ABB Tax policy

ABB seeks to comply with all applicable laws and regulations in the countries where it operates. This is no different when it comes to taxation. ABB acts as a responsible global corporate tax citizen in compliance with applicable tax law and regulations.

ABB is committed to maintaining an open and honest dialogue with regulators. It is ABB's policy to provide transparent and comprehensive information to tax administrations in order to facilitate their understanding of the tax-related decisions taken by ABB. ABB engages with regulators with integrity and respect and work collaboratively to resolve disputes and obtain agreement.

ABB actively engages in and supports the development of a rules-based international tax framework.

ABB looks to tax policy makers to implement international tax reforms in a coherent, coordinated way so that there is a level playing field and the risk of paying tax twice on the same income is minimized. In particular, ABB supports the OECD international tax reform work on Base Erosion and Profit Shifting (BEPS).

ABB understands the importance of tax in the wider context of business decisions and has processes in place to ensure tax is considered as part of the decision-making process. The taxes ABB pays play a key role in the development of countries where it operates. ABB must balance its responsibilities as a compliant taxpayer in each and every country in which it operates with the need to support competitive business growth. Therefore, ABB may from time to time take decisions which support the genuine commercial activities of the business, such as restructuring an operation, that may impact a particular country's tax revenue. ABB is conscious of the negative publicity that can arise from an inappropriate tax policy, and sees strong internal controls and a good relationship with professional advisors and regulators as the best way to manage reputational risk.

As a responsible global corporate tax citizen, ABB do not engage in tax planning other than that which supports genuine commercial activity or that would be considered contrary to the intentions of the regulators.

ABB maintains internal policies and procedures to support its tax control framework and employs professionals that are experienced in identification and management of tax risk. This is further supported by robust accounting systems, processes and sufficient resources to deliver timely and accurate returns, declarations, payments and claims as appropriate.

ABB operates throughout the world. As a result, there are many transactions between ABB Group companies. In line with internationally recognized standards for cross border transactions, the pricing for these transactions must reflect an arm’s-length price. The pricing is driven by the activities undertaken and the value created. This approach is consistently taken in all countries where ABB operates.

The level of ABB's Group effective tax rate as a percentage of pre-tax profits reflects the geographic spread of the results over the years and the application of tax regulations in countries where ABB operates. A specific target range for the Group effective tax rate is therefore difficult to determine and depends on the profitability of local operations and the development of local tax laws/regulations.

Nevertheless, ABB anticipates that its sustainable mid-term effective group tax rate should be around 27 percent.

The Tax Function is organized as a global Center of Expertise, which allows ABB to invest in continuing professional development, apply standardized processes and a consistent tax policy that is used to steer all tax considerations. This policy is regularly reviewed and updated when appropriate. The Tax Function ensures that expertise and guidance is available for all major tax disciplines and jurisdictions. ABB’s tax team is part of the Finance function, which reports to the Group’s Chief Financial Officer and indirectly to Chief Executive Officer, the Board of Directors and Finance Audit and Compliance Committee.

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UK Tax Strategy

ABB seeks to comply with all applicable laws and regulations in the countries where it operates. ABB acts as a responsible global corporate tax citizen in compliance with applicable tax law and regulations.

Introduction
This UK Tax Strategy statement applies to ABB Holdings Limited and all UK legal entities within the ABB Group (the “UK Group”).
The publication of this document is regarded as satisfying the requirements of Schedule 19 of the Finance Act 2016.
This document is effective for the financial year ending 31 December 2017 and will be reviewed annually and updated as necessary.

Risk Management and Governance
Overall responsibility for governance and tax risk management within the ABB Group rests with the Head of Group Function, Corporate Taxes (the “Tax function”).
The Tax function is organized as a global Center of Expertise, which facilitates investment in continuing professional development, application of standardized processes and a consistent tax policy across the ABB Group. The Tax function ensures that expertise and guidance is available for all major tax disciplines and jurisdictions.
The Tax function is part of the Finance function, which reports to the Group’s Chief Financial Officer and indirectly to Chief Executive Officer, the Board of Directors and Finance Audit and Compliance Committee.
A Senior Accounting Officer (“SAO”), as determined by legislation is responsible for ensuring the UK Group establishes and maintains appropriate accounting and tax compliance arrangements.

Tax Planning
ABB does not enter into any aggressive tax planning or support the use of artificial structures that are established solely to avoid paying tax and have no business purpose. ABB’s tax planning is aligned with its commercial business and economic activities.
ABB actively engages in and supports the development of a rules-based international tax framework. ABB looks to tax policy makers to implement international tax reforms in a coherent, coordinated way so that there is a level playing field and the risk of paying tax twice on the same income is minimized. In particular, ABB supports the OECD international tax reform work on Base Erosion and Profit Shifting (BEPS).
ABB is committed to maintaining an open and honest dialogue with regulators. It is ABB’s policy to provide transparent and comprehensive information to tax administrations in order to facilitate their understanding of the tax-related decisions taken by ABB.
ABB operates throughout the world. As a result, there are many transactions between ABB Group companies. In line with internationally recognized standards for cross border transactions, the pricing for these transactions must reflect an arm’s-length price. The pricing is driven by the activities undertaken and the value created. This approach is consistently taken in all countries where ABB operates.
ABB maintains an extensive Integrity and Code of Conduct program which is the cornerstone of everything we do, including the approach to tax planning.

Tax Risk
ABB sees compliance with tax legislation as key to managing our tax risk. We understand the importance of tax in the wider context of business decisions and have processes in place to ensure tax is considered as part of our decision making process.
ABB maintains internal policies and procedures to support its tax control framework and employs professionals that are experienced in identification and management of tax risk with additional support provided through ongoing training and input of external advisors when appropriate.

We have relationships with professional advisers that allow us to seek expert advice on specialist areas of tax. Our approach is to ensure we are compliant and understand our responsibilities with regards to tax.

ABB is conscious of the negative publicity that can arise from an inappropriate tax policy, and sees strong internal controls and a good relationship with our professional advisors and tax authorities as the best way to manage reputational risk.

**Relationship with HMRC**

ABB is committed to the principles of openness and transparency with tax authorities. The UK Group engages with HMRC with integrity and respect and works collaboratively to resolve disputes [and obtain agreement]. The UK Group has regular, open dialogue and meetings with HMRC. Day to day interactions with the HMRC CRM team are managed by the UK Tax Function.