



# **ABB LTD BOARD REGULATIONS & CORPORATE GOVERNANCE GUIDELINES**

These regulations were adopted by the Board of Directors of ABB Ltd effective October 20, 2015.



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# ABB LTD BOARD REGULATIONS & CORPORATE GOVERNANCE GUIDELINES

## 1. Purpose

Based on the Swiss Code of Obligations (the Swiss Code) and the Articles of Incorporation (the Articles) of ABB Ltd (the Company), the Board of Directors (the Board) of Company promulgates these regulations (the Regulations) to define the duties and authorities of the Board, the Board's Finance, Audit and Compliance Committee (FACC), the Board's Governance and Nomination Committee (GNC) and the Board's Compensation Committee (CC) and to delegate the management of the Company's business and affairs to the Chief Executive Officer (CEO) and the other members of the Executive Committee (collectively with the CEO, the EC) of the Company. References to the "Company" shall include the Company's subsidiaries as appropriate.

## 2. The Board's Duties and Authorities

### 2.1. General

The Board shall have the duties and authorities referred to in the Swiss Code, particularly Articles 716 and 716a, as well as those referred to in the Articles and in these Regulations.

Each member of the Board shall perform his/her duties and otherwise act on behalf of the Company in accordance with the Company's governance documents including the Articles, these Regulations, the Company's Code of Conduct and the related addendum for members of the Board and the EC, and the Company's regulations and directives particularly the directive on Inside Information and Insider Trading.

### 2.2. Ultimate responsibility for the Company's business and affairs

The Board shall have the ultimate responsibility for the business and affairs of the Company and its subsidiaries.

For purposes of these Regulations, such responsibility shall include the duties to select carefully, to instruct properly and to supervise diligently the CEO and the other members of the EC.

### 2.3. Other duties and authorities

The Board furthermore shall have the duty and authority:

- (a) to review and approve material changes to the business strategies, the basic organization and the authorization regulations of the Company;



- (b) to review and approve the Company's overall accounting principles and its financial control and planning procedures;
- (c) to review and approve the Company's financial plans including its strategy, forecasts and annual budgets;
- (d) to review and approve the Company's compliance program including (1) preventative measures undertaken by the Company, (2) oversight of significant compliance matters and ongoing investigations, (3) benchmarking against other companies' compliance programs as appropriate and (4) monitoring relevant legal developments;
- (e) to review and approve the Company's consolidated quarterly and annual financial statements, the Company's annual financial statements and the Company's annual report to the shareholders including its annual report on Form 20-F;
- (f) to review and approve the Company's overall guidelines on lending and borrowing limits, and on new investments;
- (g) to review and approve acquisitions, divestitures, joint ventures, liquidations and other transactions which are financially or strategically important to the business activities of the Company;
- (h) to review and approve the Company's risk management program including reviewing important processes and procedures for monitoring of significant risks or exposures that the Company may face. At least once per year the Board shall review a report submitted by management and the FACC relating thereto and require any additional actions as may be necessary;
- (i) to nominate and to relieve the officers representing the Company and to determine their signatory power for purposes of registration in the commercial registry;
- (j) to take appropriate actions and pass resolutions on all matters to be submitted to, or required for the preparation of the shareholders' meeting pursuant to the Swiss Code or the Articles;
- (k) to adopt resolutions concerning share capital increases to the extent such powers have been vested in the Board as well as to adopt resolutions concerning the confirmation of share capital increases and the respective amendments to the Articles;
- (l) to review and approve the Company's information systems (IS) strategy;
- (m) to review and approve the Company's corporate social responsibility program; and



- (n) to review and decide upon such other matters as the Board may decide is appropriate or as may be proposed by the CEO.

### **3. Board Organization**

#### **3.1. Chairman**

In accordance with the Articles, the Board shall propose for election by the shareholders a chairman (the Chairman). In addition to his legal and statutory duties, the Chairman shall carry out those tasks delegated to him by the Board. These tasks shall include:

- (i) taking provisional decisions on behalf of the Board on such urgent business matters within the competence of the Board where a regular Board decision cannot reasonably be passed within the required time frame. In such cases the Chairman shall promptly inform the other Board members of the decision and such provisional decision shall be submitted to the Board for ratification as soon as possible;
- (ii) calling for Board meetings and setting the agenda and procedural issues related to these meetings;
- (iii) interacting with the CEO and other EC members on a more frequent basis outside of Board meetings; and
- (iv) representing the Board internally and in the public sphere.

#### **3.2. Vice-Chairman**

In accordance with the Articles, the Board may elect a vice chairman (the Vice-Chairman). If a Vice-Chairman is elected, the Vice-Chairman's tasks shall include:

- (i) handling the responsibilities of the Chairman to the extent the Chairman is unable to do so or would have a conflict of interest in doing so;
- (ii) acting as counselor/advisor to the Chairman on any matters that are Company or Board relevant and as appropriate or as the Chairman may require and with a particular focus on strategic aspects related to the Company and its business in general; and
- (iii) taking such other actions as may be decided by the Board from time to time or as may be requested by the Chairman. Without limitation, these may include
  - a. interacting with the CEO, other EC members and senior management on a more frequent basis outside of Board meetings; and



- b. representing the Board internally and in the public sphere.

### **3.3. Membership**

In connection with each election of members to the Board, the GNC shall recommend to the Board a list of proposed Board members after considering the appropriate size and composition of the Board. The GNC shall make its recommendation based on the needs of the Company taking into account each proposed director's experience, independence, compatibility with other directors, culture, other commitments, and such other factors as the GNC may deem relevant. The Board has decided that an individual shall not be proposed for election to the Board after the year of such individual's 72nd birthday. From among the individuals recommended by the GNC to become members of the Board, the Board shall determine which individuals to propose to the shareholders for election to the Board.

When a new member joins the Board, the GNC and the EC will work together to provide an appropriate orientation to enable that member to gain a reasonable level of understanding about the Company. The GNC and the EC will work together to provide suitable continuing education to enable the Board members to perform their duties.

### **3.4. Potential Conflicts of Interest**

Board members shall avoid entering into any situation in which their personal or financial interest may conflict with the interests of the Company. Where any such potential conflict may arise, the Board member shall declare that interest to the Chairman (or in the case of the Chairman to the chairman of the GNC) and seek that individual's approval as to how to avoid the conflict. Board members shall refrain from voting on any transaction in which they have a personal or financial interest and should consider leaving the meeting while such a matter is being discussed.

If a Board member intends to assume a new board position, the Board member shall inform the Chairman. A Board member may become an employee of another company after consultation with the Chairman. In each case the Board member must continue to be in a position to devote sufficient time to such member's ABB duties and the Board member's mandates must not exceed the limits set forth in the Articles.

In accordance with the independence policy that the Board has adopted and is appended to these Regulations in Appendix IV, the Board shall decide at least once per annual Board term on each Board member's independence. A majority of the Board members must be independent. All of the members of the FACC and the GNC must be independent.

A Board member, any proposed Board member, and any person who shall have ceased to be a member of the Board in the preceding two years may not join the Board of, or act in



any other capacity for or on behalf of, a third party whose business activities are in competition with any of the activities of the Company.

The Board may waive any of the limitations described in this section to the extent such limitations are not required by applicable law or the Articles.

### **3.5. Committees**

In accordance with the Articles, the Board shall propose at least three Board members for election by the shareholders to the CC. In addition, the Board shall appoint at least three independent Board members (see 3.4 above) to each of the GNC and the FACC. The Board shall appoint each committee's chairman. The chairman of each committee shall, in the event of a tie, have the casting vote for that committee.

The members of the FACC shall not serve on the audit committees of more than two other listed companies. The Board shall determine that at least one member of the FACC is an audit committee financial expert in accordance with the listing standards promulgated by the New York Stock Exchange.

The Board has described the objectives and duties of these committees in separate committee regulations that have been appended to these Regulations. The committees shall report regularly to the Board.

The Board may appoint additional committees for specific areas on an interim basis.

### **3.6. Compensation**

Based on the recommendation of the CC and subject to any limits approved by the shareholders, the Board shall determine the compensation of each of its members at the beginning of each annual Board term. In setting compensation levels, the Board should give appropriate reference to the levels of director compensation at similar companies. To align the interests of Board members with those of the Company's shareholders, at least 50% of each Board member's annual compensation is to be paid in Company shares. Such shares shall be blocked from sale for three years except if an individual shall cease to be a Board member during that three year period in which case that individual's shares shall no longer be blocked.

The Board has decided to provide shareholders with an advisory vote at the annual general meeting with respect to the Company's remuneration report discussing Board and EC compensation for the calendar year preceding that meeting.

## **4. Board Procedures**

Each Board member shall make all reasonable efforts to attend (either in person or by phone) each meeting of the Board and any committee of which such individual is a member.



The procedures of the Board shall be those set forth in the Swiss Code and the Articles, supplemented by the following:

- (a) In accordance with the Articles, the Chairman shall convene Board meetings whenever the need arises or by written request of any Board member or the CEO. The Board shall meet as frequently as needed but at least four times per annual Board term.
- (b) The notice for each Board meeting should contain an agenda of all matters to be dealt with at that meeting and should be sent to each Board member, when practicable, at least five days prior to the date of the meeting.
- (c) Urgent items brought up after the notice of a Board meeting shall have been distributed may be discussed at the meeting if the Chairman or at least two-thirds of the Board members attending the meeting shall have agreed. Resolutions on such matters, however, can only be taken if at least two-thirds of the Board members attending the meeting shall agree.
- (d) The Board shall hold at least four sessions per annual Board term without the presence of any members of the EC or other employees of the Company (Executive Sessions).
- (e) The Chairman, or in the Chairman's absence the Vice-Chairman, or if both are unavailable the chairman of one of the Board committees, shall preside over the Board meetings and the Executive Sessions. If none of those Board members is available, the most senior Board member will chair the meeting.
- (f) In accordance with the Articles, the Board shall appoint a secretary (the Secretary) who shall keep written minutes of the Board meetings (the Minutes). The chairman together with the secretary for each meeting shall sign the Minutes for that meeting. The Secretary shall ensure that the Minutes become part of the books and records of the Company. The Secretary will make available to the Board members and the CEO a copy of the Minutes once they shall have been signed.
- (g) The Board may take decisions in the form of circular resolutions, if no Board member requests a meeting in person. The Board may take decisions in telephone or video conferences provided that they are properly minuted. The Secretary shall ensure that any such resolutions and decisions become part of the books and records of the Company.
- (h) The Board shall grant at least two of the Board members joint signature powers to ensure that the Company is properly represented in corporate matters.
- (i) The Board, with the assistance of the GNC, shall evaluate its performance at least once per annual Board term.



- (j) The Board shall have the right to retain outside legal counsel and other advisors at its reasonable discretion and at the Company's expense.

The Board may waive any of the procedures described in this section to the extent such procedures are not required by applicable law or the Articles.

## **5. Board Information**

Board members are entitled to information concerning the Company's business and affairs. Information shall be given to them in a timely manner so as to allow them to review it with the required degree of diligence and care. Board members shall carefully review all information provided to them, particularly information distributed to them in advance of the relevant Board and committee meetings.

At each Board meeting, the Board members shall be briefed by the Chairman and the appropriate members of the EC on the Company's business performance and on material developments affecting the Company.

Outside of Board meetings, if a Board member would like to request information from members of the EC concerning the Company then such Board member shall request that information from the Chairman and the Chairman shall determine whether to pass that request on to the EC. To the extent a Board member shall have received information pursuant to such a request, the Board member shall communicate such information as appropriate to the other Board members and/or the CEO. Notwithstanding the foregoing, the Vice Chairman shall have the right to approach the EC directly for information and each committee chairman shall have the right to approach management, as defined in the relevant committee regulations, directly for information relating to that committee's activities.

Each Board member shall treat all non-public information relating to the Company's business, technology, intellectual property, financial position, key personnel and other similar matters as confidential and not disclose such information to any third party or to the Company's employees unless the Board shall have decided that such information may be disclosed.

Upon termination of Board membership, Board members shall return to the Secretary or destroy, as appropriate, all confidential documents and records relating to the Company and such members shall continue to be bound by the confidentiality principles set forth in the preceding paragraph.

## **6. CEO and the EC**

### **6.1. Function, duties and authorities**

Subject to the provisions of Article 2 hereof, and further subject to the relevant mandatory provisions of the Swiss Code, the Board delegates the executive management of the



Company to the CEO. Accordingly, the CEO shall be responsible for the Company's overall business and affairs and have the final authority in all matters of management that are not within the duties and authorities of the Board or the shareholders' meeting pursuant the provisions of law, the Articles or Article 2 of these Regulations. The CEO shall be responsible for the implementation of all Board resolutions and the supervision of all management levels in the Company.

Where the CEO is prevented from taking a decision due to regulatory or other reasons, that decision shall be taken by a majority of the members of the EC who are not prevented from taking that decision due to regulatory or other reasons.

Other members of the EC shall be individually responsible for the division/functions/regions assigned to them.

The EC shall at its meetings discuss matters of Company-wide interest or importance. Such matters can be referred for review at any meeting by any of the members of the EC.

## **6.2. Composition, Duties and Performance**

Taking into consideration the recommendations of the GNC, the Board shall appoint and dismiss (1) the CEO, who shall have overall and sole responsibility for the management of the Company and shall report directly to the Board and (2) the other members of the EC, who shall have such primary duties as determined by the Board. In making recommendations to the Board concerning members of the EC other than the CEO, the GNC shall take into consideration the recommendation of the CEO.

The Board shall exercise the ultimate control over CEO and the other members of the EC particularly with regard to their compliance with applicable laws and the Company's governance documents including the Articles, these Regulations, and the Company's Code of Conduct, regulations and directives.

Based on the recommendations of the CC, the Board shall determine on an annual basis the compensation and performance review criteria for the CEO and the other members of the EC. In making those determinations the Board will take into account, amongst any other factors that it may consider appropriate, the following items: each EC member's performance; each EC member's total annual compensation including salary, bonus, long term incentives, pension contributions and other benefits; analyses of each EC member's total wealth potential based on certain past and expected future compensation; and, to the extent relevant, benchmarks provided by compensation consultants, in each case as more fully determined by the CC. The Board has determined that to further align the interests of the EC with the shareholders, each EC member should be required to hold shares in the Company. The Board shall determine, based on the recommendation of the CC, the shareholding requirements for each member of the EC.

Each year the Board shall conduct an evaluation of the CEO's performance during the prior year.



### **6.3. Meetings**

The EC shall meet regularly, as often as business requires, under the leadership of the CEO.

### **6.4. Reporting**

The CEO shall regularly, and whenever extraordinary circumstances so require, report to the Board about the Company's overall business and affairs and of any important extraordinary events that may arise.

The manner of such reporting shall be mutually determined between the Chairman and the CEO. The reporting shall in particular provide information on matters falling within the duties and authorities of the Board in accordance with these regulations.

The reporting shall include:

- (a) monthly reports on financial results, profit and loss, balance sheet, cash flows, important operational matters and other pertinent data;
- (b) changes in key members of management and the Company's organization;
- (c) information on issues which may affect the supervisory or monitoring function of the Board, particularly corporate strategy issues and other issues such as compliance and developments outside the ordinary course of the Company's business as well as extraordinary risks, profits and losses;
- (d) regular updates of significant developments in material legal matters as well as an overview of all material legal matters on at least on an annual basis; and
- (e) such other information as Board members may from time to time request to receive.

### **6.5. Succession Planning**

The GNC and the CEO shall report to the Board at least once per annual Board term on succession planning and management development. The report shall cover the positions of the members of the EC and such other key members of management as the Board or the GNC shall determine. The report shall include proposals for dealing with emergency situations affecting senior management.

## **7. Further regulations**

These Regulations are supplemented by such further regulations and directives as the Board or the EC may from time to time issue in accordance with their respective duties and authorities (e.g., Company's directives and instructions).



Together with these Regulations, such further regulations and directives shall constitute the body of the Company's organizational rules in the sense of Article 716b of the Swiss Code.



## Appendix I

# **REGULATIONS OF THE FINANCE, AUDIT AND COMPLIANCE COMMITTEE OF THE BOARD OF DIRECTORS OF ABB LTD**

These regulations were adopted by the Board of Directors of ABB Ltd effective October 20, 2015.



## REGULATIONS OF THE FINANCE, AUDIT AND COMPLIANCE COMMITTEE OF THE BOARD OF DIRECTORS OF ABB LTD

### 1. PURPOSE AND DEFINITIONS

The Finance, Audit and Compliance Committee (the FACC) is established by the Board of Directors (the Board) of ABB Ltd (the Company), which shall include ABB Ltd's subsidiaries as appropriate. Its purpose is to facilitate the Board's ability to discharge its duties. The FACC's responsibilities include assisting the Board in overseeing (1) the integrity of the Company's financial statements, (2) the Company's compliance with legal, tax and regulatory requirements, (3) the external auditor's qualifications and independence, (4) the performance of the Company's internal audit function and the external auditors and (5) the Company's capital structure, funding requirements and financial and risk policies. For purposes of these regulations, the term "management" shall include the members of the Executive Committee (the EC), the Chief Integrity Officer, the Head of Internal Audit and/or such other key personnel of the Company as the FACC may from time to time determine.

### 2. AUTHORITY

The FACC shall have the authority and the resources to take any and all acts that it deems necessary to carry out its purpose and discharge its duties and responsibilities pursuant to these regulations.

The FACC is empowered to:

- (a) Conduct or authorize investigations into any matters within the scope of its duties and responsibilities pursuant to these regulations.
- (b) Retain and terminate, under its sole authority, outside counsel, financial or other experts to advise or assist the FACC in the performance of its duties, as well as approve the related advisory fees and other retention terms. The chairman of the FACC shall timely notify the Chairman of the Board of each such retention and termination.
- (c) Have full access to, and the ability to communicate with, the external auditors.

With respect to matters of relevance to the FACC, the chairman of the FACC shall have:

- (a) full access to, and the ability to communicate with, the management; and
- (b) full, free and unrestricted access to any information or document it requires from management as well as the external auditors and advisors of the Company.



Management, through the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), is responsible for providing the FACC in a timely manner with all relevant information and assistance contemplated by these regulations, as well as other resources the FACC may request or need to fulfill its responsibilities and duties.

### **3. COMPOSITION**

The FACC shall consist of at least three independent, non-executive directors appointed by the Board. One member of the FACC shall be the chairman, who shall have been appointed by the Board.

Unless otherwise determined by the Board, the members of the FACC shall be appointed by the Board for a one-year term, which shall mean the period between two ordinary general meetings of shareholders. Board members may be re-appointed to the FACC immediately after the lapse of their term.

All members of the FACC shall have a thorough understanding of finance, accounting and auditing, including the ability to read and understand corporate accounts and financial statements. At least one member of the FACC shall have been determined by the Board to be an audit-committee financial expert, in accordance with the listing standards promulgated by the New York Stock Exchange.

### **4. MEETINGS**

The FACC shall meet at least four times each year or more frequently if deemed necessary or appropriate. In advance of each meeting, the chairman of the FACC shall prepare or approve the agenda which may consist of one or more separate agendas for the finance part, the audit part and the compliance part of that meeting.

The FACC shall meet separately, at least four times each year, with the CFO, the Chief Integrity Officer, the Head of Internal Audit, as well as with the external auditors, to discuss any matters as deemed necessary or appropriate.

The chairman of the FACC shall convene an FACC meeting upon the written request of the Chairman of the Board, the CEO, the CFO or a member of the FACC. The person requesting the FACC meeting shall prepare and submit an agenda to the chairman of the FACC for approval and distribution to all the FACC members sufficiently in advance of such meeting.

The FACC will invite regularly the CEO and may invite other members of the EC, the Chief Integrity Officer or the Head of Internal Audit or - subject to prior notification of the responsible member of the EC – other members of the Company's management to its meetings as it may deem desirable or appropriate. The Chairman of the Board shall have the right to attend all or any of the FACC meetings. Any potential conflict of interest must be avoided and confidentiality of the discussions must be maintained.



A majority of the members of the FACC shall constitute a quorum. The FACC shall act only on the affirmative vote of at least two (2) of its members. In the event of a tie vote, the chairman of the FACC shall have the casting vote.

The FACC shall appoint a secretary who shall keep written minutes of its meetings. The minutes shall be approved by the FACC, usually at the next FACC meeting. Once approved, the minutes shall be signed by the chairman and the secretary of the relevant meeting. The secretary shall ensure that the minutes are recorded and filed with Secretary of the Board who shall ensure that they become part of the books and records of the Company. The secretary of the FACC will provide the Chairman of the Board, the FACC members, the CEO and the CFO with a copy of the minutes once they shall have been signed.

## **5. DUTIES AND RESPONSIBILITIES**

The FACC has the following duties and responsibilities:

### **Finance**

To review, make recommendations and report to the Board on:

- (a) The Company's financial performance (quarterly and annual)
- (b) Finance directives and related accounting and reporting processes
- (c) The management of the financial structure, the liquidity and funding strategy of the Company (debt, equity, equity-linked financing, asset-based financing and the like), invested assets (cash, marketable securities, capital expenditures, etc.) and financial liabilities and obligations, on and off balance-sheet, of the Company
- (d) Financial plans including strategy, forecasts and annual budgets
- (e) Hedging strategies and related risks
- (f) Cash and liquidity management processes
- (g) The process for safeguarding of Company assets
- (h) Stock exchange listings
- (i) Bank relations
- (j) Pension strategy, in collaboration with the Compensation Committee (the CC).



- (k) Taxation directives and strategy including significant tax risk reviews.
- (l) Allocation/appropriation of the current annual profit, including shareholder dividend.
- (m) Allocation and appropriation to/from reserves and funds.
- (n) Use/increase of contingent/authorized share capital, increase of share capital and share buy-back.

### **Financial statements**

- (a) Monitor the integrity and effectiveness of the Company's financial reporting process and systems of internal controls, including its assurance process, regarding finance and accounting, operational processes, as well as manual and automated finance and accounting data processing.
- (b) Review the Company's quarterly and annual audited financial statements, annual report and U.S. annual report on Form 20-F prior to filing or distribution. The review shall consider the management's discussion and analysis of the Company's financial condition and results of operations. The review shall include discussions with management represented by the CFO (and, if appropriate, other staff) and the external auditors of any significant issues regarding the Company's financial affairs including its accounting principles, practices and judgments.
- (c) In consultation with the management, the external auditors and the internal auditors, discuss the integrity of the Company's financial reporting processes and internal controls. Review significant financial risk exposures and the steps management has taken to monitor, control and report such exposures.
- (d) Review significant issues including audit problems or difficulties identified by the external auditors and the internal auditing organization together with management's responses.
- (e) Resolve any disagreement between management and the external auditors regarding the financial reporting that might arise in the context of issuing an audit report or related work.
- (f) Discuss any significant changes in the Company's accounting principles and any items that are required to be communicated by the external auditors.
- (g) Discuss the Company's earnings press releases as well as material financial information and earnings guidance provided to analysts or rating agencies.
- (h) On at least an annual basis, review with the General Counsel any legal matters that could have a significant impact on the Company's financial statements.



## **Risk management**

- (a) Review the processes and procedures for management's monitoring of any significant risks or exposures the Company may face. To this end, at least once per year, the FACC will review reports submitted by management on how risk assessment and risk management is to be conducted.
- (b) Review with management, internal auditors and external auditors any significant risks or exposures the Company may face, and assess the steps management has taken to minimize such risks including any related insurance.
- (c) Review the risk review process relating to financial aspects including commitments and inform the Board if at any time the total liabilities of the Company exceed the total assets of the Company under Swiss law.

## **External auditors**

- (a) Taking into account the opinions of management, evaluate the qualifications, independence and performance of the external auditors and, on an annual basis, recommend to the Board the external auditors to be proposed to the shareholders for election or re-election.
- (b) On at least an annual basis, review and discuss with the external auditors all significant relationships the external auditors have with the Company that could impair the external auditor's independence.
- (c) Review the external auditor's engagement letter and audit plan, including discussion on scope, staffing, locations, reliance upon management and internal audit and general audit approach.
- (d) Approve in advance any non-audit services, as well as audit services falling outside the scope for which the external auditors were appointed by the shareholders, to be performed by the external auditors and, where deemed appropriate, delegate such pre-approval authority to a member of the FACC. The FACC shall not approve the retention of the external auditor for certain prohibited non-audit services as described in the U.S. securities laws.
- (e) Approve the compensation payable to the external auditors which shall not be in the form of a contingency fee.
- (f) Evaluate the external auditor's judgments on the quality and appropriateness of the Company's accounting principles as applied in the financial reporting.
- (g) Set clear policies for the hiring of employees and former employees (less than 12 months) of the external auditor.



- (h) At least annually, obtain and review a report by the external auditor on
- the Company's internal control procedures and processes
  - any material issues raised by the most recent internal quality control review or peer review of the Company
  - any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more audits carried out by the external auditor and the steps taken to deal with such issues
  - all critical accounting policies and practices of the Company
  - all alternative accounting treatments of financial information that have been discussed by the external auditors with management including the ramifications
  - any material communications between management and the external auditor such as any management letter or schedule of unadjusted differences

### **Internal audit**

- (a) Approve the purpose, authority and responsibility of the internal audit function as formally defined in an internal Company regulation.
- (b) Review and approve the internal audit plan, changes in the plan, activities, budget, organizational structure, and the qualifications of the internal audit organization as deemed necessary or appropriate.
- (c) On at least an annual basis, review the internal audit risk-assessment process, including any identified key risk-evaluation criteria and issues.
- (d) Taking into consideration the recommendation of the CEO and the CFO, review and approve the appointment, termination and replacement of the Head of Internal Audit as well as the performance of that officer.
- (e) Review the results of any external assessments of the internal audit function. Such assessments should be made at least once every fifth year.

### **Compliance**

- (a) Provide oversight of the compliance program and obtain regular and timely updates from management, the General Counsel and the Chief Integrity Officer so as to allow the FACC to be adequately informed.



- (b) Review the programs, directives and Instructions of the Company designed to ensure compliance with applicable laws and regulations and the Company's Code of Conduct and monitor the results of the compliance efforts.
- (c) Taking into consideration the recommendation the General Counsel, review and approve the appointment, termination, and replacement of the Chief Integrity Officer as well as the performance of that officer.
- (d) Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters.
- (e) Establish procedures for the confidential and anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- (f) Review major issues regarding the status of the Company's compliance with applicable laws and regulations, as well as major legislative and regulatory developments that may have a significant impact on the Company.
- (g) Review compliance by the Company's management and other employees with the Company's Code of Conduct and the Company's directives and instructions.
- (h) Review the processes and procedures for management's monitoring of compliance with applicable laws and regulations and the Company's directives and instructions.
- (i) Review any reported violations of applicable laws and regulations and the Company's directives and instructions as well as inquiries received from regulators or governmental agencies.
- (j) Assess changes in the regulatory environment which may affect the Company's processes taking into consideration the recommendation of the General Counsel.

#### **Other responsibilities**

- (a) Perform any other activities consistent with these regulations as the FACC deems necessary or appropriate.
- (b) Review any reports the Company issues that relate to responsibilities of the FACC.
- (c) Discharge such other duties and responsibilities as the Board may from time to time expressly delegate to the FACC relating to finance, audit and/or compliance matters.



## **6. REPORTING AND EVALUATION**

### **Reporting to the Board**

The FACC shall report to the Board at each Board meeting, on its activities and on matters that are within its responsibilities. The report shall include recommendations to the Board concerning such activities and matters as the FACC may deem appropriate. The report to the Board may take the form of an oral report by the chairman of the FACC or by any other member designated by the FACC to make such report. The FACC shall review with the Board any material issues with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance or independence of the Company's external auditors or the performance of the Company's internal audit function, and the Company's capital structure, funding requirements and financial risk policies.

### **Annual evaluation**

The FACC, with the assistance of the GNC, shall perform an annual review and self-evaluation of its performance, including a review of its compliance with these regulations. The FACC shall conduct such evaluation and review in such manner as it deems appropriate and report the results to the Board.

### **Review of these regulations**

The FACC shall review these regulations on a regular basis to re-assess their adequacy and, if appropriate, recommend changes to the Board for approval.



## Appendix II

# REGULATIONS OF THE GOVERNANCE AND NOMINATION COMMITTEE OF THE BOARD OF DIRECTORS OF ABB LTD

These regulations were adopted by the Board of Directors of ABB Ltd effective October 20, 2015.



## **REGULATIONS OF THE GOVERNANCE AND NOMINATION COMMITTEE OF THE BOARD OF DIRECTORS OF ABB LTD**

### **1. Purpose**

The Governance and Nomination Committee (the GNC) is established by the Board of Directors (the Board) of ABB Ltd (the Company), which shall include ABB Ltd's subsidiaries as appropriate. It is responsible for (1) overseeing corporate governance practices within ABB, (2) nominating candidates for the Board, the role of Chief Executive Officer (CEO) and other positions on the Executive Committee (collectively with the CEO, the EC) of the Company and (3) succession planning and employment matters relating to the Board and the EC. For purposes of these regulations, the term "management" shall include the members of the EC and/or such other key personnel of the Company as the GNC may from time to time determine.

### **2. Authority**

The GNC shall have the authority and resources to take any and all acts that it deems necessary to carry out its purpose and to discharge its duties and responsibilities pursuant to these regulations.

The GNC is empowered to:

- (a) Retain and terminate, under its sole authority, outside counsel, search firms, governance or other experts to advise or assist the GNC in the performance of its duties, as well as to approve the related advisory fees and other retention terms. The chairman of the GNC shall timely notify the Chairman of the Board of each such retention and termination.

With respect to matters of relevance to the GNC, the chairman of the GNC shall have:

- (a) full access to, and the ability to communicate with the management.
- (b) full, free and unrestricted access to any information or document it requires from management as well as the external advisors of the Company.

Management, through the CEO, the EC member responsible for Human Resources, and the General Counsel, is responsible for providing the GNC in a timely manner with all accurate and relevant information and assistance contemplated by these regulations, as well as other resources the GNC may request or need to fulfill its responsibilities and duties.

### **3. Composition**



The GNC shall consist of at least three independent, non-executive directors appointed by the Board. One member of the GNC shall be the chairman, who shall have been appointed by the Board.

Unless otherwise determined by the Board, the members of the GNC shall be appointed by the Board for a one-year term, which shall mean the period between two ordinary general meetings of shareholders. Members of the GNC may be re-appointed immediately after the lapse of their term.

#### **4. Meetings**

The GNC shall meet at least four times each year, or more frequently if deemed necessary or appropriate. In advance of each meeting, the chairman of the GNC shall prepare or approve an agenda for that meeting.

The chairman of the GNC shall convene an GNC meeting upon the written request of the Chairman of the Board, a member of the GNC, the CEO, the EC member responsible for Human Resources or the General Counsel.

The person requesting the GNC meeting shall prepare and submit an agenda to the chairman of the GNC for approval and distribution to all the GNC members sufficiently in advance of such meeting.

The GNC will invite regularly the CEO and may invite other members of the EC or - subject to prior notification of the responsible member of the EC - members of the Company's management to its meetings as it may deem desirable or appropriate. The Chairman of the Board has the right to attend all or any of the GNC meetings. Any potential conflict of interest must be avoided and confidentiality of the discussions must be maintained.

A majority of the members of the GNC shall constitute a quorum. The GNC shall act only on the affirmative vote of at least two (2) of its members. In the event of a tie vote, the chairman of the GNC shall have the casting vote.

The GNC shall appoint a secretary who shall keep written minutes of its meetings. The minutes shall be approved by the GNC, usually at the next GNC meeting. Once approved, the minutes shall be signed by the chairman and the secretary of the relevant meeting. The secretary shall ensure that the minutes are recorded and filed with Secretary of the Board who shall ensure that they become part of the books and records of the Company. The secretary of the GNC will provide the Chairman of the Board, the GNC members, the CEO, the General Counsel and the EC member responsible for Human Resources with a copy of the minutes once they shall have been signed.

#### **5. Duties and responsibilities**

The committee has the following duties and responsibilities:



## Corporate governance

- (a) To review on a regular basis the Company's corporate governance principles and its corporate governance documents including the Articles of Incorporation and the ABB Ltd Board Regulations and Corporate Governance Guidelines and to recommend changes to such principles or documents to the Board for its approval.
- (b) To submit annually to the Board a proposal concerning the determination of the independent status of the Board members in accordance with the independence policy appended to the ABB Ltd Board Regulations and Corporate Governance Guidelines. The GNC shall also review the corresponding public disclosure.
- (c) To review, and to inform the Board where appropriate, of exceptions to the answers by Board members in the Company's annual Board member questionnaire relating to various topics including director independence.
- (d) To maintain an orientation program for new Board members and an ongoing education program for existing Board members.
- (e) To facilitate annual performance reviews of the Board and its committees.
- (f) To review the Company's corporate social responsibility program and report to the Board on that program at least once per year.

## Nomination

- (a) To make recommendations to the Board as to changes to the size of the Board that the GNC believes to be desirable.
- (b) To identify individuals believed to be qualified to become directors and to recommend candidates that the Board can propose to shareholders for election or reelection to the Board. The GNC shall make its recommendation based on the needs of the Company taking into account each proposed director's experience, independence, compatibility with other directors, culture, other commitments, and such other factors as the GNC may deem relevant.
- (c) To identify and recommend to the Board individuals to be members of each of the Board committees.
- (d) To identify and recommend to the Board the appointment of individuals believed to be qualified to become CEO and, taking into account the recommendation of the CEO, other members of the EC.
- (e) To report to the Board at least once per annual Board term on succession planning, including for emergency situations, and management development for



members of the EC and such other key members of management as the GNC shall determine.

### **Other responsibilities**

- (a) Perform any other activities consistent with these regulations as the GNC deems necessary or appropriate.
- (b) Review any reports the Company issues that relate to responsibilities of the GNC.
- (c) Discharge such other duties and responsibilities as the Board may from time to time expressly delegate to the GNC relating to ABB's corporate governance and nomination programs.

## **6. Reporting and evaluation**

### **Reporting to the Board**

The GNC shall report to the Board at each Board meeting on its activities and on matters that are within its responsibilities. The report shall include recommendations to the Board concerning such activities and matters as the GNC may deem appropriate. The report to the Board may take the form of an oral report by the chairman of the GNC or by any other member designated by the GNC to make such report. The GNC shall review with the Board any material issues with respect to (1) corporate governance and the report on corporate governance included in the annual report and (2) nomination of members to the Board, the Board committees and the EC as well as succession planning for such members.

### **Annual evaluation**

The GNC shall perform an annual review and self-evaluation of its performance, including a review of its compliance with these regulations. The GNC shall conduct such evaluation and review in such manner as it deems appropriate and report the results to the Board.

### **Review of these regulations**

The GNC shall review these regulations on a regular basis to reassess their adequacy and, if appropriate, recommend changes to the Board for approval.



## Appendix III

# REGULATIONS OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS OF ABB LTD

These regulations were adopted by the Board of Directors of ABB Ltd effective October 20, 2015.



## REGULATIONS OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS OF ABB LTD

### 1. Purpose

The Compensation Committee (the CC) is established by the Board of Directors (the Board) of ABB Ltd (the Company), which shall include ABB Ltd's subsidiaries as appropriate. It is responsible for compensation matters relating to the Board and the EC. For purposes of these regulations, the term "management" shall include the members of the EC and/or such other key personnel of the Company as the CC may from time to time determine.

### 2. Authority

The CC shall have the authority and resources to take any and all acts that it deems necessary to carry out its purpose and to discharge its duties and responsibilities pursuant to these regulations.

The CC is empowered to:

- (a) Retain and terminate, under its sole authority, outside counsel, compensation or other experts to advise or assist the CC in the performance of its duties, as well as to approve the related advisory fees and other retention terms. The chairman of the CC shall timely notify the Chairman of the Board of each such retention and termination.

With respect to matters of relevance to the CC, the chairman of the CC shall have:

- (a) full access to, and the ability to communicate with the management.
- (b) full, free and unrestricted access to any information or document it requires from management as well as the external advisors of the Company.

Management, through the CEO, the EC member responsible for Human Resources, and the General Counsel, is responsible for providing the CC in a timely manner with all accurate and relevant information and assistance contemplated by these regulations, as well as other resources the CC may request or need to fulfill its responsibilities and duties.

### 3. Composition

The CC shall consist of at least three non-executive directors elected by the shareholders.



One member of the CC shall be the chairman, who shall have been appointed by the Board.

#### **4. Meetings**

The CC shall meet at least four times each year, or more frequently if deemed necessary or appropriate. In advance of each meeting, the chairman of the CC shall prepare or approve an agenda for that meeting.

The chairman of the CC shall convene a CC meeting upon the written request of the Chairman of the Board, a member of the CC, the CEO, the EC member responsible for Human Resources or the General Counsel.

The person requesting the CC meeting shall prepare and submit an agenda to the chairman of the CC for approval and distribution to all the CC members sufficiently in advance of such meeting.

The CC will invite regularly the CEO and may invite other members of the EC or - subject to prior notification of the responsible member of the EC - members of the Company's management to its meetings as it may deem desirable or appropriate. The Chairman of the Board has the right to attend all or any of the CC meetings. Any potential conflict of interest must be avoided and confidentiality of the discussions must be maintained.

A majority of the members of the CC shall constitute a quorum. The CC shall act only on the affirmative vote of at least two (2) of its members. In the event of a tie vote, the chairman of the CC shall have the casting vote.

The CC shall appoint a secretary who shall keep written minutes of its meetings. The minutes shall be approved by the CC, usually at the next CC meeting. Once approved, the minutes shall be signed by the chairman and the secretary of the relevant meeting. The secretary shall ensure that the minutes are recorded and filed with Secretary of the Board who shall ensure that they become part of the books and records of the Company. The secretary of the CC will provide the Chairman of the Board, the CC members, the CEO, the General Counsel and the EC member responsible for Human Resources with a copy of the minutes once they shall have been signed.

#### **5. Duties and responsibilities**

The committee has the following duties and responsibilities:

##### **Compensation**



- (a) In consultation with the CEO and the EC member responsible for Human Resources, to review and update the Company's general compensation policy and monitor the implementation of Company's management compensation programs.
- (b) To review and propose to the Board the compensation levels of the Board members based on their responsibilities and subject to any limits approved by the shareholders. In proposing such compensation levels, the CC shall give appropriate consideration to the levels of director compensation at similar companies.
- (c) To review and recommend to the Board the corporate goals and objectives relevant for the CEO, to evaluate the performance of the CEO based on those goals and objectives, and to set the CEO's proposed compensation and other employment conditions based on this evaluation. The CC shall also review and recommend to the Board, taking into account the recommendation of the CEO, the performance review criteria, compensation levels and other employment conditions for the other members of the EC. In proposing those compensation packages, the CC shall take into account, amongst any other factors that it may consider appropriate, the following items: each EC member's performance; each EC member's total annual compensation including salary, bonus, long term incentives, pension contributions and other benefits; analyses of each EC member's total wealth potential based on certain past and expected future compensation; and, to the extent relevant, benchmarks provided by compensation consultants, in each case as more fully determined by the CC. EC compensation shall be subject to any limits approved by the shareholders.
- (d) To review and propose to the Board the incentive compensation plans and the equity-based plans, taking into account dilution effects caused to the shareholders, and monitor compliance therewith.
- (e) To review and if in agreement recommend to the Board for approval any severance or termination conditions, including payments, proposed to be made to any current or former member of the Board or the EC.
- (f) To recommend to the Board for approval the shareholding requirement in the Company for each member of the EC.

### **Other responsibilities**

- (a) Perform any other activities consistent with these regulations as the CC deems necessary or appropriate.
- (b) Review any reports the Company issues that relate to responsibilities of the CC.



- (c) Discharge such other duties and responsibilities as the Board may from time to time expressly delegate to the CC relating to ABB's compensation programs.

## **6. Reporting and evaluation**

### **Reporting to the Board**

The CC shall report to the Board at each Board meeting on its activities and on matters that are within its responsibilities. The report shall include recommendations to the Board concerning such activities and matters as the CC may deem appropriate. The report to the Board may take the form of an oral report by the chairman of the CC or by any other member designated by the CC to make such report. The CC shall review with the Board any material issues with respect to compensation for members of the Board and EC and the report on Board and EC compensation included in the annual report.

### **Annual evaluation**

The CC shall perform an annual review and self-evaluation of its performance, including a review of its compliance with these regulations. The CC shall conduct such evaluation and review in such manner as it deems appropriate and report the results to the Board.

### **Review of these regulations**

The CC shall review these regulations on a regular basis to reassess their adequacy and, if appropriate, recommend changes to the Board for approval.



## Appendix IV

# ABB Ltd's Related Party Transaction Policy

This policy was adopted by the Board of Directors of ABB Ltd effective October 20, 2015.



## **ABB Ltd's Related Party Transaction Policy**

### **1. Important Business Relationships**

At least once per year, the Board shall determine Important Business Relationships between members of the Board and ABB, in accordance with the SIX Swiss Exchange's Directive on Information Relating to Corporate Governance. "Important Business Relationships" are any business relationships that exist between ABB and a director on a personal level, and any business relationships ABB has with any company or organization that is represented by a director, provided, however, that the connection between the director and such a company or organization is sufficiently close, so that the latter can directly influence such director. In particular, relationships described by items (ii) to (v) in the definition of Material Relationships shall be Important Business Relationships. With respect to any business relationship with an ABB customer, such relationship is not an Important Business Relationship per se if it does not result in annual revenues for ABB in excess of \$50 million.

### **2. Director Independence**

At least once per year, the Board must determine the independence of each director taking into account each Important Business Relationship of that director. The Board shall determine that a director is not independent if it concludes that such director has one or more Material Relationships with ABB.

A "Material Relationship" shall mean:

- (i) The director is, or has been within the last three years, an employee of ABB, or an immediate family member is, or has been within the last three years, an executive officer of ABB;
- (ii) The director has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than \$120,000 in direct compensation from ABB, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);
- (iii) (A) The director is a current partner or employee of a firm that is ABB's internal or external auditor; (B) the director has an immediate family member who is a current partner of such a firm; (C) the director has an immediate family member who is a



current employee of such a firm and personally works on ABB's audit; or (D) the director or an immediate family member was within the last three years a partner or employee of such a firm and personally worked on ABB's audit within that time;

(iv) The director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of ABB's present executive officers at the same time serves or served on that company's compensation committee; and

(v) The director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, ABB for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues.

These Material Relationship criteria shall be interpreted in accordance with the corresponding NYSE independence tests set forth in section 303A.02 of the NYSE Corporate Governance Standards.

In addition, each member of the Finance, Audit and Compliance Committee (FACC) must satisfy the following additional independence criteria:

- (i) such member is not the beneficial owner, directly or indirectly of more than 10% of the shares of ABB; and
- (ii) such member, other than in his capacity as a member of the Board or any Board committee of ABB, does not accept directly or indirectly any consulting, advisory, or other compensatory fee from ABB, provided that compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with ABB (provided that such compensation is not contingent in any way on any continued service).

These additional independence criteria for members of the FACC shall be interpreted in accordance with Rule 10A-03 of the United States Securities Exchange Act of 1934.