

Compensation report

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Letter from the Chairman of the Compensation Committee

Highlights

- Continuity in Executive Committee (EC) composition and compensation structure in 2014
- EC compensation governance and structure revised as of 2015 – in wake of new corporate strategy, stakeholder feedback and regulation – to increase performance orientation

Dear shareholder,

It is my pleasure as chairman of the Board's Compensation Committee (CC) to have this opportunity to present our work, and in particular to draw your attention to highlights of the 2014 Compensation Report and changes to executive compensation taking effect in 2015. Your active interest and feedback have been most valuable in shaping the new Executive Committee (EC) compensation model.

My colleagues on the CC are Michael Treschow and Ying Yeh; the three of us were elected by you to serve on the Committee at the 2014 Annual General Meeting (AGM). Our primary role is to oversee the company's compensation policy and the implementation of executive compensation programs. The Committee exists in its current form since the Board's decision in April 2014 to split the Governance, Nomination and Compensation Committee into two separate committees – the CC and the Governance and Nomination Committee (GNC).

One of the tasks we undertook in 2014 was to review the compensation of Board members in the light of this reorganization and of current Board compensation at major Swiss companies. This resulted in the first increase in total Board compensation in seven years.

Continuity in EC composition and compensation structure in 2014

The composition of the EC remained the same throughout 2014 and the Board made no changes to the design and mix of EC compensation. However, due to the absence of special share-based grants in 2014 and to numerous changes in the composition of the EC in 2013, total EC compensation was 20 percent lower in 2014 than in the previous year. Short-term variable compensation was also lower for 2014, reflecting company profitability and cash flows in that year that were below the performance objectives set by the Board.

ABB and the landscape in which the company operates have evolved in ways that shape the executive compensation package that shareholders will vote on at the next AGM in April 2015. To provide some background for the vote, let me outline how ABB's environment has changed, how the Board has revised EC compensation and why we believe the changes are in the interest of shareholders.

Alignment of compensation with recently announced Next Level strategy

First, ABB launched its Next Level strategy in September 2014, with the goal of accelerating sustainable value creation over the years 2015 to 2020, as explained in the Chairman and CEO letter on pages 2–5. This strategy builds on the company's strong positions in its core business areas of power and automation, and on the focus areas of profitable growth, relentless execution and business-led collaboration.

Second, close interaction with stakeholders provided valuable feedback on the design, mix and levels of EC compensation. We consider this type of dialogue important to gather views on our current and developing compensation practices to ensure they continue to be aligned with the long-term interests of our shareholders.

Third, changes to Swiss law expanded the rights of shareholders in publicly listed companies, giving them a binding vote on Board and executive compensation.

Strengthening ABB's performance culture

The CC's main task in 2014 was therefore to adapt the executive compensation system so that it is better aligned with the interests of shareholders and supports the Next Level strategy's goals. Additionally, the CC sought to ensure that our compensation report provides the information and transparency that shareholders expect. I believe that the changes made to our compensation system will further strengthen ABB's performance culture, and that the revised report will better enable shareholders to exercise their new rights.

The revised executive compensation system, which takes effect in 2015, is designed to improve business speed, agility and customer focus. It places a greater emphasis on an individual's targets in order to drive and reward outstanding performance, and to achieve a balance between an individual's and ABB's company-wide objectives. In addition, it broadens the set of targets used to measure performance to include objectives directly related to those of the Next Level strategy such as strengthening competitiveness, driving organic growth and lowering risk.

Furthermore, we have refined ABB's long-term variable compensation plan based on the feedback from stakeholders on the design and mix of our EC compensation. The weighting of the component that is linked to earnings-per-share performance has been increased and we have added a net income vesting criterion to the other component.

We are confident that the changes made to executive compensation align well both with the changing environment in which ABB operates and with the company's Next Level strategy. My CC colleagues and I hope that this report meets your expectations and we look forward to continuing our dialogue with you.

Michel de Rosen
Chairman of the Compensation Committee
Zurich, March 5, 2015

Compensation highlights

New regulation in 2014

ABB's compensation report has been revised and expanded compared with previous years to address feedback from stakeholders and to reflect new regulation that requires, starting in 2015, shareholders of publicly listed companies in Switzerland to vote on compensation for the Board of Directors and executive management.

The report has been prepared in accordance with applicable regulations, including the Swiss Code of Obligations, the Swiss Ordinance against Excessive Remuneration in Listed Companies Limited by Shares, and the rules of the stock markets where ABB's shares are listed in Switzerland, Sweden and the U.S. The report also fully adheres to the Swiss Code of Best Practice for Corporate Governance.

Key facts 2014

Table 1: Overview of total compensation (in CHF)

Board term	2014–2015	2013–2014
Board of Directors	3,630,000	3,500,000
Calendar year	2014	2013
Executive Committee	38,699,707	48,651,862

For a breakdown of total Board compensation by individual and component see tables 3 and 9 on pages 46 and 60. For EC compensation by individual and component see tables 10 and 11 on pages 61 and 62.

For the 2014–2015 term of office, aggregate Board compensation increased by 3.7 percent, the first increase in seven years.

The EC's total compensation was lower in 2014 than in 2013, due to the absence of special share grants in 2014, changes in the composition of the EC in 2013, and a below-target payout on short-term variable compensation of 85.8 percent in 2014 compared with 100 percent in 2013.

Revised compensation principles for 2015

Based on the Next Level strategy launched in September 2014 and on the feedback received from stakeholders since the last AGM, the Board has revised the compensation principles. As of 2015, those principles are:

Linked and balanced	Compensation linked to the Next Level strategy and performance through ambitious objectives, robust performance monitoring and a sound balance between Group and individual performance
Competitive	Annual base salaries of top management set between market median and upper quartile in order to attract suitable talent
Performance driven	Ambitious targets set in the Group's planning processes, and variable pay aimed at upper quartile when these objectives are achieved
Comprehensive KPIs	All performance metrics support development of earnings per share and cash return on invested capital; and cover financial, operational, change and behavioral performance
Market tested	Compensation mix and levels tested annually against benchmarks that include selected ABB peers and appropriate markets

Principal refinements in ABB's executive compensation system as of 2015

The Board has also refined various elements of EC compensation as of 2015, including:

- a more comprehensive set of key performance indicators to drive the execution of the strategy and the creation of shareholder value;
- in short-term variable compensation, a better balance between an individual's and the Group's performance. In addition, the Board will no longer have discretion over the size of the payout where the Group targets are exceeded; and
- in long-term variable compensation, stronger performance considerations including more emphasis on the earnings-per-share development and the addition of a net income objective threshold as a vesting condition.

Components of EC compensation in 2015

ABB's compensation structure is designed to be competitive in local labor markets, and to encourage executives to deliver outstanding results. Also, EC compensation is designed to be balanced in terms of fixed versus variable compensation and in terms of short- versus long-term incentives:

	Fixed compensation	Variable compensation	
	Base salary	Short-term	Long-term
Purpose	Compensates executives based on their responsibilities, experience and skillset	Rewards performance against specific KPIs	Encourages creation of long-term, sustainable value for the shareholders
Performance influencing grant size or payout	Individual performance and behavior	Financial and non-financial corporate and individual performance	Corporate (also vs peers) and individual performance
Delivery	Cash	Cash	Shares and cash

Votes at 2015 AGM

At the AGM in April 2015, ABB's shareholders will vote on maximum aggregate compensation to the Board for the term of office running from the AGM in 2015 until the AGM in 2016, and on maximum aggregate EC compensation for the calendar year 2016. In addition, shareholders will have a non-binding vote on the 2014 compensation report (see Chart 7 on page 59).

In order to provide shareholders with information for these votes, this report includes a compensation outlook, in addition to the review of compensation in 2014. The report has three sections presenting:

- the principles, governance and levels of Board and EC compensation in 2014;
- the main changes to compensation governance and EC compensation as of 2015; and
- tables of Board and EC compensation and share/option ownership in 2014 and 2013.

1. Compensation in 2014

1.1 Board compensation governance and levels

In 2014, the CC was responsible for making recommendations to the Board on the level of compensation of Board members, while the Board took the final decisions (see Table 2).

The Board and CC regularly benchmark the levels and mix of compensation of Board members against the compensation of non-executive board members of publicly traded companies in Switzerland that are part of the Swiss Market Index.

In connection with the Board's decision to increase the number of its committees from two to three by splitting the GNCC, the Board revised its compensation structure. As a result, overall Board compensation for the 2014–2015 term of office increased 3.7 percent, the first increase since 2007.

Board members are paid for their service over a 12-month period that starts with their election at the AGM. Payment is made in semi-annual installments. Board members do not receive pension benefits and are not eligible to participate in any of ABB's employee incentive programs.

Half of each member's compensation is paid in the form of ABB shares, though Board members can choose to receive all of their compensation in shares. The shares are kept in a blocked account for three years. Departing Board members are entitled to the shares when they leave the company.

2014–2015 Board compensation

In connection with the Board's decision to increase the number of its committees, the Board decided to raise compensation of its members for the 2014–2015 term of office by 3.7 percent, the first increase in seven years. At least half of each Board member's compensation is paid in the form of ABB shares kept in a blocked account for three years.

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

The Board is satisfied that the compensation structure aligns the interests of its members with those of ABB's shareholders.

Table 2: Clearly defined roles and responsibilities

	CC	Board
Board compensation		
Aggregate compensation	→	→
Compensation of individual members	→	→

- Recommendation
- - - - -> Approval

The CC proposes the compensation both for the entire Board and its individual members; the Board takes the respective decisions.

The compensation amounts per Board member for the 2014–2015 and 2013–2014 terms of office are shown in Table 3 below.

Table 3: Total compensation per Board member

Name	Function	Board term	Board term
		2014–2015 (CHF)	2013–2014 (CHF)
Hubertus von Grünberg ⁽¹⁾	Chairman of the Board	1,200,000	1,200,000
Roger Agnelli ⁽²⁾	Member of the Board	330,000	300,000
Matti Alahuhta ⁽¹⁾⁽⁴⁾	Member of the Board	320,000	–
Louis R. Hughes ⁽²⁾	Member of the Board and Chairman of the Finance, Audit and Compliance Committee	400,000	400,000
Hans Ulrich Märki ⁽³⁾⁽⁵⁾	Member of the Board and Chairman of the Governance, Nomination and Compensation Committee	–	400,000
Michel de Rosen ⁽³⁾⁽⁶⁾	Member of the Board and Chairman of the Compensation Committee	350,000	300,000
Michael Treschow ⁽¹⁾⁽³⁾⁽⁶⁾	Member of the Board and Chairman of the Governance and Nomination Committee	380,000	300,000
Jacob Wallenberg ⁽²⁾	Member of the Board	330,000	300,000
Ying Yeh ⁽³⁾⁽⁶⁾	Member of the Board	320,000	300,000
Total		3,630,000	3,500,000

⁽¹⁾ Member of the Governance and Nomination Committee since April 30, 2014.

⁽²⁾ Member of the Finance, Audit and Compliance Committee.

⁽³⁾ Member of the Governance, Nomination and Compensation Committee until April 30, 2014.

⁽⁴⁾ Elected as new Board member at ABB Ltd AGM on April 30, 2014.

⁽⁵⁾ Did not stand for re-election at ABB Ltd AGM on April 30, 2014.

⁽⁶⁾ Member of the Compensation Committee since April 30, 2014.

For compensation amounts per Board member in the calendar years 2014 and 2013, see Table 9 on page 60.

1.2 Executive Committee compensation

1.2.1 Principles and governance

The Board considers the Group's compensation system to be an important factor in attracting, motivating and retaining people with the talent necessary to strengthen the company's position as a global leader in power and automation.

The system therefore aims to provide compensation that is competitive in local labor markets and encourages employees to deliver outstanding results. At the same time, a balance between fixed and variable compensation and between short- and long-term incentives is designed to align the interests of employees with those of other stakeholders and ensure that performance is sustainable.

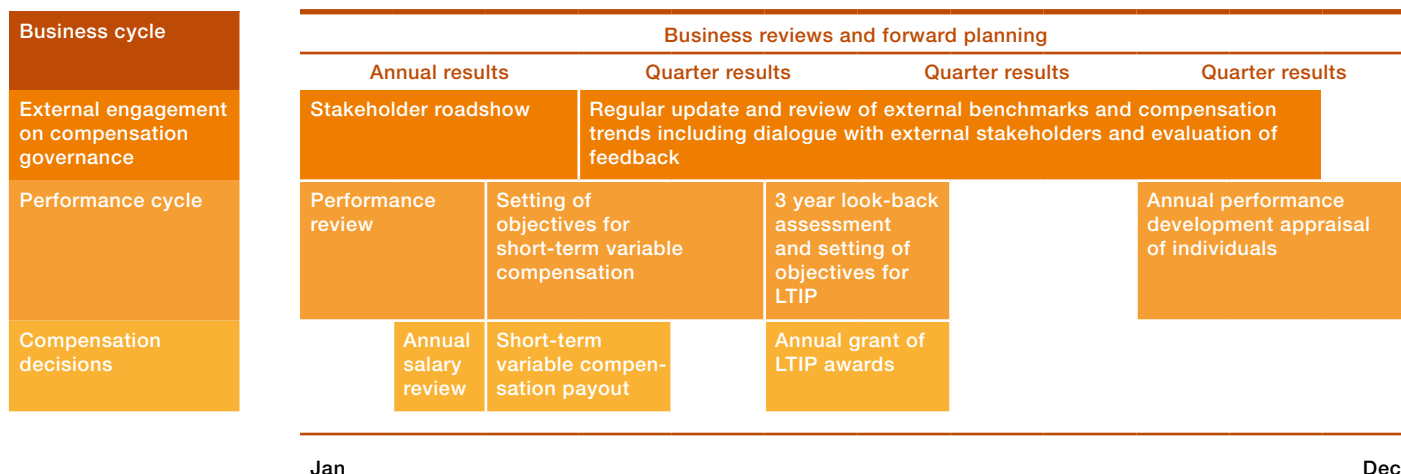
For several years, executive compensation at ABB has been based on the principles that it should be market oriented and competitive, drive performance and reward the creation of shareholder value. Benchmarking ensured that compensation was at a level that would attract and retain the key talent that ABB needs to drive its success globally, and performance metrics including financial objectives, individual performance and behavior, and the evolution of the share price, determined the compensation levels in 2014.

In addition, compensation elements were focused on rewarding the delivery of outstanding and sustainable results without inappropriate risk taking.

Alignment of strategy, performance and compensation

The Board defines the ultimate direction of the business of ABB and regularly reviews progress on the strategy. Based on these reviews, the Board sets annual budgets and performance targets, and ensures that the company's compensation arrangements support implementation of the strategy and reflect performance (see Chart 1).

Chart 1: Cycle of alignment by the Board of strategy, performance and compensation



To effectively align strategy, performance and compensation, the target setting and review processes are directly linked to the financial and budget processes.

The Board and its Compensation Committee (CC) have direct oversight of compensation principles and of executive compensation at ABB. The CC is responsible for developing the general compensation principles and practices of ABB and for recommending them to the full Board, which takes the final decisions (see Table 4 on page 48).

The Board's responsibility for compensation governance

The Board sets the compensation principles for ABB and the compensation of members of the Executive Committee (EC). It ensures that strategy, performance and compensation are aligned.

The Board and CC drive and steer the continuous development of ABB's executive compensation system to ensure that it attracts, motivates and retains people with the talent necessary to strengthen the company's position as a global leader in power and automation.

The CC, on behalf of the Board, regularly reviews the compensation policy and structure, and recommends to the Board specific proposals on executive compensation to ensure that they are consistent with ABB's compensation principles.

Information on the meetings held in 2014 by the CC and its predecessor, the GNCC, can be found in section 5.4 of the Corporate governance report.

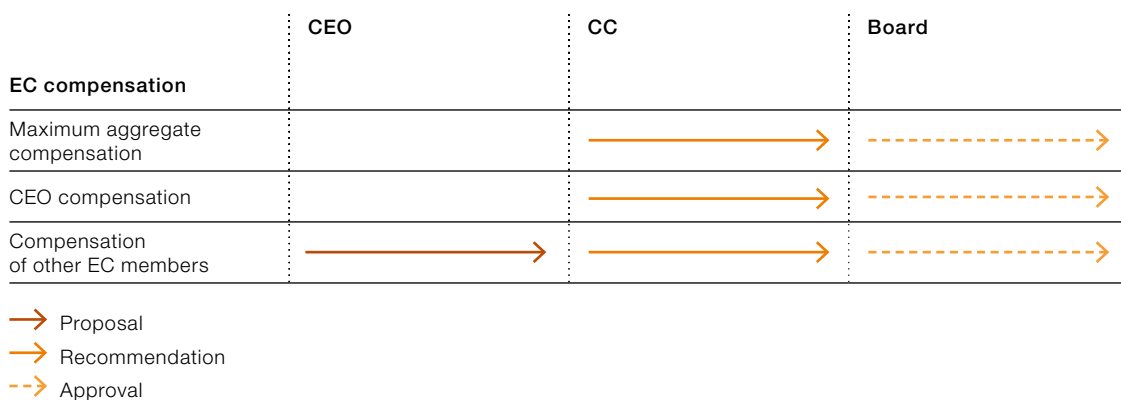
Annual reviews

Each year, the Board reviews the CEO's performance while the CEO reviews the performance of other EC members and makes recommendations to the CC on their individual compensation. For 2014, the full Board took the final decisions on compensation for all EC members, none of whom participated in the deliberations on their own compensation.

The Board also sets the ABB annual objectives that determine short-term variable compensation, taking into account the recommendations of the CC.

The Board sets the overall grant size of the Long-Term Incentive Plan (LTIP), the principal mechanism through which ABB encourages executives to create shareholder value over the long term, and approves the individual grants made to the CEO and other EC members.

Table 4: The Board decides on EC compensation



Compensation levels for the CEO are proposed by the CC, while those of the other EC members are proposed by the CEO. The Board is responsible for all approvals.

Benchmarks

ABB uses benchmarks and third-party consultants to evaluate positions throughout the company; assess the competitiveness of EC compensation levels; analyze market trends with regard to executive compensation design and mix; and provide advice on compensation.

All senior positions in ABB have been evaluated using a consistent methodology developed by the Hay Group, whose job evaluation system is used by more than 10,000 companies around the world. This approach provides a meaningful, transparent and consistent basis for comparing compensation levels at ABB with those of equivalent jobs at other companies that have been evaluated using the same criteria.

In 2014, the Board primarily used the General Pan-European Market data in Hay's annual Top Executive Compensation in Europe survey to set EC compensation, which was targeted to be above the median values for the market. Other indicators considered included Hay's data on the Swiss and European industry markets and on U.S. peers.

Hostettler & Company (HCM), an independent consultant specializing in performance management and compensation, provides advice to the CC in the area of compensation. HCM has no other mandate with ABB.

1.2.2 Components of EC compensation

ABB aims for total EC compensation to be competitive, as well as balanced in terms of fixed versus variable compensation and in terms of short- versus long-term incentives. It also aims to reflect performance considerations in each component of executive compensation, as shown in Chart 2.

The objective is to encourage outstanding performance that delivers sustainable results without excessive risk taking.

In addition to the benchmarks mentioned above, the Board considered individual performance, experience, potential and the prevailing conditions in the market, when setting each EC member's compensation.

The main components of executive compensation in 2014 were unchanged from the previous year and consisted of: cash compensation including base salary, short-term variable compensation, pension and other benefits; and share-based compensation in the form of grants under the LTIP.

Fixed compensation – Annual base salary and benefits

The base salary for members of the EC is set taking into account positions of comparable responsibility outside ABB. When considering changes in base salary, the executive's performance during the preceding year against individual objectives is taken into account.

Members of the EC received pension benefits, paid into the Swiss ABB Pension Fund and the ABB Supplementary Insurance Plans (the regulations are available at www.abbvorsorge.ch), except for one member who is covered under the plans of ABB Inc. in the U.S. The compensation of EC members also included social security contributions and other benefits, as outlined in Table 10 on page 61. Tax equalization was provided for EC members resident outside Switzerland to the extent that they were not able to claim a tax credit in their country of residence for income taxes they paid in Switzerland.

Chart 2: Linkage of EC compensation components to performance

	Fixed compensation		Variable compensation		
	Base salary	Benefits	Short-term variable compensation	Long-Term Incentive Plan Performance component	Long-Term Incentive Plan Retention component
Performance period	Previous 1 year		Next 1 year	Next 3 years	Previous 1 year and 3 years
Performance measures affecting allocation	Individual objectives				Size of EC grant: ABB performance in previous 3 years Size of individual grant: performance in previous year
Performance measures affecting payout			ABB financial and non-financial objectives	Earnings per share	
Payment	Cash	Cash-based	Cash	Cash	Shares and cash

The compensation of EC members consists of a base salary and benefits, a short-term variable component dependent on annual performance objectives, and a long-term variable component.

Variable compensation

Short-term variable compensation

Payment of the short-term variable component of compensation for 2014 was conditional on the fulfillment of predefined ABB performance objectives that were specific, quantifiable and challenging. The 2014 objectives, shown in Table 5 on page 51, were aligned with strategic targets that had been communicated to shareholders.

Fully achieving the objectives would have resulted in a payout equivalent to 150 percent of the base salary for the CEO and 100 percent of the base salary for other members of the EC. Underperformance would have resulted in a lower payout, or none at all if performance had been below the defined threshold for each of the objectives. If the objectives had been exceeded, the Board would have had the authority to approve a payout that was up to 50 percent higher, representing up to 225 percent of the base salary for the CEO and 150 percent of the base salary for other members of the EC.

Long-term variable compensation

An important principle of executive compensation at ABB is that it should encourage EC members to drive the creation of long-term value for the company's shareholders in a sustainable way. Granted annually, LTIPs are the principal mechanism through which this is achieved.

Under the terms and conditions of the LTIP, the Board decides whether EC members who leave the company before the end of the three-year period forfeit the unvested grant, or receive all or a portion of such grants. The Board also decides whether to grant LTIPs to new participants or

Continuity in 2014

Executive compensation in 2014 consisted of a base salary and benefits, a short-term variable component and a long-term variable component. Neither the components of executive compensation nor the EC structure changed in 2014 compared with the previous year.

change the size of an LTIP grant to an existing participant for up to six months after the launch of a plan, if the existing participant's responsibilities change. These Board decisions are made taking into account the recommendations of the CC.

The LTIP granted in 2014 comprised a performance component and a retention component. Their proportions in relation to the base salary are explained in Section 1.2.3.

Performance component

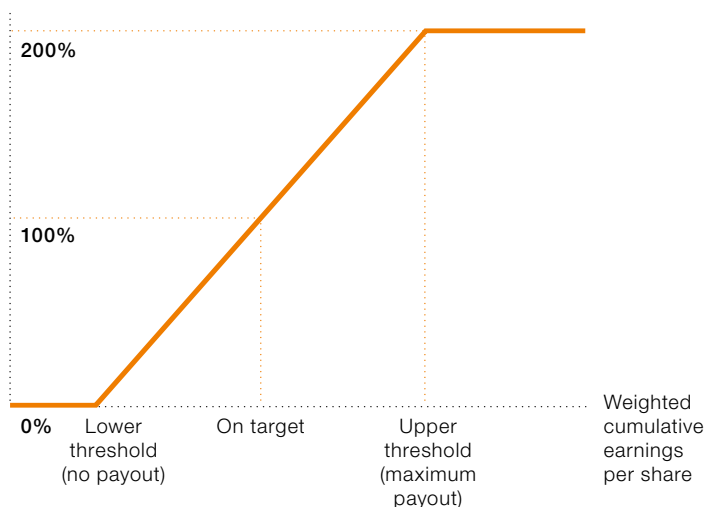
The performance component of the plan is designed to reward participants for increasing earnings per share⁽¹⁾ (EPS) over a three-year period.

The payout is based on ABB's weighted cumulative EPS performance against predefined objectives. This EPS objective is primarily based on an investor's perspective and is derived taking into account the growth expectations, risk profiles, investment levels and profitability levels that are typical for the industry (ie, outside-in view). The EPS target-setting process assumes that investors expect a risk-adjusted return on their investment which is based on market value (and not book value), and translates such expected returns over a three-year period into EPS targets. The weighted cumulative EPS result is calculated as 33 percent of EPS in the first year plus 67 percent of EPS in the second year plus 100 percent of EPS in the third year. There is no payout if the lower threshold is not reached and payout is capped at 200 percent of the reference number of shares conditionally granted if performance exceeds the upper threshold. The payout percentages are shown in Chart 3. The payout at the end of the three-year period, if any, will be made in cash.

⁽¹⁾ Earnings per share is defined in the terms of the LTIP as diluted earnings per share attributable to ABB shareholders calculated using Income from continuing operations, net of tax, unless the Board decides to calculate using Net income for a particular year.

Chart 3: Alignment with shareholders by linking payout of performance component to EPS development

Payout % of reference number of shares under the performance component



The LTIP rewards participants for increasing EPS over a three-year period. The payout of the performance component is based on ABB's weighted cumulative EPS performance against predefined objectives.

Retention component

This component of the LTIP granted in 2014 aimed to retain executives at ABB. Members of the EC were conditionally granted shares, which are delivered at the end of the vesting period generally three years from grant date, subject to fulfillment of the vesting conditions, which required them to be employed by ABB as of the vesting date.

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

Share delivery under LTIP

Shares under our LTIP are typically delivered from treasury shares. Our contingent share capital, together with our treasury shares, is used to cover our obligations in connection with our share plans, including our conditional share grants under the LTIP. In addition, the Board has determined that any dilution of shareholders in connection with LTIP share deliveries shall not exceed 1 percent annually.

Vesting in 2014 of performance component of 2011 LTIP

There was no payout for the performance component of the 2011 LTIP that vested in 2014. This was the last LTIP in which the value created for the company's shareholders was measured in terms of total shareholder return, which is the percentage change in the value of the ABB share plus dividends over a three-year period relative to a specific group of peers. EPS was adopted as the relevant measure for the performance component of LTIP launches beginning in 2012.

1.2.3 Level of EC compensation

Overview

There were no changes to the composition of the EC during 2014, nor to the design and mix of compensation. Due mainly to factors in 2013 that were not repeated in 2014, total EC compensation was lower in 2014 than in the previous year. For a breakdown of compensation by individual and component in each of these years, see Table 10 on page 61 and Table 11 on page 62.

Total cash-based compensation was 25.8 million Swiss francs in 2014 compared with 29.0 million Swiss francs in 2013. The difference is mainly attributable to ABB not achieving the target performance in some of the 2014 objectives for short-term variable compensation.

Share-based compensation was 12.9 million Swiss francs in 2014 compared with 19.7 million Swiss francs in 2013. The difference is mainly attributable to the absence of special share-based grants in 2014 and changes in the composition of the EC during 2013.

In 2014, fixed compensation represented 33 percent of the CEO's compensation and an average of 46 percent for the other EC members. The ratio of fixed to variable components in any given year will depend on the performance of the individuals and of the company against predefined ABB performance objectives.

Base salary and benefits

The base salary and benefits are fixed elements of the annual EC compensation packages, while the other components are variable. The benefits consist primarily of pension contributions. Other benefits comprise mainly social security and health insurance contributions.

Short-term variable compensation

Although the company exceeded the short-term objectives for orders, cost savings and Net Promoter Score (NPS) set by the Board, it was below target but above threshold on revenues, operational EBITDA and operating cash flow (see Table 5). This resulted in a payout of 85.8 percent of the target short-term compensation, compared with 100 percent in 2013.

Long-term variable compensation

Performance component

At the launch of the 2014 LTIP, participants were allocated a reference number of conditionally granted shares for the performance component that was equivalent to 67 percent of base salary for the CEO (compared with 100 percent for the previous CEO in 2012) and 42 percent for the other members of the EC.

Table 5: Group-wide 2014 objectives and performance for short-term variable compensation

Objective ⁽¹⁾	Weighting	Performance
Orders received	12.5%	●
Revenues	12.5%	●
Operational EBITDA ⁽²⁾	25%	●
Operating cash flow ⁽³⁾	25%	●
Cost savings	15%	●
Net Promoter Score ⁽⁴⁾	10%	●

- On or above target
- Above threshold and below target
- Below threshold

⁽¹⁾ The financial objectives exclude the impact of currency fluctuations, major acquisitions and divestments, and the impact of discontinued operations where appropriate.

⁽²⁾ See definition in "Note 23 Operating segment and geographic data" to ABB's Consolidated Financial Statements.

⁽³⁾ Operating cash flow is defined as net cash provided by operating activities, reversing the cash impact of interest, taxes, restructuring-related activities and one-time pension contributions.

⁽⁴⁾ Net Promoter Score (NPS) is a metric based on dividing customers into three categories: Promoters, Passives, and Detractors. This is achieved by asking customers in a one-question survey whether they would recommend ABB to a colleague. In 2014, ABB had a target to increase the proportion of countries that have improved their NPS compared to the previous year.

Short-term variable compensation payout is dependent on performance.

The performance component of LTIP is valued at the grant date using the ABB share price and Monte Carlo modeling, a mathematical technique that calculates a range of outcomes and the probability that they will occur. The model is an accepted simulation method under U.S. generally accepted accounting principles (U.S. GAAP – the accounting standard used by ABB).

Retention component

For the retention component in 2014, the reference grant size for the CEO was equivalent to 100 percent of base salary. The other EC members received a grant from a pool whose reference size was equivalent to 65 percent of their combined base salaries.

The reference grant size for the CEO and the pool for the other EC members for any particular launch can each be increased or decreased by the Board by up to 25 percent, based on an assessment of ABB's performance against its peers over the three years preceding the launch of the plan. In 2014, the Board assessed ABB's 2011–2013 performance on: revenue growth, cash return on invested capital, EBITDA margin, share price development, share price to earnings ratio, NPS development, integrity and safety performance.

Based on the strong NPS development, revenue growth and cash return ratios identified in the assessment, and on a significant improvement in integrity processes, the Board increased the reference grant size of the retention component in the 2014 LTIP launch by 22 percent in aggregate for all EC participants.

The Board allocated shares from this pool to each individual EC member, based on an assessment of their individual performance in 2013. The number of shares conditionally granted to EC members under LTIP during 2014 is included in Table 14 on page 64.

Other compensation

Members of the EC are eligible to participate in the Employee Share Acquisition Plan (ESAP), a savings plan based on stock options, which is open to employees around the world. Seven members of the EC participated in the 11th annual launch of the plan. EC members who participated in that launch are each entitled to acquire up to 480 ABB shares at 20.97 Swiss francs per share, the market share price at the start of that launch.

For a more detailed description of ESAP, please refer to "Note 18 Share-based payment arrangements" to ABB's Consolidated Financial Statements contained in the Financial review of ABB Group section of this Annual Report.

Compensation of former EC members

Furthermore, in 2014, certain former EC members received contractual compensation for the period after leaving the EC. The compensation included the base salary, benefits and short-term variable compensation for 2014. The compensation is shown gross (ie, before deduction of employee's social insurance and pension contributions) in Table 12 on page 63. Compensation to former EC members in 2013 is shown in Table 13 on page 63.

1.2.4 Share ownership and severance provisions

Share ownership requirement

To further strengthen the alignment of executives' interests with those of shareholders, EC members are required to build up a holding of ABB shares that is equivalent to a multiple of their base salary, as set out in Table 6.

Table 6: Share ownership requirements for EC members

Chief Executive Officer	5 × base salary
Other EC members	4 × base salary

Only shares owned by an EC member and the member's spouse are included in the share ownership calculation. Vested and unvested options are excluded.

As the level of the shareholding requirement is high relative to market practice, the Board has determined that members of the EC should aim to reach these multiples within five years of their appointment. The CC reviews the status of EC share ownership on an annual basis. It also reviews the required shareholding amounts annually, based on salary and expected share price developments.

Notice and severance provisions

Employment contracts for EC members contain notice periods of 12 months, during which they are entitled to compensation comprising their base salary, benefits and short-term variable compensation. Since January 1, 2013, contracts for new EC members no longer include a provision extending compensation for up to 12 additional months if their employment is terminated by ABB and if they do not find alternative employment within the notice period that pays at least 70 percent of their compensation. In accordance with Swiss law and ABB's Articles of Incorporation, the contracts for the other EC members will be amended in 2015 to exclude this provision.

1.3 Additional information about 2014

1.3.1 Additional compensation information

In 2014, ABB did not pay any fees or compensation to the members of the Board or the EC for services rendered to ABB other than those disclosed above. Except as disclosed in section 7 of the Corporate governance report, ABB did not pay any additional fees or compensation in 2014 to persons closely linked to a member of the Board or the EC for services rendered to ABB.

Except as disclosed in this Compensation report, ABB did not make any payments in 2014 to former members of the Board or the EC in connection with such roles.

Following the spirit of ABB's compensation policy, none of ABB's Board members, EC members or members of senior management receives "golden parachutes" or other special benefits in the event of a change of control. No loans or guarantees were granted to members of the Board or the EC in 2014.

1.3.2 Holdings of ABB shares

The members of the Board and EC owned less than 1 percent of ABB's total shares outstanding as of December 31, 2014.

Table 16 on page 66 shows the number of ABB shares held by each Board member as of December 31, 2014 and 2013. Except as described in this table, no member of the Board and no person closely linked to a member of the Board held any shares of ABB or options in ABB shares.

No additional fees and compensation; Board and EC owned <1% of ABB's shares

In 2014, ABB did not pay any additional fees or compensation to members of the Board or EC, to people closely linked with them, or to former members of the Board or EC in connection with such role. The members of the Board and EC owned less than 1 percent of ABB's shares at the end of 2014.

As of December 31, 2014, members of the EC held ABB shares (or American Depositary Shares – ADS – representing such shares), the conditional rights to receive shares under the LTIP, options (either vested or unvested as indicated) under the Management Incentive Plan (MIP), and unvested shares in respect of other compensation arrangements, as shown in Table 17 on page 67. Their holdings as of December 31, 2013, are shown in Table 18 on page 68.

Furthermore, as of December 31, 2014, members of the EC held Warrant Appreciation Rights (WARs) and conditionally granted ABB shares under the performance component of the LTIP 2014, 2013 and 2012, which at the time of vesting will be settled in cash, as shown in Table 19 on page 69. Their equivalent holdings as of December 31, 2013, are shown in Table 20 on page 70.

Members of the EC cannot participate in the MIP. Any MIP instruments held by EC members were awarded to them as part of the compensation they received in earlier roles that they held in ABB.

Except as described in tables 17–20, no member of the EC and no person closely linked to a member of the EC held any shares of ABB or options on ABB shares as of December 31, 2014 and 2013.

2. Revisions taking effect in 2015

Effective as of 2015, the Board is modifying ABB's compensation system to reflect valuable feedback from our stakeholders and to align it with the Next Level strategy presented in September 2014.

In addition changes were made to ABB's Articles of Incorporation at the 2014 AGM to reflect a change in Swiss law giving shareholders a greater say on Board and executive compensation. These changes include the right to elect the members of the CC as well as to approve the maximum aggregate amounts of Board and EC compensation.

2.1 Changes to compensation governance

Starting in 2015, the process for approval of maximum aggregate compensation of each of the Board and the EC will be as follows:

Table 7: Shareholders vote on maximum aggregate compensation of both Board and EC

	CEO	CC	Board	Shareholders
Board compensation				
Maximum aggregate compensation		→	→	- - - - ->
Compensation of individual members		→	- - - - ->	
EC compensation				
Maximum aggregate compensation		→	→	- - - - ->
CEO compensation		→	- - - - ->	
Compensation of other EC members	→	→	- - - - ->	

- Proposal
- Recommendation
- - - - -> Approval

The table shows the new levels of decision-making authority as of 2015. Up to and including 2014, the Board took the final decision on the level of compensation for its members and the EC, as illustrated in Tables 2 and 4 on pages 45 and 48.

The Board's proposals to shareholders at the 2015 AGM will relate to compensation in the 12 months following the AGM for the Board and in the calendar year 2016 for the EC. The Board will propose a fixed level of compensation for its own members. For the EC, the Board will propose a compensation package in which some components are dependent on performance.

The EC's maximum aggregate compensation for 2016 will consist of the total base salary and benefits of its members, the maximum possible payout of the short-term variable compensation component, and the value of the maximum possible LTIP grant calculated according to the method described in Section 1.2.3.

Shareholders will have a non-binding, consultative vote on the compensation report for 2014.

2.2 Changes to executive compensation structure

2.2.1 Guiding principles

The new executive compensation system is designed to support the achievement of financial targets and improvements in key operations, and to drive focused change and the related leadership behaviors required.

To help achieve these goals, the Board has further developed ABB's key principles of executive compensation:

- *Linked and balanced:* Compensation is linked to the Next Level strategy and performance through ambitious objectives, robust performance monitoring and a sound balance between Group and individual performance

Stronger linkage of pay to performance

The Board has adapted executive compensation to take into account feedback from stakeholders and align performance objectives with those of the company's Next Level strategy. All performance metrics support the interest of shareholders by driving earnings per share and cash return on invested capital.

- *Competitive:* Annual base salaries of top management are set between the market median and upper quartile in order to attract suitable talent
- *Performance driven:* Ambitious objectives are set in ABB's planning processes, and variable pay is aimed at the upper quartile level when these objectives are met
- *Comprehensive KPIs:* All performance metrics support the development of earnings per share and cash return on invested capital, and cover financial, operational, change and behavioral performance
- *Market tested:* Compensation mix and levels are tested annually against benchmarks that include selected ABB peers and appropriate markets in which the company operates

These principles represent an evolution of the principles that governed executive compensation at ABB until 2014 (see Section 1.2.1), and their adaptation to the requirements of the company's new strategic objectives.

2.2.2 Compensation link with Next Level strategy and performance

Following the revision of the key principles of executive compensation, the Board has changed the design of certain elements to strengthen the focus on performance that directly supports the Next Level strategy's goals. The system therefore places greater emphasis on an individual's objectives than in the past, and introduces a broader set of performance metrics (see Chart 4). These changes will help management ensure that the results are achieved in a sustainable way.

Base salary

The annual review of individual performance assesses each EC member's results and behavior with respect to the Next Level strategy's objectives.

Short-term variable compensation

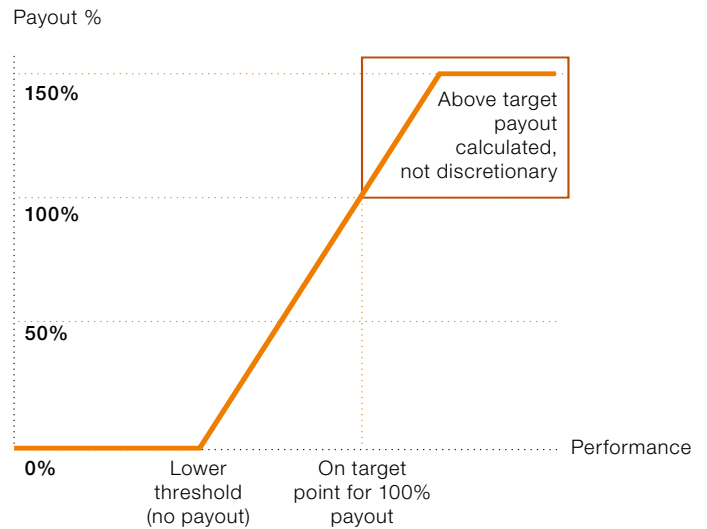
Formerly based entirely on ABB Group's performance, short-term variable compensation for each EC member will from 2015 be based on a balance between the Group's results and the member's individual performance. The change reflects the Board's aim to align incentives more closely to the role of each EC member in implementing the Next Level strategy in his or her areas of responsibility, to strengthen rewards for outstanding individual performance, and to achieve a better balance in compensation between company and individual performance.

Individual objectives will cover key performance indicators that go beyond the Group's results. They will include metrics that help the management to assess whether the results are achieved in a sustainable way, and with the appropriate processes and changes required to deliver the intended long-term results. These individual objectives will include the following types of objectives aligned with the Next Level strategy:

Financial	Operational
eg, drivers of earnings per share and cash return on invested capital	eg, improvements in costs, cash, customer satisfaction and safety
Change	Leadership
eg, contribution to implementation of the Next Level strategy and its attendant change programs	eg, behavior that supports strategic direction

Chart 4: Short-term variable compensation linked to clearly defined objectives

	Performance measures
Group objectives	4–6 parameters (eg, orders received, revenues, EBITA, operational cash flow)
Individual objectives	<ul style="list-style-type: none"> – Additional financial objective – Operational execution metrics – Goals under change programs – Leadership objectives



The short-term variable compensation component will be based on a balance between Group and individual performance as of 2015. Payout, if any, is proportional to the calculated performance up to the level at which it is capped.

Payment will continue to be conditional on the fulfillment of predefined annual objectives that are specific and challenging. Performance that is below these objectives results in a lower payout, or none at all if performance is below a certain threshold. If the objectives are exceeded, the payout may be up to 50 percent higher. However, the short-term variable compensation payout for 2015 will be directly proportional to the degree of performance achieved up to the level at which it is capped. Previously, the size of the payout for exceeding the objectives was at the Board’s discretion, up to the cap of 150 percent.

Long-term variable compensation

ABB has also revised the structure of LTIP, starting with the plan to be launched in 2015, to improve the emphasis on performance measures (see Table 8 on page 57).

Performance component 1 (P1)

The size of this component at the grant date will continue to depend on ABB’s performance in the preceding three years and on the individual’s performance in the preceding year, but its weighting has been reduced to 50 percent from 60 percent. The vesting of this component is subject to ABB achieving a net income threshold in the financial year prior to the year in which the plan vests.

This component will continue to be settled in shares (70 percent) and cash (30 percent), although beneficiaries can elect to receive 100 percent in shares.

Performance component 2 (P2)

The component based on earnings-per-share performance has been given a larger weighting of 50 percent (previously 40 percent).

This component, previously settled in cash, will be settled in shares (70 percent) and cash (30 percent), although beneficiaries can elect to receive 100 percent in shares, to further strengthen the alignment of EC members’ interests with those of shareholders.

Table 8: LTIP components with increased emphasis on performance

Design up to 2014	Retention component...	Performance component...
Weighting	60%	40%
Delivery	Shares and cash	Cash
Design as of 2015	... becomes Performance component 1 (P1)	... becomes Performance component 2 (P2)
Weighting	50%	50%
Delivery	Shares and cash	Shares and cash

As of 2015 the weighting of the component based on EPS performance has been increased and a net income threshold has been introduced for the other component. More of the LTIP will be settled in shares to better align the interests of EC members with those of shareholders.

2.2.3 Illustration of compensation amounts in 2014, 2015 and 2016

Relative size of compensation components

The components of EC compensation can vary in size. Chart 5 shows the relative proportions of the components under minimum, target and maximum scenarios under the revised EC compensation system taking effect in 2015.

Chart 5: Size of compensation components under different scenarios

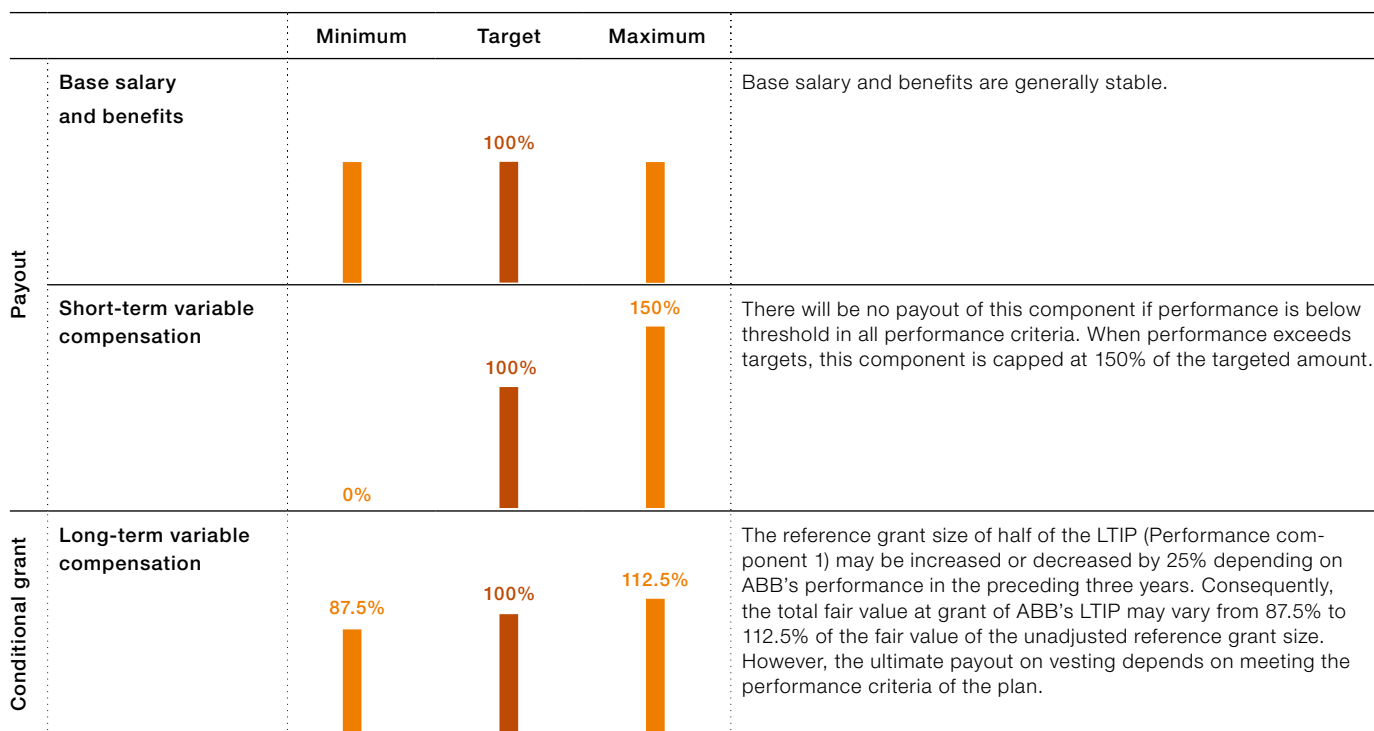
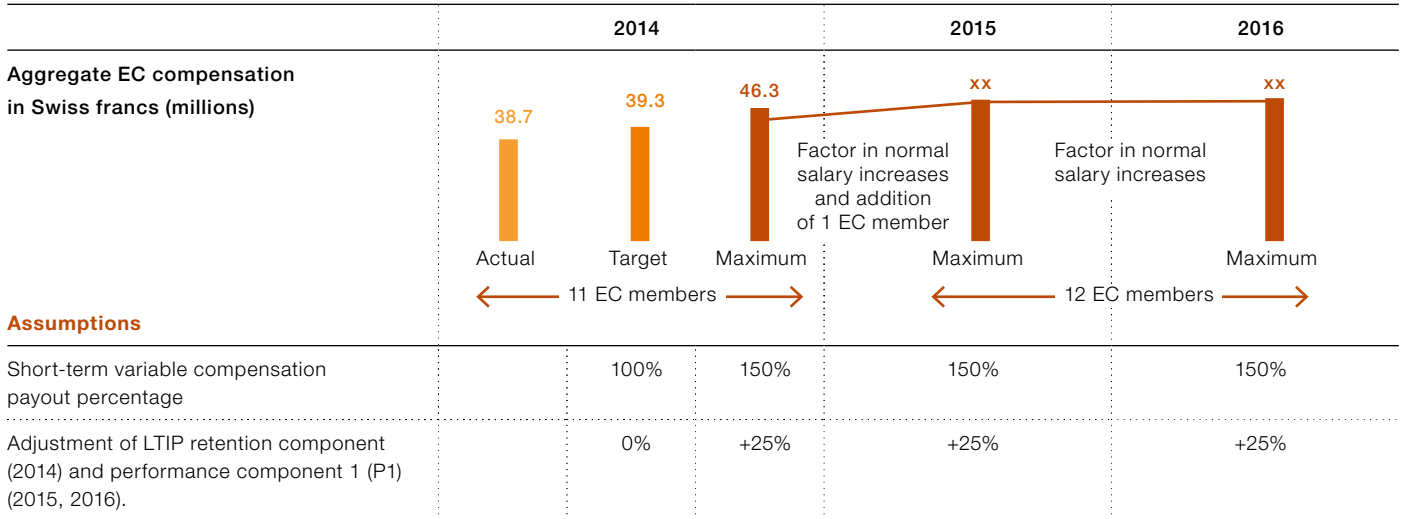


Chart 6: Overview of considerations in calculation of maximum aggregate EC compensation



Considerations in shareholder proposal

Chart 6 illustrates the considerations in the proposal for the maximum aggregate compensation for the EC for 2016, which will be submitted to shareholders for their approval at the 2015 AGM.

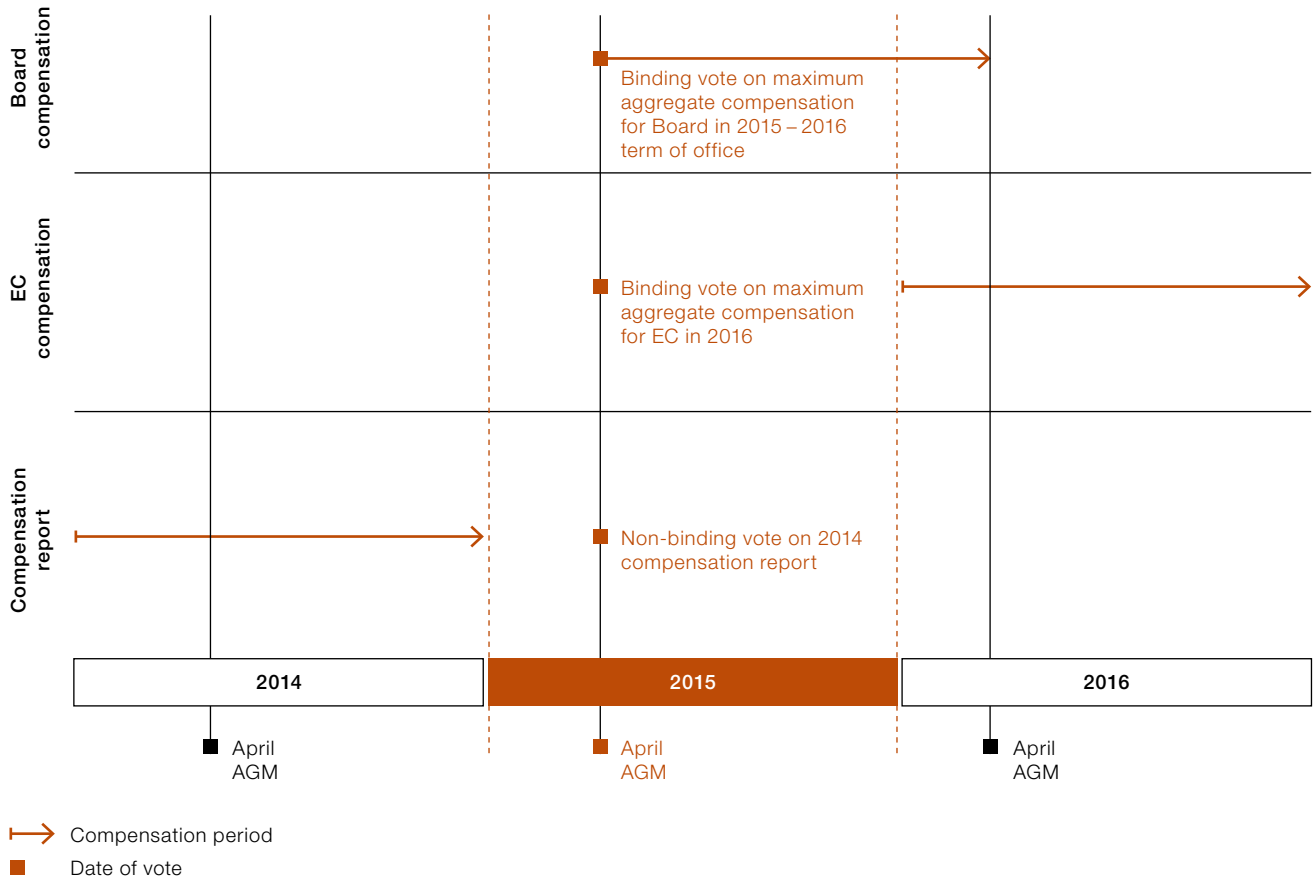
The maximum aggregate compensation amount submitted to shareholders for approval will almost always be higher than the actual payout, as it must cover the potential maximum value of each component of compensation.

2.3 Responding to shareholder expectations

The new design of executive compensation described above is the outcome of a thorough review of stakeholder expectations undertaken by the CC and the Board. It takes into account the feedback provided in dialogue with stakeholders as well as the goals of a new strategy fully focused on delivering value for shareholders in the form of higher earnings per share and cash return on invested capital.

Our independent consultant and the use of benchmarks have helped to ensure that the revised system is also well-aligned with practices at ABB's peers and other companies of similar size operating in comparable markets.

Chart 7: Shareholders will have three separate votes on compensation at 2015 AGM



At the 2015 AGM there will be separate binding votes on maximum aggregate compensation for the Board in its 2015–2016 term of office and on maximum aggregate compensation for the EC in 2016. There will also be a non-binding vote on the 2014 Compensation report.

With its stronger emphasis on performance, on a balance of Group and individual objectives, on behavioral change and on metrics that directly reflect the Next Level strategy's goals, the Board believes that the new system of executive compensation is fully aligned with the interests of ABB's shareholders.

Finally, the Swiss Ordinance against Excessive Remuneration in Listed Companies Limited by Shares means ABB's shareholders will have greater influence on compensation, as illustrated by Chart 7 above.

3. Compensation and share ownership tables

Table 9: Board compensation in 2014 and 2013

Name/Function	Paid in 2014				Total compensation paid in 2014 ⁽³⁾⁽⁴⁾⁽⁵⁾	Paid in 2013				Total compensation paid in 2013 ⁽⁴⁾⁽⁵⁾
	November Board term 2014–2015		May Board term 2013–2014			November Board term 2013–2014		May Board term 2012–2013		
	Settled in cash ⁽¹⁾ (CHF)	Settled in shares – number of shares received ⁽²⁾	Settled in cash ⁽¹⁾ (CHF)	Settled in shares – number of shares received ⁽²⁾		Settled in cash ⁽¹⁾ (CHF)	Settled in shares – number of shares received ⁽²⁾	Settled in cash ⁽¹⁾ (CHF)	Settled in shares – number of shares received ⁽²⁾	
Hubertus von Grünberg ⁽⁶⁾ <i>Chairman of the Board</i>	–	20,976	–	19,563	1,200,000	–	19,616	–	19,739	1,200,000
Roger Agnelli ⁽⁷⁾ <i>Member of the Board</i>	82,500	2,779	75,000	2,359	315,000	75,000	2,419	75,000	2,442	300,000
Matti Alahuhta ⁽⁶⁾⁽⁸⁾ <i>Member of the Board</i>	80,000	2,912	–	–	160,000	–	–	–	–	–
Louis R. Hughes ⁽⁷⁾ <i>Member of the Board and Chairman of the Finance, Audit and Compliance Committee</i>	100,000	3,417	100,000	3,172	400,000	100,000	3,233	100,000	3,264	400,000
Hans Ulrich Märki ⁽⁹⁾⁽¹⁰⁾ <i>Member of the Board and Chairman of the Govern- ance, Nomination and Compensation Committee</i>	–	–	–	8,229	200,000	–	8,966	–	9,018	400,000
Michel de Rosen ⁽⁹⁾⁽¹¹⁾ <i>Member of the Board and Chairman of the Compensation Committee</i>	87,500	3,185	75,000	2,547	325,000	75,000	2,629	75,000	2,646	300,000
Michael Treschow ⁽⁹⁾⁽¹¹⁾ <i>Member of the Board and Chairman of the Govern- ance and Nomination Committee</i>	95,000	3,458	75,000	2,547	340,000	75,000	2,629	75,000	2,647	300,000
Jacob Wallenberg ⁽⁷⁾ <i>Member of the Board</i>	82,500	3,003	75,000	2,547	315,000	75,000	2,629	75,000	2,647	300,000
Ying Yeh ⁽⁹⁾⁽¹¹⁾ <i>Member of the Board</i>	80,000	2,736	75,000	2,391	310,000	75,000	2,460	75,000	2,474	300,000
Total	607,500	42,466	475,000	43,355	3,565,000	475,000	44,581	475,000	44,877	3,500,000

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

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

⁽³⁾ For the 2014–2015 Board term, all members elected to receive 50% of their gross compensation in the form of ABB shares, except for Hubertus von Grünberg who elected to receive 100%.

⁽⁴⁾ For the 2013–2014 and 2012–2013 Board terms, all members elected to receive 50% of their gross compensation in the form of ABB shares, except for Hubertus von Grünberg and Hans Ulrich Märki who elected to receive 100%.

⁽⁵⁾ In addition to the Board remuneration stated in the above table, the Company paid in 2014 and 2013, CHF 664,870 and CHF 147,290, respectively, in related social security payments. The increase in 2014 compared to 2013 was primarily related to the reassessment and settlement of social security payments in various jurisdictions.

⁽⁶⁾ Member of the Governance and Nomination Committee since April 30, 2014.

⁽⁷⁾ Member of the Finance, Audit and Compliance Committee.

⁽⁸⁾ Elected as new Board member at ABB Ltd AGM on April 30, 2014.

⁽⁹⁾ Member of the Governance, Nomination and Compensation Committee until April 30, 2014.

⁽¹⁰⁾ Did not stand for re-election at ABB Ltd AGM on April 30, 2014.

⁽¹¹⁾ Member of the Compensation Committee since April 30, 2014.

Table 10: EC compensation in 2014

Name	Base salary (CHF)	Short-term variable compensation ⁽¹⁾ (CHF)	Pension benefits (CHF)	Other benefits ⁽²⁾ (CHF)	2014 Total cash-based compensation (CHF)	Estimated value of share-based grants under the LTIP in 2014 ⁽³⁾ (CHF)	2014 Total (incl. conditional share-based grants) (CHF)
Ulrich Spiesshofer ⁽⁴⁾	1,600,004	2,059,200	265,325	633,857	4,558,386	3,020,437	7,578,823
Eric Elzvik	850,007	729,300	264,591	287,769	2,131,667	991,551	3,123,218
Jean-Christophe Deslarzes	850,007	729,300	251,106	280,473	2,110,886	991,551	3,102,437
Diane de Saint Victor	1,000,001	858,000	287,455	410,421	2,555,877	1,166,531	3,722,408
Frank Duggan ⁽⁵⁾	748,145	641,908	328,518	607,503	2,326,074	894,155	3,220,229
Greg Scheu ⁽⁶⁾	792,670	680,111	7,719	192,980	1,673,480	849,085	2,522,565
Pekka Tiitinen	700,001	600,600	228,045	192,747	1,721,393	816,592	2,537,985
Tarak Mehta	794,426	686,400	235,777	622,037	2,338,640	1,053,812	3,392,452
Veli-Matti Reinikkala	770,006	660,660	275,328	303,877	2,009,871	898,250	2,908,121
Bernhard Jucker	969,009	831,402	291,729	510,281	2,602,421	1,250,933	3,853,354
Claudio Facchin	700,001	600,600	236,951	263,397	1,800,949	937,166	2,738,115
Total current Executive Committee members as of Dec. 31, 2014	9,774,277	9,077,481	2,672,544	4,305,342	25,829,644	12,870,063	38,699,707

⁽¹⁾ Represents accruals of the short-term variable compensation for the year 2014 for all EC members, which will be paid in 2015, after the publication of the financial results. Short-term variable compensation is linked to the objectives defined in the ABB Group's scorecard. Upon full achievement of these objectives, the short-term variable compensation of the CEO corresponds to 150 percent of his base salary, while for all other EC members it represents 100 percent of their respective base salary.

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

⁽³⁾ At the day of vesting (August 12, 2017), the value of the share-based awards granted under the LTIP may vary from the above numbers due to changes in ABB's share price and the outcome of the performance (earnings per share) parameter. The LTIP is also subject to service conditions. The estimated values have been calculated using the market value of the ABB share on the day of grant and additionally, in the case of the performance component of the LTIP, the Monte Carlo simulation model.

⁽⁴⁾ The above compensation figures for Ulrich Spiesshofer represent compensation in respect to his first full calendar year of service as CEO. His annual base salary remained unchanged at CHF 1,600,000.

⁽⁵⁾ Frank Duggan received 20 percent of his base salary in AED and 80 percent in EUR at a fixed AED/EUR exchange rate for the period January to December 2014. All AED amounts were converted into Swiss francs at a rate of CHF 0.2694219 per AED.

⁽⁶⁾ Greg Scheu received 100 percent of his base salary in USD. All USD amounts were converted into Swiss francs using a rate of CHF 0.9896 per USD.

Table 11: EC compensation in 2013

Name	Base salary (CHF)	Short-term variable compensation ⁽¹⁾ (CHF)	Pension benefits (CHF)	Other benefits ⁽²⁾ (CHF)	2013 Total cash-based compensation (CHF)	Estimated value of share-based grants under the LTIP in 2013 ⁽³⁾ (CHF)	Estimated value of replacement and special share-based grants in 2013 ⁽³⁾ (CHF)	2013 Total (incl. conditional share-based grants) (CHF)
Ulrich Spiesshofer (appointed CEO as of September 15, 2013) ⁽⁴⁾	1,097,346	1,336,375	247,293	232,225	2,913,239	2,859,135	–	5,772,374
Eric Elzvik (joined the EC on February 1, 2013)	779,173	779,167	238,437	228,478	2,025,255	981,672	–	3,006,927
Jean-Christophe Deslarzes (joined ABB on November 15, 2013) ⁽⁵⁾	107,938	108,611	20,557	26,576	263,682	991,307	3,381,127	4,636,116
Diane de Saint Victor ⁽⁶⁾	1,000,001	1,000,000	283,181	196,137	2,479,319	1,154,907	3,142,500	6,776,726
Frank Duggan ⁽⁷⁾	666,322	676,257	322,308	634,447	2,299,334	910,437	–	3,209,771
Greg Scheu ⁽⁸⁾	731,259	742,500	251,428	341,149	2,066,336	881,952	–	2,948,288
Pekka Tiitinen (joined the EC on September 15, 2013)	206,508	206,111	55,892	49,545	518,056	801,222	–	1,319,278
Tarak Mehta	760,424	766,500	230,159	363,814	2,120,897	910,437	–	3,031,334
Veli-Matti Reinikkala	770,006	770,000	270,799	204,648	2,015,453	585,598	–	2,601,051
Bernhard Jucker	965,842	969,000	287,455	239,366	2,461,663	1,246,516	–	3,708,179
Claudio Facchin (joined the EC on December 1, 2013)	58,334	58,334	19,373	3,790	139,831	816,396	–	956,227
Total current Executive Committee members as of Dec. 31, 2013	7,143,153	7,412,855	2,226,882	2,520,175	19,303,065	12,139,579	6,523,627	37,966,271
Joe Hogan (CEO until September 15, 2013) ⁽⁹⁾	1,423,758	2,135,625	207,007	948,293	4,714,683	–	–	4,714,683
Michel Demaré (CFO until January 31, 2013) ⁽⁹⁾	100,001	100,000	23,154	9,618	232,773	–	–	232,773
Gary Steel (EC member until November 15, 2013) ⁽⁹⁾	704,376	704,375	255,253	202,724	1,866,728	–	–	1,866,728
Prith Banerjee (EC member until May 31, 2013) ⁽⁹⁾	291,667	218,750	101,173	233,192	844,782	–	–	844,782
Brice Koch (EC member until November 30, 2013) ⁽⁹⁾	773,285	776,050	221,812	249,888	2,021,035	1,005,590	–	3,026,625
Total former Executive Committee members as of Dec. 31, 2013	3,293,087	3,934,800	808,399	1,643,715	9,680,001	1,005,590	–	10,685,591
Total	10,436,240	11,347,655	3,035,281	4,163,890	28,983,066	13,145,169	6,523,627	48,651,862

⁽¹⁾ Represents accruals of the short-term variable compensation for the year 2013 for all EC members, except for Prith Banerjee, who received, in May 2013, a pro-rata short-term variable compensation payment covering his period of service as an EC member in 2013. For all other EC members, the short-term variable compensation was paid in 2014, after the publication of the final results. Short-term variable compensation is linked to the objectives defined in the ABB Group's scorecard. Upon full achievement of these objectives, the short-term variable compensation of the CEO corresponds to 150 percent of his base salary, while for all other EC members it represents 100 percent of their respective base salary.

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

⁽³⁾ At the day of vesting (June 5, 2016), the value of the share-based awards granted under the LTIP may vary from the above numbers due to changes in ABB's share price and the outcome of the performance (earnings per share) parameter. The LTIP is also subject to service conditions, while the other share-based awards are subject to service and/or other conditions. The above amounts have been calculated using the market value of the ABB share on the day of grant and additionally, in the case of the performance component of the LTIP, the Monte Carlo simulation model.

⁽⁴⁾ The above compensation figures for Ulrich Spiesshofer represent compensation for the period January 1 to September 14, 2013, in his capacity as Head of the Discrete Automation and Motion division and thereafter as Chief Executive Officer. His annual base salary as CEO is CHF 1,600,000.

⁽⁵⁾ Jean-Christophe Deslarzes received a replacement share grant of 144,802 shares for foregone benefits with his previous employer, representing a grant date fair value of CHF 3,381,127. Of the total, 78,983 shares vest on November 15, 2016, while 65,819 shares vest on November 15, 2018.

⁽⁶⁾ Diane de Saint Victor received a special retention share grant of 150,000 shares representing a grant date fair value of CHF 3,142,500. The shares vest on December 31, 2015.

⁽⁷⁾ Frank Duggan received 20 percent of his base salary in AED and 80 percent in EUR at a fixed AED/EUR exchange rate for the period January to December 2013. All AED amounts were converted into Swiss francs at a rate of CHF 0.2422914 per AED.

⁽⁸⁾ On May 16, 2013, Greg Scheu received a special bonus of CHF 168,750, which was settled in shares (7,942 shares).

⁽⁹⁾ The compensation of former EC members was for their period of service as an EC member during 2013.

Table 12: Compensation to former EC members in 2014

Name	Base salary (CHF)	Short-term variable compensation ⁽¹⁾ (CHF)	Pension benefits (CHF)	Other benefits ⁽²⁾ (CHF)	2014
					Total cash-based compensation (CHF)
Joe Hogan (CEO until September 15, 2013) ⁽³⁾	502,503	753,750	74,194	1,126,823	2,457,270
Michel Demaré (CFO until January 31, 2013) ⁽⁴⁾	–	–	–	186,950	186,950
Gary Steel (EC member until November 15, 2013) ⁽⁴⁾	422,515	–	121,549	402,535	946,599
Brice Koch (EC member until November 30, 2013) ⁽⁴⁾	33,785	35,250	20,547	179,815	269,397
Prith Banerjee (EC member until May 31, 2013) ⁽⁵⁾	–	–	–	2,700	2,700
Total	958,803	789,000	216,290	1,898,823	3,862,916

⁽¹⁾ The short-term variable compensation was paid in 2014 at the time of departure from ABB.

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

⁽³⁾ The compensation of Joe Hogan was for the period January 1 to March 31, 2014, during which he was acting as a Senior Adviser to the ABB Board.

⁽⁴⁾ The compensation of Michel Demaré, Gary Steel and Brice Koch represents contractual obligations of ABB to those individuals in 2014, up to the time of their departure from ABB.

⁽⁵⁾ Prith Banerjee received tax advice related to his period of employment with ABB.

Table 13: Compensation to former EC members in 2013

Name	Base salary (CHF)	Short-term variable compensation ⁽¹⁾ (CHF)	Pension benefits (CHF)	Other benefits ⁽²⁾ (CHF)	2013
					Total cash-based compensation (CHF)
Joe Hogan (CEO until September 15, 2013) ⁽³⁾	586,253	879,375	85,239	323,314	1,874,181
Michel Demaré (CFO until January 31, 2013) ⁽⁴⁾	1,100,006	1,100,000	255,549	428,053	2,883,608
Gary Steel (EC member until November 15, 2013) ⁽⁴⁾	100,626	100,625	36,465	14,276	251,992
Brice Koch (EC member until November 30, 2013) ⁽⁴⁾	70,551	70,550	20,174	34,447	195,722
Total	1,857,436	2,150,550	397,427	800,090	5,205,503

⁽¹⁾ The short-term variable compensation was paid in 2014, after the publication of the financial results.

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

⁽³⁾ The above compensation figures of Joe Hogan represent compensation for the period September 16 to December 31, 2013, during which he was acting as a Senior Adviser to the ABB Board.

⁽⁴⁾ The above compensation figures of Michel Demaré, Gary Steel and Brice Koch represent contractual compensation for the period following their departure from the EC up to December 31, 2013.

Table 14: LTIP grants in 2014

Name	Reference number of shares under the performance component of the 2014 launch of the LTIP ⁽¹⁾⁽⁴⁾	Total estimated value of share-based grants under the performance component of the LTIP in 2014 ⁽²⁾ (CHF)	Number of retention shares granted under the 2014 launch of the LTIP ⁽³⁾	Total estimated value of share-based grants under the retention component of the LTIP in 2014 ⁽²⁾ (CHF)	Total number of shares granted under the 2014 launch of the LTIP ⁽¹⁾	Total estimated value of share-based grants under the LTIP in 2014 ⁽²⁾ (CHF)
Ulrich Spiesshofer	51,489	1,110,670	93,846	1,909,767	145,335	3,020,437
Eric Elzvik	17,147	369,878	30,549	621,673	47,696	991,551
Jean-Christophe Deslarzes	17,147	369,878	30,549	621,673	47,696	991,551
Diane de Saint Victor	20,173	435,152	35,940	731,379	56,113	1,166,531
Frank Duggan	15,463	333,553	27,548	560,602	43,011	894,155
Greg Scheu	14,684	316,749	26,159	532,336	40,843	849,085
Pekka Tiitinen	14,122	304,626	25,158	511,966	39,280	816,592
Tarak Mehta	16,139	348,135	34,677	705,677	50,816	1,053,812
Veli-Matti Reinikkala	15,534	335,084	27,674	563,166	43,208	898,250
Bernhard Jucker	19,548	421,670	40,750	829,263	60,298	1,250,933
Claudio Facchin	14,122	304,626	31,083	632,540	45,205	937,166
Total Executive Committee members as of December 31, 2014	215,568	4,650,021	403,933	8,220,042	619,501	12,870,063

⁽¹⁾ Vesting date August 12, 2017.

⁽²⁾ The shares of the performance component are valued using the market value of the ABB share on the grant date and the Monte Carlo simulation model. The estimated value applied to the shares of the retention component represents the market value of the ABB share on the grant date of the award.

⁽³⁾ The LTIP foresees delivering 30 percent of the value of the vested retention shares in cash. However, participants have the possibility to elect upon vesting to receive 100 percent of the vested award in shares.

⁽⁴⁾ The vested performance component under the plan, if any, will be fully settled in cash. The plan foresees a maximum payout of 200 percent of the number of reference shares, based on the weighted cumulative EPS performance against predefined objectives.

In addition to the above awards, seven members of the EC participated in the 11th launch of ESAP which will allow them to save over a 12-month period and, in November 2015, use their savings to acquire ABB shares under the ESAP. All EC members who participated in ESAP are each entitled to acquire up to 480 ABB shares at an exercise price of CHF 20.97 per share.

No parties related to any of the EC members received any fees or remuneration for services rendered to ABB, other than on an arm's length basis. A related party includes a spouse, children below the age of 18, legal or natural persons acting as a fiduciary and legal entities controlled by a member of the EC.

No loans or guarantees were granted to EC members in 2014.

Table 15: LTIP grants in 2013

Name	Reference number of shares under the performance component of the 2013 launch of the LTIP ⁽¹⁾⁽⁴⁾	Total estimated value of share-based grants under the performance component of the LTIP in 2013 ⁽²⁾ (CHF)	Number of retention shares granted under the 2013 launch of the LTIP ⁽¹⁾⁽³⁾	Total estimated value of share-based grants under the retention component of the LTIP in 2013 ⁽²⁾ (CHF)	Total number of shares granted under the 2013 launch of the LTIP ⁽¹⁾	Total estimated value of share-based grants under the LTIP in 2013 ⁽²⁾ (CHF)
Ulrich Spiesshofer (appointed as CEO as of September 15, 2013)	50,024	1,172,858	78,395	1,686,277	128,419	2,859,135
Eric Elzvik (joined the EC on February 1, 2013)	16,659	422,926	27,071	558,746	43,730	981,672
Jean-Christophe Deslarzes (joined ABB on November 15, 2013)	16,659	393,579	27,071	597,728	43,730	991,307
Diane de Saint Victor	19,599	497,564	31,848	657,343	51,447	1,154,907
Frank Duggan	15,023	381,392	25,632	529,045	40,655	910,437
Greg Scheu	14,553	369,460	24,830	512,492	39,383	881,952
Pekka Tiitinen (joined the EC on September 15, 2013)	13,720	321,678	22,294	479,544	36,014	801,222
Tarak Mehta	15,023	381,392	25,632	529,045	40,655	910,437
Veli-Matti Reinikkala	15,091	383,119	9,810	202,479	24,901	585,598
Bernhard Jucker	18,992	482,154	37,033	764,362	56,025	1,246,516
Claudio Facchin (joined the EC on December 1, 2013)	13,720	324,144	22,294	492,252	36,014	816,396
Total Executive Committee members as of December 31, 2013	209,063	5,130,266	331,910	7,009,313	540,973	12,139,579
Brice Koch (EC member until November 30, 2013) ⁽⁵⁾	16,593	421,250	28,311	584,340	44,904	1,005,590
Total former Executive Committee members as of December 31, 2013	16,593	421,250	28,311	584,340	44,904	1,005,590
Total	225,656	5,551,516	360,221	7,593,653	585,877	13,145,169

⁽¹⁾ Vesting date June 5, 2016.

⁽²⁾ The shares of the performance component are valued using the market value of the ABB share on the grant date and the Monte Carlo simulation model. The estimated value applied to the shares of the retention component represents the market value of the ABB share on the grant date of the award.

⁽³⁾ The LTIP foresees to deliver 30 percent of the value of the vested retention shares in cash. However, participants have the possibility to elect upon vesting to receive 100 percent of the vested award in shares.

⁽⁴⁾ The vested performance component under the plan, if any, will be fully settled in cash. The plan foresees a maximum payout of 200 percent of the number of reference shares, based on the weighted cumulative EPS performance against predefined objectives.

⁽⁵⁾ In connection with his resignation from ABB, Brice Koch forfeited all unvested share grants under the LTIP.

In addition to the above awards, nine members of the EC participated in the 10th launch of ESAP allowing them to save over a 12-month period and, in November 2014, use their savings to acquire ABB shares under the ESAP. All EC members who participated in ESAP were each entitled to acquire up to 440 ABB shares at an exercise price of CHF 22.90 per share. In addition, in accordance with the terms and conditions of the 10th launch of ESAP, each participant would receive one share free of charge for every 10 shares purchased.

No parties related to any of the EC members received any fees or remuneration for services rendered to ABB, other than on an arm's length basis. A related party includes a spouse, children below the age of 18, legal or natural persons acting as a fiduciary and legal entities controlled by a member of the EC.

No loans or guarantees were granted to members of the EC in 2013.

Table 16: Board ownership of ABB shares

Name	Total number of shares held	
	December 31, 2014	December 31, 2013
Hubertus von Grünberg	253,264	212,725
Roger Agnelli	170,671	165,533
Matti Alahuhta ⁽¹⁾	17,912	–
Louis R. Hughes	72,742	70,425
Hans Ulrich Märki ⁽²⁾	–	428,176
Michel de Rosen	139,602	133,870
Michael Treschow	108,787	102,782
Jacob Wallenberg ⁽³⁾	185,708	180,158
Ying Yeh	18,970	13,843
Total	967,656	1,307,512

⁽¹⁾ Matti Alahuhta was elected to the Board at the AGM in April 2014.

⁽²⁾ Hans Ulrich Märki left the Board at the end of the 2013–2014 term of office.

⁽³⁾ Share amounts provided in the section do not include the shares beneficially owned by Investor AB, of which Mr Wallenberg is chairman.

Table 17: EC ownership of ABB shares and options as of December 31, 2014

Name	Total number of shares held	Vested		Unvested at December 31, 2014					
		at Dec. 31, 2014		Number of unvested options held under the MIP ⁽¹⁾	Retention shares deliverable under the 2012 retention component of the LTIP ⁽²⁾	Retention shares deliverable under the 2013 retention component of the LTIP ⁽²⁾	Retention shares deliverable under the 2014 retention component of the LTIP ⁽²⁾	Replacement share grant for foregone benefits from former employer ⁽³⁾	Special retention share grant ⁽³⁾
		Number of vested options held under the MIP ⁽¹⁾	(vesting 2015)						
Ulrich Spiesshofer	241,943	-	-	67,293	78,395	93,846	-	-	
Eric Elzvik	23,768	422,625	287,500	-	27,071	30,549	-	-	
Jean-Christophe Deslarzes	-	-	-	-	27,071	30,549	144,802	-	
Diane de Saint Victor	286,773	-	-	38,673	31,848	35,940	-	150,000	
Frank Duggan	97,607	212,500	-	35,289	25,632	27,548	-	-	
Greg Scheu ⁽⁴⁾	63,137	221,375	-	29,664	24,830	26,159	-	-	
Pekka Tiitinen	8,000	422,625	-	12,041	22,294	25,158	-	-	
Tarak Mehta	91,275	-	-	35,289	25,632	34,677	-	-	
Veli-Matti Reinikkala	176,119	-	-	37,223	9,810	27,674	-	-	
Bernhard Jucker	235,702	-	-	45,924	37,033	40,750	-	-	
Claudio Facchin	9,903	-	-	17,598	22,294	31,083	-	-	
Total Executive Committee members as of Dec. 31, 2014	1,234,227	1,279,125	287,500	318,994	331,910	403,933	144,802	150,000	

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

⁽²⁾ The LTIP foresees delivering 30 percent of the value of the vested retention shares in cash. However, participants have the possibility to elect to receive 100 percent of the vested award in shares.

⁽³⁾ The Replacement share grant and the Special retention share grant foresee delivering 30 percent of the value of the vested shares in cash. However, under both awards participants have the possibility to elect to receive 100 percent of the vested award in shares.

⁽⁴⁾ Total number of shares held includes 32 shares held by children.

Table 18: EC ownership of ABB shares and options as of December 31, 2013

Name	Total number of shares held	Vested at Dec. 31, 2013		Unvested at December 31, 2013						
		Number of vested options and warrants held under the MIP ⁽¹⁾	Number of unvested options held under the MIP ⁽¹⁾	Number of unvested options held under the MIP ⁽¹⁾	Retention shares deliverable under the 2011 retention component of the LTIP ⁽²⁾	Retention shares deliverable under the 2012 retention component of the LTIP ⁽²⁾	Retention shares deliverable under the 2013 retention component of the LTIP ⁽²⁾	Shares deliverable under the one-time 2012 AIEP ⁽²⁾	Replacement share grant for foregone benefits from former employer ⁽³⁾	Special retention share grant ⁽³⁾
			(vesting 2014)	(vesting 2015)	(vesting 2014)	(vesting 2015)	(vesting 2016)	(vesting 2014)	(vesting 2016 and 2018)	(vesting 2015)
Ulrich Spiesshofer (appointed CEO as of September 15, 2013)	148,179	-	-	-	31,104	67,293	78,395	72,603	-	-
Eric Elzvik (joined the EC on February 1, 2013)	23,284	201,250	221,375	287,500	-	-	27,071	-	-	-
Jean-Christophe Deslarzes (joined ABB on November 15, 2013)	-	-	-	-	-	-	27,071	-	144,802	-
Diane de Saint Victor	201,707	-	-	-	26,359	38,673	31,848	66,380	-	150,000
Frank Duggan	26,389	422,215	-	-	21,326	35,289	25,632	62,232	-	-
Greg Scheu ⁽⁴⁾	7,974	201,250	221,375	-	-	29,664	24,830	56,008	-	-
Pekka Tiitinen (joined the EC on September 15, 2013)	5,500	603,750	221,375	-	-	12,041	22,294	-	-	-
Tarak Mehta	24,670	-	-	-	24,211	35,289	25,632	60,572	-	-
Veli-Matti Reinikkala	137,388	-	-	-	18,517	37,223	9,810	63,891	-	-
Bernhard Jucker	154,050	-	-	-	27,753	45,924	37,033	78,827	-	-
Claudio Facchin (joined the EC on December 1, 2013)	1,883	-	-	-	11,458	17,598	22,294	-	-	-
Total Executive Committee members as of Dec. 31, 2013	731,024	1,428,465	664,125	287,500	160,728	318,994	331,910	460,513	144,802	150,000

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

⁽²⁾ The LTIP foresees delivering 30 percent of the value of the vested retention shares in cash, while the Acquisition Integration Execution Plan (AIEP) foresees delivering 30 percent of the value of the vested shares in cash. However, under both plans participants have the possibility to elect to receive 100 percent of the vested award in shares.

⁽³⁾ The Replacement share grant and the Special retention share grant foresee delivering 30 percent of the value of the vested shares in cash. However, under both awards participants have the possibility to elect to receive 100 percent of the vested award in shares.

⁽⁴⁾ Total number of shares held includes 32 shares held by children.

Table 19: EC ownership of WARs and conditionally granted ABB shares (all cash-settled) as of December 31, 2014

Name	Vested at Dec. 31, 2014	Unvested at December 31, 2014		
	Number of fully vested WARs held under the MIP	Reference number of shares under the performance component of the 2012 launch of the LTIP (vesting 2015)	Reference number of shares under the performance component of the 2013 launch of the LTIP (vesting 2016)	Reference number of shares under the performance component of the 2014 launch of the LTIP (vesting 2017)
Ulrich Spiesshofer	-	22,588	50,024	51,489
Eric Elzvik	201,250	-	16,659	17,147
Jean-Christophe Deslarzes	-	-	16,659	17,147
Diane de Saint Victor	-	20,652	19,599	20,173
Frank Duggan	-	18,845	15,023	15,463
Greg Scheu	-	17,425	14,553	14,684
Pekka Tiitinen	-	6,950	13,720	14,122
Tarak Mehta	-	18,845	15,023	16,139
Veli-Matti Reinikkala	-	19,878	15,091	15,534
Bernhard Jucker	-	24,524	18,992	19,548
Claudio Facchin	387,500	10,665	13,720	14,122
Total Executive Committee members as of December 31, 2014	588,750	160,372	209,063	215,568

Table 20: EC ownership of WARs and conditionally granted ABB shares (all cash-settled) as of December 31, 2013

Name	Vested at Dec. 31, 2013	Unvested at December 31, 2013		
	Number of fully vested WARs held under the MIP	Maximum number of conditionally granted shares under the performance component of the 2011 launch of the LTIP (vesting 2014)	Reference number of shares under the performance component of the 2012 launch of the LTIP (vesting 2015)	Reference number of shares under the performance component of the 2013 launch of the LTIP (vesting 2016)
Ulrich Spiesshofer (appointed CEO as of September 15, 2013)	-	15,460	22,588	50,024
Eric Elzvik (joined the EC on February 1, 2013)	434,380	-	-	16,659
Jean-Christophe Deslarzes (joined ABB on November 15, 2013)	-	-	-	16,659
Diane de Saint Victor	-	14,194	20,652	19,599
Frank Duggan	-	13,780	18,845	15,023
Greg Scheu	-	-	17,425	14,553
Pekka Tiitinen (joined the EC on September 15, 2013)	-	-	6,950	13,720
Tarak Mehta	-	12,516	18,845	15,023
Veli-Matti Reinikkala	-	11,965	19,878	15,091
Bernhard Jucker	-	17,933	24,524	18,992
Claudio Facchin (joined the EC on December 1, 2013)	675,000	7,639	10,665	13,720
Total Executive Committee members as of December 31, 2013	1,109,380	93,487	160,372	209,063

Report of the statutory auditor on the Compensation report

To the General Meeting of ABB Ltd, Zurich

We have audited pages 60–70 of the accompanying Compensation report dated March 5, 2015 of ABB Ltd, for the year ended December 31, 2014.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the Compensation report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the compensation system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying Compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Compensation report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the Compensation report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the Compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the Compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Compensation report for the year ended December 31, 2014 of ABB Ltd complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young AG

Leslie Clifford
Licensed audit expert
(Auditor in charge)

Robin Errico
Licensed audit expert

Zurich, Switzerland
March 5, 2015