

ABB LTD, CAPITAL MARKETS DAY, OCTOBER 4, 2016

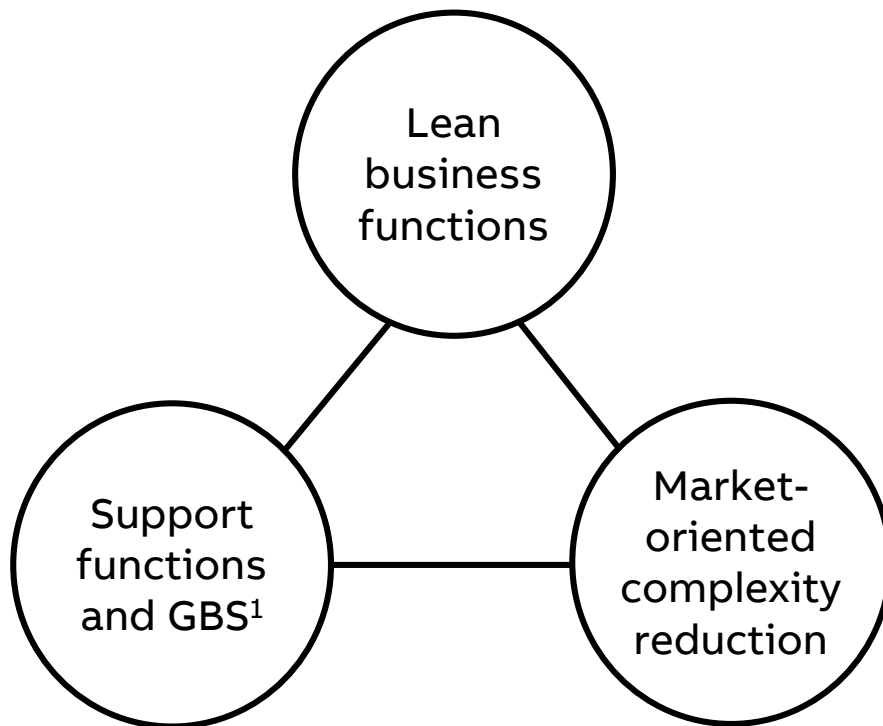
White Collar Productivity

Transformation on track – target increased

Jean-Christophe Deslarzes, Chief Human Resources Officer

White Collar Productivity

Transforming to a leaner, more agile and more customer-focused ABB



Topics covered:

WCP starting point and achievements

Business function example: SCM²

Support function example: HR³

Market-oriented complexity reduction

White Collar Productivity starting point

Recap from ABB Capital Markets Day 2015

Lean
business
functions

Business functions

Fragmented footprint, scale not leveraged
No common sales processes, customer face time underutilized
Low automation levels
Supply Chain Management spend mainly handled at local level

Support
functions
and GBS

Support functions

68 country-based shared service centers
Low level of standardization (20%)
Limited presence in low-cost countries (<20%)

Market-
oriented
complexity
reduction

Organization complexity

5 Divisions, 8 Regions, 23 business units
12 management layers and narrow span of control
Inflated HQ covering classic HQ, business line and transactional activities

Examples of transformational change

Customers

Marketing & Sales



Salesforce.com rolled out in 92 countries
23,000 active users
Single CRM¹ tool across all businesses



New customer interaction model “cost to serve”
Implemented in 16 countries
Covering multiple businesses across two Divisions

\$90 mn investment in marketing & sales

Examples of transformational change

Driving our businesses

Engineering



~1,500 engineers in centers in India and Czech Republic

Standard resource planning tools in 2 Divisions

Supply Chain Management



ABB factories transitioning to transport management centers

Currently ~90 factories in 15 countries in transition

Global Business Services¹

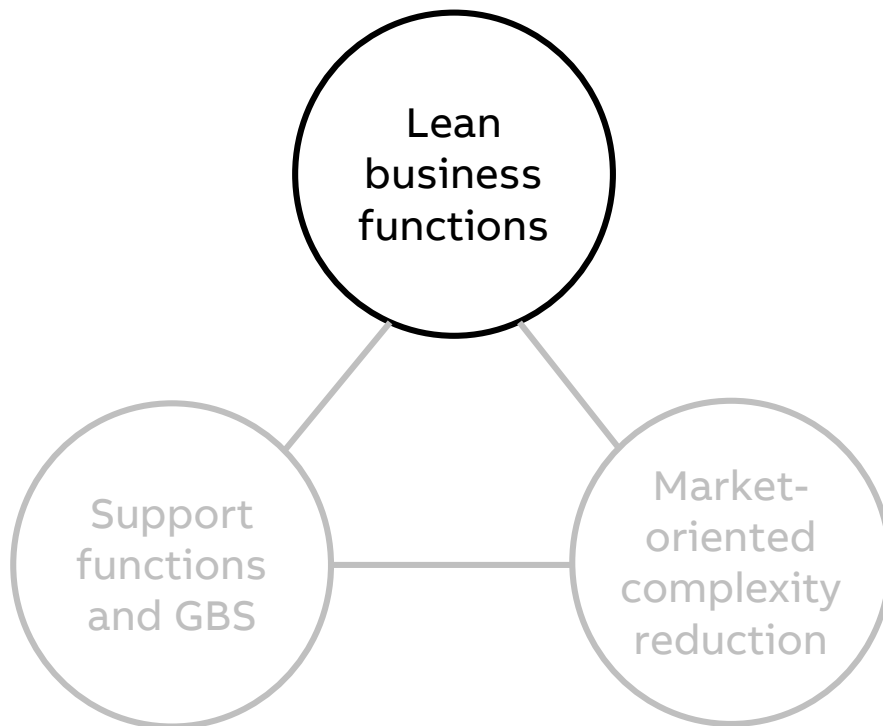


GBS implementation well on track, serving 24 countries

>2,000 employees in GBS centers

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Business function example: SCM



Topics covered:

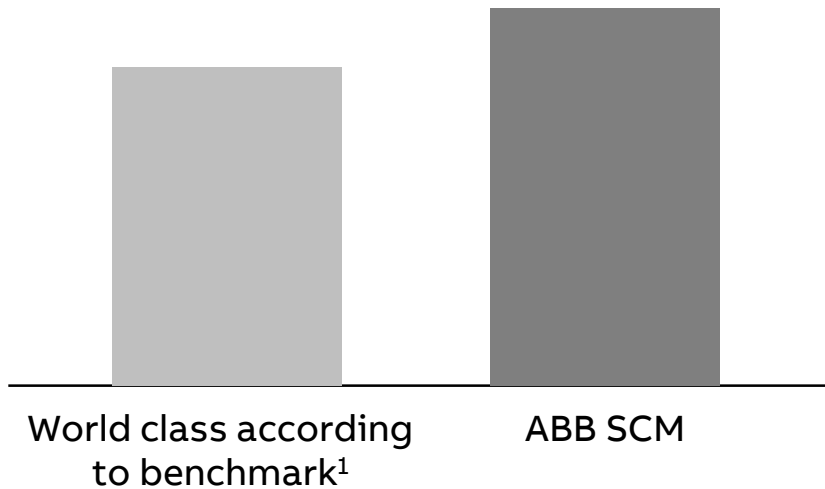
SCM transformation

*Daniel Helmig,
Head of Supply Chain Management*

Supply Chain Management

Delivering on cost reductions

Annual cost reduction performance



Continuous savings performance over several years

Delivering a significant part of 3 – 5% annually reported CoGS² reduction

Recognized as leaders in SCM employee competence building

World-class savings performance

Supply Chain Management

Our starting point: high savings performance, opportunities on productivity

Transport & Logistics

Fragmented

\$1.5 bn external spend managed mainly locally

>3,500 road forwarders

~60% of trucks less than full capacity utilization

Transactional Procurement

Plant level

26,000 orders per day managed on plant level

50% of plants without EDI¹ connection to suppliers

Number of buyers well in excess of benchmark

Strategic Sourcing

Low leverage

World-class cost reduction performance

Significant spend still sourced at plant level

Opportunities in optimizing our supply base

Below productivity benchmarks²

Supply Chain Management

WCP enabled transformational change

Transport & Logistics

Transport Management Centers

Move to 10 TMCs¹

15 out of 22 countries in transition (90 plants)

21st century logistics software live in first TMC

>30% lower cost for early TMC adopters

Transactional Procurement

Global Business Services

Move to GBS Centers

26 plants already live in GBS Krakow & Bangalore

USA, Europe & China plants transitioning in 2016

Roll-out of digital solution for 90% of transactions

Strategic Sourcing

Centers of Expertise

Create >250 category leads

BUs identified 130 categories to be managed globally

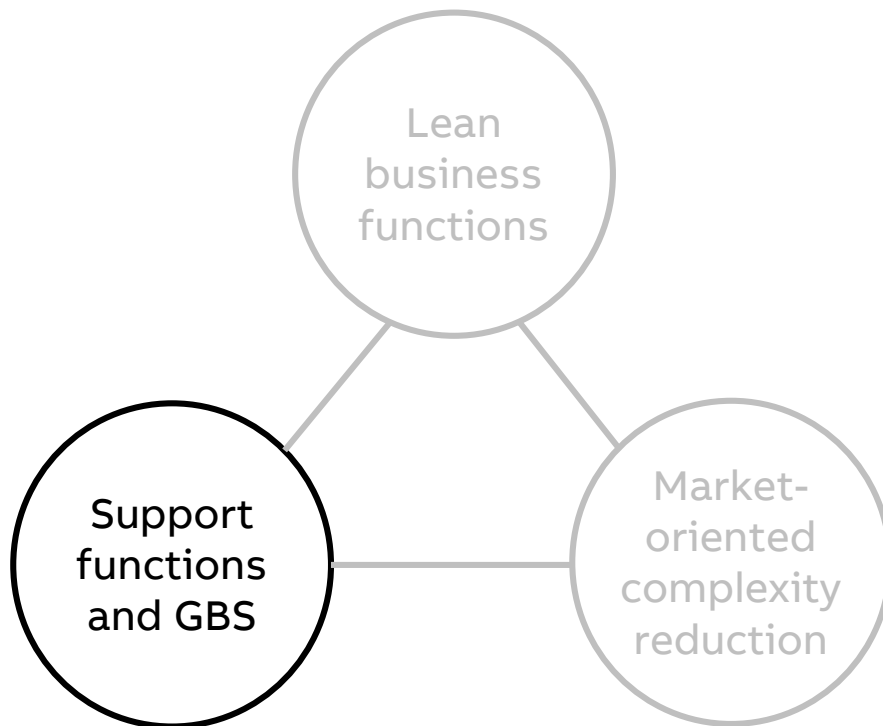
\$11 bn out of \$16 bn spend moves to global category management

Pilot CoE² “Indirect” (\$4 bn) increased savings by 25% y-o-y

Our flight plan = 20% productivity improvements and even more CoGS savings

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Support function example: HR



Topics covered:

HR transformation

*Sylvia Hill,
Head of Global HR Services and HR
Transformation*

Human Resources

Our starting point

Roles & responsibilities

Overlapping

Non-coherent definition of roles within HR, redundant activities

Transactional activities

Scattered

HR Business Partners spending 40% of their time on transactional activities

HR analytics

Limited scope

Missing common metrics and dashboards

End-to-end processes

Diverse

Optimized at country level, globally varying

External spend

Fragmented

Costly vendor landscape (e.g. >4,000 learning providers)

Human Resources

WCP enabled transformational change

Roles & responsibilities

Redesign

Three pillar model: business partnering¹, global governance², and service delivery³

Transactional activities

Migrated to GBS

50% of ABB employees served from GBS centers, up to 30% cost savings

HR analytics

Extended

Established portfolio of global standardized people reports

End-to-end processes

Standardized

Global delivery capability, e.g. 70,000 individual performance scorecards automatically delivered out of a global center

External spend

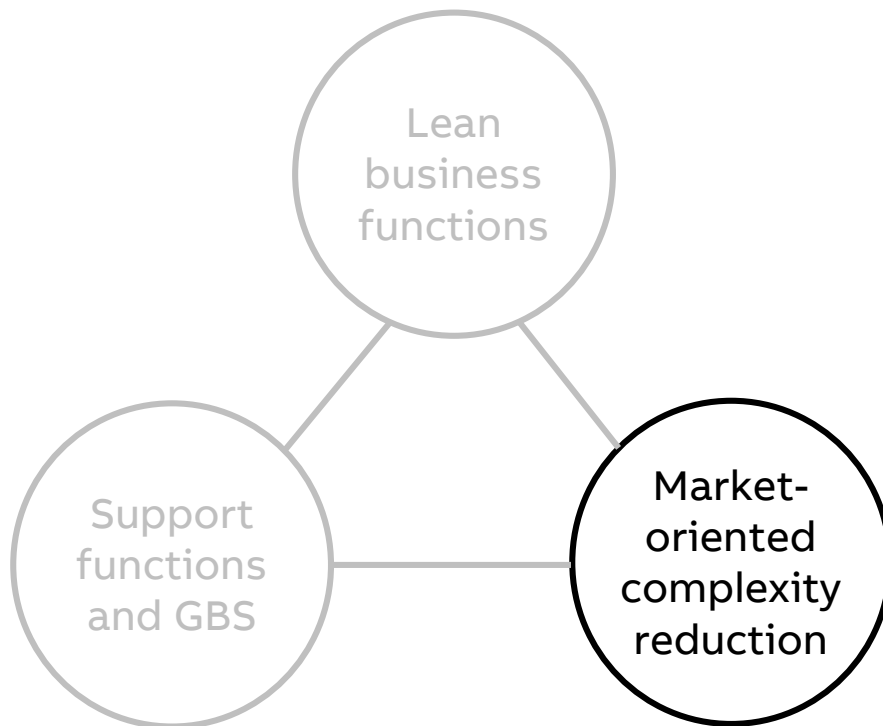
Optimized

Streamlined vendor landscape resulting in 25% savings

GBS centers up and running – employee satisfaction increased

White Collar Productivity

Market-oriented complexity reduction



Topics covered:

Organizational simplification

*Haider Rashid,
Head of White Collar Productivity
Program*

Complexity reduction initiatives delivering benefits ahead of schedule

Measures announced at CMD 2015

Status today

Simplify the organization –
20% complexity reduction in all dimensions

From 5 Divisions and 8 Regions to
4 Divisions and 3 Regions

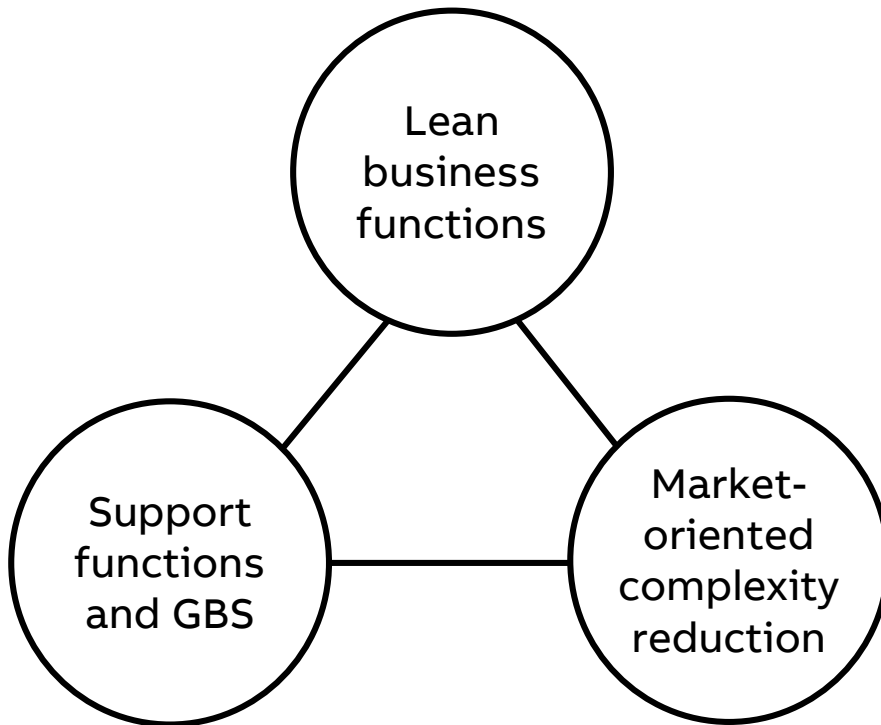
Reduce management layers from 12 to 8

98% of employees in 8 layers

Leaner HQ focused on strategy,
governance and control

HQ reduced by 30%¹, moved from 4 to 1
existing building

Delivering a leaner, more agile and more customer-focused ABB



Increased target from \$1 bn to \$1.3 bn

Scope, measures and costs¹ remain unchanged

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ABB