider business community.

### **Bank Sarasin**

Bank Sarasin, based in Basel, Switzerland, assesses companies' environmental and social performance as a basis for its socially responsible investment funds and services.

In its latest assessment, Sarasin upgraded the company rating for ABB from above average to high, placing ABB as the sustainability leader in its industry group and qualifying it for Sarasin's sustainability funds.

On the environmental side ABB equalled the industry average in the Production category and scored above the industry average in all other categories, scoring particularly highly for Environmental Management Systems. On the social side ABB scored marginally below the industry average in the General Public

category, but above the industry average in all other categories, scoring particularly highly for its management of suppliers.

In Sarasin's new profile of ABB, the company's efforts to improve health and safety performance were noted. Sarasin also recognized ABB as a leader in fighting unethical business conduct through its enforcement of a zero-tolerance policy and comprehensive business ethics programs to combat earlier cases of corruption and breach of competition rules.

### **SiRi Company**

SiRi Company is a socially-responsible investment research organization based in Europe, North America and Australia.

In SiRi's latest corporate sustainability rating assessment released in January 2008, ABB achieved an overall score of 70.8 out of 100 in the industry group Capital Goods, Electrical Equipment. The industry average score was 54.4. ABB scored highly for business ethics (91), community (89), contractors (88), corporate governance (81), but lower for employees (52) and below the industry average for customers (56).

### **Innovest**

In its latest review of ABB's environmental performance, provided in 2008, Innovest gives ABB a rating of AAA, citing ABB as one of the top performers in the sector.

In the sub-factors of its overall rating, ABB scored 9.6 out of 10 for stakeholder capital, 8.7 for strategic governance, 8.3 for human capital and 7.6 for environment.

### **Swedbank Robur**

Swedbank Robur is Scandinavia's largest mutual fund manager and a wholly-owned subsidiary of Swedbank, Sweden, and serves more than three million customers. Assets totalling SEK 60 billion are managed using sustainability and ethical selection criteria.

Swedbank Robur has approved ABB for investments in all its nine ethical and environmental funds, citing ABB's implementation of certified environmental management systems in all of its 350 plants world wide and its work with Life Cycle Assessment for the evaluation of the environmental impact of its products.

Swedbank Robur also noted that:

- ABB is working with the implementation of its social policy both internally and in the supply chain
- The company has solutions for the electrification of developing countries thereby enhancing possibilities for the local population
- ABB is also discussing implementing a system to control projects from the sustainability view point.

Swedbank Robur judged ABB's sustainability report to be comprehensive.

### **Folksam**

Folksam, a Swedish insurance company, ranked ABB in first position overall for Human Rights (up from second last year) in its "Index for Responsible Business". Folksam noted that ABB has integrated human rights principles in a good way into its business and into its supply chain and cited ABB's management of human rights as a good example.

For environmental performance, Folksam ranked ABB in seventh position (up from 13 last year)

## **Position statements**

### **ABB's position on climate change and global warming**

The United Nations Intergovernmental Panel on Climate Change presents increasingly convincing evidence that man-made emissions of greenhouse gases – mainly carbon dioxide (CO<sub>2</sub>) – are influencing global climate.

ABB shares the concern about global warming and is committed to the pursuit of emission reductions. We support the Kyoto Protocol and other national and international efforts to lower greenhouse gas emissions

and stabilize global temperatures. ABB takes part in the Gleneagles Dialogue on Climate Change, which aims at shaping constructive policy recommendations, in particular for post-2012 commitments.

While recognizing that reshaping the world's energy supply sources will take time, ABB believes that other actions to cut greenhouse gas emissions can already be taken now: For example, pursuing energy savings and energy efficiency throughout the value chain from suppliers to end-users of energy will have an immediate beneficial impact on emissions.

The climate challenge is reflected in ABB's strategy 2011, which identifies energy efficiency and environmental concerns as key drivers of market growth going forward.

### **Our contribution**

In 2006, ABB set a target to reduce the use of energy per manufactured unit by five percent over a two-year period. This target was met through a large number of Group-wide improvement projects. ABB also continues to evaluate instruments that would help it to compensate for its remaining CO<sub>2</sub> emissions.

ABB's greatest contribution to the reduction of greenhouse gas emissions is through its products. For example, our advanced industrial information technology for the control and optimization of integrated systems, electrical power grids, buildings and industrial processes saves energy and reduces emissions.

The interconnection of power systems with high-voltage direct current (HVDC and HVDC Light) technology makes large savings through a more even distribution of loads and a more efficient use of primary energy resources, thereby reducing CO<sub>2</sub> emissions. It also enables large-scale integration of renewable energy into the power grids.

ABB's high-efficiency motors and variable-speed drives for motors contribute to large emission reductions. ABB low-voltage drives installed worldwide save some 130 million megawatt-hours of electricity a year, corresponding to an ongoing reduction of CO<sub>2</sub> emissions of 109 million tons each and every year – more than the yearly emissions of Finland.

ABB's products are designed to give optimal performance over their complete life cycles. Using Life Cycle Assessments, ABB delivers products and systems that require less material, have higher efficiencies and consume less energy, which means lower greenhouse gas emissions – particularly over long operating lifetimes.

### **ABB's position on sulfur hexafluoride (SF<sub>6</sub>)**

Sulfur hexafluoride (SF<sub>6</sub>) is a man-made gas. It is used in electrical equipment and also in such applications as semiconductor manufacture and cover gas in magnesium foundries in some countries. It is one of the most potent greenhouse gases listed in the Kyoto Protocol.

Compared to emissions of carbon dioxide (the main greenhouse gas), the amount of SF<sub>6</sub> that escapes to the atmosphere is minute. Even though SF<sub>6</sub> has a global warming potential some 22,200 times greater than carbon dioxide, SF<sub>6</sub> probably accounts for about 0.1 percent of man's contribution to the greenhouse effect.

SF<sub>6</sub> requires controlled handling. Accidental releases of SF<sub>6</sub> due to mishaps during manufacturing, installation, maintenance and decommissioning are a greater concern than leaks.

### **Our contribution**

Like many other manufacturers, ABB uses SF<sub>6</sub> to make safe, reliable and compact high-voltage electrical equipment. The gas has excellent insulating and arc-quenching properties, which permit much more compact equipment designs than would otherwise be possible. Land use, energy consumption, losses and waste are all considerably reduced, while the potential for recycling is increased.

Life Cycle Assessments indicate that with proper precautions, these advantages outweigh the environmental impact of leakages of SF<sub>6</sub> to the atmosphere.

In normal use, ABB products emit hardly any SF<sub>6</sub>. The gas is contained either in closed systems that require gas handling only once in a lifetime of 40 years, or in systems sealed for life that require no gas handling.

Our current closed systems guarantee a maximum leakage rate of 0.5 percent per year, which is in accordance with the latest standards. Our sealed system products guarantee leakage rates below 0.1 percent per year. Field experience shows that actual emissions are considerably less.

To minimize emissions, ABB uses strict tracing and inventory systems and efficient handling procedures in line with the recommendations of environmental agencies.

To this end, ABB plays a leading role in the international organizations responsible for developing guidelines for the reuse, recycling and handling of SF<sub>6</sub>, including IEC, CIGRE, CAPIEL and NEMA.

ABB also takes back old products for dismantling and recycling under controlled conditions. We also have ongoing research programs into alternatives to SF<sub>6</sub>, and we make SF<sub>6</sub>-free products available whenever feasible.

### **Business ethics and compliance**

(Supplementary to page 33 of the printed report)

Business ethics belongs to the company's core set of values and guiding principles. It is incorporated in ABB's new code of conduct, which replaced the former business ethics principles and re-iterates ABB's zero-tolerance policy on non-compliance.

In ABB's vision for the future, ethics will be one of the hallmarks of the company: by 2009, ABB wants to be recognized as the top global engineering company in terms of market impact, growth and profitability, value creation, sustainability and ethical behavior.

### **Policy**

Principle 13 of ABB's social policy commits ABB to uphold the highest standards in business ethics and to support the efforts of national and international authorities to establish and enforce high ethical standards for all businesses.

In implementing this policy, ABB management and employees:

- Recognize that ethical and economic values are interdependent, and that high business ethics and integrity ensure ABB's market credibility
- Insist on honesty and fairness in all aspects of their business and expect the same from their business partners
- Ensure all ABB business transactions are fully and fairly recorded according to the company's accounting principles
- Undergo continuous training and awareness-raising sessions on how to handle ethical issues, and provide timely advice and guidance
- Apply a "zero tolerance" policy regarding compliance issues to ensure strict adherence to local and international laws and regulations, as well as to ABB's code of conduct and company policies
- Regularly monitor ethical conduct and ensure that accessible systems are in place for employees to report potential violations

### **Governance GRI 4.1 – 4.10**

In order to maintain consistency of reporting, we have reproduced at the end of this section the complete corporate governance chapter as published in ABB's Annual Report. This is preceded below by short responses to the GRI indicators, which provide cross-references to the appropriate parts of the corporate governance chapter, wherever relevant.

#### **4.1 Governance structure, including committees**

See part 1 for ABB's principles and rules on corporate governance.

As at January 1, 2008, ABB's Board of Directors had eight non-executive members, all men, of six nationalities, as listed in part 5.2.

See part 5.1 for information on the Board of Directors' responsibilities and organization.

All board members are independent. The independence of directors is determined according to the Swiss Code of Best Practice and the independence criteria in the corporate governance rules of the New York Stock Exchange.

See part 5.4 for information on ABB's two board committees.

#### **4.2 and 4.3 Separation of Board of Directors and Executive Officers**

Upon proposal by the Governance, Nomination and Compensation Committee, the Board appoints the members of the Group Executive Committee. The Board has delegated the executive management of ABB to the CEO and the other members of the Group Executive Committee who are responsible for ABB's overall business and the day-to-day management of the Group.

As at January 1, 2008, the Group Executive Committee consisted of the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and nine other members, including one woman, of eight nationalities, as listed in part 6.2. On February 13, 2008, the CEO stepped down and was succeeded as interim CEO by the CFO, thereby reducing the Executive Committee to 10 members.

See part 6.1 for information on the Group Executive Committee's responsibilities and organization.

#### **4.4 Mechanisms for shareholders to give recommendations to the board**

See part 4 for information on shareholders' participation.

To provide a service to all shareholders, ABB's Investor Relations team is in frequent contact with shareholders by holding quarterly briefings in which senior management participates as well as providing and inviting feedback on an ongoing basis through the ABB Group Web site.

These facilities provide opportunities for shareholders and potential investors to express their views to ABB's management.

#### **4.5 Linkage between executive compensation and performance**

Executive compensation consists principally of a base salary and a performance bonus linked to individual areas of responsibility and Group performance. The criteria for both include the achievement of non-financial goals. In addition, executives receive company contributions to their pension plans and may participate in share-based programs to an extent that is also performance-driven.

See part 7 for information on executive compensation.

#### **4.6 Conflicts of interest**

Prior to their appointment, all candidates for Board positions are required to declare any interests which could conflict with their duties as ABB Board members. Any such conflicts of interest are taken into account during the selection process, and in the deliberations of the Board when carrying out their obligations.

See part 5.3 for information on significant business relationships of Board members with ABB.

#### **4.7 Expertise of Board members**

In recommending a candidate for the Board, the Governance, Nomination and Compensation Committee described in part 5.5.1 is required to take into account the skill, education, experience, interplay and interaction with other directors' personal and professional backgrounds and such other factors as the committee deems appropriate. The committee is responsible for maintaining an orientation program for new directors and an ongoing education program for existing Board members.

#### **4.8 Business principles statements relevant to sustainability performance**

Sustainability is one of ABB's core values. This is reflected in part by ABB's environmental, social, human rights, health and safety, and business ethics policies. These policies are published in full in the sustainability policies section, pages 30-32, of the printed Sustainability review and include references to international standards to which they relate. ABB's social policy, for example, draws on five international sources.

ABB also has a Code of Conduct describing the behavior the company expects from its employees and stakeholders, based on the ABB principles of responsibility, respect and determination.

#### **4.9 Board-level procedures for overseeing sustainability**

The sustainability performance of the Group, namely its health and safety, social and environmental performance, is the responsibility of one of the Group Executive Committee members, to whom the head of ABB's Sustainability Affairs organization reports. A network of sustainability controllers worldwide report to the sustainability affairs management team. Sustainability risks and opportunities are also investigated in coordination with other Group functions, e.g. internal audit, mergers and acquisitions (due diligence), site risk and insurance (real estate liabilities), and ABB's bid evaluation committee (customer and project risk assessments).

#### **4.10 Processes for evaluating the Board's performance**

Each Board committee is required to perform an annual review and self-evaluation of its performance, including a review of its compliance with its regulations. The reports from this process are then reviewed by the whole Board.

### **Corporate governance**

#### **1. Principles**

##### **1.1 General Principles**

ABB is committed to the highest international standards of corporate governance, and supports the general principles as set forth in the Swiss Code of Best Practice for Corporate Governance, as well as those of the capital markets where its shares are listed and traded.

In addition to the provisions of the Swiss Code of Obligations, ABB's key principles and rules on corporate governance are laid down in ABB's Articles of Incorporation, the ABB Ltd Board Regulations, the regulations of ABB's board committees, and the ABB Code of Conduct. It is the duty of ABB's Board of Directors (the Board) to review and amend or propose amendments to those documents from time to time to reflect the most recent developments and practices, as well as to ensure compliance with applicable laws and regulations.

This section of the Annual Report is based on the Directive on Information Relating to Corporate Governance published by the SWX Swiss Exchange. Where an item listed in the directive is not addressed in this report, it is either inapplicable to, or immaterial for, ABB.

In accordance with the requirements of the New York Stock Exchange (NYSE), a comparison of how the corporate governance practices followed by ABB differ from those required under the NYSE listing standards can be found in the corporate governance section at: [www.abb.com/investorrelations](http://www.abb.com/investorrelations)

##### **1.2 Duties of directors and officers**

The directors and officers of a Swiss corporation are bound, as specified in the Swiss Code of Obligations, to perform their duties with all due care, to safeguard the interests of the corporation in good faith and to extend equal treatment to shareholders in like circumstances.

The Swiss Code of Obligations does not specify what standard of due care is required of the directors of a corporate board. However, it is generally held by Swiss legal scholars and jurisprudence that the directors must have the requisite capability and skill to fulfill their function, and must devote the necessary time to the discharge of their duties. Moreover, the directors must exercise all due care that a prudent and diligent director would have taken in like circumstances. Finally, the directors are required to take actions in the best interests of the corporation and may not take any actions that may be harmful to the corporation.

##### **Exercise of powers**

Directors, as well as other persons authorized to act on behalf of a Swiss corporation, may perform all legal acts on behalf of the corporation which the business purpose, as set forth in the articles of incorporation of the corporation, may entail. Pursuant to court practice, such directors and officers can take any action that is not explicitly excluded by the business purpose of the corporation. In so doing, however, the directors and officers must still pursue the duty of due care and the duty of loyalty described above and must extend equal treatment to the corporation's shareholders in like circumstances. ABB's Articles of Incorporation do not contain provisions concerning a director's power, in the absence of an independent quorum, to vote on the compensation to themselves or any members of their body.

## Conflicts of interest

Swiss law does not have a general provision on conflicts of interest and our Articles of Incorporation do not limit our directors' power to vote on a proposal, arrangement or contract in which the director or officer is materially interested. However, the Swiss Code of Obligations requires directors and officers to safeguard the interests of the corporation and, in this connection, imposes a duty of care and loyalty on directors and officers. This rule is generally understood and so recommended by the Swiss Code of Best Practice for Corporate Governance as disqualifying directors and officers from participating in decisions, other than in the shareholders' meeting, that directly affect them.

## Confidentiality

Confidential information obtained by directors and officers of a Swiss corporation acting in such capacity must be kept confidential during and after their term of office.

## Sanctions

If directors and officers transact business on behalf of the corporation with *bona fide* third parties in violation of their statutory duties, the transaction is nevertheless valid as long as it is not explicitly excluded by the corporation's business purpose as set forth in its articles of incorporation. Directors and officers acting in violation of their statutory duties – whether transacting business with *bona fide* third parties or performing any other acts on behalf of the company – may, however, become liable to the corporation, its shareholders and its creditors for damages. The liability is joint and several, but the courts may apportion the liability among the directors and officers in accordance with their degree of culpability.

In addition, Swiss law contains a provision under which payments made to a shareholder or a director or any person(s) associated therewith other than at arm's length must be repaid to the company if the shareholder or director or any person associated therewith was acting in bad faith.

If the board of directors has lawfully delegated the power to carry out day-to-day management to a different corporate body, e.g., the executive committee, it is not liable for the acts of the members of that different corporate body. Instead, the directors can only be held liable for their failure to properly select, instruct and supervise the members of that different corporate body.

## 2. Group structure and shareholders

### 2.1 Group structure

ABB Ltd, Switzerland, is the ultimate parent company of the ABB Group, which principally comprises 323 consolidated operating and holding subsidiaries worldwide. ABB Ltd's shares are listed on the SWX Swiss Exchange (traded on virt-x), the OMX Nordic Exchange Stockholm and the NYSE (where its shares are traded in the form of American depositary shares (ADS) – each ADS representing one registered ABB share). On December 31, 2007, ABB Ltd had a market capitalization of CHF 75.5 billion.

The only consolidated subsidiary in the ABB Group with listed shares is ABB Limited, Bangalore, India, which is listed on the Bombay Stock Exchange and the National Stock Exchange of India. During 2007, ABB Limited, Bangalore, India, delisted from the Kolkata Stock Exchange. On December 31, 2007, ABB Ltd, Switzerland, directly or indirectly owned 52.11 percent of ABB Limited, Bangalore, India, which at that time had a market capitalization of INR 320.5 billion.

Stock exchange listings				
Stock exchange	Security	Ticker symbol	Security number	ISIN code
SWX Swiss Exchange (virt-x)	ABB Ltd, Zurich, share	ABBN	1222171	CH0012221
OMX Nordic Exchange Stockholm	ABB Ltd, Zurich, share	ABB	–	CH0012221
New York Stock Exchange	ABB Ltd, Zurich, ADS	ABB	000375204	US0003752
Bombay Stock Exchange	ABB Limited, Bangalore,	ABB	500002	INE117A01
National Stock Exchange of India	ABB Limited, Bangalore,	ABB	–	INE117A01

All data as of December 31, 2007.

The following table sets forth, as of December 31, 2007, the name, country of incorporation, ownership interest and share capital of ABB Ltd, Switzerland, and its significant subsidiaries:

ABB Ltd and significant subsidiaries				
Company name/location	Country	ABB interest %	Share capital in 1,000	Currency
ABB S.A., Buenos Aires	ARGENTINA	100.00	10,510	ARS
ABB Australia Pty Limited, Sydney	AUSTRALIA	100.00	122,436	AUD
ABB AG, Vienna	AUSTRIA	100.00	15,000	EUR
ABB Ltda., Osasco	BRAZIL	100.00	94,396	BRL
ABB Bulgaria EOOD, Sofia	BULGARIA	100.00	3,010	BGN
ABB Inc., St. Laurent, Quebec	CANADA	100.00	301,957	CAD
ABB (China) Ltd., Beijing	CHINA	100.00	120,000	USD
Asea Brown Boveri Ltda., Bogotá	COLOMBIA	99.99	485,477	COP
ABB Ltd., Zagreb	CROATIA	100.00	2,730	HRK
ABB s.r.o., Prague	CZECH	100.00	400,000	CZK
ABB A/S, Skovlunde	DENMARK	100.00	100,000	DKK
ABB Equador S.A., Quito	ECUADOR	96.87	315	USD
Asea Brown Boveri S.A.E., Cairo	EGYPT	100.00	82,490	EGP
ABB AS, Tallinn	ESTONIA	100.00	25,985	EEK
ABB Oy, Helsinki	FINLAND	100.00	10,003	EUR
ABB S.A., Rueil-Malmaison	FRANCE	100.00	38,921	EUR
ABB AG, Mannheim	GERMANY	100.00	167,500	EUR
ABB Automation GmbH, Mannheim	GERMANY	100.00	15,000	EUR
ABB Automation Products GmbH,	GERMANY	100.00	20,750	DEM
ABB Beteiligungs- und Verwaltungsges.	GERMANY	100.00	120,000	DEM
Asea Brown Boveri S.A., Metamorphosis	GREECE	100.00	1,182	EUR
ABB (Hong Kong) Ltd., Hong Kong	HONG KONG	100.00	20,000	HKD
ABB Engineering Trading and Service Ltd.,	HUNGARY	100.00	444,090	HUF
ABB Limited, Bangalore	INDIA	52.11	423,817	INR
ABB Ltd, Dublin	IRELAND	100.00	635	EUR
ABB Technologies Ltd., Tirat Carmel	ISRAEL	99.99	420	ILS
ABB S.p.A., Milan	ITALY	100.00	107,000	EUR
ABB SACE S.p.A., Sesto S. Giovanni (MI)	ITALY	100.00	60,000	EUR
ABB Trasmissione & Distribuzione S.p.A. in	ITALY	100.00	3,300	EUR
ABB Technology SA, Abidjan	IVORY COAST	99.00	178,540	XOF
ABB K.K., Tokyo	JAPAN	100.00	1,000,000	JPY
ABB Ltd., Seoul	KOREA,	100.00	18,670,000	KRW
ABB Holdings Sdn. Bhd., Subang Jaya	MALAYSIA	100.00	4,490	MYR
Asea Brown Boveri S.A. de C.V.,	MEXICO	100.00	419,096	MXN
ABB BV, Rotterdam	NETHERLANDS	100.00	9,076	EUR

ABB Holdings BV, Amsterdam	NETHERLANDS	100.00	119	EUR
ABB Limited, Auckland	NEW ZEALAND	100.00	34,000	NZD
ABB Holding AS, Billingstad	NORWAY	100.00	800,000	NOK
ABB S.A., Lima	PERU	76.34	27,915	PEN
Asea Brown Boveri Inc., Paranaque, Metro	PHILIPPINES	100.00	123,180	PHP
ABB Sp. z o.o., Warsaw	POLAND	99.83	260,643	PLN
ABB (Asea Brown Boveri), S.A., Paco de	PORTUGAL	100.00	4,117	EUR
Asea Brown Boveri Ltd., Moscow	RUSSIA	100.00	332	USD
ABB Contracting Company Ltd., Riyadh	SAUDI ARABIA	65.00	10,000	SAR
ABB Holdings Pte. Ltd., Singapore	SINGAPORE	100.00	25,597	SGD
ABB Holdings (Pty) Ltd., Sunninghill	SOUTH AFRICA	80.00	4,050	ZAR
Asea Brown Boveri S.A., Madrid	SPAIN	100.00	33,318	EUR
ABB AB, Västerås	SWEDEN	100.00	400,000	SEK
ABB Norden Holding AB, Stockholm	SWEDEN	100.00	459,000	SEK
ABB Asea Brown Boveri Ltd, Zurich	SWITZERLAND	100.00	2,768,000	CHF
ABB Ltd, Zurich	SWITZERLAND	Parent	5,790,038	CHF
ABB Schweiz AG, Baden	SWITZERLAND	100.00	55,000	CHF
ABB LIMITED, Bangkok	THAILAND	100.00	1,034,000	THB
ABB Holding A.S., Istanbul	TURKEY	99.95	12,844	USD
ABB Ltd., Kiev	UKRAINE	100.00	5,860	USD
ABB Industries (L.L.C), Dubai	UNITED ARAB	49.00	5,000	AED
ABB Holdings Ltd., Warrington	UNITED	100.00	203,014	GBP
ABB Ltd., Warrington	UNITED	100.00	219,000	GBP
ABB Holdings Inc., Norwalk, CT	UNITED STATES	100.00	2	USD
ABB Inc., Norwalk, CT	UNITED STATES	100.00	1	USD
Asea Brown Boveri S.A., Caracas	VENEZUELA	100.00	4,899,373	VEB
ABB (Private) Ltd., Harare	ZIMBABWE	100.00	1,000	ZWD

ABB's operational group structure is described in the "Financial review" part of this Annual Report.

## 2.2 Significant shareholders

Investor AB, Sweden, held 166,330,142 ABB shares as of December 31, 2007, representing approximately 7.6 percent of ABB's total share capital and voting rights as registered in the Commercial Register on that date. The number of shares held by Investor AB does not include shares held by Mr. Jacob Wallenberg, the chairman of Investor AB, in his individual capacity.

FMR LLC (FMR), U.S., held 127,059,033 ABB shares as of December 31, 2007, representing approximately 5.8 percent of ABB's total share capital and voting rights as registered in the Commercial Register on that date.

To the best of ABB's knowledge, no other shareholder held 5 percent or more of ABB's total share capital and voting rights as registered in the Commercial Register on December 31, 2007.

In January 2008, FMR notified us that it held 104,896,048 ABB shares as of January 11, 2008, representing approximately 4.8 percent of ABB's total share capital and voting rights as registered in the Commercial Register on that date. In February 2008, FMR notified us that it held less than 3 percent of

ABB's total share capital and voting rights as registered in the Commercial Register.

Under ABB's Articles of Incorporation, each registered share represents one vote. Significant shareholders do not have different voting rights.

To our knowledge, we are not directly or indirectly owned or controlled by any government or by any other corporation or person.

### **2.3 Cross-shareholdings**

There are no cross-shareholdings in excess of 5 percent of the share capital or the voting rights between ABB and another company.

## **3. Capital structure**

### **3.1 Ordinary share capital**

On December 31, 2007, ABB's ordinary share capital (including treasury shares) amounted to CHF 5,790,037,755 divided into 2,316,015,102 fully paid registered shares with a par value of CHF 2.50 per share. As of that date, ABB's ordinary share capital as registered with the Commercial Register was CHF 5,469,390,792.50 divided into 2,187,756,317 fully paid registered shares.

### **3.2 Changes to the share capital**

In 2007, ABB issued 23,327,183 shares out of its contingent capital in connection with ABB's Employee Share Acquisition Plan (ESAP) and ABB's Management Incentive Plan (MIP). For further details about the ESAP and the MIP see sections 8.2 and 8.3. In 2007, ABB also issued 104,931,602 shares out of its contingent capital to holders of its then outstanding Swiss-franc convertible bonds. The resulting share capital of CHF 5,790,037,755 divided into 2,316,015,102 fully paid registered shares was reflected in ABB's Articles of Incorporation dated as of January 10, 2008.

In 2006, ABB issued 5,746,614 shares out of its contingent capital in connection with the ESAP. The resulting share capital of CHF 5,469,390,792.50 divided into 2,187,756,317 shares was reflected in ABB's Articles of Incorporation dated as of December 15, 2006.

In 2006, ABB also issued 105,068,206 shares out of its contingent capital to holders of its then outstanding U.S.-dollar convertible bonds. The resulting share capital of CHF 5,455,024,257.50 divided into 2,182,009,703 shares was reflected in ABB's Articles of Incorporation dated as of June 26, 2006.

In November 2005, ABB issued 6,626,550 shares out of its contingent capital in connection with the ESAP. The resulting share capital of CHF 5,192,353,742.50 divided into 2,076,941,497 shares was reflected in ABB's Articles of Incorporation dated as of December 6, 2005.

Except as described in this section 3.2, there were no changes to ABB's share capital during 2007, 2006 and 2005.

### **3.3 Contingent share capital**

As at January 10, 2008, ABB's share capital may be increased by an amount not to exceed CHF 25,000,000 through the issuance of up to 10,000,000 fully paid registered shares with a par value of CHF 2.50 per share through the exercise of warrant rights granted to its shareholders. The Board may grant warrant rights not taken up by shareholders for other purposes in the interest of ABB.

The pre-emptive rights of the shareholders are excluded in connection with the issuance of warrant rights. The then current owners of warrants will be entitled to subscribe for new shares. The conditions of the warrants will be determined by the Board.

The acquisition of shares through the exercise of warrants and each subsequent transfer of the shares will be subject to the restrictions of ABB's Articles of Incorporation (see section 4.2).

In addition as at January 10, 2008, ABB's share capital may be increased by an amount not to exceed CHF 110,749,132.50 through the issuance of up to 44,299,653 fully paid shares with a par value of CHF 2.50 per share to employees. The pre-emptive and advance subscription rights of ABB's shareholders are

excluded. The shares or rights to subscribe for shares will be issued to employees pursuant to one or more regulations to be issued by the Board, taking into account performance, functions, level of responsibility and profitability criteria. ABB may issue shares or subscription rights to employees at a price lower than that quoted on a stock exchange. The acquisition of shares within the context of employee share ownership and each subsequent transfer of the shares will be subject to the restrictions of ABB's Articles of Incorporation (see section 4.2).

### **3.4 Authorized share capital**

At ABB's annual general meeting in May 2007, ABB's -shareholders approved the creation of an authorized share capital in the amount of up to CHF 500,000,000 through the issuance of up to 200,000,000 fully paid registered shares with a par value of CHF 2.50 each, which is valid until May 3, 2009. The Board is authorized to 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. This represented the total authorized share capital available to ABB on December 31, 2007. The Board may permit pre-emptive rights that have not been exercised by shareholders to expire or it may place these rights and/or shares as 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. Furthermore, the Board is authorized to restrict or deny the pre-emptive rights of shareholders and allocate such rights to third parties if the shares are used (1) 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 (2) for the purpose of broadening the shareholder constituency in connection with a listing of shares on domestic or foreign stock exchanges.

The subscription and acquisition of the new shares, as well as each subsequent transfer of the shares, will be subject to the restrictions of ABB's Articles of Incorporation (see section 4.2).

### **3.5 Convertible bonds and warrants**

For information about convertible bonds and warrants on shares issued by ABB, please refer to notes 13 and 20 to ABB's consolidated financial statements contained in the "Financial review" part of this Annual Report.

## **4. Shareholders' participation**

### **4.1 Shareholders' voting rights**

ABB has one class of shares and each registered share carries one vote at the general meeting. Voting rights may be exercised only after a shareholder has been registered in the share register of ABB as a shareholder with the right to vote, or with VPC AB in Sweden, which maintains a subregister of the share register of ABB.

A shareholder may be represented at the annual general meeting by another shareholder with the right to vote, its legal representative, a corporate body (Organvertreter), an independent proxy (unabhängiger Stimmrechtsvertreter) or a depository (Depotvertreter). All shares held by one shareholder may be represented by one representative only.

For practical reasons shareholders must be registered in the share register no later than 10 days before the general meeting in order to be entitled to vote. Except for the cases described under section 4.2, there are no voting rights restrictions limiting ABB's shareholders' rights.

### **4.2 Limitations on transferability of shares and nominee registration**

ABB may decline a registration with voting rights if a shareholder does not declare that it has acquired the shares in its own name and for its own account. If the shareholder refuses to make such declaration, it will be registered as a shareholder without voting rights.

A person failing to expressly declare in its registration application that it holds the shares for its own account (a nominee), will be entered in the share register with voting rights, provided that such nominee has entered into an agreement with the Board concerning its status, and further provided that the nominee is subject to recognized bank or financial market supervision. In special cases the Board may grant exemptions. There were no exemptions granted in 2007.

### **4.3 Shareholders' dividend rights**

ABB Ltd may only pay out a dividend if it has been proposed by a shareholder or the Board and approved at a general meeting of shareholders, and the statutory auditors confirm that the dividend conforms to statutory law and ABB's Articles of Incorporation. Dividends are usually due and payable in Swiss francs no earlier than three trading days after the approving shareholders' resolution.

ABB has established a dividend access facility for its share-holders who are residents of Sweden for tax purposes. If such shareholders have registered their shares with VPC AB in Sweden, then they may elect to receive the dividend in Swedish kronor from ABB Norden Holding AB without deduction of Swiss withholding tax. For further information on the dividend access facility please refer to ABB's Articles of Incorporation, a copy of which can be found in the corporate governance section at:

[www.abb.com/investorrelations](http://www.abb.com/investorrelations)

### **4.4 General meeting**

Shareholders' resolutions at general meetings are approved with an absolute majority of the votes represented at the meeting, except for those matters described in article 704 of the Swiss Code of Obligations and for resolutions with respect to restrictions on the exercise of the right to vote and the removal of such restrictions, which all require the approval of two-thirds of the votes represented at the meeting.

Shareholders representing shares of a par value of at least CHF 1,000,000 may request items to be included in the agenda of a general meeting. Any such request must be made in writing at least 40 days prior to the date of the general meeting and specify the items and the motions of such shareholder(s). ABB's Articles of Incorporation do not contain provisions on the convocation of the general meeting of shareholders that differ from the applicable legal provisions.

## **5. Board of Directors**

### **5.1 Responsibilities and organization**

The Board defines the ultimate direction of the business of ABB and issues the necessary instructions. It determines the organization of the ABB Group and appoints, removes and supervises the persons entrusted with the management and representation of ABB.

The internal organizational structure and the definition of the areas of responsibility of the Board, as well as the information and control instruments vis-à-vis the Group Executive Committee, are set forth in the ABB Ltd Board Regulations, a copy of which can be found in the corporate governance section at:

[www.abb.com/investorrelations](http://www.abb.com/investorrelations)

Board meetings are convened by the chairman or upon request by a director or the chief executive officer (CEO). Written documentation covering the various items of the agenda for each Board meeting is sent out in advance to each Board member in order to allow each member time to study the covered matters prior to the meetings. Decisions made at the Board meetings are recorded in written minutes of the meetings.

The CEO shall regularly, and whenever extraordinary circumstances so require, report to the Board about ABB's overall business and affairs. Further, Board members are entitled to information concerning ABB's business and affairs. Additional details are set forth in section 6 of the ABB Ltd Board Regulations, a copy of which can be found in the corporate governance section at: [www.abb.com/investorrelations](http://www.abb.com/investorrelations)

### **5.2 Term and members**

The members of the Board are elected individually at the ordinary general meeting of the shareholders for a term of one year; re-election is possible. Our Articles of Incorporation, a copy of which can be found in the corporate governance section at [www.abb.com/investorrelations](http://www.abb.com/investorrelations), do not provide for the retirement of directors based on their age. However, an age limit for members of the Board is set forth in the ABB Ltd Board Regulations, a copy of which can be found in the corporate governance section at:

[www.abb.com/investorrelations](http://www.abb.com/investorrelations)

As at December 31, 2007, all Board members were non-executive and independent directors (see also section 5.3).

Members of the Board (Board term May 2007 to May 2008):

**Hubertus von Grünberg** has been a member and chairman of ABB's Board of Directors since May 3, 2007. He is the chairman of the supervisory board of Continental AG (Germany). He is a member of the supervisory boards of Allianz Versicherungs AG and Deutsche Telekom AG (both Germany). He is a member of the board of directors of Schindler Holding (Switzerland). Mr. von Grünberg was born in 1942 and is a German citizen.

**Roger Agnelli** has been a member of ABB's Board of Directors since March 12, 2002. He is the president and chief executive officer of Companhia Vale do Rio Doce (Brazil). He is also a member of the board of directors of Spectra Energy (U.S.). Mr. Agnelli was born in 1959 and is a Brazilian citizen.

**Louis R. Hughes** has been a member of ABB's Board of Directors since May 16, 2003. Mr. Hughes is the chairman of the board of directors of Maxager Technology and the chairman of the board of directors and chief executive officer of GBS Laboratories (both U.S.). He is also a member of the boards of directors of Akzo Nobel (The Netherlands), MTU (Germany), Sulzer (Switzerland) and Electrolux (Sweden). He is an executive advisor to Windpoint (U.S.) and a member of the British Telecom U.S. advisory board. Mr. Hughes was born in 1949 and is an American citizen.

**Hans Ulrich Märki** has been a member of ABB's Board of Directors since March 12, 2002. He is chairman of IBM Europe, Middle East and Africa (France), and a member of the board of directors of Mettler-Toledo International, Swiss Re and Menuhin Festival Gstaad AG (all Switzerland). He is also a member of the foundation board of Schulthess Klinik, Zurich, Switzerland, and of the board of trustees of the Hermitage Museum, St. Petersburg, Russia. He serves as a member of the board of trustees of IMD Lausanne, Switzerland; the international advisory boards of HEC (Haute Ecole Commercial) Paris, France; IESE (University of Navarra) Barcelona, Spain; and Bocconi SDA, Milan, Italy. Mr. Märki was born in 1946 and is a Swiss citizen.

**Michel de Rosen** has been a member of ABB's Board of Directors since March 12, 2002. He is the chairman, president and chief executive officer of ViroPharma (U.S.). He is a member of the boards of directors of Ursinus College, Pennsylvania Biotech and Endo Pharmaceutical Holdings Inc. (all U.S.). He is also a member of the advisory board of Paul Capital Partners Royalty Fund (U.S.). Mr. de Rosen was born in 1951 and is a French citizen.

**Michael Treschow** has been a member of ABB's Board of Directors since May 16, 2003. He is the chairman of the boards of directors of Ericsson (Sweden), Unilever NV (Holland), and Unilever PLC (U.K.). He is also a member of the board of directors of the Knut and Alice Wallenberg Foundation (Sweden). Mr. Treschow was born in 1943 and is a Swedish citizen.

**Bernd W. Voss** has been a member of ABB's Board of Directors since March 12, 2002. He is a member of the supervisory board of Dresdner Bank (Germany). He is also a member of the boards of directors of Allianz Leben, Continental, Hapag-Lloyd, Osram and Wacker Chemie (all Germany). Mr. Voss was born in 1939 and is a German citizen.

**Jacob Wallenberg** has been a member of ABB's Board of Directors since June 28, 1999. From March 1999 to June 1999, he served as a member of the board of directors of ABB Asea Brown Boveri Ltd, the former parent company of the ABB Group. He is the chairman of the board of directors of Investor AB (Sweden). He is vice chairman of SEB Skandinaviska Enskilda Banken, Atlas Copco AB and SAS AB (all Sweden). He is also a member of the boards of directors of the Knut and Alice Wallenberg Foundation, the Nobel Foundation and the Stockholm School of Economics (all Sweden) and Coca-Cola Corporation (U.S., from January 2008). Mr. Wallenberg was born in 1956 and is a Swedish citizen.

As of December 31, 2007, none of ABB's Board members holds any official functions or political posts. Further information on ABB's Board members can be found in the corporate governance section at: [www.abb.com/investorrelations](http://www.abb.com/investorrelations)

### 5.3 Business relationships

This section describes important business relationships between ABB and its Board members, or companies and organizations represented by them. The Board has determined that business relationships with ABB customers which do not result in annual revenues for ABB in excess of \$10 million are not important business relationships *per se* for the purposes of this section 5.3.

During 2007, Companhia Vale do Rio Doce and its subsidiaries (Vale) and ABB entered into a framework agreement to establish general terms and conditions for the supply of products, systems and services among their respective group subsidiaries. ABB supplies Vale primarily with process automation products for mineral systems. The total revenues received by ABB in 2007 relating to its contracts with Vale were approximately \$100 million. Roger Agnelli is president and CEO of Vale.

In 2007, ABB earned revenues of approximately \$40 million from Atlas Copco AB and its subsidiaries (Atlas Copco) primarily for automation products such as motors and drives. Jacob Wallenberg is the vice chairman of Atlas Copco.

During 2007, ABB received approximately \$44 million of revenues from Sulzer AG (Sulzer) primarily for various automation products. Louis R. Hughes is a member of Sulzer's board of directors.

On July 4, 2005, ABB entered into an unsecured syndicated \$2-billion, five-year revolving credit facility, which became available in July 2005 and which was amended and restated on June 27, 2007. As of December 31, 2007, SEB Skandinaviska Enskilda Banken AB (publ) (SEB) has committed to \$120 million out of the \$2-billion total and Dresdner Bank AG (Dresdner) has committed to \$105 million out of the \$2-billion total. Jacob Wallenberg is the vice chairman of SEB and Bernd W. Voss is a member of Dresdner's supervisory board.

In 2003, ABB entered into a 10-year agreement with IBM pursuant to which IBM took over the operation and support of ABB's information systems infrastructure. The total value of the infrastructure and related operational services to be provided under this agreement is expected to approach \$1.7 billion. Hans Ulrich Märki is chairman of IBM Europe, Middle East and Africa.

After comparing the revenues generated from ABB's business with Vale, Atlas Copco, Sulzer, SEB, and Dresdner to the total annual revenues of ABB and of those companies, and after reviewing the infrastructure and operational services arrangement with IBM and the banking commitments of SEB and Dresdner, the Board has determined that ABB's business relationships with those companies do not constitute material business -relationships and that all members of the Board are considered to be independent directors. This determination was made in accordance with the Swiss Code of Best Practice for Corporate Governance and the independence criteria set forth in the corporate governance rules of the New York Stock Exchange.

ABB obtains a portion of its insurance coverage from Zurich Financial Services. Fred Kindle, the CEO of ABB during 2007, was also a director of Zurich Financial Services during 2007. The Board has determined that ABB's business with Zurich Financial Services is not material.

### 5.4 Board committees

From among its members, the Board has appointed two Board committees: the Governance, Nomination and Compensation Committee (GNCC) and the Finance, Audit and Compliance Committee (FACC). The duties and objectives of the Board committees are set forth in regulations issued or approved by the Board, copies of which can be found in the corporate governance section at [www.abb.com/investorrelations](http://www.abb.com/investorrelations). These committees assist the Board in its tasks and report regularly to the Board. The members of the Board committees are required to be independent.

#### 5.4.1 Governance, Nomination and Compensation Committee

The Governance, Nomination and Compensation Committee is responsible for (1) overseeing corporate governance practices within ABB, (2) selecting candidates for the Board, its committees, the CEO and the members of the Group Executive Committee, and (3) succession planning and employment as well as compensation matters relating to the Board and the Group Executive Committee. The Governance, Nomination and Compensation Committee is also responsible for maintaining an orientation program for new Board members and an ongoing education program for existing Board members.

The Governance, Nomination and Compensation Committee must comprise three or more independent directors. Upon invitation by the committee's chairman, the CEO or other members of the Group Executive Committee may participate in the committee meetings, provided that any potential conflict of interest is avoided and confidentiality of the discussions is maintained.

As at December 31, 2007, the members and secretary of the Governance, Nomination and Compensation Committee were:

Members: Hans Ulrich Märki (chairman)  
Michel de Rosen  
Roger Agnelli  
Secretary: Gary Steel

#### **5.4.2 Finance, Audit and Compliance Committee**

The Finance, Audit and Compliance Committee is responsible for overseeing (1) the integrity of ABB's financial statements, (2) ABB's compliance with legal and regulatory requirements, (3) the independent auditors' qualifications and independence, and (4) the performance of ABB's internal audit function and independent auditors.

The Finance, Audit and Compliance Committee must comprise three or more independent directors who have a thorough understanding of finance and accounting. As determined by the committee's chairman for matters related to their respective functions, the head of internal audit, as well as the external auditors, may participate in the Finance, Audit and Compliance Committee meetings. Upon invitation by the committee's chairman, the CEO or other members of the Group Executive Committee may participate in the committee meetings, provided that any potential conflict of interest is avoided and confidentiality of the discussions is maintained. As required by the U.S. Securities and Exchange Commission (SEC), the Board has determined that Bernd W. Voss is an audit committee financial expert.

As at December 31, 2007, the members and secretary of the Finance, Audit and Compliance Committee were:

Members: Bernd W. Voss (chairman)  
Jacob Wallenberg  
Louis R. Hughes  
Secretary: Michel Demaré

#### **5.5 Meetings and attendance**

The table below shows the number of meetings held during 2007 by the Board and its committees, their average duration, as well as the attendance of the individual Board members.

#### **5.6 Secretary to the Board**

Diane de Saint Victor is the secretary to the Board.

### **6. Group Executive Committee**

#### **6.1 Responsibilities and organization**

The Board has delegated the executive management of ABB to the CEO and the other members of the Group Executive Committee. The CEO and under his direction the other members of the Group Executive Committee are responsible for ABB's overall business and affairs and day-to-day management. The CEO reports to the Board regularly, and whenever extraordinary circumstances so require, on the course of ABB's business and financial performance and on all organizational and personnel matters, transactions and other issues relevant to the Group.

Each member of the Group Executive Committee is appointed and discharged by the Board.

Meetings and attendance			
	Board of Directors	Governance, Nomination and Compensation	Finance, Audit and Compliance
Average duration (hours)	7	2	3
Number of meetings	5	7	7
Meetings attended:			
Jürgen Dormann (until May 2007)	2	–	–
Hubertus von Grünberg (from May	3	–	–
Roger Agnelli	4	5	–
Louis R. Hughes	5	–	6
Hans Ulrich Märki	5	7	–
Michel de Rosen	5	6	–
Michael Treschow	5	–	–
Bernd W. Voss	4	–	7
Jacob Wallenberg	5	–	7

## 6.2 Members of the Group Executive Committee

As at December 31, 2007, the members of the Group Executive Committee were:

**Fred Kindle** joined ABB in September 2004 and was the Chief Executive Officer from January 2005 until February 2008. As of February 2008, Mr. Kindle is a member of the board of directors of VZ Holding Ltd. and of Zurich Financial Services Ltd. (both Switzerland). Before joining ABB, Mr. Kindle had been with Sulzer (Switzerland) since 1992. In 2001, he became chief executive officer of Sulzer and from 2003 to 2004, he was also a member of Sulzer's board of directors. Mr. Kindle was born in 1959 and has dual Liechtenstein and Swiss citizenship.

**Michel Demaré** joined ABB as Chief Financial Officer on January 1, 2005, and was appointed interim CEO in addition to his duties as CFO in February 2008. From 2002 until 2004 Mr. Demaré was vice president and chief financial officer of Baxter Europe. From 1984 until 2002, he held various positions within Dow Chemical (U.S.). Mr. Demaré was born in 1956 and is a Belgian citizen.

**Ulrich Spiesshofer** joined ABB as head of Corporate Development in November 2005. From 2002 until he joined ABB, he was senior partner, global head of operations practice at Roland Berger AG. Prior to 2002, he held various positions with A.T. Kearney Pty. Ltd. and its affiliates. Mr. Spiesshofer was born in 1964 and is a German citizen.

**Gary Steel** joined ABB as head of Human Resources in January 2003. Mr. Steel is a member of the board of directors of Harman International Industries Inc. (U.S.). In 2002, he was the human resources director, group finance at Royal Dutch Shell (Netherlands). Between 1976 and 2002, he held several human resources and employee relations positions at Royal Dutch Shell. Mr. Steel was born in 1952 and is a British citizen.

**Diane de Saint Victor** joined ABB as General Counsel in January 2007. From 2004 to 2006, she was general counsel of European Aeronautic Defence and Space, EADS (France/Germany). From 2003 to 2004, she was general counsel of SCA Hygiene Products (Germany). From 1993 to 2003, she held various positions with Honeywell International (France/Belgium). Ms. de Saint Victor was born in 1955 and is a French citizen.

**Ravi Uppal** was appointed President, Global Markets, in July 2007. From 2006 until his appointment to the

executive committee in 2007 he was ABB's regional manager of Southeast Asia. From 2001 to 2007 he was ABB's country manager for India. Prior to 2001 he held various positions with several different companies including approximately 15 years with ABB. Mr. Uppal was born in 1952 and is an Indian citizen.

**Bernhard Jucker** was appointed Executive Committee member responsible for the Power Products division in January 2006. From 2003 to 2005, he was ABB's country manager for Germany. From 1980 to 2003 he held various positions in ABB. Mr. Jucker was born in 1954 and is a Swiss citizen.

**Peter Leupp** was appointed Executive Committee member responsible for the Power Systems division in January 2007. From 2005 to 2006, he was ABB's regional manager for North Asia and from 2001 to 2006 he was ABB's country manager for China. From 1989 to 2001, he held various positions in ABB. Mr. Leupp was born in 1951 and is a Swiss citizen.

**Tom Sjökvist** was appointed Executive Committee member responsible for the Automation Products division in January 2006. From 2003 to 2005, he was the head of the Automation Products business area. From 1972 to 2003, he held several positions with ABB. Mr. Sjökvist was born in 1947 and is a Swedish citizen.

**Veli-Matti Reinikkala** was appointed Executive Committee member responsible for the Process Automation division in January 2006. He is a member of the board of directors of UPM-Kymmene (Finland). In 2005, he was the head of the Process Automation business area. From 1993 to 2005, he held several positions with ABB. Mr. Reinikkala was born in 1957 and is a Finnish citizen.

**Anders Jonsson** was appointed Executive Committee member responsible for the Robotics division in January 2006. In 2005, he was the head of the former Automation Technologies division in China. From 1976 to 2004, he held various positions with ABB. Mr. Jonsson was born in 1950 and is a Swedish citizen.

On February 13, 2008, ABB announced that Fred Kindle was leaving ABB due to irreconcilable differences about how to lead the company. Michel Demaré was appointed interim CEO in addition to his role as Chief Financial Officer.

Further information about the members of the Group Executive Committee can be found in the corporate governance section at: [www.abb.com/investorrelations](http://www.abb.com/investorrelations)

### **6.3 Management contracts**

There are no management contracts between ABB and companies or natural persons not belonging to the ABB Group.

## **7. Compensation**

### **7.1 Principles of Board compensation**

The compensation levels of members of the Board for their term from May 2007 to May 2008 are as follows:

Chairman:	CHF1,200,000
Member of the Board and Committee chairman:	CHF 400,000
Member of the Board:	CHF 300,000

As of May 2007, Board compensation is payable in semi-annual installments in arrear. The first payment is made in November, for the period of Board membership from election at the annual general meeting in May until October of that year. The second payment is made in May of the following year for the period of Board membership from November to May.

Also as of 2007, Board members elect to receive either 50 percent or 100 percent of their compensation in ABB shares. The reference price for the shares to be delivered (and hence the calculation of the number of shares to be delivered) is the average closing price of the ABB share during a defined 30-day period which is different for each installment. The ABB shares are kept in a blocked account for three years after the date of original delivery and may only be disposed of earlier if the respective person shall have left the

Board and shall not have agreed to the shares remaining blocked for the original three-year period. In addition, all shares that were in the blocked account at the beginning of May 2007 are blocked until May 2010 and may only be disposed of earlier if the respective Board member shall have left the Board before 2010 and shall not have agreed to the shares remaining blocked until 2010.

## 7.2 Details of Board compensation

The compensation to which Board members are entitled for the period from May 2007 to May 2008 amounts to CHF 3,500,000. Of this amount, CHF 1,750,000 was settled in cash and/or shares in November 2007. The remainder will be settled in May 2008 in cash and/or shares, according to the elections made by the Board members. The amounts per individual Board member are listed in the table above. No amounts were paid in 2007 in respect of the Board term for the period from May 2006 to May 2007.

Board members do not receive pension benefits and are not eligible to participate in any of our employee incentive programs.

Board compensation					
2007 installment					
Name	Function	Total - compensation <sup>(1)</sup>	Percentage of compensation to be settled in shares	Settled in cash <sup>(2)</sup>	Settled in shares – number of shares received <sup>(3)</sup>
		(CHF)		(CHF)	
Hubertus von	Chairman of the Board	1,200,00	50%	300,000	6,779
Roger Agnelli <sup>(4)</sup>	Member of the Board	300,000	50%	75,000	1,677
Louis R. Hughes <sup>(5)</sup>	Member of the Board	300,000	50%	75,000	1,677
Hans Ulrich Märki	Member of the Board and chairman of the Governance, Nomination and Compensation Committee	400,000	100%	0	6,149
Michel de Rosen <sup>(4)</sup>	Member of the Board	300,000	50%	75,000	1,677
Michael Treschow	Member of the Board	300,000	50%	75,000	1,677
Bernd W. Voss	Member of the Board and chairman of the Finance, Audit and Compliance Committee	400,000	50%	100,000	2,273
Jacob Wallenberg	Member of the Board	300,000	100%	0	3,354
<b>Total</b>		<b>3,500,00</b>		<b>700,000</b>	<b>25,263</b>

<sup>(1)</sup> Compensation for the period of Board membership from May 2007 to May 2008. Expense recognized in the company's Income Statement for 2007 amounted to CHF 2,449,000. Jürgen Dormann served as Chairman of the Board until the annual general meeting in May 2007. All compensation in connection with his last term as Chairman was paid and recorded in 2006.

<sup>(2)</sup> Represents gross amounts paid in 2007, prior to deductions for social security, withholding tax etc.

<sup>(3)</sup> Number of shares per Board member is calculated based on net amount due after deductions for social security, withholding tax etc.

<sup>(4)</sup> Member of the Governance, Nomination and Compensation Committee

<sup>(5)</sup> Member of the Finance, Audit and Compliance Committee

### **7.3 Principles of Group Executive Committee compensation**

The GNCC has structured the compensation for the members of the Group Executive Committee into three principal components (1) an annual base salary, (2) a short-term incentive and (3) a long-term incentive. In deciding the level of these components for each of the Group Executive Committee members, the GNCC reviews the components against pan-European benchmarks, and in the case of Veli-Matti Reinikkala, against U.S. top executive benchmarks provided by the Hay Group.

Short-term incentives for members of the Group Executive Committee are their annual bonuses. To align the performance expectations of these members with the development of ABB, these bonuses depend at least 50 percent on ABB's business performance during the preceding financial year. Resulting bonuses are paid in March each year after full-year results are announced. The CEO has a maximum bonus opportunity of 150 percent of his base salary. All other current Group Executive Committee members have a maximum bonus opportunity of 100 percent of their base salary.

ABB aligns the performance of the members of the Group Executive Committee with that of ABB on a longer-term basis by offering them the opportunity to participate in the Long-term Incentive Plan (LTIP). For further details about the LTIP see section 8.4. Some members of the Group Executive Committee have participated in the earlier launches of the MIP and when they do so, they are not eligible to participate in an LTIP launch for the same period.

Members of the Group Executive Committee also receive pension benefits. All members are insured in Switzerland in the ABB Pension Fund, the ABB Supplementary Insurance Plan, the Tödi Plan and the Tödi Foundation – TEDC Plan (the regulations are available under [www.abbvorsorge.ch](http://www.abbvorsorge.ch)), with the exception of Veli-Matti Reinikkala, who is insured under the pension plan in Finland and the 401(k) plan in the U.S. The members receive pension contributions from ABB in accordance with the terms of their pension plans.

Group Executive Committee members receive customary additional benefits such as a company car, and accident, life, unemployment, social and health insurance compensation. In some cases, members receive contributions to children's education. Members are also eligible to participate in ESAP.

### **7.4 Details of Group Executive Committee compensation**

The total compensation of each member of the Group Executive Committee is displayed in two parts: (1) total salary and non share-based compensation and (2) total share-based compensation. The total salary and non share-based compensation includes base salary, bonuses, pension contributions and certain other items as described more fully in the salary and non share-compensation table later in this section. The total share-based compensation includes all share-related grants to individuals. The valuation is based on the market price of the ABB Ltd share at the time of grant and for the LTIP grants assumes 100 percent vesting, although less than 100 percent may actually vest. Share-based compensation is described more fully in the share-based compensation table later in this section. The total compensation only includes compensation received by an individual in connection with his or her role as a member of the Group Executive Committee. The total compensation of members of the Group Executive Committee in 2007 is summarized in the first table. The second table shows the gross payments (i.e. compensation before deduction of employee social insurance and pension contributions) that were made to, or on behalf of, the members of the Group Executive Committee in 2007 but excludes share-based compensation, which is shown in a separate table below.

Group Executive Committee total compensation				
Name	Function	Total salary and other non share-based compensation	Total share-based compensation	Total compensation
		(CHF)	(CHF)	(CHF)
Fred Kindle	President and Chief Executive Officer	3,926,255	5,545,689	9,471,944
Michel Demaré	Chief Financial Officer	1,980,964	3,289,469	5,270,433
Gary Steel	Head of Human Resources	1,784,766	2,472,964	4,257,730
Ulrich Spiesshofer	Head of Corporate Development	1,568,506	1,038,384	2,606,890
Diane de Saint Victor	General Counsel	1,371,821	3,053,627	4,425,448
Ravi Uppal	President Global Markets since July 1, 2007	507,109	–	507,109
Bernhard Jucker	Head of Power Products division	2,049,338	1,241,391	3,290,729
Peter Leupp	Head of Power Systems division	1,383,040	1,855,839	3,238,879
Tom Sjökvist	Head of Automation Products division	2,465,439	1,101,153	3,566,592
Veli-Matti	Head of Process Automation division	1,523,328	1,039,682	2,563,010
Anders Jonsson	Head of Robotics division	1,367,618	761,926	2,129,544
Dinesh Paliwal	President Global Markets and Technology until June 30, 2007	2,974,974	1,498,518	4,473,492
<b>Total</b>		<b>22,903,158</b>	<b>22,898,642</b>	<b>45,801,800</b>

## Group Executive Committee salary and other non share-based compensation

Name	Base salary	Bonus	Additional compensation	Employers' pension contributions	Costs of company car	Costs of health insurance	Costs of children's education	Employer social security payments	Total <sup>(1)</sup>
	(CHF)	(CHF)	(CHF)	(CHF)	(CHF)	(CHF)	(CHF)	(CHF)	(CHF)
Fred Kindle	1,487,507	1,977,615		207,845	35,000	8,296		209,992	3,926,255
Michel Demaré	866,677	756,480		210,585	29,000	8,478	26,600	83,144	1,980,964
Gary Steel	736,668	654,264		224,356	27,000	8,970	62,000	71,508	1,784,766
Ulrich Spiesshofer	683,338	616,395		165,217	29,000	7,780		66,776	1,568,506
Diane de Saint Victor <sup>(2)</sup>	700,012		403,000	203,664		8,947		56,198	1,371,821
Ravi Uppal <sup>(3)</sup>	350,000			125,335		4,776		26,998	507,109
Bernhard Jucker	816,669	721,500		220,181	30,000	8,187		252,801	2,049,338
Peter Leupp	700,000	303,286		227,854	25,000	9,486		117,414	1,383,040
Tom Sjökvist <sup>(4)</sup>	716,674	689,150	474,830	244,279	30,000	8,354		302,152	2,465,439
Veli-Matti Reinikkala <sup>(5)</sup>	629,832	553,808	58,975	214,787	41,839	4,517		19,570	1,523,328
Anders Jonsson	545,007	319,800		215,003	27,000	9,091		251,717	1,367,618
Dinesh Paliwal <sup>(6)</sup>	427,386	1,454,086	165,630	743,916	13,496	17,823	73,317	79,320	2,974,974
<b>Total</b>	<b>8,659,770</b>	<b>8,046,384</b>	<b>1,102,435</b>	<b>3,003,022</b>	<b>287,335</b>	<b>104,705</b>	<b>161,917</b>	<b>1,537,590</b>	<b>22,903,158</b>

<sup>(1)</sup> The table above provides compensation amounts with respect to 2007 on a cash basis. Consequently, the table shows bonuses relating to 2006, paid in 2007, except for Dinesh Paliwal, whose bonus includes a pro rata share for 2007 (see note 6 below). The CEO has a maximum bonus opportunity of 150 percent of his base salary. All other Executive Committee members have a maximum bonus opportunity of 100 percent of their base salary. Accrued bonus at December 31, 2007, amounted to CHF 8,060,008. Bonus payments will be made in March 2008, after the 2007 financial results are published.

<sup>(2)</sup> Diane de Saint Victor received 250,000 euros as a sign-on bonus upon joining the company. This amount has been translated into Swiss francs using a rate of 1.612.

<sup>(3)</sup> Ravi Uppal was appointed to the Executive Committee effective July 1, 2007. Therefore the table shows his compensation from that date and excludes compensation he received during 2007 in respect of his previous role within ABB.

<sup>(4)</sup> Tom Sjökvist received additional compensation of CHF 474,830 upon reaching the age of 60, under an agreement entered prior to his becoming an Executive Committee member.

<sup>(5)</sup> Veli-Matti Reinikkala received his compensation and car benefits in U.S. dollars, which have been converted into Swiss francs using a rate of 1.1247 per U.S. dollar. He received his employer's pension contributions and health insurance benefits in euros, which have been converted into Swiss francs using a rate of 1.65528 per euro. His additional compensation was for relocation expenses, financial counseling and term life insurance premiums.

<sup>(6)</sup> Dinesh Paliwal left the company as of the end of June, 2007 and therefore received a pro rata share of his compensation for 2007, including an amount of CHF 480,121 in respect of his bonus 2007. He received his compensation in U.S. dollars, which has been converted into Swiss francs using a rate of 1.1247 per U.S. dollar. His additional compensation was for cost-of-living adjustments, financial counseling and term life insurance premiums.

Share-based compensation granted to members of the Group Executive Committee during 2007 is summarized in the table below. The vesting dates of the respective awards are listed in the footnotes to the table.

Group Executive Committee share-based compensation										
Name	Number of conditionally granted shares under the 2005 launch of LTIP <sup>(1)</sup>	Fair value LTIP 2005 <sup>(2)</sup>	Number of conditionally granted shares under the 2006 launch of LTIP <sup>(3)</sup>	Fair value LTIP 2006 <sup>(2)</sup>	Number of conditionally granted shares under the performance component of the 2007 launch of LTIP <sup>(4)</sup>	Number of conditionally granted shares under the co-investment component of the 2007 launch of LTIP <sup>(4)</sup>	Total fair value LTIP 2007 <sup>(2)</sup>	Fair value of shares in respect of bonus <sup>(2)(5)</sup>	Fair value of share-based award in lieu of certain pension arrangements <sup>(2)(6)</sup>	Total fair value of share-based awards granted in 2007
		(CHF)		(CHF)			(CHF)	(CHF)	(CHF)	(CHF)
Fred Kindle					71,158	30,959	2,501,867	1,500,000	1,543,822	5,545,689
Michel					41,746	11,843	1,312,931		1,976,538	3,289,469
Gary Steel					35,105	10,243	1,111,026		1,361,938	2,472,964
Ulrich Spiesshofer					32,733	9,650	1,038,384			1,038,384
Diane de Saint Victor	59,150	1,197,788	41,526	840,902	33,207	8,219	1,014,937			3,053,627
Ravi Uppal <sup>(7)</sup>										0
Bernhard Jucker					39,374	11,295	1,241,391			1,241,391
Peter Leupp			41,526	840,902	33,207	8,219	1,014,937			1,855,839
Tom Sjökvist					34,156	10,789	1,101,153			1,101,153
Veli-Matti Reinikkala					33,022	9,414	1,039,682			1,039,682
Anders Jonsson					26,092	5,007	761,926			761,926
Dinesh Paliwal <sup>(8)</sup>					44,608	16,556	1,498,518			1,498,518
<b>Total</b>	<b>59,150</b>	<b>1,197,788</b>	<b>83,052</b>	<b>1,681,804</b>	<b>424,408</b>	<b>132,194</b>	<b>13,636,752</b>	<b>1,500,000</b>	<b>4,882,298</b>	<b>22,898,642</b>

(1) Vesting date March 15, 2008.

(2) Fair value represents market value of the shares as per grant date of the respective award.

(3) Vesting date March 15, 2009. Includes a total of 16,478 shares deliverable under the co-investment component of the 2006 launch of LTIP.

(4) Vesting date March 15, 2010.

(5) In 2007, Fred Kindle was allocated an additional bonus for 2006 of CHF 1.5 million to be paid in the form of 63,966 shares. 31,983 shares were delivered in March 2007 and the remaining 31,983 shares will

vest and be delivered in March 2008.

<sup>(6)</sup> In 2007, a total of 199,685 shares, vesting on March 1, 2010, were awarded to these individuals to compensate for a change in pension arrangements.

<sup>(7)</sup> The table excludes share-based compensation received by Ravi Uppal in connection with his previous role within ABB, prior to his becoming a member of the Executive Committee.

<sup>(8)</sup> Upon leaving the company, Dinesh Paliwal forfeited all unvested share-based awards.

In addition to the above awards, all members of the Group Executive Committee except for Ravi Uppal participated in the fourth launch of ESAP, which allows them to save over a 12-month period and, in November 2008, use their savings to acquire up to a maximum number of 280 or 290 shares (depending on the savings currency) at an exercise price of CHF 34.98.

In February 2008, the company announced that its CEO, Fred Kindle, is leaving the company. Mr. Kindle is entitled to salary, bonus and other benefits (including pension contributions and the payout of unused vacation days) up to the end of February 2009. If he does not find alternative employment prior to the end of February 2009, then the company will continue to pay an amount equal to the difference between 70 percent of his annual compensation (base salary and bonus) and his compensation from other employment, if any, during the 12 months ending in February 2010. Mr. Kindle will receive 304,711 shares that were previously granted but unvested in accordance with their scheduled vesting in March 2008. With respect to other share-based awards previously granted to Mr. Kindle and vesting in 2009 and 2010, Mr. Kindle will receive, in March 2008, 242,598 shares, representing a pro rata allocation (through February 28, 2009) of the shares he would otherwise have received at the end of the vesting periods of the respective awards.

#### **7.5 Additional fees and remuneration**

Other than as disclosed herein, in 2007, ABB did not pay any additional fees or remuneration to the members of the Board or the Group Executive Committee for services rendered to ABB. Also, in 2007 ABB did not pay any additional fees or remuneration, other than on market terms, to persons closely linked to a member of the Board or the Group Executive Committee for services rendered to ABB. "Persons closely linked" is understood to mean: (1) an individual's spouse, (2) an individual's children below the age of 18, (3) any persons living in the same household as an individual for at least 12 months, (4) any legal entities that are under the control of an individual or any of the persons mentioned under (1) to (3) above, and (5) any legal or natural person acting as an individual's fiduciary or the fiduciary of any of the persons mentioned under (1) to (4) above.

#### **7.6 Loans and guarantees granted to members of the Board or Group Executive Committee**

In 2007, ABB did not grant any loans or guarantees to its Board members or members of the Group Executive Committee or to persons closely linked to any of those members.

#### **7.7 Severance provisions**

Employment contracts for Group Executive Committee members contain notice periods of 12 months or less, during which they are entitled to running salaries and bonuses. In addition, if the company terminates the employment of a member of the Group Executive Committee and that member does not find alternative employment within their notice period that pays at least 70 percent of such member's annual compensation, then the Company will continue to pay compensation to that member for up to 12 additional months.

#### **7.8 Compensation to former members of the Board and the Group Executive Committee**

In 2007, ABB did not make any payments to a former member of the Board or the Group Executive Committee in connection with such member's role, or departure from the role, as a member of the Board or the Group Executive Committee.

### **8. Employee participation programs**

#### **8.1 Incentive plans linked to ABB shares**

In order to align its employees' interests with the business goals and financial results of the company, ABB operates a number of incentive plans, linked to ABB's shares, which are summarized below (for a more detailed description of each incentive plan, please refer to note 20 to ABB's consolidated financial statements contained in the "Financial review" part of this Annual Report).

## 8.2 ESAP

The ESAP is an employee stock-option plan with a savings feature. Employees save over a 12-month period, by way of monthly salary deductions. The maximum monthly savings amount is the lower of 10 percent of gross monthly salary or the local currency equivalent of CHF 750. At the end of the savings period, employees choose whether to exercise their stock options to buy ABB shares (ADS in the case of employees in the U.S.) at the exercise price set at the grant date, or have their savings returned with interest. The savings are accumulated in a bank account held by a third-party trustee on behalf of the participants and earn interest.

The maximum number of shares that each employee can purchase has been determined based on the exercise price and the aggregate savings for the 12-month period, increased by 10 percent to allow for currency fluctuations. If, at the exercise date, the balance of savings plus interest exceeds the maximum amount of cash the employee must pay to fully exercise their stock options, the excess funds will be returned to the employee. If the balance of savings and interest is insufficient to permit the employee to fully exercise their stock options, the employee has the choice, but not the obligation, to make an additional payment so that they may fully exercise their stock options.

If an employee ceases to be employed by ABB, the accumulated savings as of the date of cessation of employment will be returned to the employee and the employee's right to exercise their stock options will be forfeited. Employees can withdraw from the ESAP at any time during the savings period and will be entitled to a refund of their accumulated savings.

The exercise price per share and ADS of CHF 34.98 and \$29.78, respectively, for the 2007 grant, was determined using the closing price of the ABB share on the SWX Swiss Exchange (virt-x) and ADS on the New York Stock Exchange on the grant date.

## 8.3 MIP

ABB maintains an MIP under which it offers stock warrants, options and warrant appreciation rights (WARs) to key employees for no consideration.

The warrants and options granted under the MIP allow participants to purchase shares of ABB at predetermined prices. Participants may sell the warrants and options rather than exercise the right to purchase shares. Equivalent warrants are listed by a third-party bank on the SWX Swiss Exchange, which facilitates pricing and transferability of warrants granted under the MIP. The options entitle the holder to request that a third-party bank purchase such options at the market price of equivalent warrants listed by the third-party bank in connection with that MIP launch. If the participant elects to sell the warrants or options, the instruments will then be held by a third party and, consequently, ABB's obligation to deliver shares will be to this third party. Each WAR gives the participant the right to receive, in cash, the market price of the equivalent listed warrant on the date of exercise of the WAR. The WARs are non transferable.

Participants may exercise or sell warrants and options and exercise WARs after the vesting period, which is three years from the date of grant. Vesting restrictions can be waived in certain circumstances, such as death or disability. All warrants, options and WARs expire six years from the date of grant.

The details of the various unexpired grants as at December 31, 2007, are as follows:

Grant	Warrant exercise price in CHF	Subscription ratio
December 2003	7.00	5:1
December 2004	7.50	5:1
February 2006	15.30	5:1
May 2007	26.00	5:1

#### 8.4 LTIP

ABB has an LTIP for members of its Group Executive Committee and certain other executives (each an eligible participant). The LTIP involves annual conditional grants of ABB's stock and, as of the 2006 launch, contains a co-investment component, in addition to the share-price performance component existing in the previous launches.

Under the share-price performance component, the value of the number of shares conditionally granted equals a certain percentage of the eligible participant's base salary at the date of grant. For members of the Group Executive Committee, these percentages were 150 percent in 2005 (prior to the introduction of the co-investment component) and 100 percent as from 2006. The number of shares granted usually is adjusted downward for individuals who become eligible participants after the initial grant date. The actual number of shares that each eligible participant will receive free of charge at a future date is dependent on (1) the performance of ABB shares during a defined period (evaluation period) compared to those of a selected peer group of publicly listed multinational companies and (2) the term of service of the respective eligible participants in that capacity during the evaluation period. The actual number of shares received after the evaluation period cannot exceed 100 percent of the conditional grant.

The performance of ABB compared to its peers over the evaluation period will be measured as the sum, in percentage terms, of the average percentage price development of the ABB share price over the evaluation period and an average annual dividend yield percentage (ABB's performance).

In order for shares to vest, ABB's performance over the evaluation period must be positive and equal to or better than half of the defined peers. The actual number of shares to be delivered will be dependent on ABB's ranking in comparison with the defined peers. The full amount of the conditional grant will vest if ABB's performance is better than three-quarters of the defined peers'.

Under the co-investment component of the LTIP, each eligible participant is invited to deposit a number of ABB shares, up to an individually defined maximum number of shares. If at the end of the evaluation period the individual remains an eligible participant and the owner of such shares, then ABB will deliver free of charge to the eligible participant a matching number of shares.

The details of the various unexpired launches as at December 31, 2007, are as follows:

Launch year	Evaluation period	Reference price (in CHF)
2005	March 15, 2005,	
	to March 15,	7.15
2006	March 15, 2006,	
	to March 15,	15.48
2007	March 15, 2007,	
	to March 15,	21.08

The exact number of shares to be received for the 2005, the 2006 and the 2007 launches will be known only in March 2008, 2009 and 2010, respectively.

## 9. ABB shareholdings of members of the Board and the Group Executive Committee

### 9.1 Board ownership of ABB shares and options

The table below shows the number of ABB shares held by each Board member as of December 31, 2007:

Board shareholdings	Total number of shares held
Hubertus von Grünberg	6,779
Roger Agnelli	134,482
Louis R. Hughes	59,751
Hans Ulrich Märki	304,051
Michel de Rosen	90,115
Michael Treschow	71,007
Bernd W. Voss	137,807
Jacob Wallenberg <sup>(2)</sup>	146,724
<b>Total</b>	<b>950,716</b>

<sup>(1)</sup> Includes a total of 814,657 shares paid as compensation to Board members in current and prior years and currently blocked in accordance with the terms of the Board compensation.

<sup>(2)</sup> Share amounts provided in this table do not include the shares beneficially owned by Investor AB, of which Mr. Wallenberg is chairman.

Except as described in this section 9.1, as of December 31, 2007, no member of the Board and no person closely linked to a member of the Board held any shares of ABB or options in ABB shares.

## 9.2 Group Executive Committee ownership of ABB shares and options

As of December 31, 2007, the members of the Group Executive Committee held the following numbers of shares (or ADSs representing such shares), the conditional rights to receive ABB shares under the LTIP, warrants or options (either vested or unvested as indicated) under the MIP and unvested shares in respect of bonus and/or pension arrangements:

Group Executive Committee shareholdings, warrant holdings and option holdings										
Name	Total number of shares held <sup>(2)</sup>	Unvested at December 31, 2007 <sup>(1)</sup>								
		Number of conditionally granted shares under the 2005 launch of the LTIP	Number of conditionally granted shares under the 2006 launch of the LTIP	Number of matching shares deliverable under the 2006 co-investment portion of LTIP	Number of conditionally granted shares under the 2007 launch of the LTIP	Number of matching shares deliverable under the 2007 co-investment portion of LTIP	Number of warrants/options held under the MIP <sup>(3)</sup>	Number of warrants/options held under the MIP <sup>(3)</sup>	Shares in respect of bonus 2006	Shares in lieu of pension arrangements
		(vesting 2008)	(vesting 2009)	(vesting 2009)	(vesting 2010)	(vesting 2010)	2006 grant (vesting 2009)	2007 grant (vesting 2010)	(vesting 2008)	(vesting 2010)
Fred Kindle	165,453	272,728	92,055	40,115	71,158	30,959			31,983	63,142
Michel Demaré <sup>(4)</sup>	62,961	157,343	51,680	15,014	41,746	11,843				80,840
Gary Steel	51,120	146,854	46,512	13,416	35,105	10,243				55,703
Ulrich Spiesshofer	25,330	107,955	41,990	13,372	32,733	9,650				
Diane de Saint Victor	20,000	59,150	33,287	8,239	33,207	8,219				
Ravi Uppal	30,717							237,220		
Bernhard Jucker	31,375		48,450	8,595	39,374	11,295				
Peter Leupp	32,988		33,287	8,239	33,207	8,219				
Tom Sjökvist <sup>(5)</sup>	40,011		45,220	12,451	34,156	10,789				
Veli-Matti Reinikkala	22,538		43,001	5,680	33,022	9,414				
Anders Jonsson <sup>(6)</sup>	67,291		33,592	3,603	26,092	5,007	100,000	96,300		
<b>Total</b>	<b>549,784</b>	<b>744,030</b>	<b>469,074</b>	<b>128,724</b>	<b>379,800</b>	<b>115,638</b>	<b>100,000</b>	<b>333,520</b>	<b>31,983</b>	<b>199,685</b>

<sup>(1)</sup> Excluded on the grounds of immateriality are unvested shares in respect of the fourth launch of ESAP. For details, see note 20 to ABB's consolidated financial statements contained in the "Financial review" part of this Annual Report.

<sup>(2)</sup> Includes shares deposited as match for the co-investment portion of the LTIP. These shares may be sold/transferred but then the corresponding number of co-investment shares would be

forfeited.

<sup>(3)</sup> Warrants/options may be sold or exercised/converted into shares at the ratio of 5 warrants/options for 1 share.

<sup>(4)</sup> Total number of shares held includes 500 shares held jointly with spouse.

<sup>(5)</sup> Total number of shares held includes 7,560 shares held by spouse or child.

<sup>(6)</sup> Total number of shares held includes 55,529 shares held by or jointly with spouse. The warrants vesting in 2009 and 2010 were received by Anders Jonsson's spouse in connection with her role as an ABB employee.

Furthermore, as of December 31, 2007, the following members of the Group Executive Committee held WARs that when -exercised entitle the holder to receive in cash the market value of the equivalent listed warrant at the time of exercise.

Group Executive Committee warrant appreciation rights holdings			
	Number of fully vested WARs held under the MIP		Number of unvested WARs held under the MIP
	2003 grant	2004 grant	2006 grant (vesting 2009)
Ravi Uppal		275,000	375,000
Bernhard Jucker			375,000
Peter Leupp	62,500	225,000	375,000
Tom Sjökvist			375,000
Veli-Matti Reinikkala	75,000	312,500	375,000
Anders Jonsson			375,000
<b>Total</b>	<b>137,500</b>	<b>812,500</b>	<b>2,250,000</b>

Except as described in this section 9.2, as of December 31, 2007, no member of the Group Executive Committee and no person closely linked to a member of the Group Executive Committee held any shares of ABB or options in ABB shares.

### **9.3 Total shareholdings of ABB shares and options**

As of December 31, 2007, the members of our Board and Group Executive Committee owned less than 1 percent of the company's total shares outstanding.

### **10. Duty to make a public tender offer**

ABB's Articles of Incorporation do not contain any provisions raising the threshold (opting-up) or waiving the duty (opting-out) to make a public tender offer pursuant to article 32 of the Swiss Stock Exchange and Securities Trading Act.

### **11. Change of control provisions**

None of ABB's Board members, Group Executive Committee members or members of senior management receive "golden parachutes" or other special benefits in the event of a change of control.

## **12. Auditors**

### **12.1 Group auditors and special auditors**

Ernst & Young is the Group and statutory auditor of ABB. OBT has been elected as special auditor to issue special review reports required in connection with changes in ABB's share capital.

### **12.2 Duration of the mandate and term of office of the Group auditor**

Ernst & Young assumed the existing auditing mandate as auditor of the ABB Group in 1994. The head auditor responsible for the mandate, Charles Barone, began serving in this function in May 2003.

### **12.3 Auditing and additional fees paid to Group auditor**

The audit fees charged by Ernst & Young for the legally prescribed audit amounted to approximately \$25.8 million in 2007. Audit services are defined as the standard audit work performed each fiscal year necessary to allow the auditor to issue an opinion on the consolidated financial statements of ABB and to issue an opinion on the local statutory financial statements.

This classification may also include services that can be provided only by the Group auditor, such as assistance with the application of new accounting policies, pre-issuance reviews of quarterly financial results and comfort letters delivered to underwriters in connection with debt and equity offerings.

In addition, Ernst & Young charged approximately \$10.2 million for non-audit services performed during 2007. Non-audit services include primarily accounting consultations and audits in connection with divestments, audits of pension and benefit plans, accounting advisory services, tax compliance and other tax services. In accordance with the requirements of the U.S. Sarbanes-Oxley Act of 2002 and rules issued by the SEC, ABB has, on a global basis, a process for the review and pre-approval of audit and non-audit services to be performed by Ernst & Young.

### **12.4 Supervisory and control instruments vis-à-vis the Group auditors**

The FACC prepares proposals for the Board for the appointment and removal of the external auditors. The FACC is also responsible for supervising the external auditors to ensure their qualifications, independence and performance. It meets regularly with the external auditors to obtain reports about the results of their audit procedures. The FACC reports the material elements of its supervision of the external auditors to the Board.

## **13. Information policy**

ABB, as a publicly traded company, is committed to communicating in a timely and consistent way to shareholders, potential investors, financial analysts, customers, suppliers, the media and other interested parties. ABB is required to disseminate material information pertaining to its businesses in a manner that complies with its obligations under the rules of the stock exchanges where its shares are listed and traded.

ABB publishes an Annual Report consisting of two volumes, (1) an "Operational and financial review" and (2) a "Sustainability review." The "Operational and financial review" provides information on human resources, technology, audited financial statements, business results and corporate governance. The "Sustainability review" provides information on the company's performance in environmental management, social responsibility and employee health and safety.

Apart from this Annual Report, ABB also submits an annual report on Form 20-F to the SEC. In addition, ABB publishes its results on a quarterly basis as press releases, distributed pursuant to the rules and regulations of the stock exchanges on which its shares are listed and traded. Press releases relating to financial results and material events are also filed with the SEC on Form 6-K. An archive containing Annual Reports, Form 20-F reports, quarterly results releases and related presentations can be found on the ABB Web site at [www.abb.com/investorrelations](http://www.abb.com/investorrelations). The quarterly results press releases contain unaudited financial statements prepared in accordance with U.S.

GAAP.

ABB's official means of communication is the Swiss Official Gazette of Commerce ([www.shab.ch](http://www.shab.ch)). The invitation to the company's annual general meeting is sent to registered shareholders by mail.

Inquiries may also be made to ABB Investor Relations:

Telephone: +41 (0)43 317 7111

Fax: +41 (0)44 311 9817

ABB's Web site is: [www.abb.com](http://www.abb.com)

#### **14. Further information on corporate governance**

The list below contains references to additional information concerning the corporate governance of ABB, which can be accessed in the corporate governance section at:

[www.abb.com/investorrelations](http://www.abb.com/investorrelations)

- Articles of Incorporation
- Regulations of the Board
- CVs of the Board members
- CVs of the Group Executive Committee members
- Regulations of the Governance, Nomination and -Compensation Committee
- Regulations of the Finance, Audit and Compliance Committee
- ABB Code of Conduct
- Comparison of ABB's corporate governance practices with the New York Stock Exchange rules

#### **Memberships of associations GRI 4.13**

Listed below are some of ABB's principal associations and initiatives at corporate level involving sustainability.

##### **Amnesty International (AI), U.K.**

ABB is a member of Amnesty International's Business Group which gives advice to member companies on business-related human rights matters and organizes round-table discussions for its members to share experience and best practice.

Web site: [www.amnesty.org](http://www.amnesty.org)

##### **Business Leaders Initiative on Human Rights (BLIHR), U.K.**

ABB was one of the founding members of this initiative, launched in 2003 to help lead and develop the corporate response to human rights and now comprising 13 international companies. BLIHR believes in finding practical ways of applying the aspirations of the Universal Declaration of Human Rights within a business context and inspiring other businesses to do likewise. ABB is working on one of the key areas of BLIHR's work – drawing up guidelines on good business governance in sensitive countries. ABB specialists also represent BLIHR's interests at a number of international conferences on business and human rights issues.

Web site: [www.blihr.org](http://www.blihr.org)

##### **Centre for Environmental Assessment of Products and Materials (CPM), Chalmers University of Technology, Gothenburg, Sweden**

CPM is a national competence center dedicated to sustainable product development. It is jointly funded by industry, VINNOVA (the Swedish Agency for Innovation Systems), and Chalmers. ABB is a board member.

Web site: [www.cpm.chalmers.se](http://www.cpm.chalmers.se)

### **CSR Europe, Belgium**

Corporate Social Responsibility Europe is a leading European business network for corporate social responsibility with around 70 multinational corporations as members. Since its inception in 1995, its mission has been to help companies integrate corporate social responsibility into the way they do business.

Web site: [www.csreurope.org](http://www.csreurope.org)

### **Global Reporting Initiative (GRI), Netherlands**

The GRI is a multi-stakeholder process which started in 1997 and became an independent institution in 2002. The initiative has the active support and engagement of representatives from business, non-profit advocacy groups, accounting bodies, investor organizations, trade unions and others. These constituencies have worked together to build a consensus on a set of sustainability reporting guidelines with the aim of achieving worldwide acceptance. ABB uses the latest Version 3 of the GRI Guidelines as the basis for its Sustainability review.

Web site: [www.globalreporting.org](http://www.globalreporting.org)

### **International Committee of the Red Cross (ICRC), Switzerland**

ABB was one of seven companies which founded the ICRC Corporate Support Group in October 2005. The group consists of companies committed to supporting financially the ICRC's humanitarian mission over a six-year period. The agreement also provides for exchanges between the ICRC and its partners in areas of mutual interest such as risk management, human resources development and training, logistics, information technology and communication. There were several exchanges during 2007.

Web site: [www.icrc.org](http://www.icrc.org)

### **International Institute for Management Development (IMD), Switzerland**

IMD, based in Lausanne, Switzerland, is one of the world's leading business schools with over 50 years of experience in developing the leadership capabilities of international business executives. ABB is a corporate sponsor and active participant in IMD's Forum for Corporate Sustainability Management, and took part in a number of IMD-organized activities in 2007.

Web site: [www.imd.ch](http://www.imd.ch)

### **International Organization for Standardization (ISO), Switzerland**

ISO is responsible for standardization in a wide range of applications. ABB's corporate staff for sustainability affairs is an active member of Technical Committee 207 dealing with international standards for environmental management.

Web site: [www.iso.ch](http://www.iso.ch)

### **Massachusetts Institute of technology (MIT), U.S.**

MIT, one of North America's leading universities, has formed a partnership with ABB on energy research to help meet the world's need for clean electricity and energy efficiency. ABB has joined MIT's Energy Initiative (MITEI), supporting its research program in a variety of technologies over a 5-year collaboration and is helping to develop the next generation of energy technology specialists by sponsoring ten graduate energy fellowships at the Institute. As a Sustaining Member of MITEI, ABB will have a seat on the governing board.

Web site: [mit.edu/mitei](http://mit.edu/mitei)

### **oikos International, Switzerland**

oikos is an international student organization for sustainable economics and management, founded in 1987 at the University of St. Gallen, Switzerland. oikos International is present in about 20 universities in 15 countries with access to a total of 50,000 students in faculties of management and economics. ABB renewed its corporate sponsorship of oikos in 2007.

Web site: [www.oikosinternational.org](http://www.oikosinternational.org)

### **Pew Center on Global Climate Change, U.S.**

ABB is one of over 40 companies on the Business Environmental Leadership Council. The Pew Charitable Trust established the organization in 1998 to bring together “ingenuity and experience of all sectors of our society – private, public, and non-governmental organizations” to work together to protect the climate while sustaining economic growth.

Web site: [www.pewclimate.org](http://www.pewclimate.org)

### **Transparency International, Germany**

This global non-governmental organization, founded in 1993, is dedicated to fighting corruption. ABB is a group contributor and donor and was one of ten international companies to sign a set of “Business Principles for Countering Bribery in the Engineering and Construction Industry” at the World Economic Forum’s annual meeting in 2004 in Davos, Switzerland. The principles were developed by a multinational task force of engineering and construction companies, including ABB, working with the World Economic Forum, the Basel Institute on Governance, and Transparency International.

Web site: [www.transparency.org](http://www.transparency.org)

### **United Nations Global Compact, U.S.**

ABB was one of the 50 companies that supported the inaugural launch of the Global Compact in New York in July 2000. The initiative has grown to almost 5,000 participants, including over 3,700 businesses in 120 countries. The Compact is a platform for encouraging and promoting good corporate practices and learning experiences in the areas of human rights, labor, the environment and anti-corruption. ABB supported Global Compact initiatives on several occasions in 2007, and is a member of the advisory group on human rights.

Web site: [www.unglobalcompact.org](http://www.unglobalcompact.org)

### **World Business Council for Sustainable Development (WBCSD), Switzerland**

Established in January 1995, the WBCSD is a coalition of nearly 200 international companies drawn from 35 countries and 20 major industrial sectors, and united by a shared commitment to sustainable development via the three pillars of economic growth, ecological balance and social progress. ABB is an active member of the Council and co-chairs the electrical utilities working group.

Web site: [www.wbcسد.ch](http://www.wbcسد.ch)

### **World Childhood Foundation, Sweden**

The World Childhood Foundation was founded in 1999 by Queen Silvia of Sweden. ABB was one of the co-founders of the organization. Its mission is to defend the rights of the child and to promote better living conditions for vulnerable and exploited children all over the world. Over the last five years the organization has grown to support 100 programs in 14 countries.

Web site: [www.childhood.org](http://www.childhood.org)

### **World Economic Forum (WEF), Switzerland**

The World Economic Forum, founded in 1971, is an independent international organization committed to improving the state of the world by engaging leaders in partnerships to shape global, regional and industry agendas. ABB executives regularly participate in the WEF’s annual meeting in Davos, Switzerland. ABB is a signatory to the WEF’s “Partnering against Corruption Initiative” launched in 2004.

Web site: [www.weforum.org](http://www.weforum.org)

### **WWF, Switzerland**

One of the world’s largest and most effective organizations devoted to the conservation of the environment, currently funding around 2,000 conservation projects, operating in around 100 countries and supported by nearly five million people. ABB is currently involved with WWF on energy efficiency issues and the Access to Electricity rural electrification project in Tanzania.

Web site: [www.wwf.org](http://www.wwf.org)

## **Stakeholder engagement GRI 4.14 - 4.17**

### **4.14 List of stakeholder groups**

Main stakeholders engaged by the company in roundtable or bilateral dialogues include the following:

- Business partners (customers, suppliers, consultants, associations)
- Employees, employee representatives, trade unions
- Shareholders and investment communities
- Banks and creditors
- Central and local government in countries where ABB operates
- Local communities where ABB operates, society at large
- Non-governmental organizations (NGOs)
- Academia
- Media

### **4.15 Identification and selection of stakeholders**

Stakeholders with whom ABB wishes to engage are organizations or individuals who may be affected by ABB's activities or whose actions may affect ABB. Also included from the groups listed in 4.14 above are those whose experience and expertise could provide a valuable input to the issues under discussion. No stakeholders wishing to participate in constructive dialogue with the company on particular issues of concern are denied the opportunity.

### **4.16 Approaches to stakeholder engagement**

ABB conducts formal dialogues with stakeholders on two levels:

1. At corporate level, at approximately annual intervals, led by an Executive Committee member.

2. At country and site levels, in countries and regions where ABB's operations have or could have significant sustainability impacts. The respective country managers are recommended to lead these dialogues, supported by their communication managers.

The issues discussed at the corporate-level stakeholder dialogues help to identify opportunities, challenges and weaknesses for the ABB Group in the field of sustainability and to set the future strategy. The most recent corporate-level stakeholder consultation was conducted in January 2008.

The country-level stakeholder dialogue sessions are "issue-determined" and held whenever a sustainability issue arises which could affect ABB's activities in the country and where ABB's course of action could benefit from consultation with stakeholders. Typical issues could include suppliers' and customers' sustainability performance and ABB's responsibilities to the local community. During 2007, stakeholder dialogues were held in 10 countries.

### **4.17 Key topics and concerns**

The latest corporate-level stakeholder meeting held in Zurich, Switzerland, was attended by ABB representatives, business executives, international organizations, academics and specialists, and focused on four issues – energy efficiency, human rights, security, and health and safety performance. See page 27 of the printed Sustainability review for more details of the dialogue. Participants were also asked to provide feedback on the new concept for ABB's Sustainability review, first adopted for last year's report, which focuses on the seven main areas of ABB's activities which have significant sustainability impacts.

The agenda for country-level stakeholder dialogues is set by the participants and focuses on ABB's activities in the country and the concerns of local communities. The outcome benefits ABB's awareness and strategic direction in the country and is fed back to the corporate sustainability affairs team to assess its relevance to the Group.

For example, ABB in Brazil held a day-long dialogue with its main suppliers where quality and sustainability issues were discussed. The ABB India (educational) Foundation held a dialogue with the various partners involved concerning ABB's support for underprivileged children in government primary schools located near to company factories. ABB in Italy conducted a dialogue with the Consumers' Association, academia and non-governmental organizations on the scope of responsibility of manufacturers for their products. ABB in South Africa held a dialogue attended by a wide cross-section of its stakeholders to discuss and prioritize its social responsibility budget.

## **GRI 5 Performance indicators**

(Supplementary GRI performance indicators)

### **Economic Performance Indicators**

#### **EC3 Benefit plan obligations**

#### **EC4 Government financial assistance**

#### **EC5 Wage level ratios**

#### **EC7 Local hiring procedures**

ABB, as a multinational organization with operations on some 350 sites in more than 100 countries, has difficulty in selecting appropriate countries and providing meaningful information for these indicators. In view of the adverse cost-benefit ratio in producing this information, ABB has decided not to report against these GRI economic performance indicators for the time being

### **Environmental Performance Indicators**

#### **EN5 Energy conservation and efficiency savings**

During 2007, ABB increased the number of employees and considerably increased production output, yet was able to hold its electricity consumption unchanged. The energy consumption per employee thereby fell from 19 MWh in 2006 to 18 MWh in 2007. These savings were due to energy conservation and energy efficiency programs initiated throughout the Group in response to ABB's energy reduction target. (See EN7 below)

#### **EN6 Energy-efficient and renewable energy based products initiatives**

ABB sees the development of energy-efficient products and renewable energy products as its most important contribution to climate change mitigation. It also recognizes the business opportunities for such products.

For example, the global installed base of ABB low-voltage variable speed motor drives alone saves about 130 million megawatt-hours of electricity – equivalent to the annual consumption of about 32 million households in developed countries. This saving avoids CO<sub>2</sub> emissions of about 109 million tons – more than the yearly emissions of Finland.

Furthermore, ABB is a leading supplier of electrical equipment for wind turbines, having supplied over 17,000 generators and associated control systems to this industry, as well as advanced high-voltage direct current (HVDC Light) power links for connecting wind farms to existing electricity supply grids.

#### **EN7 Indirect energy consumption initiatives**

The initiative to reduce ABB's energy use at each site by five percent per output unit over two years continued in 2007. ABB successfully met this target by the end of the year. Examples of energy savings achieved are published in the printed report.

#### **EN9 Water sources affected by withdrawal of water**

ABB's manufacturing processes do not use significant amounts of water. During 2007, ABB extracted approximately 2,800 kilotons of groundwater and 2,300 kilotons of surface water, mainly

for cooling purposes. None of these extractions caused any significant changes to the water sources.

**EN10 Water recycled and reused**

The amount of water in closed loop processes is mainly used in cooling systems, surface treatment processes and the production of electrical insulation paper.

**EN13-15 Biodiversity and protected habitats**

ABB's manufacturing and workshop facilities are not located in, or adjacent to, protected areas or areas of high biodiversity value, as defined in national legislation or internationally-recognized listings such as the IUCN Protected Areas Categories 1-4, world heritage sites or biosphere reserves.

**EN17 Other indirect greenhouse gas emissions**

Indirect emissions from traveling, transportation, outsourced materials and emissions related to product use are not aggregated at Group level. More information on transportation is provided under indicator EN29 below. For core products, the greenhouse gas emissions throughout a product's life cycle are shown in its Environmental Product Declaration (published on [www.abb.com/sustainability](http://www.abb.com/sustainability)). See under indicator EN26 on page 14 of the printed Sustainability review for more information on EPDs.

**EN24 Handling of hazardous waste**

In 2007, ABB sent approximately 6,000 tons of hazardous waste for disposal, up some 25 percent from 2006 due to increased business volumes and redefinitions of hazardous waste in some countries. This waste was mostly used for heat recovery at specialized plants. ABB follows legal regulations to transport and dispose of hazardous waste only through officially authorized disposal agents.

**EN25 Water bodies/habitats affected by water discharges and runoffs**

About 23 percent of ABB process plants discharge decontaminated water, via ABB's own treatment plants, to local water sources such as lakes or rivers. The remaining 77 percent is discharged to public sewers.

In India, for example, water treated in ABB's own treatment plant is reused for local irrigation.

**EN29 Significant environmental impacts of transportation**

ABB estimates that 80-90 percent of deliveries of materials from suppliers and deliveries of ABB finished products to customers are made by road and sea. The remainder is shared between rail and air. Air transport of goods is low, but its environmental impact is higher than by land and sea.

To optimize logistics and lower environmental impact, ABB is piloting a management system for transportation assignments. It enables ABB to log and analyze both volumes of transportation in ton-kilometers and their related emissions (carbon dioxide, sulfur dioxide, etc.)

In 2007, ABB participated, together with other major manufacturers of heavy goods, in an initiative called "Clean Shipping," which seeks to identify and achieve best practices in the way sea freight companies handle, use and recycle oils and diesel fuel for their fleets of ships. ABB expects to ship its first cargo on an "approved" vessel in 2009.

**EN30 Environmental protection expenditure and investments**

For 2007, ABB's expenditure on environmental management throughout its global sustainability affairs network was as follows:

	<b>\$ thousands</b>
Group level	5,556
Country level	4,935

Site level	3,835
Total	14,326

ABB limits the accounting of sustainability to the costs of implementing and maintaining environmental management systems to ISO 14001, health and safety management systems to ISO 18001, and running the sustainability network, including personnel costs and the cost of developing sustainability tools, education and training.

This does not include costs related to improvement projects. For example, the decision to invest in a new manufacturing process is the result of integrating many decisions in addition to environmental considerations.

## **Social Performance Indicators**

### **LA3 Benefits provided to employees**

ABB, as a multinational organization with operations in more than 100 countries, has difficulty in providing meaningful information for this indicator. In view of the adverse cost-benefit ratio in producing this information, ABB has decided not to report against this GRI indicator for the time being.

### **LA11 Programs for skills management and lifelong learning**

ABB employees are provided with ongoing classroom training whenever necessary to ensure they have the right skills for the jobs they perform. See under indicator LA10 on page 20 of the printed Sustainability review for more information.

ABB is continually working to enhance leadership skills throughout the Group, which have played a critical role in bringing about culture change at ABB, and restoring the company's financial strength. During 2007, another 6,000 people participated in ABB's Leadership Challenge Program, bringing the total number to have benefited from this training to 21,000 in 41 countries. The program is available in 10 languages.

### **LA13 Other indicators of diversity**

During 2007, ABB's Board of Directors had eight members, all men, of six nationalities, whereas the Group Executive Committee had eleven members, including one woman, of eight nationalities.

ABB is focusing on management development of our female executives as part of the company's commitment to embrace diversity and raise the number of women in leadership positions. In 2007, a number of women were appointed to senior management positions, for example in human resources (North Europe regional HR manager, country HR manager for Russia), in communications (North Asia regional communications manager, country communications manager for Sweden), and in local divisional management (Automation products, Taiwan). See under indicator LA13 on page 20 of the printed Sustainability review for more information about the numbers of women in management positions.

In addition, during 2007 ABB recruited 21 people for its high performance Global Trainee Programs in the three specialized fields of Corporate Development, Information Systems, and Finance and Business Control. Of these, 19 percent were women.

ABB has also developed a Diversity and Inclusion Statement to be a tool to help managers identify the benefits of diversity in the company's workforce.

### **HR3 Employee training on aspects of human rights**

ABB employees receive training on environmental and social aspects, which include human rights. Average overall training hours per employee for a number of selected countries are given under indicator LA10 on page 20 in the printed Sustainability review. But these figures are not broken down to show only human rights training.

**SO7 Legal actions for anti-competitive behavior**

During 2007, ABB was involved in eight legal actions, either pending or completed, regarding anti-competitive behavior, anti-trust, or monopoly practices. However, no significant fines were paid. See ABB's Operational and financial review (including Note 16 to the consolidated financial statements) in for more information.

**PR4 Non-compliance concerning product information and labeling**

During 2007, ABB has not identified any non-compliance with regulations and voluntary codes.

**PR7 Non-compliance concerning marketing communications**

**PR8 Complaints regarding breaches of customer privacy**

These are not issues for ABB, which serves customers in the field of advanced technologies and does not supply to the consumer product market. The responsibility for ensuring compliance with advertising standards and voluntary codes on a worldwide scale is assigned to ABB's corporate specialist advertising agencies that perform these checks.

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