DATE March 30, 2017

Subject: Compensation response to the report issued by proxy advisor, Institutional Shareholder Services (ISS)

Dear Shareholder,

The purpose of this letter is to set out ABB's position with respect to the report issued by proxy advisor ISS on March 24, 2017, in advance of ABB's upcoming Annual General Meeting (AGM) on April 13, 2017. This report was updated on March 28, 2017 as a result of clarifications and corrections made by ABB.

All proposals by the Board of Directors on the agenda items of the AGM have been carefully considered and are taken in the best interests of the company and its shareholders.

ISS has recommended to vote FOR agenda proposal item 7.1, the binding vote on the maximum aggregate amount of compensation of the Board of Directors for the next term of office.

However, despite the clarifications and corrections made by ABB, ISS has continued to recommend to vote AGAINST the proposals of the board regarding agenda item 2.0, the consultative vote on the 2016 compensation report, and item 7.2, the binding vote on the maximum aggregate amount of compensation of the executive committee for the following year 2018.

Given that ISS states in its report that ABB's compensation policies and practices are in general aligned with market practice and ABB provides a high level of disclosure on compensation compared to market standards, the Board finds ISS' recommendations to vote AGAINST the 2016 Compensation Report and the proposed maximum aggregate amount of compensation of the executive committee for 2018 difficult to understand.

The Board respects all shareholder votes, and is committed to continued engagement with shareholders to ensure a full understanding of diverse viewpoints. Before you cast your votes on agenda item 2.0 and agenda item 7.2, please consider the following:

1. CEO pay-for-performance rating

ISS states that there is high degree of concern regarding the CEO's pay for performance. We believe the rating methodology used by ISS leads to the wrong conclusion. As a part of their pay for performance rating, ISS has adopted a 3-year lookback methodology and compares CEO's salary to a set of their own defined peer set. The ABB Board takes a medium to long-term perspective and is focused on having the right resources and performance based compensation system to successfully execute the multi-year transformation of ABB. ABB, under the leadership of the current CEO, started this journey in 2013, and the first years were about fixing the basics and laying the foundations for future value creation. The real benefits and value creation for shareholders only started to be seen in the last 12 months. Therefore, it is the Board's opinion that it is not appropriate to compare the CEO total compensation to a share price performance over the past 3 years. Also, we challenge the peer set defined by ISS since most of them are not comparable.

ABB is driving a performance culture and has adapted its compensation programs accordingly to ensure the compensation principles are aligned with performance. If we evaluate 2016, the fixed component in the CEO's compensation amounted to 33%, and the variable component, which is entirely performance driven, amounted to 66%. As can be seen in page 71 of our Annual Report, our performance metrics are aligned with the targets and metrics of the company. In addition, the 2016 vested payout for the performance component of the 2013 LTIP was 43 percent and 2015 vested payout of the 2012 LTIP was 51 percent, clearly demonstrating that the payout strictly reflects the achievement of the pre-defined performance targets.

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2. Pension of the CEO and of the EC members in general

ISS states that employer pension contribution for the CEO has been excessively increased over the two years, 2015 and 2016. The Executive Committee members' pension level, including that of the CEO, was benchmarked against a group of 50 companies in the European market, and the Board decided to make the necessary pension adjustment because it was below the median of the benchmarked group. In 2015, the CEO's monthly pension contribution was increased within the second half of 2015 and the full year impact was only seen in 2016. There were no further increases to the rate of the CEO's pension contributions. The amount in 2016 is obviously higher than in 2015, simply because it contains a full year of contributions. It was not adjusted twice as was stated in ISS's earlier report which they subsequently corrected. Furthermore, ISS only focused on the pension contribution on a standalone basis in these two years and failed to mention that the pension contribution is only one component of the CEO's total compensation. In context of the CEO's 2016 total compensation there is a slight increase (including Pension) of 2% over 2015. ABB remains committed to a performance driven executive compensation system and the pension increase did not materially change the balance between the fixed and the performance-driven variable components of the CEO's pay over the years 2014 to 2016 (33%/67% in 2014, 31%/69% in 2015 and 33%/67% in 2016).

3. Concerns on performance-linked compensation for the Executive Committee

As a result of ISS concerns over the new pension arrangement, ISS questions whether future compensation increases related to the Executive Committee will be performance- based and therefore recommends that the 4% requested increase in the maximum aggregate compensation submitted to AGM vote should be rejected. As clearly demonstrated in points 1 and 2 above, ABB believes that this recommendation stems from a wrong conclusion regarding the pension increases and their linkage to pay-for-performance. ISS itself stated, "By Swiss market standards, a 4 percent year-over-year increase in the pay envelope for executive management may be considered normal". Furthermore, ABB has outlined its principles to Executive Committee compensation on page 65 as well as the further changes to short term and long term incentive changes in 2017 as outlined on page 72 to be even more individual and team performance driven.

ABB is committed to the highest standards of corporate governance on all matters including compensation, transparency and disclosure. During the last few years, we have taken significant steps to strengthen our corporate governance by implementing the rules of the Ordinance against Excessive compensation in Stock Exchange Listed Companies, introducing annual elections of the Chairman of the Board, of all Board members and of the Compensation Committee members. We have changed the executive compensation to be clearly aligned with our shareholders and the targets of the company.

We will continuously endeavor to address any issues or suggestions shareholders may have regarding our compensation system. Engagement with our shareholders on governance and compensation is an important component critical to our company's long term success. We are happy to speak with you on this or any related matter.

Yours sincerely,

Peter Voser
Chairman of the Board of Directors

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