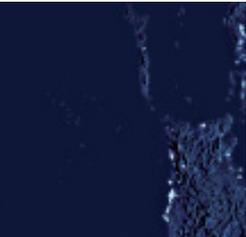
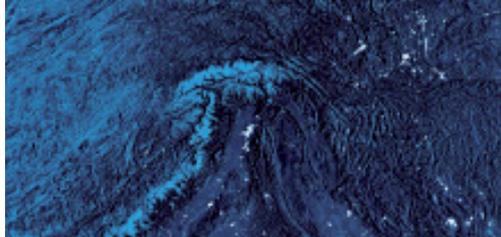
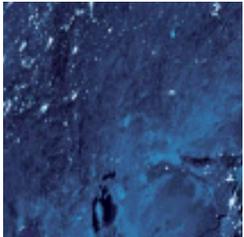
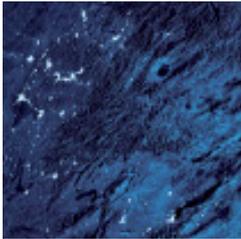
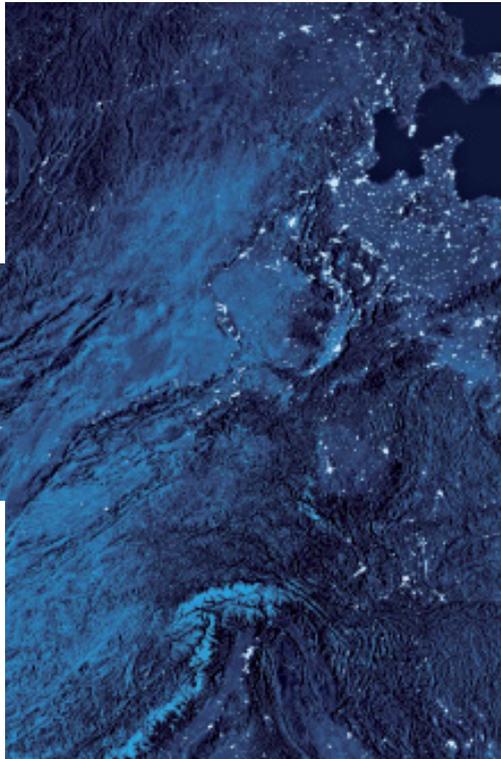
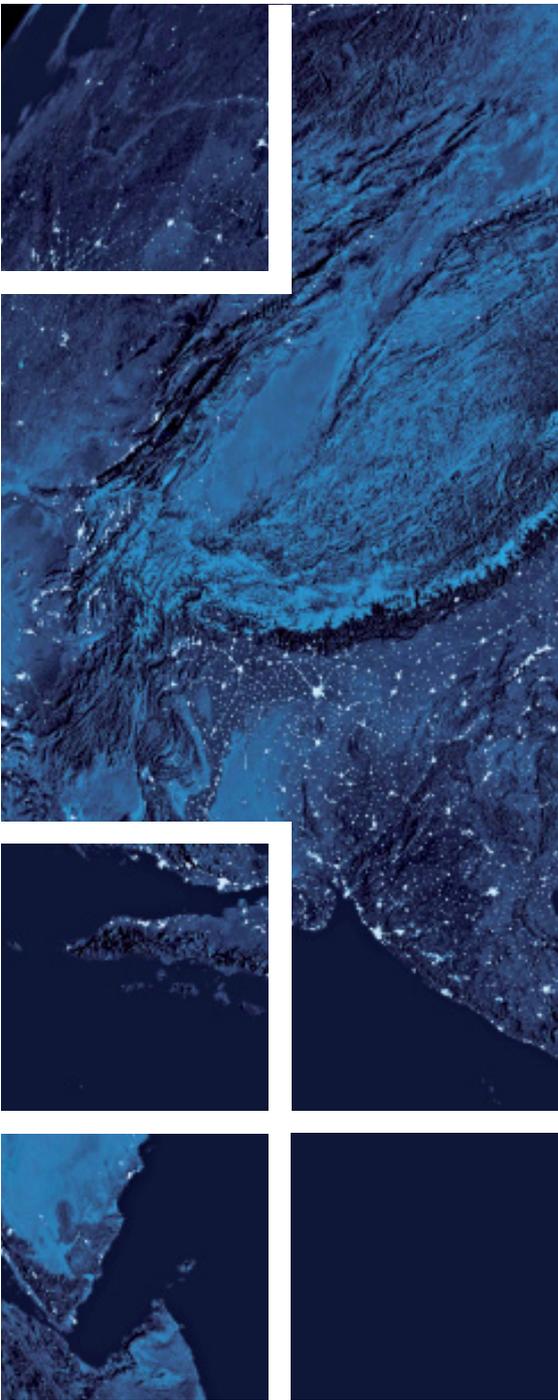


ABB Annual Report 2006

Sustainability review - additional GRI indicators



ABB



Introduction

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

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

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Business ethics

(Supplementary to pages 42-43 of the printed report)

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

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

Policy

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

In implementing this policy, ABB management and employees:

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

GRI 4. Governance

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

4.1 Governance structure, including committees

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

As at January 1, 2007, ABB's Board of Directors had eight non-executive members, all men, of six nationalities, as listed in part 5.2.

See part 5.1 for information on their responsibilities.

All members are independent except for the Chairman who was Chief Executive Officer until December 31, 2004. The independence of directors is determined according to the Swiss Code of Best Practice and the independence criteria in the corporate governance rules of the New York Stock Exchange. See parts 5.3 and 5.4 for information on cross-involvement and business relationships of board members.

See part 5.5 for information on ABB's two Board committees.

4.2 and 4.3 Separation of Board of Directors and Executive Officers

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

As at January 1, 2007, the Group Executive Committee consisted of the CEO, the Chief Financial Officer and nine other members, including one woman, of eight nationalities, as listed in part 6.2

See part 6.1 for information on their responsibilities.

4.4 Mechanisms for shareholders to give recommendations to the Board

See part 4 for information on shareholders' participation.

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

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

4.5 Linkage between executive compensation and performance

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

See part 7 for information on executive compensation.

4.6 Conflicts of interest

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

See parts 5.3 and 5.4 for the business interests of Board members.

4.7 Expertise of Board members

In recommending a candidate for the Board, the Governance, Nomination and Compensation Committee described in part 5.5.1 is required to take into account the skill, education,

experience, interplay and interaction with other directors' personal and professional backgrounds and such other factors as the committee deems appropriate. The committee is responsible for maintaining an orientation program for new directors and an ongoing education program for existing Board members.

4.8 Business principles statements relevant to sustainability performance

Sustainability is one of ABB's core values. This is reflected in part by ABB's environmental, social and health and safety policies. These policies are published in full in the sustainability policies section on pages 40-42 of the printed report, and include references to international standards to which they relate. ABB's Social Policy, for example, draws on five international sources.

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

4.9 Board-level procedures for overseeing sustainability

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

4.10 Processes for evaluating the Board's performance

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

Corporate governance

1. Principle

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, as well as those of the capital markets where its shares are listed and traded.

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

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

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

2. Group structure and shareholders

2.1 Group structure

ABB Ltd, Switzerland, is the ultimate parent company of the ABB Group, which is comprised of 337 consolidated operating and holding subsidiaries worldwide. ABB Ltd has its shares listed on the SWX Swiss Exchange (traded on virt-x), the Stockholmsbörsen (Stockholm Stock Exchange) and the NYSE (where its shares are traded in the form of American depositary shares (ADS) – each ADS representing one registered ABB share). The only other company in the ABB Group with listed shares is ABB Limited, Bangalore, India, which is listed on the Mumbai Stock Exchange, the National Stock Exchange of India, and the Kolkata Stock Exchange. During 2006, ABB Limited, Bangalore, India, delisted from the Ahmedabad Stock Exchange and the Delhi Stock Exchange, and submitted an application to delist from the Kolkata Stock Exchange, which was pending as of February 28, 2007.

Stock exchange	Security	Market capitalization	ABB interest	Ticker symbol	Security number	ISIN code
SWX Swiss Exchange (virt-x)	ABB Ltd, Zurich, Share	47.6 billion CHF	Parent	ABBN	1222171	CH0012221716
Stockholm Stock Exchange	ABB Ltd, Zurich, Share	47.6 billion CHF	Parent	ABB	–	CH0012221716
New York Stock Exchange	ABB Ltd, Zurich, ADS	47.6 billion CHF	Parent	ABB	000375204	US0003752047
Mumbai	ABB Limited, Bangalore, Share	157.7 billion INR	52.11	ABB	500002	INE117A01014
National Stock Exchange of India	ABB Limited, Bangalore, Share	157.7 billion INR	52.11	ABB	–	INE117A01014
Kolkata	ABB Limited, Bangalore, Share	157.7 billion INR	52.11	ABB	–	INE117A01014

All data as of December 31, 2006.

The following table sets forth, as of December 31, 2006, the name, country of incorporation, ownership interest and share capital of ABB Ltd, Zurich, Switzerland, and its significant subsidiaries:

Significant subsidiaries

Company name/Location	Country	ABB interest %	Share capital in in 1,000	Currency
ABB S.A., Buenos Aires	ARGENTINA	100.00	10,510	ARS
ABB Australia Pty Limited, Sydney	AUSTRALIA	100.00	122,436	AUD
ABB AG, Vienna	AUSTRIA	100.00	15,000	EUR
ABB Ltda., Osasco	BRAZIL	100.00	144,396	BRL
ABB Bulgaria EOOD, Sofia	BULGARIA	100.00	10	BGN
ABB Inc., St. Laurent, Quebec	CANADA	100.00	301,957	CAD
ABB (China) Ltd., Beijing	CHINA	100.00	120,000	USD
Asea Brown Boveri Ltda., Bogotá	COLOMBIA	99.99	485,477	COP
ABB Ltd., Zagreb	CROATIA	100.00	2,730	HRK
ABB s.r.o., Prague	CZECH REPUBLIC	100.00	400,000	CZK
ABB A/S, Skovlunde	DENMARK	100.00	241,000	DKK
Asea Brown Boveri S.A., Quito	ECUADOR	96.87	315	USD
Asea Brown Boveri S.A.E., Cairo	EGYPT	100.00	82,490	EGP
ABB AS, Tallinn	ESTONIA	100.00	25,985	EEK
ABB Oy, Helsinki	FINLAND	100.00	10,003	EUR
ABB S.A., Rueil-Malmaison	FRANCE	100.00	38,921	EUR
ABB AG, Mannheim	GERMANY	100.00	167,500	EUR
ABB Automation GmbH, Mannheim	GERMANY	100.00	15,000	EUR
ABB Automation Products GmbH, Ladenburg	GERMANY	100.00	20,750	DEM
ABB Beteiligungs- und Verwaltungsges. mbH, Mannheim	GERMANY	100.00	120,000	DEM
ABB Gebäudetechnik GmbH, Mannheim	GERMANY	100.00	12,315	DEM
Asea Brown Boveri S.A., Metamorphosis Attica	GREECE	100.00	1,182	EUR
ABB (Hong Kong) Ltd., Hong Kong	HONG KONG	100.00	20,000	HKD
ABB Engineering Trading and Service Ltd., Budapest	HUNGARY	100.00	444,090	HUF
ABB Limited, Bangalore	INDIA	52.11	423,817	INR
ABB Ltd, Dublin	IRELAND	100.00	2,898	EUR
ABB Technologies Ltd., Tirat Carmel	ISRAEL	99.99	420	ILS
ABB S.p.A., Milan	ITALY	100.00	107,000	EUR
ABB SACE S.p.A., Sesto S. Giovanni (MI)	ITALY	100.00	60,000	EUR
ABB Trasmisione & Distribuzione S.p.A., Milan	ITALY	100.00	3,300	EUR
ABB Technology SA, Abidjan	IVORY COAST	99.00	178,540	XOF
ABB K.K., Tokyo	JAPAN	100.00	1,000,000	JPY
ABB Ltd., Seoul	KOREA, 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., Tlalnepantla	MEXICO	100.00	419,096	MXN
ABB BV, Rotterdam	NETHERLANDS	100.00	9,076	EUR
ABB Holdings BV, Amsterdam	NETHERLANDS	100.00	119	EUR
ABB Limited, Auckland	NEW ZEALAND	100.00	34,000	NZD
ABB Holding AS, Billingstad	NORWAY	100.00	800,000	NOK
Asea Brown Boveri S.A., Lima	PERU	88.12	17,152	PEN
Asea Brown Boveri Inc., Paranaque, Metro Manila	PHILIPPINES	100.00	123,180	PHP
ABB Sp. z o.o., Warsaw	POLAND	96.83	260,643	PLN
ABB S.G.P.S. S.A., Amadora	PORTUGAL	100.00	4,117	EUR

Company name/Location	Country	ABB interest %	Share capital in in 1,000	Currency
Asea Brown Boveri Ltd., Moscow	RUSSIA	100.00	332	USD
ABB Contracting Company Ltd., Riyadh	SAUDI ARABIA	65.00	10,000	SAR
ABB Holdings Pte. Ltd., Singapore	SINGAPORE	100.00	25,597	SGD
ABB Holdings (Pty) Ltd., Sunninghill	SOUTH AFRICA	80.00	4,050	ZAR
Asea Brown Boveri S.A., Madrid	SPAIN	100.00	33,318	EUR
ABB AB, Västerås	SWEDEN	100.00	400,000	SEK
ABB Norden Holding AB, Stockholm	SWEDEN	100.00	459,000	SEK
ABB Asea Brown Boveri Ltd, Zurich	SWITZERLAND	100.00	2,768,000	CHF
ABB Ltd, Zurich	SWITZERLAND	Parent	5,469,390	CHF
ABB Schweiz AG, Baden	SWITZERLAND	100.00	55,000	CHF
ABB LIMITED, Bangkok	THAILAND	100.00	1,034,000	THB
ABB Holding A.S., Istanbul	TURKEY	99.95	12,844	USD
ABB Ltd., Kiev	UKRAINE	100.00	5,860	USD
ABB Industries (L.L.C), Dubai	UNITED ARAB EMIRATES	49.00	5,000	AED
ABB Holdings Ltd., Warrington	UNITED KINGDOM	100.00	203,014	GBP
ABB Ltd., Warrington	UNITED KINGDOM	100.00	219,000	GBP
ABB Holdings Inc., Norwalk, CT	UNITED STATES	100.00	2	USD
ABB Inc., Norwalk, CT	UNITED STATES	100.00	1	USD
ABB Lummus Global Inc., Bloomfield, NJ	UNITED STATES	100.00	12,400	USD
Asea Brown Boveri S.A., Caracas	VENEZUELA	100.00	4,899,373	VEB
ABB (Private) Ltd., Harare	ZIMBABWE	100.00	1,000	ZWD

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

2.2 Significant shareholders

Investor AB, Sweden, has stated that it held 166,330,142 ABB shares, representing approximately 7.6 percent of ABB's total share capital and voting rights as of December 31, 2006.

FMR Corporation (FMR), U.S., has stated that it held 111,888,682 ABB shares, representing approximately 5.1 percent of ABB's total share capital and voting rights as of November 22, 2006. FMR then stated that it held less than 5 percent of ABB's total share capital and voting rights as of December 20, 2006. In February 2007, FMR stated that it held 109,485,941 ABB shares, representing approximately 5.0 percent of ABB's total share capital and voting rights as of February 14, 2007.

To the best of ABB's knowledge, no other shareholder held 5 percent or more of ABB's total share capital and voting rights as of February 28, 2007.

2.3 Cross-shareholdings

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

3. Capital structure

3.1 Ordinary share capital

As of December 31, 2006, ABB's ordinary share capital (including treasury shares) amounts to CHF 5,469,390,792.50 divided into 2,187,756,317 fully paid registered shares with a par value of CHF 2.50 per share.

3.2 Changes to the share capital

In November 2006, ABB issued 5,746,614 shares to certain of its employees who elected to receive them in connection with ABB's Employee Share Acquisition Plan (ESAP), for further details see section 7.8. The resulting share capital of CHF 5,469,390,792.50 divided into 2,187,756,317 shares was reflected in ABB's Articles of Incorporation dated as of December 15, 2006.

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

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

3.3 Contingent share capital

ABB's share capital may be increased in an amount not to exceed CHF 287,329,485 through the issuance of up to 114,931,794 fully paid shares with a par value of CHF 2.50 per share (a) up to the amount of CHF 262,329,485 (equivalent to 104,931,794 shares) 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, and (b) up to the amount of CHF 25,000,000 (equivalent to 10,000,000 shares) 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 conversion rights and/or 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 conversion rights and/or 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 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, ABB's share capital may be increased by an amount not to exceed CHF 169,067,090 through the issuance of up to 67,626,836 fully paid shares 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, levels of responsibility and profitability criteria. ABB may issue shares or subscription rights to employees at a price lower than that quoted on the stock exchange. The acquisition of shares within the context of employee share ownership and each subsequent transfer of the shares will be subject to the restrictions of ABB's Articles of Incorporation (see section 4.2).

3.4 Authorized share capital

ABB's authorized share capital expired in May 2005. In February 2007, ABB announced that its Board will recommend that shareholders approve new authorized capital in the amount of 200 million shares at ABB's annual general meeting in May 2007.

3.5 Convertible bonds and warrants

For information about outstanding convertible bonds and options on shares issued by ABB, please refer to Notes 14 and 21 of the "Financial review" part of this Annual Report.

4. Shareholders' participation

4.1 Shareholders' voting rights

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

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

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

4.2 Limitations on transferability of shares and nominee registration

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

A person failing to expressly declare in its registration application that it holds the shares for its own account (a nominee), will be entered in the share register with voting rights, provided that such nominee has entered into an agreement with the Board concerning its status, and further provided that the nominee is subject to a recognized bank or financial-market supervision. In special cases the Board may grant exemptions. There were no exemptions granted in 2006.

4.3 Shareholders' dividend rights

ABB Ltd may only pay out a dividend if it has been proposed by a shareholder or the Board and approved at a general meeting of shareholders, and the statutory auditors confirm that the dividend conforms to statutory law and ABB's Articles of Incorporation. Dividends are usually due and payable

in Swiss francs no earlier than three trading days after the approving shareholders' resolution.

ABB has established a dividend access facility for its shareholders who are residents of Sweden for tax purposes. If such shareholders have registered their shares with VPC AB in Sweden then they may elect to receive the dividend in Swedish kronor from ABB Participation AB without deduction of Swiss withholding tax. For further information on the dividend access facility please refer to ABB's Articles of Incorporation.

4.4 General meeting

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

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

5. Board of Directors

5.1 Responsibilities and organization

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

The internal organizational structure and the definition of the areas of responsibility of the Board, as well as the information and control instruments vis-à-vis the Group Executive Committee, are set forth in the regulations of the Board.

Board meetings are convened by the chairman or upon request by a director or the chief executive officer (CEO).

5.2 Term and members

The members of the Board are elected at the ordinary general meeting of the shareholders for a term of one year; re-election is possible.

The members of ABB's Board committees are required to be independent. Currently all Board members are non-executive and independent directors (see also section 5.4), with the exception of Jürgen Dormann who was also CEO until December 31, 2004, in addition to his ongoing function as Chairman.

Members of the Board:

Jürgen Dormann

Chairman, board member since 1998 and non-executive board member of ABB, since January 1, 2005; from September 5, 2002, until December 31, 2004, also President and CEO of ABB

Vice Chairman: sanofi aventis (France), Adecco (Switzerland)

Board member: IBM (U.S.), BG Group (U.K.)

Roger Agnelli

President and CEO of Companhia Vale do Rio Doce (Brazil)

Non-executive board member of ABB, since 2002

Board member: Duke Energy (U.S., through December 2006), Spectra Energy (U.S., from January 2007), Petrobras (Brazil, from April 2006), and Suzano Petroquímica (Brazil)

Louis R. Hughes

Chairman of Maxager Technology (U.S.), Chairman and CEO of GBS Laboratories (U.S.)

Non-executive board member of ABB, since 2003

Board member: AkzoNobel (Netherlands, from April 2006), Electrolux (Sweden), MTU (Germany) and Sulzer (Switzerland)

Executive adviser: Windpoint (U.S.), British Telecom U.S. advisory board (U.S.)

Hans Ulrich Märki

Chairman of IBM Europe, Middle East and Africa (France)

Non-executive board member of ABB, since 2002

Board member: Mettler Toledo International and Menuhin Festival Gstaad AG (both Switzerland)

Michel de Rosen

Chairman, President and CEO of ViroPharma (U.S.)

Non-executive board member of ABB, since 2002

Board member: Ursinus College and Pennsylvania Biotech (both U.S.), Endo Pharmaceutical Holdings Inc. (U.S., from April 2006)

Member of the advisory board of Paul Capital Partners Royalty Fund and the Global Business Coalition on HIV/AIDS (both U.S.)

Michael Treschow

Chairman of Ericsson, Electrolux and the Confederation of Swedish Enterprise (all Sweden)

Non-executive board member of ABB, since 2003

Bernd W. Voss

Member of the Supervisory Board of Dresdner Bank (Germany)

Non-executive board member of ABB, since 2002

Board member: Allianz Leben, Continental, Hapag-Lloyd, Osram, Quelle (until March 2006), and Wacker Chemie (all Germany)

Jacob Wallenberg

Chairman of Investor AB (Sweden)

Non-executive board member of ABB, since 1999

Vice Chairman: SEB Skandinaviska Enskilda Banken, Atlas Copco AB and SAS AB (all Sweden)

Board member: Knut and Alice Wallenberg Foundation, Thisbe AB, Nobel Foundation and Stockholm School of Economics (all Sweden)

As of December 31, 2006, none of ABB's Board members holds any official functions or political posts. Further information on ABB's Board members, including details about their nationality, education and professional experience, as well as other activities and functions, is available on ABB's Web site under www.abb.com/about.

5.3 Cross-involvement

The only cross-involvement among ABB's Board members and the boards of directors of other listed companies is that Louis R. Hughes and Michael Treschow are board members of Electrolux (Sweden).

5.4 Business relationships

This section describes important business relationships between ABB and its non-executive Board members, or companies and organizations represented by them.

Dresdner Bank AG (Dresdner) acted as co-dealer manager on ABB's offer to accelerate conversion of its previously outstanding U.S. dollar convertible bonds in April 2006. Bernd W. Voss is a member of Dresdner's Supervisory Board.

Skandinaviska Enskilda Banken AB (publ) (SEB) acted as co-dealer manager for the bond exchange offers that ABB made in May 2006. Jacob Wallenberg is the Vice Chairman of SEB.

During the year 2006, ABB and its subsidiaries were party to several contracts with Companhia Vale do Rio Doce and its subsidiaries (CVRD), including contracts for engineering services and the supply of electrical equipment for generation and distribution of power. The largest contract was for supply of electrical equipment with a value of approximately \$7 million (approximately \$6.4 million in 2005). There are also various purchase orders for spare parts and machinery in general. The total value of such contracts and purchase orders is approximately \$33 million (approximately \$21.7 million in 2005). In addition, CVRD and ABB are currently negotiating a proposed framework agreement to establish general terms and conditions for the supply of products, systems and services among their respective group subsidiaries. The exchange rate used to convert Brazilian reais into U.S. dollars was R\$2.14 to US\$1.00. Roger Agnelli is President and CEO of CVRD.

In 2006, ABB received orders of approximately \$62 million from Duke Energy Corporation (Duke Energy) and its subsidiaries for power and automation products, systems and services for both capital improvements and operation and maintenance projects. Also in 2006, ABB received orders from Petróleo Brasileiro S/A and its subsidiaries (Petrobras) for approximately \$17.3 million for automation products and systems. Roger Agnelli is a member of the Board of Directors of Petrobras and he was a member of the Board of Directors of Duke Energy through December 2006.

During 2006, ABB received approximately \$110 million of orders for various ABB products including motors, drives and control systems from Sulzer AG (Sulzer). Louis R. Hughes is a member of Sulzer's Board of Directors.

On July 4, 2005, ABB entered into an unsecured syndicated \$2 billion, five-year revolving credit facility, which became available in July 2005. As of December 31, 2006, SEB has committed to \$120 million out of the \$2 billion total and Dresdner has committed to \$105 million out of the \$2 billion total. Jacob Wallenberg is the Vice Chairman of SEB and Bernd W. Voss is a member of Dresdner's Supervisory Board.

In 2003, ABB entered into a ten-year agreement with IBM pursuant to which IBM took over the operation and support of ABB's information systems infrastructure. The total value of the infrastructure and related operational services to be provided under this agreement is expected to approach \$1.7 billion. Hans Ulrich Märki is Chairman of IBM Europe, Middle East and Africa. Jürgen Dormann has been a member of IBM's Board of Directors since February 22, 2005.

After comparing the revenues (or expected revenues in the case of orders) generated from ABB's business with SEB, Dresdner, IBM, CVRD, Duke Energy, Petrobras and Sulzer including the business described above, to the total annual revenues of those companies, the Board has determined that ABB's business relationships with those companies do not constitute material business relationships and that all members of the Board – with the exception of Jürgen Dormann as Chairman and former CEO (until December 31, 2004) – are considered to be independent directors. This determination was made in accordance with the Swiss Code of Best Practice and the independence criteria set forth in the corporate governance rules of the New York Stock Exchange.

5.5 Board committees

From among its members, the Board has appointed two Board committees: the Governance, Nomination and Compensation Committee and the Finance, Audit and Compliance Committee. The duties and objectives of the Board committees are set forth in regulations issued or approved by the Board. These committees assist the Board in its tasks and report regularly to the Board.

5.5.1 Governance, Nomination and Compensation Committee

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

Group Executive Committee. The Governance, Nomination and Compensation Committee is also responsible for maintaining an orientation program for new Board members and an ongoing education program for existing Board members.

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

Members and secretary of the Governance, Nomination and Compensation Committee:

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

5.5.2 Finance, Audit and Compliance Committee

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

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

Members and secretary of the Finance, Audit and Compliance Committee:

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

5.6 Meetings and attendance

The table below shows the number of meetings held during 2006 by the Board and its committees, their average duration, as well as the attendance of the individual Board members:

	Board of Directors	Governance, Nomination and Compensation Committee	Finance, Audit and Compliance Committee
Average duration (hrs.)	7	2	3
Number of meetings	5	11	5
Meetings attended:			
Jürgen Dormann	5	–	–
Roger Agnelli	4	6	–
Louis R. Hughes	5	–	5
Hans Ulrich Märki	5	11	–
Michel de Rosen	5	11	–
Michael Treschow	5	–	–
Bernd W. Voss	5	–	5
Jacob Wallenberg	5	–	3

5.7 Board ownership of ABB shares and options

The table below shows the number of ABB shares held by each Board member as of December 31, 2006:

	Number of shares
Jürgen Dormann	578,160
Roger Agnelli	132,805
Louis R. Hughes	58,074
Hans Ulrich Märki	297,902
Michel de Rosen	87,678
Michael Treschow	69,330
Bernd W. Voss	135,534
Jacob Wallenberg	143,370

As of December 31, 2006, Jürgen Dormann held 1,000,000 warrants granted in 2003 under the Management Incentive Plan (MIP), see section 7.9. for further MIP details. With the exception of Jürgen Dormann none of the Board members holds any options in ABB shares. No person closely linked to any of the Board members holds any shares of ABB or options in ABB shares. Persons closely linked is understood to mean: (1) an individual's spouse, (2) an individual's children below the age of 18, (3) any persons living in the same household as an individual for at least 12 months, (4) any legal entities that are under the control of an individual or any of the person's mentioned under (1) to (3) above, and (5) any legal or natural person acting as an individual's fiduciary or the fiduciary of any of the persons mentioned under (1) to (4) above.

5.8 Secretary to the Board

Diane de Saint Victor is the secretary to the Board.

6. Group Executive Committee

6.1 Responsibilities and organization

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

Upon proposal by the Governance, Nomination and Compensation Committee, the Group Executive Committee is appointed and discharged by the Board.

6.2 Members

Fred Kindle

President and CEO

Dinesh Paliwal

President, Global Markets and Technology

Michel Demaré

CFO

Gary Steel

Human Resources

Ulrich Spiesshofer

Corporate Development

Diane de Saint Victor

General Counsel as from January 1, 2007

Peter Leupp

Power Systems as from January 1, 2007

Bernhard Jucker

Power Products

Power Systems from October 1, 2006, to December 31, 2006

Tom Sjökvist

Automation Products

Veli-Matti Reinikkala

Process Automation

Anders Jonsson

Robotics

Samir Brikho

Power Systems until October 1, 2006

Further information about the members of the Group Executive Committee, including their nationality, education and professional experience, as well as other activities and functions, is available on ABB's Web site under: www.abb.com/about

6.3 Management contracts

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

7. Compensation

7.1 Principles of Board compensation

The compensation levels of the Board in 2006 were as follows:

■ Chairman:	CHF	1,500,000
■ Member:	CHF	250,000
■ Committee chairman:	CHF	50,000
■ Committee member:	CHF	20,000

The semi-annual payments to Board members in 2006 were made in July and November. Board members receive at least 50 percent (and may elect to receive a higher ratio) of their net compensation, i.e. after deduction of social security costs and withholding tax (where applicable), in ABB shares, which they are entitled to receive with a discount of 10 percent of the average share price during a 30-day reference period. During the term of Board membership, those ABB shares are kept in a blocked account and may only be disposed of after the respective person has left the Board.

7.2 Details of Board compensation

In 2006, the current Board members received the compensation set forth in the Board compensation table below (the calculation of the number of shares and the cash amount varies according to whether the respective person is subject to taxation at source).

With the exception of Jürgen Dormann while having been both Chairman of the Board and CEO, Board members do not receive pension benefits and are not eligible to participate in any of ABB's incentive programs.

No compensation was paid to former Board members.

Board compensation

Amounts in Swiss francs except number of shares received	Board member compensation	Committee member compensation	Total annual compensation (gross)	Amount received in cash (net)	Number of shares received
Jürgen Dormann	1,500,000	–	1,500,000	479,317	32,284
Roger Agnelli	250,000	20,000	270,000	46,953	9,540
Louis R. Hughes	250,000	20,000	270,000	93,912	6,324
Hans Ulrich Märki	250,000	50,000	300,000	–	19,274
Michel de Rosen	250,000	20,000	270,000	93,912	6,324
Michael Treschow	250,000	–	250,000	86,915	5,853
Bernd W. Voss	250,000	50,000	300,000	–	14,191
Jacob Wallenberg	250,000	20,000	270,000	93,912	6,324
Total	3,250,000	180,000	3,430,000	894,921	100,114

7.3 Principles of Group Executive Committee compensation

Members of the Group Executive Committee receive annual base compensation. They are further eligible for annual bonus compensation, determined in accordance with the principles explained in section 7.5 and for pension contributions as explained in section 7.4.

In addition to receiving annual base and bonus compensation, members of the Group Executive Committee may participate in the Employee Share Acquisition Plan and the Long-term Incentive Plan (LTIP). Some members of the Group Executive Committee have participated in the earlier launches of the MIP. Group Executive Committee members receive customary additional benefits such as a company car and health insurance compensation, which are not material in the aggregate, and contributions to children's education in some cases.

7.4 Details of Group Executive Committee compensation

In applying the “cash-out principle” the Group Executive Committee compensation table on the next page shows the gross payments (i.e., compensation before deduction of employee social insurance and pension contributions) that were made to the members of the Group Executive Committee, the bonuses paid in 2006 which are based on 2005 business performance, as well as the employer’s part of the ordinary pension contributions. All members of the Group Executive Committee are insured in the ABB Pension Fund, the ABB Supplementary Insurance Plan and the Tödi Foundation (the regulations are available under www.abbvorsorge.ch), with the exception of Dinesh Paliwal, who is insured under the pension plan in the United States, and Veli-Matti Reinikkala, who is insured under the pension plan in Finland. Members of the Group Executive Committee based in Switzerland who are between the ages of 45 and 60 also participated in the Equalization plan, a defined-benefits plan capped under Swiss law, within the Tödi Foundation, which was established in 2005. Share-based compensation for members of the Group Executive Committee is discussed in section 7.11.

7.5 Bonus determination

ABB has a bonus structure to align the performance expectations of its senior managers. The performance of Group Executive Committee members is measured at least 50 percent on ABB Group results.

Resulting bonuses are paid in March each year after full-year results are announced. In applying the scorecard principles, the CEO has a maximum bonus opportunity of 150 percent of his base salary. All other Group Executive Committee members have a maximum bonus opportunity of 100 percent of their base salary, except for the President, Global Markets and Technology, who has had a maximum bonus opportunity of 120 percent of his base salary since 2006.

7.6 Compensation to former members of the Group Executive Committee

In 2006, ABB did not make any payments to former members of the Group Executive Committee who are no longer with ABB.

Group Executive Committee compensation

Amounts in Swiss francs	Salary	Bonus (6)	Additional compensation	Total annual compensation (7)	Employer's pension contributions	Costs of company car	Costs of health insurance	Costs of children's education
Fred Kindle	1,404,168	1,881,750	0	3,285,918	388,640	34,890	8,155	0
Dinesh Paliwal (1)	902,430	825,730	45,123	1,773,282	676,719	29,268	21,075	78,921
Michel Demaré	791,670	704,250	0	1,495,920	521,860	28,808	7,687	30,900
Gary Steel	716,668	629,300	0	1,345,968	581,100	26,574	8,828	68,690
Ulrich Spiesshofer (2)	650,000	104,558	0	754,558	124,310	28,460	7,639	0
Bernhard Jucker (3)	750,000	410,526	0	1,160,526	170,520	29,964	8,106	0
Samir Brikho (4)	525,000	257,183	457,281	1,239,464	113,067	21,934	5,429	0
Tom Sjökvist	700,000	584,039	0	1,284,039	517,660	29,368	8,237	0
Veli-Matti Reinikkala (5)	621,945	248,924	8,739	879,608	136,905	13,171	2,862	0
Anders Jonsson	520,000	168,970	0	688,970	169,500	27,080	8,950	0
Total	7,581,881	5,815,230	511,143	13,908,253	3,400,281	269,517	86,969	178,511

(1) Dinesh Paliwal received his compensation in U.S. dollars which has been converted into Swiss francs at the rate of 1.2195 per U.S. dollar. He received additional compensation for cost of living adjustments, financial counselling, and term life insurance premiums.

(2) Ulrich Spiesshofer joined ABB in November 2005 and therefore received a pro-rata share of his bonus for 2005.

(3) Bernhard Jucker's bonus for 2005 was paid in euro and converted into Swiss francs using a rate of 1.6094 per euro.

(4) Samir Brikho left ABB at the end of September 2006 and therefore received a pro rata share of his salary for 2006 together with additional compensation representing his pro-rata bonus for 2006.

(5) Veli-Matti Reinikkala received his compensation and car benefits in U.S. dollars which have been converted into Swiss francs at the rate of 1.2195 per U.S. dollar. He received his employer pension contributions and health insurance benefits in euro which have been converted into Swiss francs using a rate of 1.6094 per euro. His additional compensation was for financial counselling and term life insurance premiums.

(6) The table above provides compensation amounts with respect to 2006 on a cash basis. Bonuses with respect to 2005 were paid in 2006.

(7) Excluding employer's pension contributions, costs of company car, costs of health insurance, contributions to children's education, and share-based compensation.

7.7 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, which are summarized below (for a more detailed description of each incentive plan, please refer to Note 21 of the "Financial review" part of this annual report).

7.8 ESAP

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

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

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

The exercise price per share and ADS of CHF 18.55 and \$14.75, respectively, for the 2006 grant, were determined using the closing price of the ABB share on SWX Swiss Exchange (virt-x) and ADS on the New York Stock Exchange on the grant date.

7.9 MIP

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

Warrants granted under the MIP allow participants to purchase shares of ABB at predetermined prices. Participants may sell the warrants rather than exercise the right to purchase shares. Equivalent warrants are listed by a third-party bank on the SWX Swiss Exchange, which facilitates pricing and transferability of warrants granted under the MIP. If the participant elects to sell the warrant on the market rather than exercise the right to purchase shares, the warrant may then be held by a non-employee of ABB. Each WAR gives the participant the right to receive, in cash, the market price of a warrant on the date of exercise of the WAR. The WARs are non-transferable.

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

The details of the various unexpired grants as at December 31, 2006, are as follows:

Grant	Warrant exercise price in CHF	Subscription ratio
December 2001	13.49	100:25.21
December 2003	7.00	5:1
December 2004	7.50	5:1
February 2006	15.30	5:1

7.10 LTIP

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

Under the share-price performance component, the value of the number of shares conditionally granted equals a certain percentage of the eligible participant's base salary at the date of grant. For members of the Group Executive Committee, these percentages were 150 percent in 2005 (prior to the introduction of the co-investment component) and 100 percent in 2006. The number

of shares granted usually is adjusted downward for individuals who become eligible participants after the initial grant date. The actual number of shares that each eligible participant will receive free of charge at a future date is dependent on (1) the performance of ABB shares during a defined period (evaluation period) compared to those of a selected peer group of publicly listed multinational companies and (2) the term of service of the respective eligible participants in that capacity during the evaluation period. The actual number of shares received after the evaluation period cannot exceed 100 percent of the conditional grant.

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

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

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

The details of the various unexpired launches are as follows:

Launch year	Evaluation period	Reference price (in CHF)
2005	March 15, 2005, to March 15, 2008	7.15
2006	March 15, 2006, to March 15, 2009	15.48

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

7.11 Group Executive Committee ownership of ABB shares and options

As of December 31, 2006, the members of the Group Executive Committee held:

- a) ABB shares;
- b) the conditional right to receive ABB shares granted under the share-price performance component of the LTIP;
- c) the conditional right to receive matching ABB shares in connection with share deposits under the co-investment component of the LTIP; and
- d) ABB warrants and WARs granted under the MIP;

in each case, as set forth in the Group Executive Committee shares and options table below. Other than as stated in that table as of December 31, 2006, no person closely linked to any member of the Group Executive Committee held any shares of ABB or options in ABB shares.

In addition, Fred Kindle, Michel Demaré, Gary Steel, Bernhard Jucker, Tom Sjökvist, Veli-Matti Reinikkala and Anders Jonsson, but none of the other members of the Group Executive Committee as of December 31, 2006, participated in the third launch of the ESAP with the maximum annual savings amount of CHF 9,000.

Group Executive Committee shares and options

	Total number of shares held	Number of conditionally granted shares under the 2005 launch of the LTIP	Number of conditionally granted shares under the 2006 launch of the LTIP	Number of matching shares deliverable under the 2006 co-investment portion of the LTIP	Number of warrants/WARs granted under the MIP		
					2003 grant	2004 grant	2006 grant
Fred Kindle	132,980	272,728	92,055	40,115	0	0	0
Dinesh Paliwal (1)	23,505	174,960	62,394	18,840	1,000,000	0	0
Michel Demaré (2)	62,471	157,343	51,680	15,014	0	0	0
Gary Steel	90,630	146,854	46,512	13,416	1,000,000	0	0
Ulrich Spiesshofer	16,840	107,955	41,990	13,372	0	0	0
Bernhard Jucker	11,285	0	48,450	8,595	375,000	375,000	375,000
Tom Sjökvist (3)	39,521	0	45,220	12,451	375,000	375,000	375,000
Veli-Matti Reinikkala	7,030	0	43,001	5,680	150,000	312,500	375,000
Anders Jonsson (4)	66,311	0	33,592	3,603	412,500	475,000	475,000
Total	450,573	859,840	464,894	131,086	3,312,500	1,537,500	1,600,000

(1) Total number of shares held includes 4,665 shares jointly held with his spouse.

(2) Total number of shares held includes 500 shares jointly held with his spouse.

(3) Total number of shares held includes 7,560 shares held with his spouse and child.

(4) Total number of shares held includes 60,046 shares held by or jointly with his spouse. The table also includes 100,000 warrants/WARs held by his spouse under each of the 2003, 2004 and 2006 grants of the MIP. The grants to his spouse were in connection with his spouse's role as an ABB employee.

7.12 Additional fees and remuneration

Other than as disclosed herein, in 2006, none of ABB's members of the Board, the Group Executive Committee, or persons closely linked to them received any additional fees and remunerations for services rendered to ABB.

8. Loans and guarantees granted to members of the Board or Group Executive Committee

ABB did not grant any loans or guarantees to its Board members or members of the Group Executive Committee in 2006.

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. Change of control provisions

ABB does not offer "golden parachutes" to members of the Board or its senior executives. Consequently none of its Board members, Group Executive Committee members or members of senior management are benefiting from clauses on changes of control. Employment contracts normally contain notice periods of 12 months for Group Executive Committee members and three to six months for members of senior management, during which they are entitled to running salaries and bonuses.

11. Auditors

11.1 Group auditors and special auditors

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

11.2 Duration of the mandate and term of office of the Group auditor

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

11.3 Auditing and additional fees paid to Group auditor

The audit fees charged by Ernst & Young for the legally prescribed audit amounted to approximately \$40.4 million in 2006. Audit services are defined as the standard audit work performed each fiscal year necessary to allow the auditor to issue an opinion on the consolidated financial statements of ABB and to issue an opinion on the local statutory financial statements.

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

In addition, Ernst & Young charged approximately \$3.5 million for non-audit services performed during 2006. 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.

11.4 Supervisory and control instruments vis-à-vis the Group auditors

Ernst & Young periodically reads the approved minutes of meetings of our Board. Ernst & Young is present at the Finance, Audit and Compliance Committee meetings where audit planning is discussed and the results of our internal audit department's audit procedures are presented. Ernst & Young also periodically meets with the Finance, Audit and Compliance Committee to discuss the results of its audit procedures.

12. Information policy

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

ABB publishes an Annual Report consisting of an Operational review, a Financial review and a Sustainability review. The Operational and Financial reviews provide information on the results of ABB's businesses. The Operational review also provides information on human resources, technology, sustainability and corporate governance. The Financial review provides the audited financial statements for the reported year, as well as a management discussion and analysis of ABB's business results. The Sustainability review provides information on the

company's performance in environmental management, social responsibility and employee health and safety.

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

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:

Telephone: +41 43 317 71 11

Fax: +41 44 311 98 17

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

13. Further information on corporate governance

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

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

GRI 4.13 Memberships of associations

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

Amnesty International (AI), U.K.

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

Web site: www.amnesty.org

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

ABB was one of the founding members of this initiative, launched in 2003 to help lead and develop the corporate response to human rights and now comprising 14 international companies. BLIHR believes in finding practical ways of applying the aspirations of the Universal Declaration of Human Rights within a business context and inspiring other businesses to do likewise. During 2006, ABB supported one of the key areas of BLIHR's work – drawing up guidelines on good business governance in sensitive countries. ABB specialists also represented BLIHR's interests at a number of international conferences on business and human rights issues.

Web site: www.blihr.org

Centre for Environmental Assessment of Product and Material (CPM), Chalmers University of Technology, Gothenburg, Sweden

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

Web site: www.cpm.chalmers.se

CSR Europe, Belgium

Corporate Social Responsibility Europe is a leading European business network for corporate social responsibility with over 60 multinational corporations as members. Since its inception in 1995, its mission has been to help companies integrate corporate social responsibility into the way they do business. ABB took part in CSR Europe's international "Market Place" in 2006.

Web site: www.csreurope.org

Global Village Energy Partnership (GVEP), U.S.

The partnership was launched at the United Nations World Summit on Sustainable Development in Johannesburg in 2002.

The World Bank and the United Nations Development Programme are important drivers of the initiative. The partnership aims to build coalitions to help bring energy to up to two billion people who currently lack access to electricity. GVEP addresses both urban and rural communities, and focuses on action plans, knowledge exchange, capacity development, financing facilitation and results monitoring. ABB is a registered partner in GVEP.

Web site: www.gvep.org

Global Reporting Initiative (GRI), Netherlands

The GRI is a multi-stakeholder process which started in 1997 and became an independent institution in 2002. The initiative has the active support and engagement of representatives from business, non-profit advocacy groups, accounting bodies, investor organizations, trade unions and others. These constituencies have worked together to build a consensus on a set of sustainability reporting guidelines with the aim of achieving worldwide acceptance. Over 1,000 organizations now use the GRI Guidelines. In 2006, ABB attended the conference to launch Version 3 of the Guidelines, which it has used as the basis for this Sustainability review.

Web site: www.globalreporting.org

International Committee of the Red Cross (ICRC), Switzerland

ABB was one of seven companies which founded the ICRC Corporate Support Group in October 2005. The group consists of companies committed to supporting financially the ICRC's humanitarian mission over a six-year period. The agreement also provides for exchanges between the ICRC and its partners in areas of mutual interest such as risk management, human resources development and training, logistics, information technology and communication. There were several exchanges during 2006.

Web site: www.icrc.org

International Institute for Management Development (IMD), Switzerland

IMD, based in Lausanne, Switzerland, is one of the world's leading business schools with over 50 years of experience in developing the leadership capabilities of international business executives. ABB is a corporate sponsor and active participant in IMD's Forum for Corporate Sustainability Management, and took part in a number of IMD-organized activities in 2006.

Web site: www.imd.ch

International Organization for Standardization (ISO), Switzerland

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

oikos International, Switzerland

oikos is an international student organization for sustainable economics and management, founded in 1987 at the University of St. Gallen, Switzerland, and now present in over 20 universities in 14 countries. ABB has renewed its corporate sponsorship of oikos for 2007.

Web site: www.oikosinternational.org

Pew Center on Global Climate Change, U.S.

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

Web site: www.pewclimate.org

Transparency International, Germany

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

Web site: www.transparency.org

United Nations Global Compact, U.S.

ABB was one of the 50 companies that supported the inaugural launch of the Global Compact in New York in July 2000. The membership now stands at over 3,000. The Compact is a platform for encouraging and promoting good corporate practices and learning experiences in the areas of

human rights, labor, the environment and anti-corruption. ABB supported Global Compact initiatives on several occasions in 2006, including the UNGC's Learning Forum in Ghana.

Web site: www.unglobalcompact.org

World Business Council for Sustainable Development (WBCSD), Switzerland

Established in January 1995, the WBCSD is a coalition of nearly 200 international companies drawn from 35 countries and 20 major industrial sectors, and united by a shared commitment to sustainable development via the three pillars of economic growth, ecological balance and social progress. ABB is an active member of the Council and helped in 2006 to produce its "Powering a sustainable future" report.

Web site: www.wbcscd.ch

World Childhood Foundation, Sweden

The World Childhood Foundation was founded in 1999 by Queen Silvia of Sweden. ABB was one of the co-founders of the organization. Its mission is to defend the rights of the child and to promote better living conditions for vulnerable and exploited children all over the world. Over the last five years the organization has grown to support 75 programs in 15 countries.

Web site: www.childhood.org

World Economic Forum (WEF), Switzerland

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

Web site: www.weforum.org

WWF, Switzerland

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

Web site: www.wwf.org

ABB's response to the WEEE and ROHS directives

(Supplementary to pages 14-17 of the printed report)

The Waste Electrical and Electronic Equipment (WEEE) directive sets criteria for collection, treatment, recycling and recovery of waste electrical and electronic equipment. The directive makes producers responsible for financing most of these activities so that customers can return old electrical and electronic equipment without charge.

The Restriction of Hazardous Substances (ROHS) directive controls recycling of waste electrical and electronic equipment by restricting the hazardous substances used in their manufacture, such as lead, mercury, cadmium, hexavalent chromium, and flame-retardants used in plastics: poly-brominated biphenyls (PBBs), and poly-brominated diphenyl ethers (PBDEs).

Since ABB's activities are mostly business-to-business, our front-line responsibility is not significant. However, some components, for which we have an inventory, come under these directives.

ABB is working to replace or phase out by internationally agreed deadlines the hazardous substances mentioned in the ROHS directive. These substances are all included in ABB's internal list of restricted materials.

Even though the average lifetime of an ABB product exceeds 40 years, ABB has established take-back systems in all European Union countries to comply with the WEEE directive. These systems also accept non-ABB products which are to be replaced by new ABB products.

ABB's research and development departments take into account the ROHS and WEEE directives and all relevant legislation and guidelines when designing new products, to facilitate their dismantling, recovery and recycling.

GRI 5. Performance indicators

(Supplementary GRI performance indicators)

Economic Performance Indicators

EC3 Benefit plan obligations

EC4 Government financial assistance

EC5 Wage level ratios

EC7 Local hiring procedures

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

EC8 Infrastructure investments

As the main flagship of ABB's common effort contributions, the Group has embarked on a program of rural electrification projects in least developed countries, which we call "Access to Electricity". ABB's first project was in a village in Tanzania, where ABB partnered with local authorities and the global conservation organization WWF. Electrification has led to economic, environmental and social gains over the last two years. Now, ABB has begun a second Access to Electricity project in western India, providing power to desert hamlets. These projects are described in more detail on page 28 of the Sustainability review.

EC9 Indirect economic impacts

During 2006, ABB companies in 38 countries supported community development projects, donating approximately \$3.5 million in funding and providing more than 2,500 man-days of work on the part of employee volunteers. Many of these projects led to positive indirect economic impacts on the local vicinity. Some examples are described on pages 38-39 of the Sustainability review.

Environmental Performance Indicators

EN5 Energy conservation and efficiency savings

During 2006, ABB was able to reduce its electricity consumption from 1,304 Megawatthours (MWh) in 2005 to 1,265 MWh in 2006, despite an increase in business volumes. The energy consumption per employee fell from 20 MWh in 2005 to 19 MWh in 2006. These savings were due to energy conservation and energy efficiency programs initiated throughout the Group in response to ABB's energy reduction target. (See EN7 below)

EN6 Energy-efficient and renewable energy based products initiatives

ABB sees the development of energy-efficient products and renewable energy products as its most important contribution to climate change mitigation. It also recognizes the business opportunities for such products. For example, the global installed base of ABB variable speed motor drives produces an energy saving of 115 million MWh of electricity – enough to power the homes of five million people and cut nearly 100 million tons of CO₂ emissions.

Furthermore, ABB is a leading supplier of electrical equipment for wind turbines, having supplied 15,000 generators and associated components to this industry, as well as advanced high-voltage direct current (HVDC Light) power links for connecting wind farms to existing electricity supply grids.

EN7 Indirect energy consumption initiatives

In 2006, ABB initiated a Group-wide target to reduce its use of energy per unit of output by 5 percent over a period of two years.

EN9 Water sources affected by withdrawal of water

ABB's manufacturing processes do not use significant amounts of water. During 2006, ABB extracted approximately 2,700 kilotons of groundwater and 2,500 kilotons of surface water, mainly for cooling purposes. None of these extractions caused any significant changes to the water sources.

EN10 Water recycled and reused

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

EN13-15 Biodiversity and protected habitats

ABB's manufacturing and workshop facilities are not located in biodiversity-rich habitats, as defined in IUCN Protected Areas Categories 1-4, world heritage sites or biosphere reserve

EN24 Handling of hazardous waste

In 2006, ABB sent 4,296 tons of hazardous waste for disposal, down from 5,775 tons in 2005, despite increased business volumes. This waste was mostly used for heat recovery at specialized plants. ABB follows legal regulations to transport and dispose of hazardous waste only through officially authorized disposal agents.

EN25 Water bodies/habitats affected by water discharges and runoffs

About 25 percent of ABB process plants discharge water to local water sources such as lakes or rivers. The water discharge to local water sources is returned without additional contamination and comes mainly from surface treatment plants, cooling water systems and test plants.

EN30 Environmental protection expenditure and investments

In many countries where public water and sewage treatment plants are not available, ABB has installed such facilities on its premises, for example in India

For 2006, ABB's expenditure on environmental management throughout its global sustainability affairs network was as follows:

\$ thousands	
Group level	2,830
Country level	5,160
Site level	4,142
Total	12,132

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

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

Social Performance Indicators

LA3 Benefits provided to employees

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

LA11 Programs for skills management and lifelong learning

ABB employees are provided with ongoing classroom training whenever necessary to ensure they have the right skills for the jobs they perform. See LA10 in the Sustainability review for more information.

Leadership has played a critical role in bringing about culture change at ABB, so we are continually working to enhance leadership skills throughout the Group. In 2006, another 7,000 people at all levels took part in leadership development programs, bringing the total number to have benefited from this training to 15,000. The program is available in 37 countries and in 10 languages.

LA13 Other indicators of diversity

ABB is focusing on management development of our female executives as part of the company's commitment to embrace diversity and raise the number of women in leadership positions.

In 2006, diversity in our leadership team increased with the appointment of three women in senior roles in ABB, including those of general council, (who is an Executive Committee member), head of ABB in Switzerland and head of Group Corporate Communications. See LA13 in the Sustainability review for more information.

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

HR3 Employee training on aspects of human rights

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

S07 Legal actions for anti-competitive behavior

During 2006, ABB was involved in ten legal actions, either pending or completed, including cases dating back to 1998, regarding anti-competitive behavior, anti-trust, or monopoly practices. However, no significant fines were imposed on completed cases. See ABB's Financial review for more information.

PR4 Non-compliance concerning product information and labeling

During 2006, ABB has not identified any non-compliance with regulations and voluntary codes.

PR7 Non-compliance concerning marketing communications

PR8 Complaints regarding breaches of customer privacy

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



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