

Dear shareholders,



ABB performed well in 2012, demonstrating once again its agility and resilience in a difficult environment. The economic slowdown of recent years has given us opportunities to strengthen ABB in various ways, and we can confidently say that ABB has become one of the best companies in its sector.

ABB's power and automation businesses outperformed those of most competitors in 2012 in terms of organic revenue growth and profitability (earnings before interest, taxes, depreciation and amortization, or EBITDA). Also, ABB has among the highest revenue and profitability levels per employee compared with peers.

“One reason for ABB's strength is our global reach matched with well-developed local capabilities”



Video: Joe Hogan comments on the 2012 results.

To view the clip, install QR code reader on your mobile device, scan the code and see more.

One reason for ABB's strength is our global reach matched with well-developed local capabilities. We have built a strong presence in North America through acquisitions in the last three years, complementing our leading position in Europe, the Middle East and Asia. We are now a leader in most of the largest or fastest-growing markets on every continent. The positions that we have in these markets are also deep-rooted thanks to our local R&D and product development capabilities, which enable us to match and exceed local competitors when it comes to speed of product development and deployment.

We therefore have a presence and insights into different markets that few can match, and we can use this to achieve consistent growth and results throughout the economic cycle. This helps to explain ABB's resilience. We also have a truly international leadership team which gives us a real global perspective on the opportunities available.

Besides investing in acquisitions, we have committed an additional \$1.9 billion since 2007 to building or expanding factories, strengthening our sales teams in growth markets, and boosting R&D. Our outstanding success at managing costs, which yielded another \$1.1 billion in annual savings in 2012, has given us the flexibility to make these investments and continue building ABB for the future.

Investments in R&D have risen from 3 percent of revenues in 2007 to 3.7 percent in 2012, lifting annual spending by 68 percent over this period to almost \$1.5 billion. This reflects the fact that technology remains one of our most significant competitive advantages, and it is therefore essential to our success that we stay at the forefront of technological developments.

“Technology remains one of our most significant competitive advantages”

Technological innovation

The investment is paying off as we achieve genuine technological breakthroughs and bring advanced products to the market. We are pleased that 2012 was a particularly rich year for technological achievements. After years of research, our teams were able to report the development of the first hybrid high-voltage direct current (HVDC) circuit breaker, a breakthrough that removes a major hurdle in the evolution of interconnected grids based on direct current and that could speed up the deployment of renewable energy on a large scale.

It is arguably the most significant scientific achievement in the field since ABB developed HVDC transmission 60 years ago, an innovation that created entirely new possibilities for transporting electricity over long distances.

Other technological achievements in 2012 included the development and testing of an ultrahigh voltage direct current converter transformer, the commercialization of a new type of electric motor that is highly efficient, an order for the first-ever direct current power grid on board a ship, and the construction of Europe's largest direct current data center.

These successes are important to ABB because technological leadership is a pillar of our goal to stay competitive and to push technology that drives disruptive market changes, which are priorities of our strategic plan for the years 2011–2015. This leadership and expertise is highly valued by our customers. They consistently recognize and reward our industry and application knowledge, our engineering and design capability, and the quality of our products and systems.

Priorities for 2013

In 2012, we achieved local-currency growth of 7 percent in revenues and 4 percent in orders. Excluding Thomas & Betts, revenues rose 3 percent and orders were steady (in local currencies). Our results for 2012 reflected the difficult environment and the measures taken in the fourth quarter to refocus the Power Systems division, and illustrate why driving competitiveness remains our top goal for 2013.

Deepening the integration of recent acquisitions will be one priority for this year. We have spent more than \$10 billion on acquisitions since 2010 as part of our strategy to grow the business profitably and create value for shareholders. The value is being realized through a combination of cost and growth synergies, which in turn depend on the successful integration of the new businesses with those of ABB.

With Thomas & Betts, the US low-voltage business we acquired last year, we are intensely pursuing opportunities to use T&B's products in our ABB businesses and to sell them through our global distribution channels. We have some promising pilot projects and will be exploring how to get the most out of the opportunities that have been identified.

We will also be looking at ways to scale up the new businesses that we have successfully developed. We have entered several new markets in recent years, such as electric vehicle infrastructure, energy storage, energy consulting and data center electrification, and we will make sure that the ones with the greatest potential have the resources and business models that will enable them to grow. A related priority will be to effectively commercialize the advances made in our R&D programs.

We will keep customer satisfaction at the top of our priority list by continuing to address the areas they want us to improve, mainly responsiveness and delivery time. Importantly, we are improving in the eyes of our customers: Our Net Promoter Score (NPS) measure of customer satisfaction rose by more than 30 percent in 2012 compared with 2011. The score remains lower than we would like it to be but we are pleased at the progress we are making.

As we strive to increase the satisfaction of our customers, the Executive Committee has introduced a systematic approach to addressing the top issues that they have raised, with EC members personally supervising the projects set up to address them. The project teams are responsible for determining the root causes of the issues and the measures that need to be taken, and will establish an implementation plan to ensure steady improvement.

We are confident that we have the right projects in place with the right leaders to ensure that we achieve the Group targets that we have communicated.

Shaping the future

Looking ahead, we are confident that ABB is well placed to benefit from several long-term trends, and even to shape them through technological innovation.

The major trends driving demand include the increasing use of electricity in areas such as data centers and electric vehicles; the rapid economic growth and urbanization in emerging markets; the need to use our natural resources more efficiently; and the integration of new sources of energy – such as wind and solar – into existing grids.

Balancing electricity supply and demand at any time is becoming harder as renewable energy becomes more widespread, given that wind and solar power are highly intermittent as well as distributed across a very large number of sources. Ensuring frequency and voltage stability of the grid is therefore an increasingly complex challenge.

In Europe, power networks will have to be better interconnected if the region is to make use of its natural power sources. Wind from the North Sea or the Atlantic, sun from the South, hydro facilities in Norway or the Alps, all need to be connected with energy-intensive industrial regions. Transmission grids need to be upgraded but they also need to become more flexible and intelligent. We expect HVDC to be deployed more widely as it is well suited to many of the emerging trends, and the hybrid HVDC breaker should pave the way for the development of an interconnected grid based on direct current.

**“ABB is one of the few global companies
operating in the attractive sectors of power and automation”**

Manufacturing is also changing. Rising wages in emerging economies, higher transport and energy costs, and increasing levels of automation are driving manufacturers to look for ways to stay competitive other than by offshoring activities to markets with lower labor costs.

Among these, the ability to respond rapidly to changing customer needs stands out. Quick customer response, the need for mass customization, short lead times and low inventories favor the location of manufacturing facilities close to the customer, and recent advances in automation enable this change. Modern factory automation systems are flexible and allow manufacturers to respond quickly to changes in demand without sacrificing quality or consistency, with fewer, more skilled workers. Further, integration of automation systems and fast communication mean that supply chains can be kept lean despite the variety of products.

These trends illustrate why power and automation continue to be dynamic segments with compelling growth prospects. ABB is one of the few global companies operating in these two attractive sectors.

Unique strengths

We remain confident because ABB has many strengths. ABB has been resilient in the recent slowdown thanks to the way our activities are balanced across geographies and across the business cycle. We have a unique and strong presence in most of the markets in which we operate thanks to the deep roots that we have established in leading mature and emerging markets alike.

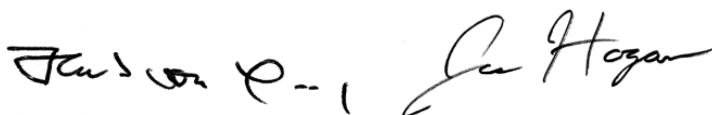
“Our strong balance sheet gives us ample flexibility”

We have also been resourceful, penetrating geographic markets as diverse as the US and Indonesia and new industrial ones such as data centers, developing attractive business models such as our new approach to service, and continuing to drive sustainable savings across the business through greater efficiency. We have invested extensively in technology, sharpening our technological leadership in power and automation.

What's more, our strong balance sheet gives us ample flexibility to invest where we see an opportunity to grow the business profitably while maintaining our single-A credit rating. Thanks to the company's excellent cash generation and prospects, the Board has once again proposed an increase in the dividend to shareholders.

Most importantly ABB has become a company in which integrity and sustainability have evolved from top-down activities into ways of thinking that are becoming embedded in the way we do business. Our people have a passion for technology, a pragmatic common sense and the cultural diversity that helps us to find and exploit new opportunities.

We are confident that all these factors make ABB a great company to work for, do business with and invest in, and are the promise of a great future.



Hubertus von Grünberg
Chairman

Joe Hogan
CEO

March 14, 2013

Highlights

Resilient performance through the cycle: In local currencies, orders and revenues increased despite difficult business climate

More profitable service revenues grew faster than total revenues, in line with our strategic initiative to increase the total share of service business

Successful execution on costs again supported profitability in line with targets

One of the strongest balance sheets in the sector on robust cash generation; Board proposes 5 percent increase in dividend

Further strengthened our automation portfolio: Thomas & Betts, acquired in May, contributed about \$280 million in operational EBITDA; integration on track

Actions under way to secure higher and more consistent earnings in the power businesses

Customer satisfaction increased by 32 percent, as measured by the Net Promoter Score survey

Investment in research and development rose to \$1.5 billion, or 3.7 percent of revenues

Continued technology leadership, including circuit breaker for high voltage direct current and synchronous reluctance motors for high-efficiency industrial applications

Total ABB Group (\$ millions unless otherwise indicated)

	2012	2011
Orders	40,232	40,210
Revenues	39,336	37,990
Earnings before interest and taxes (EBIT)	4,058	4,667
as % of revenues	10.3%	12.3%
Operational EBITDA ⁽¹⁾	5,555	6,014
as % of operational revenues	14.2%	15.8%
Net income (attributable to ABB)	2,704	3,168
Basic earnings per share (\$)	1.18	1.38
Dividend per share in CHF (proposed)	0.68	0.65
Cash flow from operating activities	3,779	3,612
Free cash flow ⁽²⁾	2,555	2,593
as % of net income	94%	82%
Cash return on invested capital ⁽²⁾	12%	14%
Number of employees	146,100	133,600

⁽¹⁾ Please refer to Note 23 to ABB's Consolidated Financial Statements for a definition of operational EBITDA.

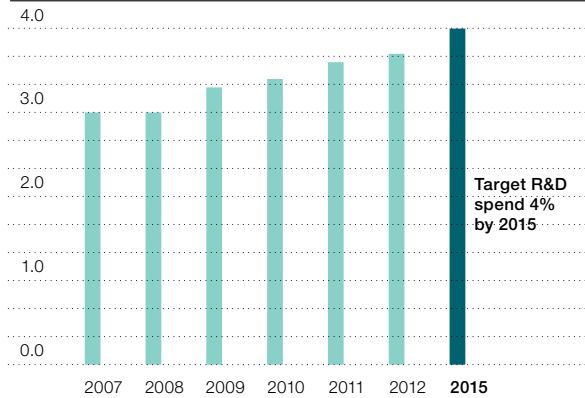
⁽²⁾ Please refer to page 154 for a definition of free cash flow and cash return on invested capital.

Revenues 2012 by division (unconsolidated)

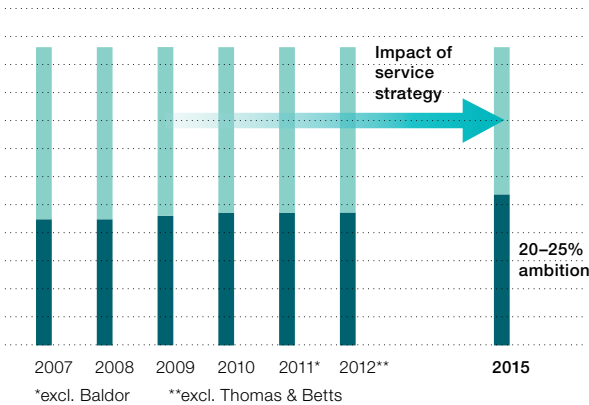
- Power Products, 25%
- Power Systems, 18%
- Discrete Automation and Motion, 22%
- Low Voltage Products, 16%
- Process Automation, 19%



R&D expenses (% of total revenue)



Service (% of total revenue)



Orders 2012 by region

- Europe, 34%
- Americas, 30%
- Asia, 26%
- Middle East and Africa, 10%

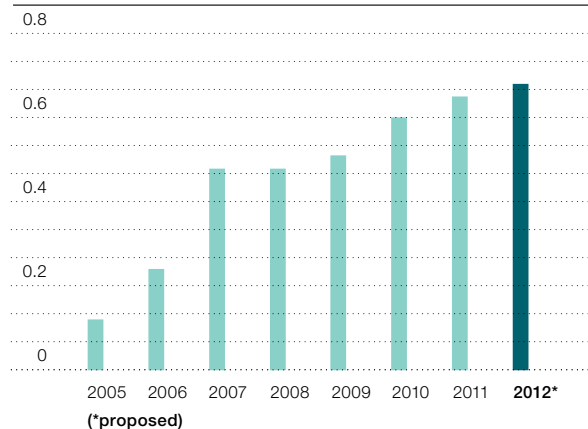


Emerging vs mature market orders 2012

- Emerging markets, 46%
- Mature markets, 54%



Dividend payout (CHF per share)



As of March 1, 2013

Executive Committee

From left to right

Ulrich Spiesshofer Head of Discrete Automation and Motion division

Greg Scheu Head of Marketing and Customer Solutions

Bernhard Jucker Head of Power Products division

Prith Banerjee Chief Technology Officer

Frank Duggan Head of Global Markets

Eric Elzvik Chief Financial Officer

Joe Hogan Chief Executive Officer

Tarak Mehta Head of Low Voltage Products division

Brice Koch Head of Power Systems division

Diane de Saint Victor General Counsel and Head of Legal and Integrity

Veli-Matti Reinikkala Head of Process Automation division

Gary Steel Head of Human Resources

Eric Elzvik was appointed Chief Financial Officer with effect from February 1, 2013, to succeed Michel Demaré, who is leaving ABB.



As of March 1, 2013

Regional and country managers

North America Enrique Santacana

Canada Daniel Assandri
Mexico Daniel Galicia
United States (including
US Virgin Islands) Enrique Santacana

South America Sergio Gomes

Argentina Christian Newton
Aruba Ramon Monras
Barbados Guillermo Rodriguez
Brazil Sergio Gomes
Chile Jose Paiva
Colombia Ramon Monras
Ecuador Ramon Monras
El Salvador Guillermo Rodriguez
Guatemala Guillermo Rodriguez
Panama Guillermo Rodriguez
Peru Adolfo Samaniego
Uruguay Christian Newton
Venezuela Ramon Monras

Mediterranean Barbara Frei

Algeria Khaled Torbey
Croatia Steffen Drausnigg
France Pierre St-Arnaud
Greece Apostolos Petropoulos
Israel Ronen Aharon
Italy Barbara Frei
Morocco Christian Bogers
Portugal Miguel Pernes
Serbia Aleksandar Cosic
Spain Carlos Marcos
Tunisia Christian Bogers
Turkey Sami Sevinc

Northern Europe Trevor Gregory

Denmark Claus Madsen
Estonia Bo Henriksson
Finland Tauno Heinola
Ireland Tom O'Reilly
Kazakhstan Altay Toyganbaev
Latvia Bo Henriksson
Lithuania Bo Henriksson
Norway Steffen Waal
Russian Federation Anatoliy Popov
Sweden Johan Soderstrom
United Kingdom Trevor Gregory

Central Europe Peter Terwiesch

Austria Franz Chaluppecky
Belgium Alfons Goos
Bulgaria Peter Simon
Czech Republic Hannu Kasi
Germany Peter Terwiesch
Hungary Tanja Vainio
Luxembourg Alfons Goos
Netherlands Alfons Goos
Poland Miroslaw Gryszka
Romania Peter Simon
Slovakia Marcel van der Hoek
Slovenia Boris Bozic
Switzerland Remo Luetolf
Ukraine Dmytro Zhdanov

India, Middle East and Africa Frank Duggan

Angola Antonio D'Oliveira
Bahrain Mahmoud Shaban
Bangladesh Joy-Rajarshi Banerjee
Botswana Gift Nkwe
Central Africa Naji Jreijiri
Congo Thryphon Mungono
Côte d'Ivoire Magloire Elogne
Cameroon Pierre Njigui
Eastern Africa Jose da Matta
Egypt Naji Jreijiri
Ethiopia Nikola Stojanovic
Gambia Pierre Njigui
Ghana Hesham Tehemer
India Bazmi Husain
Jordan Maroun Zakhour
Kenya Jose daMatta
Kuwait Richard Ledgard
Lebanon Maroun Zakhour
Mauritius Ajay Vij
Mozambique Paulo David
Namibia Hagen Seiler
Nigeria Naji Jreijiri⁽¹⁾
Oman Saeed Fahim
Pakistan Arfeen Khalid
Qatar Juha Alopaeus
Saudi Arabia Mahmoud Shaban
Senegal Issa Guisse
Southern Africa Leon Viljoen⁽¹⁾
Tanzania Michael Otonya
Uganda Norah Kipwola
United Arab Emirates Carlos Pone
Zambia Russell Harawa
Zimbabwe Charles Shamu

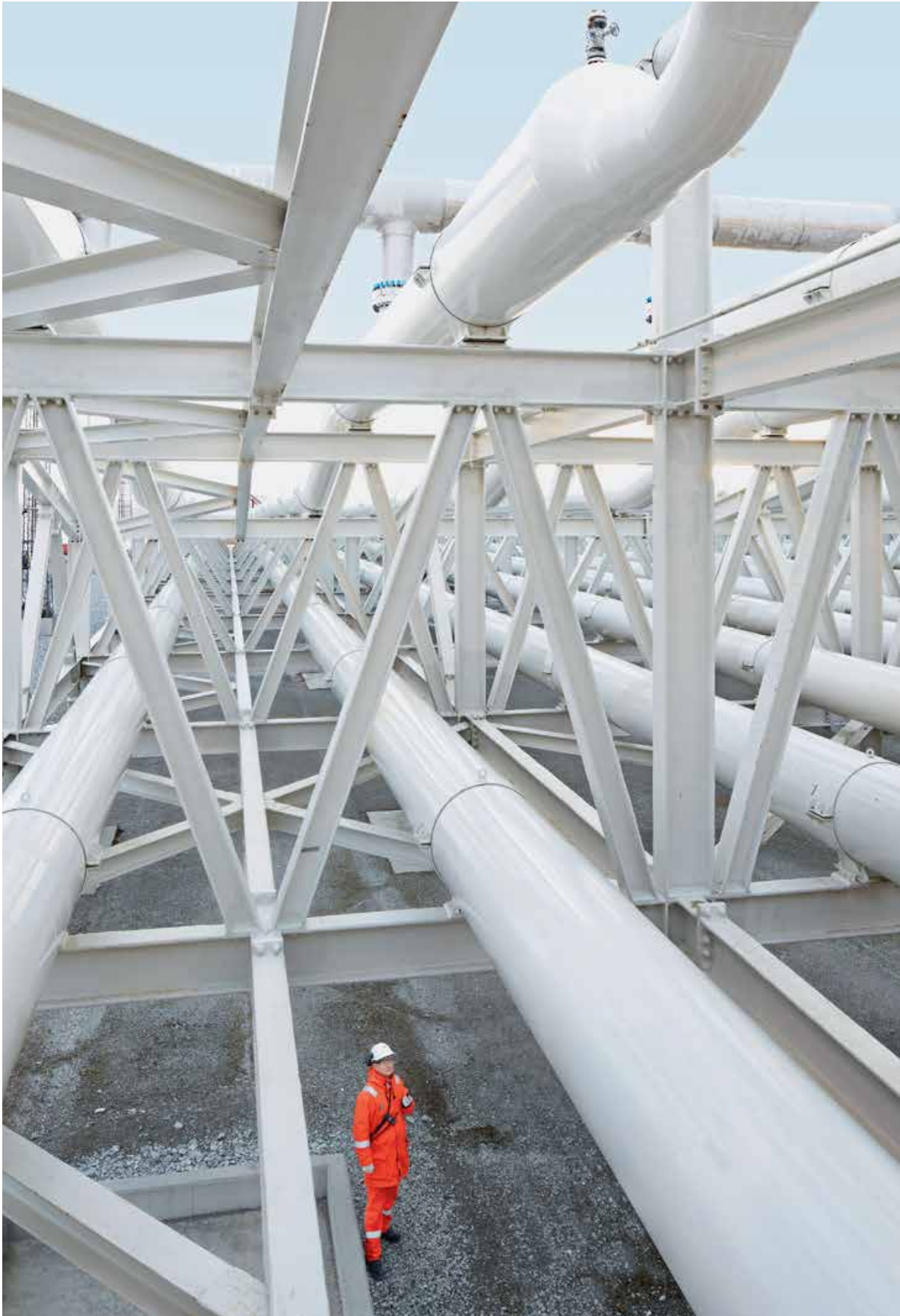
North Asia Claudio Facchin

China Claudio Facchin
Japan Tony Zeitoun
Korea Yun-Sok Han
Taiwan Kayee Ding

South Asia Haider Rashid

Australia Axel Kuhr
Indonesia Hendrik Weiler
Malaysia Stephen Pearce
Myanmar Chaiyot Piyawannarat
New Caledonia Axel Kuhr
New Zealand Grant Gillard
Papua New Guinea Axel Kuhr
Philippines Min-Kyu Choi
Singapore Haider Rashid
Thailand Chaiyot Piyawannarat
Vietnam Jian Peng Fu

⁽¹⁾ New country manager as of March 1, 2013



Corporate governance report

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1. Principles

1.1 General principles

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

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

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

According to the New York Stock Exchange's corporate governance standards (the Standards), ABB is required to disclose significant ways in which its corporate governance practices differ from the Standards. ABB has reviewed the Standards and concluded that its corporate governance practices are generally consistent with the Standards, with the following significant exceptions:

- Swiss law requires that the external auditors be elected by the shareholders at the Annual General Meeting rather than by the finance and audit committee or the board of directors.
- The Standards require that all equity compensation plans and material revisions thereto be approved by the shareholders. Consistent with Swiss law such matters are decided by our Board. However, the shareholders decide about the creation of new share capital that can be used in connection with equity compensation plans.

1.2 Duties of directors and officers

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

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

Exercise of powers

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

Conflicts of interest

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

Confidentiality

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

Sanctions

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

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

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

2. Group structure and shareholders

2.1 Group structure

ABB Ltd, Switzerland, is the ultimate parent company of the ABB Group, which at December 31, 2012, principally comprised 380 consolidated operating and holding subsidiaries worldwide. ABB Ltd's shares are listed on the SIX Swiss Exchange, the NASDAQ OMX Stockholm Exchange and the New York Stock Exchange (where its shares are traded in the form of American depositary shares (ADS) – each ADS representing one registered ABB share). On December 31, 2012, ABB Ltd had a market capitalization of CHF 43 billion.

The only consolidated subsidiary in the ABB Group with listed shares is ABB Limited, Bangalore, India, which is listed on the Bombay Stock Exchange and the National Stock Exchange of India. On December 31, 2012, ABB Ltd, Switzerland, directly or indirectly owned 75 percent of ABB Limited, Bangalore, India, which at that time had a market capitalization of INR 150 billion.

Stock exchange listings

Stock exchange	Security	Ticker symbol	ISIN code
SIX Swiss Exchange	ABB Ltd, Zurich, share	ABBN	CH0012221716
NASDAQ OMX Stockholm Exchange	ABB Ltd, Zurich, share	ABB	CH0012221716
New York Stock Exchange	ABB Ltd, Zurich, ADS	ABB	US0003752047
Bombay Stock Exchange	ABB Limited, Bangalore, share	ABB*	INE117A01022
National Stock Exchange of India	ABB Limited, Bangalore, share	ABB	INE117A01022

* also called Scrip ID

All data as of December 31, 2012.

The following table sets forth, as of December 31, 2012, the name, country of incorporation, ownership interest and share capital of the significant direct and indirect subsidiaries of ABB Ltd, Switzerland:

ABB Ltd's significant subsidiaries				
Company name/location	Country	ABB interest %	Share capital in thousands	Currency
ABB S.A., Buenos Aires	Argentina	100.00	56,772	ARS
ABB Australia Pty Limited, Sydney	Australia	100.00	122,436	AUD
ABB AG, Vienna	Austria	100.00	15,000	EUR
ABB N.V., Zaventem	Belgium	100.00	13,290	EUR
ABB Ltda., Osasco	Brazil	100.00	94,396	BRL
ABB Bulgaria EOOD, Sofia	Bulgaria	100.00	3,010	BGN
ABB Inc., St. Laurent, Quebec	Canada	100.00	255,797	CAD
ABB (China) Ltd., Beijing	China	100.00	310,000	USD
Asea Brown Boveri Ltda., Bogotá	Colombia	100.00	486,440	COP
ABB Ltd., Zagreb	Croatia	100.00	2,730	HRK
ABB s.r.o., Prague	Czech Republic	100.00	400,000	CZK
ABB A/S, Skovlunde	Denmark	100.00	100,000	DKK
ABB Ecuador S.A., Quito	Ecuador	96.87	325	USD
Asea Brown Boveri S.A.E., Cairo	Egypt	100.00	116,000	USD
ABB AS, Jüri	Estonia	100.00	1,663	EUR
ABB Oy, Helsinki	Finland	100.00	10,003	EUR
ABB S.A., Les Ulis	France	100.00	38,921	EUR
ABB AG, Mannheim	Germany	100.00	167,500	EUR
ABB Automation GmbH, Mannheim	Germany	100.00	15,000	EUR
ABB Automation Products GmbH, Ladenburg	Germany	100.00	10,620	EUR
ABB Beteiligungs- und Verwaltungsges. mbH, Mannheim	Germany	100.00	61,355	EUR
ABB Stotz-Kontakt GmbH, Heidelberg	Germany	100.00	7,500	EUR
Busch-Jaeger Elektro GmbH, Mannheim/Lüdenscheid	Germany	100.00	1,535	EUR
Asea Brown Boveri S.A., Metamorphosis Attica	Greece	100.00	1,721	EUR
ABB (Hong Kong) Ltd., Hong Kong	Hong Kong	100.00	20,000	HKD
ABB Engineering Trading and Service Ltd., Budapest	Hungary	100.00	444,090	HUF
ABB Limited, Bangalore	India	75.00	423,817	INR
ABB Ltd, Dublin	Ireland	100.00	635	EUR
ABB Technologies Ltd., Tirat Carmel	Israel	99.99	420	ILS
ABB S.p.A., Milan	Italy	100.00	107,000	EUR
ABB K.K., Tokyo	Japan	100.00	1,000,000	JPY
ABB Ltd., Seoul	Korea, Republic of	100.00	18,670,000	KRW
ABB Holdings Sdn. Bhd., Subang Jaya	Malaysia	100.00	4,490	MYR
Asea Brown Boveri S.A. de C.V., San Luis Potosi S.L.P	Mexico	100.00	667,686	MXN
ABB B.V., Rotterdam	Netherlands	100.00	9,200	EUR
ABB Finance B.V., Amsterdam	Netherlands	100.00	20	EUR
ABB Holdings B.V., Amsterdam	Netherlands	100.00	119	EUR
ABB Investments B.V., Amsterdam	Netherlands	100.00	100	EUR
ABB Limited, Auckland	New Zealand	100.00	34,000	NZD
ABB Holding AS, Billingstad	Norway	100.00	240,000	NOK
ABB S.A., Lima	Peru	97.60	29,290	PEN
ABB, Inc., Paranaque, Metro Manila	Philippines	100.00	123,180	PHP
ABB Sp. zo.o., Warsaw	Poland	99.89	260,644	PLN
ABB (Asea Brown Boveri), S.A., Paco de Arcos	Portugal	100.00	4,117	EUR
Asea Brown Boveri Ltd., Moscow	Russian Federation	100.00	941	RUB

ABB Ltd's significant subsidiaries, continued

Company name/location	Country	ABB	Share capital	Currency
		interest %	in thousands	
ABB Contracting Company Ltd., Riyadh	Saudi Arabia	65.00	40,000	SAR
ABB Holdings Pte. Ltd., Singapore	Singapore	100.00	32,797	SGD
ABB Holdings (Pty) Ltd., Longmeadow	South Africa	80.00	4,050	ZAR
Asea Brown Boveri S.A., Madrid	Spain	100.00	33,318	EUR
ABB AB, Västerås	Sweden	100.00	400,000	SEK
ABB Norden Holding AB, Västerås	Sweden	100.00	2,344,783	SEK
ABB Asea Brown Boveri Ltd, Zurich	Switzerland	100.00	2,768,000	CHF
ABB Schweiz AG, Baden	Switzerland	100.00	55,000	CHF
ABB Technology Ltd., Zurich	Switzerland	100.00	100	CHF
ABB LIMITED, Bangkok	Thailand	100.00	1,034,000	THB
ABB Elektrik Sanayi A.S., Istanbul	Turkey	99.95	13,410	TRY
ABB Ltd., Kiev	Ukraine	100.00	85,400	UAH
ABB Industries (L.L.C.), Dubai	United Arab Emirates	49.00	5,000	AED
ABB Holdings Limited, Warrington	United Kingdom	100.00	203,014	GBP
ABB Limited, Warrington	United Kingdom	100.00	60,000	GBP
ABB Holdings Inc., Cary, NC	United States	100.00	2	USD
ABB Inc., Cary, NC	United States	100.00	1	USD
Baldor Electric Company, Fort Smith, AR	United States	100.00	0	USD
Kuhlman Electric Corporation, Crystal Springs, MS	United States	100.00	0	USD
Thomas & Betts Corporation, Knoxville, TN	United States	100.00	0	USD

ABB's operational group structure is described in the "Financial review" section of this Annual Report under "Operating and financial review and prospects – Organizational structure".

2.2 Significant shareholders

Investor AB, Sweden, held 182,030,142 ABB shares as of December 31, 2012. This holding represents approximately 7.9 percent of ABB's total share capital and voting rights as registered in the Commercial Register on that date. The number of shares held by Investor AB does not include shares held by Mr. Jacob Wallenberg, the chairman of Investor AB, in his individual capacity.

BlackRock Inc., New York, U.S., disclosed that as per July 25, 2011, it, together with its direct and indirect subsidiaries, held 69,702,100 ABB shares corresponding to 3.0 percent of ABB's total share capital and voting rights as registered in the Commercial Register on December 31, 2012. For a full review of the disclosure report pursuant to which BlackRock reported its ABB shareholdings, please refer to the search facility of the SIX Swiss Exchange Disclosure Office at http://www.six-swiss-exchange.com/shares/companies/major_shareholders_en.html?fromDate=19980101&issuer=10881

To the best of ABB's knowledge, no other shareholder held 3 percent or more of ABB's total share capital and voting rights as registered in the Commercial Register on December 31, 2012.

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

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

3. Capital structure

3.1 Ordinary share capital

On December 31, 2012, ABB's ordinary share capital (including treasury shares) as registered with the Commercial Register amounted to CHF 2,384,185,561.92, divided into 2,314,743,264 fully paid registered shares with a par value of CHF 1.03 per share.

3.2 Changes to the share capital

In 2011, ABB issued shares out of its contingent capital in connection with ABB's Management Incentive Plan (MIP). For further details about the MIP see note 18 to ABB's consolidated financial statements contained in the Financial review section of this Annual Report. The resulting share capital of CHF 2,384,185,561.92, divided into 2,314,743,264 fully paid registered shares, was reflected in ABB's Articles of Incorporation dated December 5, 2011.

In 2010, ABB issued shares out of its contingent capital in connection with the MIP. The resulting share capital of CHF 2,378,045,525.92, divided into 2,308,782,064 fully paid registered shares, was reflected in ABB's Articles of Incorporation dated December 20, 2010.

In 2010, ABB paid its dividend relating to the year 2009 by way of nominal value reduction in the par value of its shares from CHF 1.54 to CHF 1.03. Corresponding adjustments were made to the par value of ABB's contingent and authorized shares. Furthermore ABB cancelled 22,675,000 shares that had been repurchased under its share buyback program. The resulting share capital of CHF 2,375,849,290.91, divided into 2,306,649,797 fully paid registered shares, was reflected in ABB's Articles of Incorporation dated as of April 26, 2010.

Except as described in this section, there were no changes to ABB's share capital during 2012, 2011 and 2010.

3.3 Contingent share capital

As at December 31, 2012, ABB's share capital may be increased by an amount not to exceed CHF 206,000,000 through the issuance of up to 200,000,000 fully paid registered shares with a par value of CHF 1.03 per share through the exercise of conversion rights and/or warrants granted in connection with the issuance on national or international capital markets of newly or already issued bonds or other financial market instruments.

As at December 31, 2012, ABB's share capital may be increased by an amount not to exceed CHF 10,300,000 through the issuance of up to 10,000,000 fully paid registered shares with a par value of CHF 1.03 per share through the exercise of warrant rights granted to its shareholders. The Board may grant warrant rights not taken up by shareholders for other purposes in the interest of ABB.

The pre-emptive rights of the shareholders are excluded in connection with the issuance of convertible or warrant-bearing bonds or other financial market instruments or the grant of warrant rights. The then current owners of warrants will be entitled to subscribe for new shares. The conditions of the conversion rights and/or warrants will be determined by the Board.

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

In connection with the issuance of convertible or warrant-bearing bonds or other financial market instruments, the Board is authorized to restrict or deny the advance subscription rights of shareholders if such bonds or other financial market instruments are for the purpose of financing or refinancing the acquisition of an enterprise, parts of an enterprise, participations or new investments or an issuance on national or international capital markets. If the Board denies advance subscription rights, the convertible or warrant-bearing bonds or other financial market instruments will be issued at the relevant market conditions and the new shares will be issued pursuant to the relevant market conditions taking into account the share price and/or other comparable instruments having a market price. Conversion rights may be exercised during a maximum ten year period, and warrants may be exercised during a maximum seven year period, in each case from the date of the respective issuance. The advance subscription rights of the shareholders may be granted indirectly.

In addition as at December 31, 2012, ABB's share capital may be increased by an amount not to exceed CHF 96,859,964 through the issuance of up to 94,038,800 fully paid shares with a par value of CHF 1.03 per share to employees. The pre-emptive and advance subscription rights of ABB's shareholders are excluded. The shares or rights to subscribe for shares will be issued to employees pursuant to one or more regulations to be issued by the Board, taking into account performance, functions, level of responsibility and profitability criteria. ABB may issue shares or subscription rights to employees at a price lower than that quoted on a stock exchange. The acquisition of shares within the context of employee share ownership and each subsequent transfer of the shares will be subject to the restrictions of ABB's Articles of Incorporation (see section 4.2 of this Corporate Governance Report).

3.4 Authorized share capital

As at December 31, 2012, ABB had an authorized share capital in the amount of up to CHF 206,000,000 through the issuance of up to 200,000,000 fully paid registered shares with a par value of CHF 1.03 each, which is valid until April 29, 2013, and the Board has decided to propose to the Shareholders at the 2013 Annual General Meeting that the authorized share capital be renewed through April 29, 2015. The Board is authorized to determine the date of issue of new shares, the issue price, the type of payment, the conditions for the exercise of pre-emptive rights and the beginning date for dividend entitlement. In this regard, the Board may issue new shares by means of a firm underwriting through a banking institution, a syndicate or another third party with a subsequent offer of these shares to the shareholders. The Board may permit pre-emptive rights that have not been exercised by shareholders to expire or it may place these rights and/or shares as to which preemptive rights have been granted but not exercised at market conditions or use them for other purposes in the interest of the company. Furthermore, the Board is authorized to restrict or deny the pre-emptive rights of shareholders and allocate such rights to third parties if the shares are used (1) for the acquisition of an enterprise, parts of an enterprise, or participations, or for new investments, or in case of a share placement, for the financing or refinancing of such transactions; or (2) for the purpose of broadening the shareholder constituency in connection with a listing of shares on domestic or foreign stock exchanges.

3.5 Convertible bonds and warrants

ABB does not have any bonds outstanding that are convertible into ABB shares. For information about warrants on shares issued by ABB, please refer to note 19 to ABB's consolidated financial statements contained in the "Financial review" part of this Annual Report.

4. Shareholders' participation

4.1 Shareholders' voting rights

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

A shareholder may be represented at the Annual General Meeting by its legal representative, by another shareholder with the right to vote, a proxy nominated by ABB (*Organvertreter*), an independent proxy designated by ABB (*unabhängiger Stimmrechtsvertreter*) or a depository institution (*Depotvertreter*). All shares held by one shareholder may be represented by one representative only.

For practical reasons shareholders must be registered in the share register no later than 6 business days before the general meeting in order to be entitled to vote. Except for the cases described under section 4.2 below, there are no voting rights restrictions limiting ABB's shareholders' rights.

4.2 Limitations on transferability of shares and nominee registration

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

A person failing to expressly declare in its registration application that it holds the shares for its own account (a nominee), will be entered in the share register with voting rights, provided that such nominee has entered into an agreement with ABB concerning its status, and further provided that the nominee is subject to recognized bank or financial market supervision. In special cases the Board may grant exemptions. There were no exemptions granted in 2012.

The limitation on the transferability of shares may be removed by an amendment of ABB's Articles of Incorporation by a shareholders' resolution requiring two-thirds of the votes represented at the meeting.

4.3 Shareholders' dividend rights

ABB Ltd may pay out a dividend only if it has been proposed by a shareholder or the Board and approved at a general meeting of shareholders, and the auditors confirm that the dividend conforms to statutory law and ABB's Articles of Incorporation. Dividends are usually due and payable in Swiss francs and the ex-date for dividends is usually two trading days after the approving shareholders' resolution.

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

4.4 General meeting

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

As at December 31, 2012, shareholders representing shares of a par value totaling at least CHF 412,000 may request items to be included in the agenda of a general meeting. Any such request must be made in writing at least 40 days prior to the date of the general meeting and specify the items and the motions of such shareholder(s).

ABB's Articles of Incorporation do not contain provisions on the convocation of the general meeting of shareholders that differ from the applicable legal provisions.

5. Board of Directors

5.1 Responsibilities and organization

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

The internal organizational structure and the definition of the areas of responsibility of the Board, as well as the information and control instruments vis-à-vis the Executive Committee, are set forth in the ABB Ltd Board Regulations and Corporate Governance Guidelines, a copy of which can be found in the section "Corporate governance" at www.abb.com/investorcenter

The Board meets as frequently as needed but at least four times per annual Board term. Board meetings are convened by the chairman or upon request by a director or the chief executive officer (CEO). Documentation covering the various items of the agenda for each Board meeting is sent out in advance to each Board member in order to allow each member time to study the covered matters prior to the meetings. Decisions made at the Board meetings are recorded in written minutes of the meetings.

The CEO shall regularly, and whenever extraordinary circumstances so require, report to the Board about ABB's overall business and affairs. Further, Board members are entitled to information concerning ABB's business and affairs. Additional details are set forth in the ABB Ltd Board Regulations & Corporate Governance Guidelines which can be found in the section "Corporate governance" at www.abb.com/investorcenter

5.2 Term and members

The members of the Board are elected individually at the annual general meeting of the shareholders for a term of one year; re-election is possible. Our Articles of Incorporation, a copy of which can be found in the section "Corporate governance" at www.abb.com/investorcenter, do not provide for the retirement of directors based on their age. However, an age limit for members of the Board is set forth in the ABB Ltd Board Regulations and Corporate Governance Guidelines (although waivers are possible and subject to Board discretion), a copy of which can be found in the section "Corporate governance" at www.abb.com/investorcenter

As at December 31, 2012, the members of the Board (Board term April 2012 to April 2013) were:

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

Roger Agnelli has been a member of ABB's Board of Directors since March 12, 2002. He was previously the president and chief executive officer of Vale S.A. (Brazil). Mr. Agnelli was born in 1959 and is a Brazilian citizen.

Louis R. Hughes has been a member of ABB's Board of Directors since May 16, 2003. He is the chairman of InZero Systems (formerly GBS Laboratories LLC) (U.S.). He is also a member of the boards of directors of Akzo Nobel (the Netherlands) and Alcatel Lucent (France). Mr. Hughes was born in 1949 and is a U.S. citizen.

Hans Ulrich Märki has been a member of ABB's Board of Directors since March 12, 2002. He is the retired chairman of IBM Europe, Middle East and Africa (France), and a member of the board of directors of Mettler-Toledo International (U.S.) and Swiss Re Ltd and Menuhin Festival Gstaad AG (both Switzerland). He is also a member of the foundation board of Schulthess Klinik, Zurich (Switzerland) and the board of trustees of the Hermitage Museum, St. Petersburg (Russia). Mr. Märki was born in 1946 and is a Swiss citizen.

Michel de Rosen has been a member of ABB's Board of Directors since March 12, 2002. He is the chief executive officer of and a member of the board of directors of Eutelsat Communications (France). Mr. de Rosen was born in 1951 and is a French citizen.

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

Jacob Wallenberg has been a member of ABB's Board of Directors since June 26, 1999. From March 1999 to June 1999, he served as a member of the board of directors of ABB Asea Brown Boveri Ltd, the former parent company of the ABB Group. He is the chairman of the board of directors of Investor AB (Sweden). He is vice chairman of Telefonaktiebolaget LM Ericsson AB, SEB Skandinaviska Enskilda Banken and SAS AB (all Sweden). He is also a member of the boards of directors of the Knut and Alice Wallenberg Foundation and the Stockholm School of Economics (both Sweden), and The Coca-Cola Company (U.S.). Mr. Wallenberg was born in 1956 and is a Swedish citizen.

Ying Yeh has been a member of ABB's Board of Directors since April 29, 2011. She is a member of the boards of directors of InterContinental Hotels Group (U.K.), Volvo AB (Sweden) and Samsonite International S.A. (Luxembourg). Ms. Yeh was born in 1948 and is a Chinese citizen.

As of December 31, 2012, all Board members were non-executive and independent directors (see also section 7 below), and none of ABB's Board members held any official functions or political posts. Further information on ABB's Board members can be found by clicking on the ABB Board of Directors CV link which can be found in the section "Corporate governance" at www.abb.com/investorcenter

5.3 Board committees

From among its members, the Board has appointed two Board committees: the Governance, Nomination and Compensation Committee (GNCC) and the Finance, Audit and Compliance Committee (FACC). The duties and objectives of the Board committees are set forth in the ABB Ltd Board Regulations and Corporate Governance Guidelines, a copy of which can be found in the section "Corporate governance" at www.abb.com/investorcenter. These committees assist the Board in its tasks and report regularly to the Board. The members of the Board committees are required to be independent.

5.3.1 Governance, Nomination and Compensation Committee

The GNCC is responsible for (1) overseeing corporate governance practices within ABB, (2) nominating candidates for the Board, the role of CEO and other positions on the Executive Committee, and (3) succession planning, employment and compensation matters relating to the Board and the Executive Committee. The GNCC is also responsible for maintaining an orientation program for new Board members and an ongoing education program for existing Board members.

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

As at December 31, 2012, the members of the GNCC were:
Hans Ulrich Märki (chairman)
Michel de Rosen
Michael Treschow
Ying Yeh

5.3.2 Finance, Audit and Compliance Committee

The FACC is responsible for overseeing (1) the integrity of ABB's financial statements, (2) ABB's compliance with legal, tax and regulatory requirements, (3) the independent auditors' qualifications and independence, (4) the performance of ABB's internal audit function and external auditors, and (5) ABB's capital structure, funding requirements and financial risk policies.

The FACC must comprise three or more independent directors who have a thorough understanding of finance and accounting. The chairman of the Board and, upon invitation by the committee's chairman, the CEO or other members of the Executive Committee may participate in the committee meetings, provided that any potential conflict of interest is avoided and confidentiality of the discussions is maintained. In addition, the Chief Integrity Officer, the Head of Internal Audit and the external auditors participate in the meetings as appropriate. As required by the U.S. Securities and Exchange Commission (SEC) at least one member of the FACC has to be an audit committee financial expert. The Board has determined that each member of the FACC is an audit committee financial expert.

As at December 31, 2012, the members of the FACC were:
Louis R. Hughes (chairman)
Roger Agnelli
Jacob Wallenberg

5.4 Meetings and attendance

The Board and its committees have regularly scheduled meetings throughout the year. These meetings are supplemented by additional meetings (either in person or by conference call), as necessary.

The table below shows the number of meetings held during 2012 by the Board and its committees, their average duration, as well as the attendance of the individual Board members. In addition, members of the Board and the Executive Committee participated in a two-day strategic retreat.

Meetings and attendance	Board		GNCC	FACC
	Regular	Additional		
Average duration (hours)	6.2	0.8	2.3	2.9
Number of meetings	6	3	10	6
Meetings attended:				
Hubertus von Grünberg	6	3	–	–
Roger Agnelli	6	3	–	5
Louis R. Hughes	6	3	–	6
Hans Ulrich Märki	6	3	10	–
Michel de Rosen	6	3	10	–
Michael Treschow	6	3	10	–
Jacob Wallenberg	6	3	–	6
Ying Yeh	6	3	10	–

5.5 Board Compensation and Shareholdings

Information about Board compensation and shareholdings can be found in sections titled "Components of compensation to Board of Directors", "Board of Directors compensation in 2012", and "ABB shareholdings of members of the Board and the Executive Committee" of the [Remuneration report](#) contained in this Annual Report.

5.6 Secretary to the Board

Diane de Saint Victor is the secretary to the Board.

6. Executive Committee

6.1 Responsibilities and organization

The Board has delegated the executive management of ABB to the CEO and the other members of the Executive Committee. The CEO and under his direction the other members of the Executive Committee are responsible for ABB's overall business and affairs and day-to-day management.

The CEO reports to the Board regularly, and whenever extraordinary circumstances so require, on the course of ABB's business and financial performance and on all organizational and personnel matters, transactions and other issues relevant to the Group.

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

6.2 Members of the Executive Committee

As at December 31, 2012, the members of the Executive Committee were:

Joe Hogan joined ABB's Executive Committee as Chief Executive Officer in September 2008. Before joining ABB, Mr. Hogan was the CEO and President of General Electric's GE Healthcare unit from 2000 to 2008. From 1985 to 2000, Mr. Hogan held various positions at General Electric. Mr. Hogan was born in 1957 and is a U.S. citizen.

Michel Demaré joined ABB's Executive Committee as Chief Financial Officer in January 2005. From October 2008 to March 2011, he was also Head of Global Markets. From February 2008 to August 2008, he was appointed interim CEO in addition to his duties as CFO. He is also vice chairman of the board of directors of UBS AG and a board member of Syngenta AG and IMD Foundation (all Switzerland). From 2002 until 2004, Mr. Demaré was vice president and chief financial officer of Baxter Europe. From 1984 until 2002, he held various positions within Dow Chemical (U.S.). Mr. Demaré was born in 1956 and is a Belgian citizen.

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

Diane de Saint Victor joined ABB's Executive Committee as General Counsel in January 2007. As of March 2013, she has been named as a non-executive director of Barclays Bank Plc. From 2004 to 2006, she was general counsel of European Aeronautic Defence and Space, EADS (France/Germany). From 2003 to 2004, she was general counsel of SCA Hygiene Products (Germany). From 1993 to 2003, she held various legal positions with Honeywell International (France/Belgium). From 1988 to 1993, she held various legal positions with General Electric (U.S.). Ms. de Saint Victor was born in 1955 and is a French citizen.

Frank Duggan was appointed Executive Committee member responsible for Global Markets in March 2011. Since 2008 he is also ABB's region manager for India, Middle East and Africa. From 2008 to 2011, he was ABB's country manager for the United Arab Emirates. From 2004 to 2007, he was head of ABB's Group Account Management and ABB's country manager for Ireland. Between 1986 and 2004, he held several management positions with ABB. Mr. Duggan was born in 1959 and is an Irish citizen.

Greg Scheu was appointed Executive Committee member responsible for Marketing and Customer Solutions in May 2012. Mr. Scheu, a former executive at Rockwell International, joined ABB in 2001 and was responsible for the integration of Baldor Electric Co. which ABB acquired in January 2011. Mr. Scheu was born in 1961 and is a U.S. citizen.

Prith Banerjee joined ABB's Executive Committee as Chief Technology Officer in May 2012. From 2007 to 2012, Mr. Banerjee was Senior Vice President of Research Hewlett Packard and Director of HP Labs (U.S.). Prior to that, Mr. Banerjee was Professor of Electrical Engineering and Computer Science, as well as Dean of the College of Engineering at the University of Illinois, Chicago. Mr. Banerjee was born in 1960 and is a U.S. citizen.

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

Brice Koch was appointed Executive Committee member responsible for the Power Systems division in March 2012. From January 2010 to March 2012, Mr. Koch was Executive Committee member responsible for Marketing and Customer Solutions. From 2007 to 2009 he was the Manager of ABB in China and of ABB's North Asia Region. Between 1994 and 2006, he held several management positions with ABB. He is also member of the board of directors of Rector S.A. (France) and ETH Zurich Foundation (Switzerland). Mr. Koch was born in 1964 and is a French citizen.

Ulrich Spiesshofer was appointed Executive Committee member responsible for the Discrete Automation and Motion division in January 2010. He joined ABB in November 2005 as Executive Committee member responsible for Corporate Development. From 2002 until he joined ABB, he was senior partner, global head of operations practice at Roland Berger AG (Switzerland). Prior to 2002, he held various positions with A.T. Kearney Ltd. and its affiliates. Mr. Spiesshofer was born in 1964 and is a German citizen.

Tarak Mehta was appointed Executive Committee member responsible for the Low Voltage Products division in October 2010. From 2007 to 2010, he was head of the Transformers business. Between 1998 and 2006, he held several management positions with ABB. Mr. Mehta was born in 1966 and is a U.S. citizen.

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

In addition, as of February 1, 2013, **Michel Demaré** stepped down as ABB's Chief Financial Officer and member of the Executive Committee and **Eric Elzvik** has succeeded him as Chief Financial Officer and member of the Executive Committee. From 2010 to 2013, Mr. Elzvik was the Chief Financial Officer of ABB's Discrete Automation and Motion division. Mr. Elzvik joined ABB in 1984 and has held a variety of other leadership roles in Sweden, Singapore and Switzerland, including head of Corporate Development, and head of Mergers & Acquisitions and New Ventures. Mr. Elzvik was born in 1960 and is a Swiss and Swedish citizen.

Further information about the members of the Executive Committee can be found by clicking on the Executive Committee CV link in the section "Corporate governance" at www.abb.com/investorcenter

6.3 Executive Committee Compensation and Shareholdings

Information about Executive Committee compensation and shareholdings can be found in sections titled "Components of executive compensation", "EC compensation in 2012", "Compensation to former members of the Board and the EC", and "ABB shareholdings of members of the Board and the EC" of the [Remuneration report](#) contained in this Annual Report.

6.4 Management contracts

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

7. Business relationships

This section describes important business relationships between ABB and its Board and Executive Committee members, or companies and organizations represented by them. This determination has been made based on ABB Ltd's Related Party Transaction Policy. This policy is contained in the ABB Ltd Board Regulations and Corporate Governance Guidelines, a copy of which can be found in the section "Corporate governance" at www.abb.com/investorcenter

Vale S.A. and its subsidiaries (Vale) and ABB have entered into a framework agreement establishing general terms and conditions for the supply of products, systems and services among their respective group subsidiaries. ABB supplies Vale primarily with process automation products for mineral systems. The total revenues recorded by ABB in 2012 relating to its contracts with Vale were approximately \$140 million. Roger Agnelli was previously president and CEO of Vale.

Atlas Copco AB (Atlas Copco) is an important customer of ABB. ABB supplies Atlas Copco primarily with drives and motors through its Discrete Automation and Motion division. The total revenues recorded by ABB relating to business with Atlas Copco were approximately \$60 million in 2012. Jacob Wallenberg was vice chairman of Atlas Copco until April 2012.

ABB has an unsecured syndicated \$2-billion, revolving credit facility. As of December 31, 2012, SEB Skandinaviska Enskilda Banken AB (publ) (SEB) and UBS AG (UBS) had each committed to \$71 million out of the \$2-billion total. In addition, in February 2012, ABB entered into a \$4-billion term credit agreement to provide bridge financing for the acquisition of Thomas & Betts Corporation. SEB and UBS had each committed to lend ABB \$250 million as of the completion of the primary syndication. The term credit agreement was never drawn and was cancelled in May 2012. In addition, ABB has regular banking business with UBS and SEB. Jacob Wallenberg is the vice chairman of SEB and Michel Demaré is the vice chairman of UBS.

ABB has also retained Ortec Finance B.V. (Ortec) to provide pension modeling services. Michel Demaré's spouse is an employee and the chairman of the board of directors of Ortec's Swiss subsidiary.

After comparing the share of revenues generated from ABB's business with Vale and Atlas Copco, after reviewing the banking commitments of UBS and SEB, and after considering Ortec's business relationship with ABB, the Board has determined that ABB's business relationships with those companies are not unusual in their nature or conditions and do not constitute material business relationships. As a result, the Board concluded that all members of the Board are considered to be independent directors. This determination was made in accordance with ABB Ltd's Related Party Transaction Policy which was prepared based on the Swiss Code of Best Practice for Corporate Governance and the independence criteria set forth in the corporate governance rules of the New York Stock Exchange.

8. Employee participation programs

In order to align its employees' interests with the business goals and financial results of the company, ABB operates a number of incentive plans, linked to ABB's shares, such as the Employee Share Acquisition Plan, the Management Incentive Plan and the Long-Term Incentive Plan. For a more detailed description of these incentive plans, please refer to note 18 to ABB's consolidated financial statements contained in the Financial review section of this Annual Report.

9. Duty to make a public tender offer

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

10. Auditors

10.1 Auditors

Ernst & Young are the auditors of ABB's statutory and consolidated accounts.

10.2 Duration of the mandate and term of office of the auditor

Ernst & Young assumed the auditing mandate of the ABB Group in 1994. The head auditor responsible for the mandate, Nigel Jones, began serving in this function in respect of the financial year ended December 31, 2008.

Pursuant to the Articles of Incorporation, the term of office of ABB's auditors is one year.

10.3 Auditing and additional fees paid to the auditor

The audit fees charged by Ernst & Young for the legally prescribed audit amounted to approximately \$28.6 million in 2012. Audit services are defined as the standard audit work performed each fiscal year necessary to allow the auditors to issue an opinion on the consolidated financial statements of ABB and to issue an opinion on the local statutory financial statements.

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

In addition, Ernst & Young charged approximately \$8.0 million for non-audit services performed during 2012. Non-audit services include primarily accounting consultations and audits in connection with divestments, audits of pension and benefit plans, accounting advisory services, tax compliance and other tax services. In accordance with the requirements of the U.S. Sarbanes-Oxley Act of 2002 and rules issued by the SEC, ABB has, on a global basis, a process for the review and pre-approval of audit and non-audit services to be performed by Ernst & Young.

10.4 Supervisory and control instruments vis-à-vis the auditors

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

11. Information policy

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

ABB publishes an annual report that provides audited financial statements and information about business results, strategy, corporate governance, human resources, sustainability (including health and safety) and technology. In addition, ABB also submits an annual report on Form 20-F to the SEC. In addition, ABB publishes its results on a quarterly basis as press releases, distributed pursuant to the rules and regulations of the stock exchanges on which its shares are listed and traded. Press releases relating to financial results and material events are also filed with the SEC on Form 6-K. An archive containing Annual Reports, Form 20-F reports, quarterly results releases and related presentations can be found in the "Reports and presentations" section at www.abb.com/investorcenter. The quarterly results press releases contain unaudited financial information prepared in accordance with U.S. GAAP. To subscribe to important press releases, please click on the "Contacts and Services" and choose "Subscribe to updates" at www.abb.com/investorcenter. Ad hoc notices can also be found in the press releases section at www.abb.com/news

ABB's official means of communication is the Swiss Official Gazette of Commerce (www.shab.ch). The invitation to the company's Annual General Meeting is sent to registered shareholders by mail.

Inquiries may also be made to ABB Investor Relations:

Affolternstrasse 44

CH-8050 Zurich, Switzerland

Telephone: +41 (0)43 317 7111

Fax: +41 (0)44 311 9817

E-mail: investorrelations@ch.abb.com

ABB's Web site is: www.abb.com

12. Further information on corporate governance

The list below contains references to additional information concerning the corporate governance of ABB, which can be accessed in the section "Corporate governance" at www.abb.com/investorcenter

- Articles of Incorporation
- ABB Ltd Board Regulations and Corporate Governance Guidelines
 - Regulations of the Governance, Nomination and Compensation Committee
 - Regulations of the Finance, Audit and Compliance Committee
 - Related Party Transaction Policy
- ABB Code of Conduct
- Addendum to the ABB Code of Conduct for Members of the Board of Directors and the Executive Committee
- Comparison of ABB's corporate governance practices to the New York Stock Exchange rules
- CVs of the Board members
- CVs of the Executive Committee members



Remuneration report

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ABB's success depends on its ability to attract and retain people who will drive the business to outperform competitors and create value for shareholders over the long term. These are important considerations behind ABB's remuneration policy. The Remuneration report presents the principles of this policy, the mechanisms for managing remuneration, and the compensation in 2012 for members of the Board of Directors (Board) and the Executive Committee (EC). For the compensation in 2011, see Notes 10 and 11 to the ABB Ltd statutory financial statements.

1. Board remuneration

1.1 Governance and principles

The Board sets and periodically reviews compensation for its members based on a comparison of the compensation of non-executive board members of publicly-traded companies in Switzerland that are part of the Swiss Market Index. The Governance, Nomination and Compensation Committee (GNCC) is responsible for making recommendations to the Board.

1.2 Components of compensation

Members of the Board are paid for their service over a 12-month period that starts with their election at the annual general meeting. Payment is made in two installments, one following the first six months of the term and one at the end. Board members do not receive pension benefits and are not eligible to participate in any of ABB's employee incentive programs.

To align the interests of Board members with those of ABB's shareholders, half of each member's compensation is paid in the form of ABB shares, though Board members can alternatively choose to receive all their compensation in shares. The shares are kept in a blocked account for three years. Departing Board members are entitled to the shares when they leave the company unless agreed otherwise.

The number of shares awarded is calculated prior to each semi-annual payment by dividing the sum to which the Board members are entitled by the average closing price of the ABB share over a predefined 30-day period.

The compensation amounts per individual are listed in the table below:

	Paid in 2012				
	November Board term 2012/2013		May Board term 2011/2012		
	Settled in cash ⁽¹⁾ (CHF)	Settled in shares – number of shares received ⁽²⁾	Settled in cash ⁽¹⁾ (CHF)	Settled in shares – number of shares received ⁽²⁾	Total compensation paid 2012 ^{(3),(4),(5)} (CHF)
Name/Function					
Hubertus von Grünberg					
Chairman of the Board	–	23,298	–	22,685	1,200,000
Roger Agnelli ⁽⁶⁾					
Member of the Board	75,000	2,873	75,000	2,807	300,000
Louis R. Hughes ⁽⁶⁾					
Member of the Board and Chairman of the Finance, Audit and Compliance Committee	100,000	3,840	100,000	3,751	400,000
Hans Ulrich Märki					
Member of the Board and Chairman of the Governance, Nomination and Compensation Committee	–	10,649	–	10,364	400,000
Michel de Rosen ⁽⁷⁾					
Member of the Board	75,000	2,873	–	5,614	300,000
Michael Treschow ⁽⁷⁾					
Member of the Board	75,000	2,922	75,000	2,843	300,000
Jacob Wallenberg ⁽⁶⁾					
Member of the Board	75,000	2,873	75,000	2,807	300,000
Ying Yeh ⁽⁷⁾					
Member of the Board	75,000	2,905	75,000	2,807	300,000
Total	475,000	52,233	400,000	53,678	3,500,000

⁽¹⁾ Represents gross amounts paid, prior to deductions for social security, withholding tax etc.

⁽²⁾ Number of shares per Board member is calculated based on net amount due after deductions for social security, withholding tax etc.

⁽³⁾ For the 2012–2013 Board term, all members elected to receive 50% of their gross compensation in the form of ABB shares, except for Hubertus von Grünberg and Hans Ulrich Märki who elected to receive 100%.

⁽⁴⁾ For the 2011–2012 Board term, all members elected to receive 50% of their gross compensation in the form of ABB shares, except for Hubertus von Grünberg, Hans Ulrich Märki and Michel de Rosen who elected to receive 100%.

⁽⁵⁾ In addition to the Board remuneration stated in the above table, the Company paid CHF 211,008 in 2012 in employee social security payments.

⁽⁶⁾ Member of the Finance, Audit and Compliance Committee.

⁽⁷⁾ Member of the Governance, Nomination and Compensation Committee.

1.3 Board of Directors compensation in 2012

Compensation for Board members is outlined in the table below and has been unchanged since the 2007/2008 term of office. Consistent with past practice, no loans or guarantees were granted to Board members in 2012.

Function	Board term	
	2012/2013 CHF	2011/2012 CHF
Chairman of the Board	1,200,000	1,200,000
Member of the Board and Committee chairman	400,000	400,000
Member of the Board	300,000	300,000

2. Executive Committee remuneration

2.1 Governance and principles

The Board and GNCC have direct oversight of compensation policy at ABB. The GNCC is responsible for developing the general remuneration principles and practices of the ABB Group and for recommending them to the full Board, which takes the final decisions.

The Board and GNCC are actively involved in the continuous development of ABB's executive remuneration system to reflect a remuneration philosophy that is based on the following principles:

- *Market orientation* – ABB conducts regular benchmarking reviews to ensure compensation is at a level that will attract and retain top talent.
- *Performance* – ABB ensures that performance drives all compensation elements. Performance metrics include financial objectives, individual performance and behavior, as well as the share price performance.
- *Shareholder value* – ABB's compensation elements focus on rewarding the delivery of outstanding and sustainable results without inappropriate risk taking.
- *Retention* – ABB grants a portion of its compensation through long-term oriented elements to attract and retain the key talent that ABB needs to drive its success globally.

The GNCC acts on behalf of the Board in regularly reviewing the remuneration philosophy and structure, and in reviewing and approving specific proposals on executive compensation to ensure that they are consistent with the Group's compensation principles. In 2012, the GNCC hired Hostettler, Kramarsch & Partner (hkp), an independent consultant specializing in performance management and compensation, to provide advice on remuneration. At the GNCC's request, the firm helped to redesign the Long-Term Incentive Plan described in section 2.2 of this Remuneration report. Hkp has no other mandate with ABB.

All senior positions in ABB have been evaluated using a consistent methodology developed by the Hay Group, whose job evaluation system is used by more than 10,000 companies around the world. The Hay methodology goes beyond job titles and company size in assessing positions. It considers the know-how required to do the job, the problem-solving complexities involved, as well as the accountability for results and the freedom to act to achieve results. This approach provides a meaningful, transparent and consistent basis for comparing remuneration levels at ABB with those of equivalent jobs at other companies that have been evaluated using the same criteria. The Board primarily uses Hay's data from the European market to set EC compensation, which is targeted to be above the median values for the market.

Every year, the Board reviews the CEO's performance and decides on any change in compensation. The CEO reviews the performance of other members of the EC and makes recommendations to the GNCC on their individual remuneration. The full Board takes the final decisions on compensation for all EC members, none of whom participates in the deliberations on their remuneration.

Information on the meetings held by the GNCC in 2012 can be found in section 5.4 of the [Corporate governance report](#).

2.2 Components of EC compensation

Compensation elements and performance considerations

The compensation of EC members currently consists of the following elements: a base salary and benefits, a short-term variable component dependent on annual Group performance objectives, and a long-term variable component designed to reward the creation of shareholder value and an executive's commitment to the company.

The main components of executive compensation are summarized in the following chart and described in detail below:

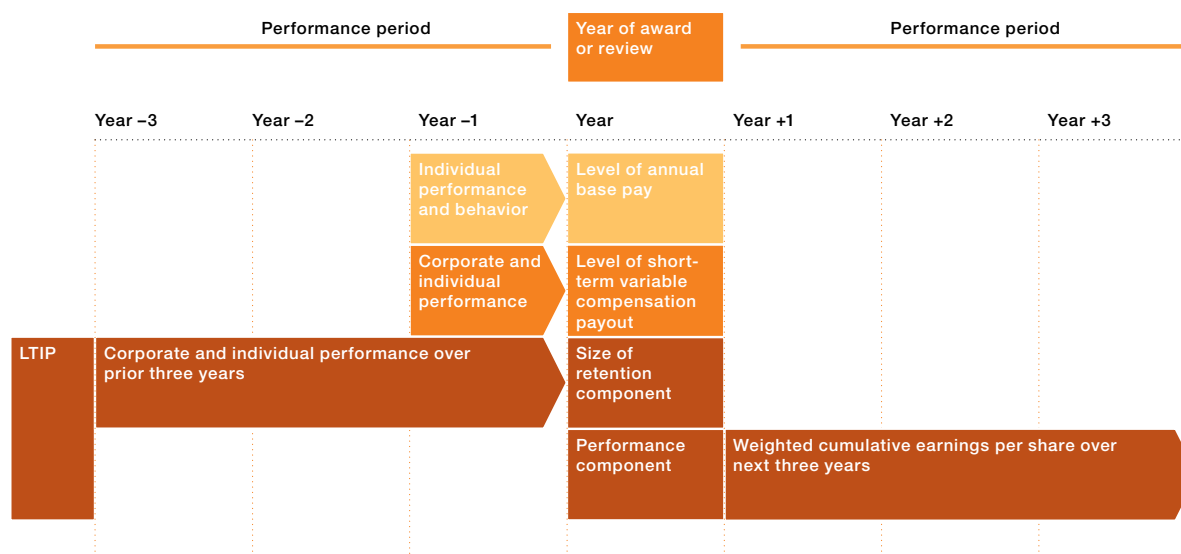
Base salary	Cash	Paid monthly Competitive in respect to labor markets Annual revisions, if any, partly based on performance	
Short-term variable compensation	Cash	Conditional annual payment Payout depends on performance in previous year against predefined Group objectives, with a cap on the payout for over-performance	
Long-term variable compensation (Long-Term Incentive Plan 2012)	Cash and shares	Performance component: Conditional grant made annually Payout is in cash and depends on ABB's weighted cumulative earnings per share over a three-year period	Retention component: Conditional grant made annually Payout is in shares (70%) and cash (30%) and requires the executive to remain at ABB for a three-year period from grant (Executives can elect to receive 100% in shares)

In addition, members of the EC are required to build up a holding of ABB shares that is equivalent to a multiple of their base salary, to ensure that their interests are aligned with those of shareholders. Since 2010, the requirement has been five times base salary for the CEO and four times base salary for the other members of the EC. New members of the EC should aim to reach these multiples within four years of their

appointment. These required shareholding amounts are reviewed annually, based on salary and expected share price developments.

The chart below illustrates how performance considerations are reflected in each component of executive remuneration.

Performance considerations in each component of remuneration



Annual base salary

The base salary for members of the EC is set with reference to positions of equivalent responsibility outside ABB, as determined using the Hay methodology described above. It is reviewed annually principally on the basis of Hay's annual Top Executive Compensation in Europe survey. When considering changes in base salary, the executive's performance during the preceding year against individual objectives is taken into account. Under its mandate with ABB, Hay also conducts job evaluations.

Benefits

Members of the EC receive pension benefits, payable into the Swiss ABB Pension Fund and ABB Supplementary Insurance Plan (the regulations are available at www.abbvorsorge.ch). The current level of pension benefits was set in 2006 on the basis of results from a survey of pension conditions for Swiss-based executives at Adecco, Ciba, Dow, Nestlé, Novartis, Roche, Serono, Syngenta and Sulzer that ABB commissioned from Towers Watson, a consultant. The survey was repeated in 2010 and a new benchmarking exercise will be conducted in 2013. Towers Watson also provides actuarial services to ABB, and pension advisory services in connection with mergers and acquisitions transactions.

The compensation of EC members also includes social security contributions and other benefits, as outlined in the table in section 2.4 of this Remuneration report. The Board has decided to provide tax equalization for EC members resident outside Switzerland to the extent that they are not able to claim a tax credit in their country of residence for income taxes they have paid in Switzerland.

Short-term variable compensation

Payment of the short-term variable component is conditional on the fulfillment of predefined annual objectives that are specific, quantifiable and challenging. Short-term variable compensation for members of the EC and most other senior managers throughout the company is based on Group performance objectives. For some managers with regional or country-level responsibilities, short-term variable compensation is based on related objectives adapted to ABB's goals in these markets. The CEO recommends the Group performance objectives to the GNCC, which may make or request amendments before it submits a proposal to the Board. The Board takes the final decision.

The 2012 objectives, shown in the table below, were Group-wide metrics that were aligned with the Group's 2015 strategic targets that have been communicated to shareholders.

Objective ⁽¹⁾	Weighting
Orders received	12.5%
Revenues	12.5%
Operational EBITDA ⁽²⁾	25%
Ratio of operating cash flow to operational EBIT ⁽³⁾	25%
Net Promoter Score (NPS) ⁽⁴⁾	10%
Cost savings	15%

⁽¹⁾ The financial objectives exclude the impact of currency fluctuations.

⁽²⁾ See definition in Note 23 to ABB's Consolidated Financial Statements.

⁽³⁾ Operating cash flow is defined as net cash provided by operating activities, reversing the impact of interest and taxes. Operational EBIT is defined as Operational EBITDA before excluding depreciation and amortization.

⁽⁴⁾ NPS is a metric based on dividing customers into three categories: Promoters, Passives, and Detractors. This is achieved by asking customers in a one-question survey whether they would recommend ABB to a colleague. In 2012, ABB had a target to increase the number of countries that have improved their NPS score.

The payout for fully achieving the predefined annual objectives is equivalent to 150 percent of the base salary for the CEO and 100 percent of the base salary for other members of the EC. Underperformance results in a lower payout, or none at all if performance is below a certain threshold. If the objectives are exceeded, the Board has the discretion to approve a payout that is up to 50 percent higher (representing up to 225 percent of the base salary for the CEO and 150 percent of the base salary for other members of the EC). For 2012, the Board exercised its discretion and awarded a 10 percent higher payout, reflecting the company's performance against the objectives.

Long-term variable compensation

An important principle of executive compensation at ABB is that it should encourage the creation of value for the company's shareholders and enable EC members to participate in the company's success. The company's Long-Term Incentive Plan (LTIP) is the principal mechanism through which members of the EC and certain other executives are encouraged to create value for shareholders. Awarded annually, LTIPs comprise a performance component and a retention component whose proportions in relation to the base salary are explained below.

Performance component

The performance component of the plan is designed to reward participants for increasing earnings per share⁽⁹⁾ (EPS) over a three-year period. EPS was adopted as the performance measure in the performance component of the LTIP in 2012.

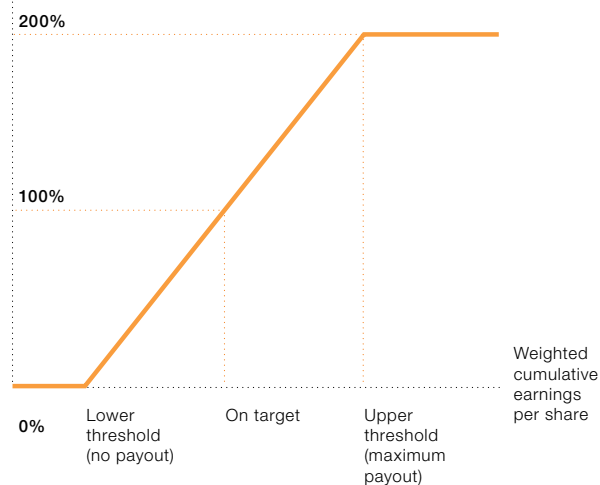
EPS replaces relative total shareholder return (TSR), which was the performance measure used in previous LTIPs. EPS growth (based on net income excluding acquisitions) is one of the financial targets of ABB's 2015 strategy and is therefore better aligned with published goals than relative TSR, which is the percentage change in ABB's share price plus dividends over a three-year period, compared with peers.

The payout of this part of the plan occurs after three years, based on the Group's weighted cumulative EPS performance against predefined objectives. The weighted cumulative EPS is calculated as 33 percent of EPS in the first year plus 67 percent of EPS in the second year plus 100 percent of EPS in the third year. There is no payout if the lower threshold is not reached and payout is capped if performance exceeds the upper threshold. The payout factors are shown in the chart on the right.

At each launch, participants are allocated a reference number of shares that is linked to a percentage of their base salary. In 2012, the percentages were 100 percent for the CEO and 42 percent for the other members of the EC. The payout at the end of the three-year period, if any, will be made in cash.

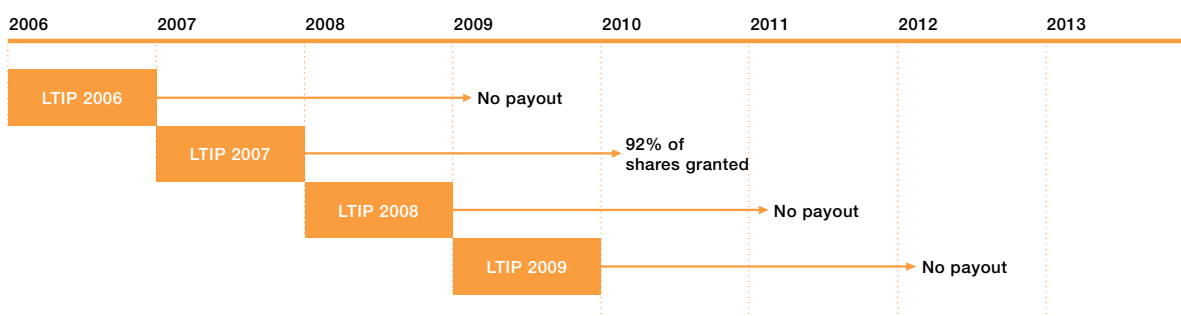
Under the terms and conditions of the plan, the GNCC decides whether EC members who leave the company before the end of the three-year period forfeit the unvested award, or receive all or a position of such awards.

Payout % of performance component



⁽⁹⁾ Earnings per share is defined in the terms of the LTIP as diluted earnings per share attributable to ABB shareholders calculated using income from continuing operations, net of tax, unless the Board decides to calculate using net income for a particular year.

Historical payout of performance component



Historical payout of performance component

Of the LTIPs launched since 2006 that have also vested, the only one whose performance component has paid out is the 2007 launch, under which participants, upon vesting, were entitled to receive 92 percent of the performance shares that they had been conditionally granted (see chart above).

Retention component

The second component of the LTIP is designed to retain executives at ABB. Members of the EC are conditionally granted shares, which are awarded after three further years of service to the company.

The reference grant size for the CEO is equivalent to 100 percent of base salary. The other EC members receive a grant from a pool whose reference size is equivalent to 65 percent of their combined base salaries. The CEO recommends to the Board how to allocate shares from this pool to each individual EC member, based on an assessment of their individual performance in the previous calendar year, and the Board takes the final decision.

Starting with the 2012 LTIP, the reference grant size for the CEO and the pool for the other EC members for any particular launch can each be increased or decreased by the Board by up to 25 percent, based on an assessment of ABB's performance over the three years preceding the launch of the plan. The assessment considers ABB's performance against its peers according to financial metrics and non-financial measures related to customer satisfaction, integrity, and health and safety.

Following its assessment of ABB's performance in the period 2009–2011, the Board increased the size of the retention component in the 2012 LTIP by 20 percent for the CEO and by 10 percent in aggregate for the rest of the EC.

EC members receive 70 percent of the payout in shares and the remainder in cash, unless they elect to receive 100 percent in shares.

Under the terms and conditions of the plan, the GNCC decides whether EC members who leave the company before the end of the three-year period forfeit the unvested award, or receive all or a portion of such awards.

Severance provisions

Employment contracts for EC members contain notice periods of 12 months, during which they are entitled to compensation comprising their base salary, benefits and short-term variable compensation. The Board has decided that, starting January 1, 2013, contracts for new members of the EC will no longer include a provision extending compensation for up to 12 additional months if their employment is terminated by ABB and if they do not find alternative employment within the notice period that pays at least 70 percent of their compensation.

2.3 Acquisition Integration Execution Plan

In the past three years, ABB has invested more than \$10 billion in connection with acquisitions as part of its strategy to grow the business profitably and create value for ABB shareholders. The focus has been on companies that fill geographic, end-market or product gaps.

Strict financial criteria are applied to the investments, and the financial objectives are expected to be achieved through a combination of cost and growth synergies. Delivering these synergies depends on the successful integration of the new businesses with those of ABB.

To this end, the Board has established a one-time Acquisition Integration Execution Plan (AIEP) whose goal is to maximize the return on the recent acquisitions of Baldor, Thomas & Betts and Ventyx, and to foster the collaborative behavior required to make the benefits sustainable.

The plan has two parts. The first is intended to reward the achievement of predefined objectives for 2013 related to revenues, operational EBITDA, and customer and employee retention and development, at each of the three acquisitions. Each business accounts for one-third of the first part of the plan. The second part is intended to accelerate collaboration between ABB's business, technical, functional and local experts, a step which the Board considers vital not only to integrating the acquisitions but also to providing customers with the kind of service and experience that will enable the company to meet the ambitious goals of its 2015 strategy.

The plan was launched in the fourth quarter of 2012 for members of the EC who are expected to be in their positions throughout 2013, excluding the CEO who will participate in the assessment of participants. In addition, Michel Demaré, whose departure from ABB was announced in October 2012, and Eric Elzvik, who joined the EC in February 2013, are not participants in the plan.

The plan consists of conditionally granted shares (capped at a maximum of 768,286 shares). The payout, if any, will occur in 2014 and will be made in shares (70 percent) and cash (30 percent), although participants can elect to receive 100 percent in shares.

2.4 EC compensation in 2012

ABB discloses the compensation elements for each member of the EC, going beyond the requirements of the Swiss Code of Obligations.

The table in this section provides an overview of the total compensation of members of the EC in 2012, comprising cash compensation and the estimated value of the conditional grants awarded under the AIEP and under the three-year LTIP launched in 2012. Cash compensation includes the base salary, the short-term variable compensation for 2012 and pension benefits, as well as the amounts paid by the company to cover other benefits comprising mainly social security contributions. The performance components of LTIPs and the AIEP are valued at grant using the ABB share price and Monte Carlo modeling, an accepted simulation method under U.S. GAAP (the accounting standard used by ABB). The compensation is shown gross (before deduction of employee's social security and pension contributions).

The base salary and benefits are fixed elements of the annual compensation packages, while the other components are variable. In 2012, fixed compensation represented 27 percent of the CEO's remuneration and an average of 34 percent for the other EC members. The ratio of fixed to variable components in any given year will depend on the performance of the individuals and of the company against predefined Group performance objectives.

The total of base salary and benefits, short-term variable compensation and LTIP awards was 42.5 million Swiss francs in 2012 compared with 37.8 million Swiss francs in 2011 for individuals who were members of the EC at the end of the respective year. This change reflects the addition of one member to the EC as well as the higher award level under the 2012 LTIP. The conditional award in 2012 under the one-time AIEP resulted in an additional 8.4 million Swiss francs, bringing their total compensation to 50.9 million Swiss francs in 2012.

Name	Base salary	Short-term variable compensation ⁽¹⁾	Pension benefits	Other benefits ⁽²⁾	Estimated value of share-based awards granted under the LTI Plan in 2012 ⁽³⁾	2012 Subtotal	Estimated value of share-based awards granted under the one-time AIEP in 2012 ⁽³⁾	2012 Total
	(CHF)	(CHF)	(CHF)	(CHF)	(CHF)	(CHF)	(CHF)	(CHF)
Joe Hogan	2,010,011	3,316,500	284,870	431,284	4,115,136	10,157,801	–	10,157,801
Michel Demaré	1,200,007	1,320,000	271,450	377,968	–	3,169,425	–	3,169,425
Gary Steel	805,002	885,500	286,938	172,054	851,003	3,000,497	896,656	3,897,153
Ulrich Spiesshofer	865,673	962,500	235,680	164,948	1,363,655	3,592,456	974,623	4,567,079
Diane de Saint Victor	791,993	880,000	273,583	138,762	899,193	2,983,531	891,085	3,874,616
Bernhard Jucker	950,004	1,045,000	280,372	179,220	1,067,784	3,522,380	1,058,174	4,580,554
Veli-Matti Reinikkala	770,006	847,000	263,892	145,236	865,483	2,891,617	857,673	3,749,290
Brice Koch	816,669	913,000	234,425	212,479	1,099,345	3,275,918	924,511	4,200,429
Tarak Mehta	718,837	803,000	222,181	369,734	820,512	2,934,264	813,119	3,747,383
Frank Duggan ⁽⁴⁾	641,963	697,279	313,377	405,734	820,512	2,878,865	835,403	3,714,268
Greg Scheu (joined on May 1, 2012)	450,002	495,000	161,816	42,727	713,574	1,863,119	751,851	2,614,970
Prith Banerjee (joined ABB on May 7, 2012)	456,523	500,914	137,742	401,148	740,017	2,236,344	389,860	2,626,204
Total Executive Committee members								
as of Dec. 31, 2012	10,476,690	12,665,693	2,966,326	3,041,294	13,356,214	42,506,217	8,392,955	50,899,172
Peter Leupp								
(retired from the EC on March 1, 2012) ⁽⁵⁾	496,694	291,960	167,900	206,794	–	1,163,348	–	1,163,348
Total former Executive Committee members								
as of Dec. 31, 2012	496,694	291,960	167,900	206,794	–	1,163,348	–	1,163,348
Total	10,973,384	12,957,653	3,134,226	3,248,088	13,356,214	43,669,565	8,392,955	52,062,520

⁽¹⁾ The table above shows accruals related to the short-term variable compensation for the year 2012 for all Executive Committee members, except for Peter Leupp, who received in July 2012 a pro-rata short-term variable compensation payment covering the period of his service as an EC member. For all other Executive Committee members, the short-term variable compensation will be paid in 2013, after the publication of the financial results. In March 2012, the current and former Executive Committee members received the 2011 short-term variable compensation payments totaling CHF 12,102,149. Short-term variable compensation is linked to the objectives defined in the ABB Group's scorecard. Upon full achievement of these objectives, the short-term variable compensation of the CEO corresponds to 150 percent of his base salary, while for all other Executive Committee members it represents 100 percent of their respective base salary. The Board has the discretion to approve a payout that is up to 50 percent higher (representing up to 225 percent of the base salary for the CEO and 150 percent of the base salary for other members of the Executive Committee), if the objectives are exceeded. For 2012, the Board exercised its discretion and awarded a 10 percent higher payout, reflecting the Company's performance against the objectives.

⁽²⁾ Other benefits comprise payments related to social security, health insurance, children's education, transportation, tax advice and certain other items.

⁽³⁾ The estimated value of the share-based awards is subject to performance and other parameters (e.g. earnings per share) and may therefore vary in value from the above numbers at the date of vesting, January 3, 2014 (AIEP) and May 31, 2015 (LTI Plan). The above amounts have been calculated using the market value of the ABB share on the day of grant and, in the case of the AIEP and the performance component of the LTI Plan, the Monte Carlo simulation model.

⁽⁴⁾ Frank Duggan received 20 percent of his base salary in AED and 80 percent in EUR at a fixed AED/EUR exchange rate for the period January to December 2012. All AED payments were converted into Swiss francs at a rate of 0.2491288 per AED.

⁽⁵⁾ The above compensation figures for Peter Leupp include contractual payments for the period March 1, 2012 to July 31, 2012, but exclude payments to him, after his retirement from the Executive Committee, in his capacity as director of ABB in China and of ABB Limited, India.

Details of the share-based compensation granted to members of the EC during 2012 are provided in a table of their shareholdings in section 6.2 below. Consistent with past practice, no loans or guarantees were granted to members of the EC in 2012.

Members of the EC are eligible to participate in the Employee Share Acquisition Plan (ESAP), a savings plan based on stock options, which is open to employees around the world. In addition to the above awards, seven members of the EC participated in the ninth annual launch of the plan. EC members who participated in that launch are each entitled to acquire up to 580 ABB shares, except for one who is entitled to acquire up to 570 shares, at 17.08 Swiss francs per share, the market share price at the start of that launch.

Members of the EC cannot participate in the Management Incentive Plan (MIP). Any MIP instruments held by EC members (and disclosed in section 6.2 of this Remuneration report) were awarded to them as part of the compensation they received in earlier roles that they held in ABB.

For a more detailed description of ESAP and MIP, please refer to Note 18 to ABB's Consolidated Financial Statements contained in the Financial review section of this Annual Report.

3. Additional fees and remuneration

In 2012, ABB did not pay any fees or remuneration to the members of the Board or the EC for services rendered to ABB other than those disclosed above. Except as disclosed in section 7 of the [Corporate governance report](#), ABB did not pay any additional fees or remuneration in 2012 to persons closely linked to a member of the Board or the EC for services rendered to ABB.

4. Compensation to former members of the Board and EC

Except as disclosed in this Remuneration report, ABB did not make any payments in 2012 to a former member of the Board or the EC in connection with such role.

5. Change of control provisions

Following the spirit of ABB's remuneration philosophy, none of ABB's Board members, EC members or members of senior management receives "golden parachutes" or other special benefits in the event of a change of control.

6. ABB shareholdings of members of the Board and EC

As of December 31, 2012, the members of our Board and EC owned less than 1 percent of ABB's total shares outstanding.

6.1 Board ownership of ABB shares and options

The table below shows the number of ABB shares held by each Board member:

Name	Total number of shares held	
	Dec. 31, 2012	Dec. 31, 2011
Hubertus von Grünberg	173,370	127,387
Roger Agnelli	160,672	154,992
Louis R. Hughes	63,928	56,337
Hans Ulrich Märki	410,192	389,179
Michel de Rosen	128,595	120,108
Michael Treschow	97,506	91,741
Jacob Wallenberg ⁽¹⁾	174,882	169,202
Ying Yeh	8,909	3,197
Total	1,218,054	1,112,143

⁽¹⁾ Share amounts provided in this section do not include the shares beneficially owned by Investor AB, of which Mr. Wallenberg is chairman.

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

6.2 EC ownership of ABB shares and options

As of December 31, 2012, EC members held ABB shares (or ADSs representing such shares), the conditional rights to receive shares under the LTIP, options (either vested or unvested as indicated) under the MIP and unvested shares in respect of other incentive arrangements, as shown in the table below:

Name	Total number of shares held	Number of vested options held under the MIP ⁽¹⁾	Unvested at December 31, 2012								
			Number of unvested options held under the MIP ⁽¹⁾	Number of unvested options held under the MIP ⁽¹⁾	Retention shares deliverable under the 2010 retention component of the LTI Plan ⁽²⁾	Retention shares deliverable under the 2011 retention component of the LTI Plan ⁽²⁾	Retention shares deliverable under the 2012 retention component of the LTI Plan ⁽²⁾	Shares deliverable under the one-time 2012 AIEP ⁽³⁾	Number of shares granted in respect of sign-on bonus		
			(vesting 2013)	(vesting 2014)	(vesting 2013)	(vesting 2014)	(vesting 2015)	(vesting 2014)	(vesting 2013)		
Joe Hogan	255,046	–	–	–	87,841	99,371	148,249	–	189,682		
Michel Demaré ⁽⁴⁾	397,772	–	–	–	41,609	40,450	–	–	–		
Gary Steel	219,365	–	–	–	23,140	23,517	35,377	66,795	–		
Ulrich Spiesshofer	164,191	–	–	–	23,440	31,104	67,293	72,603	–		
Diane de Saint Victor	179,189	–	–	–	21,938	26,359	38,673	66,380	–		
Bernhard Jucker	134,118	–	–	–	27,647	27,753	45,924	78,827	–		
Veli-Matti Reinikkala	122,763	–	–	–	20,065	18,517	37,223	63,891	–		
Brice Koch	30,424	–	–	–	21,036	27,388	51,066	68,870	–		
Tarak Mehta	15,771	190,850	–	–	12,714	24,211	35,289	60,572	–		
Frank Duggan	15,803	631,930	–	–	14,309	21,326	35,289	62,232	–		
Greg Scheu (joined on May 1, 2012)	32	544,920	201,250	221,375	–	–	29,664	56,008	–		
Prith Banerjee (joined ABB on May 7, 2012)	–	–	–	–	–	–	30,763	29,042	–		
Total Executive Committee members as of December 31, 2012			1,534,474	1,367,700	201,250	221,375	293,739	339,996	554,810	625,220	189,682

⁽¹⁾ Options may be sold or exercised/converted into shares at the ratio of 5 options for 1 share.

⁽²⁾ The LTI Plan foresees to deliver 30 percent of the value of the vested retention shares in cash, but participants have the possibility to elect to receive 100 percent of the vested award in shares.

⁽³⁾ The AIEP foresees to deliver 30 percent of the value of the vested shares in cash, but participants have the possibility to elect to receive 100 percent of the vested award in shares. The actual number of shares to be delivered could be increased up to a total maximum amount of 768,286 shares.

⁽⁴⁾ Total number of shares held includes 4,500 shares held jointly with spouse.

Furthermore, at December 31, 2012, the following members of the EC held conditionally granted ABB shares under the performance component of the LTIP 2012, 2011 and 2010, which at the time of vesting will be settled in cash.

Except as described in this section, at December 31, 2012, no member of the EC and no person closely linked to a member of the EC held any shares of ABB or options in ABB shares. For comparative information about share and option ownership of EC members in 2011, see Note 12 to the ABB Ltd statutory financial statements.

Name	Maximum number of conditionally granted shares under the performance component of the	Maximum number of conditionally granted shares under the performance component of the	Reference number of shares under the performance component
	2010 launch of LTI Plan (vesting 2013)	2011 launch of LTI Plan (vesting 2014)	of the 2012 launch of LTI Plan (vesting 2015)
Joe Hogan	58,854	60,526	123,541
Michel Demaré	27,740	26,967	–
Gary Steel	14,952	15,196	20,781
Ulrich Spiesshofer	15,146	15,460	22,588
Diane de Saint Victor	14,175	14,194	20,652
Bernhard Jucker	17,865	17,933	24,524
Veli-Matti Reinikkala	12,965	11,965	19,878
Brice Koch	13,593	14,158	21,426
Tarak Mehta	8,392	12,516	18,845
Frank Duggan	9,444	13,780	18,845
Greg Scheu (joined on May 1, 2012)	–	–	17,425
Prith Banerjee (joined ABB on May 7, 2012)	–	–	18,071
Total Executive Committee members as of Dec. 31, 2012	193,126	202,695	326,576