

We urge you to read the other important factors set forth under sections of this Annual Report entitled "Key Information—Risk Factors," "Item 4. Information on the Company" and "Item 5. Operating Review and Prospects" for a more complete discussion of the important factors that could affect our performance and the countries and industries in which we operate. In light of these risks and uncertainties, the forward-looking circumstances described in this Annual Report and the assumptions underlying them may not occur.

Except as required by law or applicable stock exchange rules or regulations, we undertake no obligation to revise publicly any forward-looking statement, whether as a result of new information or otherwise. All subsequent written and oral forward-looking statements attributable to us or any persons on our behalf are expressly qualified in their entirety by the cautionary statements and disclosures contained elsewhere in this Annual Report.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable

Item 2. Offer Statistics and Expected Timetable

Not applicable

Item 3. Key Information

Risk factors

You should carefully consider all of the information set forth in this Annual Report and the discussion of risks and uncertainties that exist or that we currently believe may exist. Our business and results of operations could be adversely affected by any of these risks. We do not consider the risks currently deemed immaterial may also impair our business operations. Report A contains forward-looking statements that involve risks and uncertainties. Our management anticipates these forward-looking statements as a result of certain factors described below and elsewhere in this Annual Report. See "Cautionary Note Regarding Forward-Looking Statements".

Business, economic and industry risks

Our business is exposed to risks associated with the volatile global economic environment and political conditions.

Adverse changes in economic or political conditions, particularly in locations where our operations are located, as well as concerns about global trade and global supply chain, global health crisis (COVID-19), developments in energy prices, inflation, labor market challenges and other factors could have an adverse effect on our business, financial condition, results of operations and liquidity. The demand for our products and services. These and other factors may prevent customers and suppliers from obtaining the financing required to pursue their business operations. Financial and other reasons may force them to modify, delay or cancel orders or plans to purchase our products or services. In addition, if our customers do not generate sufficient revenue to pay their obligations to the capital markets, they may not be able to pay, or may delay payment of amounts they owe us. Customers with liquidity issues have delayed payments of amounts they owe us and

this has led and may lead to additional expense for credit losses for us, which may adversely affect our operations and cash flows. We are also subject to the risk that the counterparties agreed to and hedging transactions may go bankrupt if they suffer catastrophic demand on their liquidity, which prevents them from fulfilling their contractual obligations to us.

Our business environment is influenced also by numerous other economic or political factors affecting the global economy and the international capital markets. In periods of slow economic growth, customers are more likely to buy less of our products and services, and as a result, we experience decreased revenues. Our businesses are affected by the level of demand in the markets that we serve, principally utilities, industry and transport & infrastructure. In the last several years, we also have experienced, and may experience in the future, declines in certain businesses, reflecting the effect of factors such as competitive pricing pressures, charges associated with the cancellation of planned expansion and completion and manufacturing costs resulting from higher labor and material costs borne by our manufacturers and suppliers that, as a result of competitive pricing pressures or other factors, are not recoverable. Economic downturns also may lead to restructuring actions and expenses. Uncertainty about future economic conditions makes it difficult for us to forecast operating performance and make decisions about future investments.

In addition, we are subject to the risks that our business operations in or with certain countries may be affected by trade tariffs, trade or economic sanctions or other restrictions imposed on these countries, including sanctions against Russia relating to the war in Ukraine, contributing to the Russian market, and the trade tensions in recent years with China. These could lead to a loss of our customers or limit our ability to do business in or with certain countries. Potential investors that object to certain of these business operations may adversely affect our share price by disposing or deciding not to purchase our shares. These countries may from time to time include those that are identified by the United States as state sponsors of terrorism. If any of our business operations are subject to such sanctions or restrictions, our business, consolidated operating financial condition and the trading price of our shares may be adversely affected. In 2020, our revenue from business with countries identified by the U.S. government as state sponsors of terrorism represented significantly less than 1 percent of our total revenues. Based on the amount of revenues and not quantitative and qualitative factors, we have determined that our business in 2020 with those identified by the U.S. government as state sponsors of terrorism was not material.

Our operations in emerging markets expose us to risks associated with conditions in those markets.

A significant amount of our operations is conducted in the emerging markets in South America, Middle East and Africa. In 2023, approximately 40 percent of our consolidated revenues were generated in emerging markets. Operations in emerging markets can present risks that are not encountered in well-established economic and political systems, including:

- economic instability, which could make it difficult for us to anticipate future business markets, cause delays in the placement of orders for projects that we have been awarded and subject us to volatile geographic markets,
- political or social instability, which could make our customers less willing to make cross-border investments in such regions and could complicate our dealings with governments regarding other regulatory matters, local businesses and workforces,
- boycotts and embargoes that maybe imposed by the international community on countries in which we do business or where we seek to do business could adversely affect the operations of those countries to obtain the materials necessary to fulfill contracts and pursue business or establish operations in those countries,
- foreign state takeovers of our and our customers' facilities,
- significant fluctuations in interest rates and currency exchange rates,

- the imposition of unexpected taxes or other payments on our revenues in these markets,
- our inability to obtain financing and/or insurance coverage from export credit agencies, and
- exchange controls and other restrictions by foreign governments.

Additionally, political and social instability resulting from increased violence in certain countries has caused concerns about the safety of our personnel. These concerns may hinder our ability to travel abroad and to hire and retain local personnel. Such concerns may require us to increase security for personnel traveling to and working in affected countries or to restrict or wind down operations, which may negatively impact us and result in higher costs and inefficiencies.

Consequently, our exposure to the conditions in or affecting emerging markets may adversely affect our financial condition, results of operations and liquidity.

We may encounter difficulty in managing our business due to the global nature of our operations.

We operate in approximately 100 countries around the world and, as of December 31, 2023, employed 10,000 people, of which approximately 48 percent were located in the Europe region, approximately 24 percent in the Asia, Middle East and Africa region and approximately 24 percent in the Americas region. In our day-to-day operations, we must deal with cultural and language barriers and different business practices. Due to our global nature, we deal with a range of legal and regulatory systems less developed and less well-enforced than others. The laws and regulations governing our business can change rapidly and in unexpected directions. Currency and other local regulatory limitations on the transfer of funds exist in a number of countries where we operate, including: China, India, Egypt and Türkiye. All of this may impact our ability to protect our contractual, intellectual and other legal rights. In addition, we are required to create compensation programs, employment and other administrative programs that comply with the laws of multiple countries. We administer, monitor and uphold group-wide standards and directives across our global network, including to our suppliers, subcontractors and other relevant stakeholders. Our failure to successfully manage our geographically diverse operations could impair our ability to react quickly to changing and market conditions and to enforce compliance with group-wide standards and procedures.

We operate in very competitive and rapidly changing markets and could be adversely affected if we fail to keep pace with technological changes.

We operate in very competitive and rapidly changing markets where we regularly need to innovate and develop products, systems, services and solutions that address the business challenges and needs of our customers. The nature of these challenges varies across the geographic markets and product segments. The markets for our products and services are characterized by changing regulatory requirements, ESG expectations and evolving industry standards, which may require us to modify our products and systems. The continual development of advanced technologies for new products and product enhancements is an important way in which we remain competitive and maintain acceptable pricing levels. If we fail to keep pace with technological changes in the industrial sectors that we serve, we may experience revenues, price erosion and lower margins.

Our primary competitors are sophisticated companies with significant resources that may develop products or services that are superior to our products and services or may adapt more quickly than we to technologies, industry changes or evolving customer requirements. We are also facing increased competition from competitors in emerging markets, which may give rise to increased pressure to reduce prices. Our failure to anticipate or respond quickly to technological developments or customer requirements could adversely affect our business, results of operations, financial condition and liquidity.

Industry consolidation could result in more powerful competitors and fewer customers.

Competitors in the industries in which we operate are consolidating. In particular, the ongoing consolidation that is reducing the number but increasing the size of companies that compete with competitors consolidate, they likely will increase their market share, gain economies of scale, and be able to compete with us and/or acquire additional products and technologies that could replace our product offerings.

Our customer base also is undergoing consolidation. Consolidation within our customers' industries (such as the automotive, aluminum, steel, pulp and paper and pharmaceutical and steel and gas industry) could affect our customers and their relationships with us. If competitors' customers acquire any of our customers, we may lose that business. Additionally, as customers become larger and more concentrated, they could exert pricing pressure on all suppliers, including those market share or customers or face pricing pressure due to consolidation of customers, our results of operations and financial condition could be adversely affected.

Increases in costs or limitation of supplies of raw materials may adversely affect our performance.

We purchase large amounts of commodity-based raw materials, including steel, copper, aluminum and other raw materials. Prices for such commodities are subject to fluctuations due to changes in supply and demand and of additional factors beyond our control, such as global political and economic conditions. Additionally, prices for some of these raw materials have been volatile and unpredictable, and expected to continue. Therefore, commodity price changes may result in unexpected increases in material costs, and we may be unable to increase our prices to offset these increased costs without reducing revenues or operating income. We do not fully hedge against changes in commodity prices, and our hedging procedures may not work as planned.

We depend on third parties to supply raw materials and other components and may not be able to obtain sufficient quantities of these materials and components, which could limit our ability to manufacture products and could harm our profitability. For some raw materials and components, we rely on a single supplier or a small number of suppliers. If one of these suppliers were unable to provide raw materials or components we need, our ability to manufacture some of our products could be adversely affected. We may not be able to find a sufficient alternative supply channel in a reasonable period of time.

In 2023, we experienced some continuing global supply chain challenges such as rising costs, congestion, material access issues and some geopolitical uncertainty. Although we were able to mitigate some of these disruptions, we cannot assure you that our mitigation efforts will be sufficient to ensure our continued supply.

If our suppliers are unable to deliver sufficient quantities of materials on a timely basis, the manufacture of our products may be disrupted, we may be required to assume liability under our agreements, and our sales and profitability could be materially adversely affected.

Our multi-national operations expose us to the risk of fluctuations in currency exchange rates.

Currency exchange rate fluctuations have had, and could continue to have, a material impact on operating results, the comparability of our results between periods, the value of assets or liabilities on our Consolidated Balance Sheet and the price of our securities. Volatility in exchange rates makes it harder to predict exchange rates and perform accurate financial planning. Changes in exchange rates unpredictably and adversely affect our consolidated operating results and could result in a decrease in exchange rates.

Currency Translation Risk The results of operations and financial position of most of our non-companies are initially recorded in the currency of the country in which each such company resides, "local currency". That financial information is then translated into U.S. dollars at the applicable

exchange rates for inclusion in our Consolidated Financial Statements. The exchange rates between local and the U.S. dollar can fluctuate substantially, which could have a significant impact on our Consolidated results of operations and financial position.

Increases and decreases in the value of the U.S. dollar versus local currencies will affect the reported value of currency assets, liabilities, revenues and expenses in our Consolidated Financial Statements. The value of these items has not changed in local currency terms. These translations could significantly and adversely affect our results of operations and financial position from period to period.

Currency Transaction Risk Currency risk exposure also affects our operations when our sales are denominated in currencies that are different from those in which our manufacturing or sourcing costs are incurred. In this case, if, after the parties agree on a price, the value of the currency in which we are paid is weak relative to the currency in which we incur manufacturing or sourcing costs, there is a negative impact on the profit margin for any such transaction. This transaction risk may exist regardless of whether there is also a currency translation risk as described above.

Currency exchange rate fluctuations in those currencies in which we incur our principal expenses for manufacturing or sourcing costs may adversely affect our ability to compete with companies whose costs are denominated in other currencies. If our principal expense currencies appreciate in value against the U.S. dollar, our competitive position may be weakened.

Operational risks

Increased information technology (IT) security threats and more sophisticated cyber-attacks have increased in the past, and could in the future, pose a risk to our systems, networks, products, solutions and services.

We have observed a global increase in IT security threats and more sophisticated cyber-attacks, which could compromise the security of systems and networks and the confidentiality, availability and integrity of data stored on those systems and networks. Although we have experienced occasional cyberattacks, they have not had a material effect on our business operations. Since we have in the past experienced cyberattacks against our systems, networks, products, solutions and services, we expect that we will continue to incur substantial costs to help mitigate this risk. We have observed a continued increase in attacks generally against industrial control systems as well as against the systems we supply to them, which has in the past and may in the future pose a security risk to those systems and networks. Future attacks could potentially lead to the compromise of information, disruption of our business, improper use or downtime of our systems and the services supplied to our customers, manipulation, corruption, inaccessibility and defective products, or services, production downtimes and supply shortages. Such attacks may also expose us to business, claims or regulatory action. Any such impact in turn could adversely affect our reputation, competitiveness and results of operations. Our insurance coverage may not be adequate to cover losses related to cyber security attacks or disruptions resulting from such events. Due to the nature and scope of the impact of any future incident cannot be predicted.

Our business strategy includes making strategic divestitures. There can be no assurance that divestitures will provide business benefit.

Our strategy includes divesting certain businesses. The divestiture of an existing business could reduce our operating cash flows and make our financial results more volatile. We may also incur liabilities or grant indemnities in connection with a divestment. We may not find suitable purchasers for businesses and may continue to pay operating costs associated with these businesses. Attempts to divest non-core businesses may distract management's attention from other businesses, erode employee morale and customers' confidence, and harm our business. A divestiture could result in a decline in the price of our shares and increased reliance on other elements of our operations. Whether we realize the anticipated benefits of a divestment, including the benefit of the spin-off of the Turbocharging business, depends on whether we

successfully manage the related risks. If we do not successfully manage the risks associated with this acquisition, our business, financial condition, and results of operations could be adversely affected.

Anticipated benefits of historical, existing and potential future mergers, acquisitions, joint ventures and strategic alliances may not be realized.

As part of our overall strategy, we may, from time to time, acquire businesses or interests in businesses, acquire controlling interests, or form joint ventures or create strategic alliances. While we expect benefits, including operating synergies and cost savings, from these transactions, the success of the integration between the businesses involved, the performance and development of the underlying products, capabilities or technologies, our correct assessment of assumed synergies and the operations in question. Accordingly, our financial results could be adversely affected by performance and liability issues, transaction-related charges, amortization and impairment charges, charges for impairment of long-term assets and partner performance.

There is no guarantee that our ongoing efforts to reduce costs will be successful.

We seek continued cost savings through operational excellence and supply chain management. Cost reduction is important for our business and future competitiveness. However, there is no guarantee that we will achieve our goal. If we are unsuccessful and the shortfall is significant, there could be an adverse effect on our financial condition, and results of operations.

Illegal behavior by any of our employees or agents could have a material adverse impact on our consolidated operating results, cash flows, and financial position as well as on our reputation and ability to do business.

Certain of our employees or agents have taken, and may in the future take, actions that violate or are in violation of the U.S. Foreign Corrupt Practices Act of 1977 (FCPA), legislation promulgated pursuant to the Organization for Economic Co-operation and Development (OECD) Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, applicable antitrust laws, and other applicable laws or our Code of Conduct. For more information regarding investigations of past or potential violations of our employees, see "Item 8. Financial Information—Legal Proceedings". Such actions have resulted, and in the future could result, in governmental investigations, enforcement actions, civil penalties, including monetary penalties and other sanctions, and civil litigation. It is possible that an investigation or enforcement action arising from such matters could conclude that a violation of applicable law has occurred, and the consequences of any such investigation or enforcement action could have a material adverse impact on our consolidated operating results, cash flows and financial position. Such actions, whether actual or alleged, could damage our reputation and ability to do business.

Further, detecting, investigating and resolving such actions could be expensive and could require significant time and attention of our senior management. While we are committed to conducting our business in an ethical manner, our internal control systems at times have not been, and in the future may not be, effective to prevent and detect such improper activities by our employees and agents. We accept ongoing investigations by governmental agencies.

We may be the subject of product liability claims.

We may be required to pay for losses or injuries purportedly caused by the design, manufacture of our products and systems. Additionally, we may be subject to product liability claims for the improper use of products and systems designed and manufactured by others.

Product liability claims brought against us may be based in tort or in contract, and typically seeking compensation for personal injury or property damage. Claims brought by commercial businesses are also for financial losses arising from interruption to operations. Depending on the application of many of the products we manufacture, a defect or alleged defect in one of these products could have serious consequences. For example:

- If the products produced by our electricity-related businesses are defective, there is a risk of explosion and power surges, and significant damage to electricity generating, distribution and facilities as well as electrical shock causing injury or death.
- If the products produced by our automation-related businesses are defective, our customers suffer significant damage to facilities and equipment that rely on these products and properly monitor and control their manufacturing processes. Additionally, people could be exposed to electrical shock and/or other harm causing injury or death.
- If any of our products contain hazardous substances, then there is a risk that such substances could cause injury or death.
- If any of our protective products were to fail to function properly, there is a risk that such failure could cause injury or death.

If we were to incur a very large product liability claim, our insurance protection might not be adequate to cover such a claim in terms of paying any awards or settlements, and/or paying costs of defense. Some claims may be outside the scope of our insurance coverage. If a litigant were to successfully sue us for lack or insufficiency of insurance coverage could result in an adverse effect on our business condition, results of operations and liquidity. Additionally, a well-publicized allegation of product defects could adversely affect our market reputation, which could result in a decline in demand for our products and reduce the trading price of our shares. Furthermore, if we were required to make a product recall, the costs could be significant.

Undertaking long-term, technically complex projects or projects that are dependent upon factors wholly within our control could adversely affect our profitability and future prospects.

We derive a portion of our revenues from long-term, fixed price and turnkey projects and from technically complex projects that can take many months, or even years, to complete. Such contracts typically involve significant risks, including the possibility that we may underbid and consequently have miscalculated the actual costs incurred, and the assumption of a large portion of the risks associated with the projects, including the warranty obligations. Some projects involve technological risks where we are required to modify our existing products and systems to satisfy the technical requirements of a project, integrate our products and systems into the existing infrastructure and installation site, or undertake ancillary activities such as civil works at the installation site. Our revenue on such contracts can vary, sometimes substantially, from our projections for numerous reasons, including:

- unanticipated issues with the scope of supply, including modification or integration of products and systems that may require us to incur incremental expenses to remedy such issues,
- the quality and efficacy of our products and services cannot be tested and proven in all situations and may lead to premature failure or unplanned degradation of products,
- changes in the cost of components, materials or labor,

- difficulties in obtaining required governmental permits or approvals,
- delays caused by customers, force majeure or local weather and geological conditions, including health crises and natural disasters,
- shortages of construction equipment,
- changes in law or government policy,
- supply bottlenecks, especially of key components,
- suppliers', subcontractors' or consortium partners' failure to perform or delay in performance,
- diversion of management focus due to responding to unforeseen issues, and
- loss of follow-on work.

These risks are exacerbated if a project is delayed because the circumstances upon which we and our subcontractors may have changed in a manner that increases our costs or other liabilities. In addition, we sometimes bear the risk of delays caused by unexpected conditions or project contracts often subject to penalties or damages if we cannot complete a project in accordance with its schedule. In certain cases, we may be required to pay back to a customer all or a portion of the price as well as potential damages (which may significantly exceed the contract price) in the event of a failure to perform.

If we are unable to obtain performance and other guarantees from financial institutions, we may be prevented from bidding on, or obtaining, some contracts, or our costs with respect to such contracts may be higher.

In the normal course of our business and in accordance with industry practice, we provide a variety of guarantees including bid bonds, advance payment bonds or guarantees, performance bonds or surety bonds or guarantees, which guarantee our own performance. These guarantees may guarantee that a project will be completed on time or that a project or particular equipment will meet performance criteria. If we fail to satisfy any defined criteria, we may be required to make payments in kind. Performance guarantees frequently are requested in relation to large projects.

Some customers require that performance guarantees be issued by a financial institution. In order to obtain a guarantee on our behalf, financial institutions consider our credit ratings. We cannot obtain such a guarantee from a financial institution on commercially reasonable terms or we could be prevented from bidding on, or obtaining, some contracts, or our costs with respect to some contracts may be higher, which would reduce the profitability of the contracts. If we cannot obtain performance guarantees on reasonable terms or at all from financial institutions in the future, there could be a material adverse effect on our business, financial condition, results of operations or liquidity.

Our hedging activities may not protect us against the consequences of significant fluctuations in exchange rates, interest rates, inflation or commodity prices on our earnings and cash flows.

Our policy is to hedge material currency exposures by entering into offsetting transactions with financial institutions. Given the effective horizons of our risk management activities and the nature of the exposures intended to be hedged, there can be no assurance that our currency hedging activities will fully offset the adverse financial impact resulting from unfavorable movements in exchange rates. In addition, the timing of the accounting for recognition of gains and losses on hedging transactions may not coincide with the timing of gains and losses related to the underlying economic

As a resource-intensive operation, we are exposed to a variety of market and asset risks, including changes in inflation, commodity prices and interest rates. We monitor and manage these risks as part of our overall risk management program, which recognizes the unpredictability of markets

and seeks to reduce the potentially adverse effects on our business. As part of our effort to manage these risks, we may enter into commodity price and interest rate hedging arrangements. However, because commodity prices and interest rates cannot always be predicted or hedged.

If we are unable to successfully manage the risk of changes in exchange rates, interest rates, commodity prices or if our hedging counterparties are unable to perform their obligations under agreements with them, then changes in these rates and prices could have an adverse effect on our financial results of operations.

Failure to meet ESG expectations or standards or achieve our ESG goals could adversely affect business, results of operations, and financial condition

There has been an increased focus from regulators and stakeholders on environmental, social and governance (ESG) matters. These include greenhouse gas emissions and climate-related risks; diversity and inclusion; responsible sourcing; human rights and social responsibility; and governance. We have established certain ESG goals, commitments and targets. Our ability to accomplish these numerous operational, regulatory, financial, legal, and other challenges, several of which are out of our control. Our failure to achieve our ESG goals, commitments and targets or comply with ESG regulations could adversely affect our business, results of operations, and financial condition. As a social institution, we could harm our reputation, adversely impact our ability to attract and retain customers and expose us to increased scrutiny from the investment community and enforcement authorities.

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Legal and regulatory risks

An inability to protect our intellectual property rights or actual or alleged infringement of a party's intellectual property rights could adversely affect our business.

Our intellectual property rights are fundamental to all of our businesses. We generate, maintain and substantially portfolio of trademarks, trade dress, patents and other intellectual property rights. Intellectual property protection is subject to applicable laws in various local jurisdictions and protections vary or can be unpredictable and costly to enforce. We use our intellectual property rights to protect the goodwill of our products, promote our product recognition, protect our technology and development activities, enhance our competitiveness and otherwise support our goals and objectives. However, there can be no assurance that the steps we take to maintain and protect our intellectual property rights will be adequate. Our intellectual property rights, which are one of our significant competitive advantages, particularly in foreign jurisdictions, do not always provide strong intellectual property rights. The weakening of protection of our trademarks and other intellectual property rights could adversely affect our business. In addition, claims surrounding actual or alleged infringement of third-party intellectual property rights, which may be brought even if processes in place - lead to claims against us that require significant resources to engage in legal action to protect our own intellectual property rights, and enforcing our rights may require considerable time, money and oversight, and existing laws in the various countries in which we provide services or solutions may offer only limited protection.

Failure to comply with evolving data privacy and data protection laws and regulations or to protect personal data, may adversely impact our business and financial results.

We are subject to many rapidly evolving privacy and data protection laws and regulations around the world, including the General Data Protection Regulation (GDPR) in Europe and the Personal Information Protection Act in China as well as the California Data Privacy Act and the California Privacy Rights Act (CPRA) in the United States. This requires us to operate in a complex environment where significant constraints on how we can process personal data across our business. The GDPR, which became effective in May 2018, has established stringent data protection requirements for companies doing business with personal data of individuals in the European Union. The GDPR imposes obligations on data controllers and processors including the requirement to maintain a record of their data processing activities and procedures as part of their mandated privacy governance framework. Breaches of the

GDPR or other applicable data privacy laws could result in substantial fines, which in some cases could be percent of our worldwide revenue. In addition, a breach of the GDPR or other data protection laws or regulations could result in regulatory investigations, reputational damage, order to change our use of data, enforcement notices, as well as potential civil claims including class action. We have invested, and continue to invest, human and technology resources in and data protection compliance efforts. There can be no assurance that any such actions will be sufficient to prevent security breaches, disruptions, unauthorized release of sensitive information or data. Despite such actions, there is a risk that we may be subject to fines and penalties, reputational harm if we fail to properly process or protect the data or privacy of third parties or other applicable data privacy and data protection regimes.

Examinations by tax authorities and changes in tax regulations could result in lower earnings and cash flows.

We operate in approximately 100 countries and therefore are subject to different tax laws. Changes in those addressing tax avoidance and profit sharing, could result in a higher and higher tax payments. Furthermore, this could materially impact our tax-related receivables and liabilities, deferred income tax assets and liabilities. In addition, the uncertainty of the tax environment could limit our ability to enforce our rights. As a globally operating organization, we are subject to complex tax rules, which may be interpreted in different ways. Interpretations or developments of tax regimes may affect our tax liabilities, returns on investments and operations. We are regularly examined by tax authorities in various jurisdictions. An assessment by a tax authority could cause a material adverse effect on our business, financial condition and operations.

We are subject to environmental laws and regulations in the countries in which we operate. We expect to comply with such regulations, and our ongoing operations may expose us to substantial costs.

Our operations are subject to U.S., European and other laws and regulations governing the discharge of to the environment or otherwise relating to environmental protection. Our manufacturing processes produce residues, solvents, metals, oils and related residues. We use petroleum-based oil in transformers and chloroparaffins as a flame retardant. We have manufactured and sold using in some of our factories, certain types of transformers and capacitors containing polychlorinated biphenyls (PCBs). These are considered to be hazardous substances in many jurisdictions in which we operate. We may be subject to substantial liabilities for environmental contamination arising from substances. All of our manufacturing operations are subject to ongoing compliance costs in environmental matters and the associated capital expenditure requirements.

In addition, we may be subject to significant fines and penalties if we do not comply with environmental laws including those referred to above. Some environmental laws provide for joint and several liability for remediation of releases of hazardous substances, which could result in us being liable for remediation costs without regard to our negligence or fault. Such laws and regulations could expose us to liability arising out of the conduct of operations or conditions caused by others, or for non-compliance with all applicable laws at the time the acts were performed. Additionally, we may be the claims alleging personal injury or property damage as a result of alleged exposure to hazardous substances. Changes in the environmental laws and regulations, or claims for damages to persons, property or the environment, could result in substantial costs and liabilities to us.

We have been affected and could in the future be affected by laws or regulations enacted to address change concerns, including non-financial reporting disclosure requirements, as well as physical effects of climate change.

Existing or pending laws and regulations intended to address climate change concerns could affect us. We have incurred, and may need to incur additional costs to comply with these laws and regulations. Non-compliance could adversely affect our reputation and result in significant fines. We have, and may need to incur, additional costs and we need to establish additional processes to comply with non-financial reporting disclosure requirements. We could also be affected indirectly by increases in the price of goods or services provided to us by companies that are directly affected by these regulations and pass their increased costs through to their customers. At this time, we cannot estimate what costs may have on our business, results of operations or financial condition. We are affected by the physical consequences of climate change itself, although we cannot estimate what consequences might have on our business or operations. Any such changes could also impact our ability to achieve our 2030 Sustainability targets as well as the related costs and resources necessary to do so.

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General risk factors

If we are unable to attract and retain qualified management and personnel then our business may be adversely affected.

Our success depends in part on our continued ability to hire, assimilate and retain highly qualified personnel. Senior management team and key employees. Competition for highly qualified management and personnel remains intense in the industries and regions in which we operate. If we are unable to retain members of our senior management team and key employees, including in connection with our ongoing organizational transformation, this could have an adverse effect on our business. Our business subjects us to considerable potential exposure to litigation and legal claims and could be materially adversely affected if we incur legal liability.

We are subject to, and may become a party to, a variety of litigation or other claims. Our business is subject to claims involving current and former employees, customers, partners, competitors or shareholders, government regulatory agencies or others through private actions, lawsuits, claims, administrative proceedings, regulatory actions or other proceedings. Our activities have in the past and may in the future be subject to litigation or other claims. While we endeavor to maintain potential liabilities, such insurance does not cover all types and amounts of claims and is subject to various exclusions as well as caps on amounts recoverable.

Item 3A. [Reserved]

Item 4. Information on the Company

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Introduction

About ABB

ABB is a technology leader in electrification and automation, enabling a more sustainable and resource-efficient future. The company's solutions connect engineering know-how and software to power plants, bridges, ships, and more. Buildings are manufactured, moved, powered, and operated. Building on more than 140 years of excellence, ABB's more than 105,000 employees are committed to driving innovations that accelerate the energy transition.