

**ABB Management Services Ltd.**  
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Date

August 26, 2019

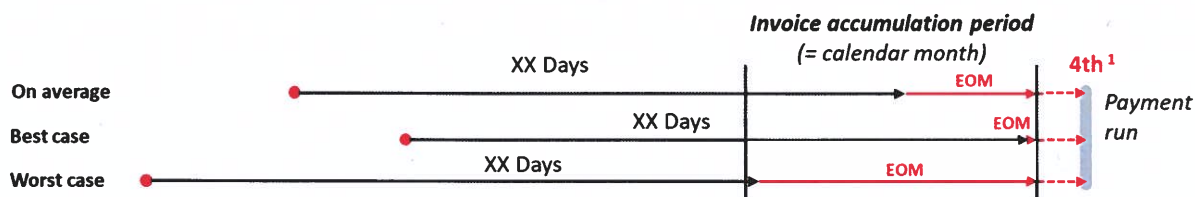
Dear valued supplier,

In recent years, ABB has worked hard to improve internal processes, structures and cost levels to counter changing market circumstances and reinforce the company's market position. Besides general cost-reduction measures and quality improvement, a key focus has been the standardization and harmonization of processes. One initiative that concerns our suppliers in particular is the standardization of payment terms, which started in 2016 and includes the introduction of the End of Month (EOM) procedure as new standard payment rule at ABB globally.

Now, to streamline the EOM process further, ABB has decided to **introduce one single payment run per month**. Starting from October 2019, **we will pay our suppliers globally on the 4<sup>th</sup> of each month**<sup>1</sup>.

ABB wants to ensure to treat all suppliers equally in terms of payments, therefore **EOM payment process is mandatory for all suppliers moving forward**. As the majority of ABB's global spend has already been changed to EOM payment terms, this change will only affect a small proportion of suppliers, who have not yet transitioned to the EOM procedure. Standardizing ABB's payment terms will result in more efficient and more transparent invoice handling processes, which will enable us to ensure on-time payment of our suppliers, providing more reliable cash-flow planning and a solid basis for further process optimization, for both ABB and our suppliers.

The mandatory EOM payment logic **starting from October 1<sup>st</sup>, 2019**, is defined as follows:



<sup>1</sup> Following notes:

- I. Due to limitations by local specifics, there could be exceptions for selected countries, choosing a differing payment run date. The final list of payment run date exceptions will be published on the ABB website no later than Sept. 15<sup>th</sup> 2019 (<https://new.abb.com/about/supplying/doing-business-with-abb/invoicehandling>)
- II. In case the payment run date is a local bank holiday or weekend, the payment run will take place on the next available bank working day – at the latest on the 2<sup>nd</sup> local bank working day of the month.
- III. As a principle, all payments via bank transfer will be kicked off by ABB on the specified date on time. In case of payments in foreign currencies, the payment could be delayed due to bank transaction processes.

**Implications for you as our supplier**

- I. If you already are on "full-month EOM" payment terms (i.e. a multiple of 30), there will be no major implications for you.
- II. If you are on "half-month EOM" payment terms (i.e. 15, 45, 75, etc.), invoices that are currently being processed might be affected. Thereafter, there will be no major changes.
- III. If you are not yet on EOM payment terms, we have to convert your payment term from "net" to "EOM", after which due invoices will be paid with the subsequent payment run.

As mentioned above, our new payment concept is also an opportunity for you, as our supplier, to streamline and steer your invoicing process and to influence your realized average payment term. If you have already aligned your invoicing process with our EOM procedure, we recommend that you double-check it to make sure that it is still optimized with the ABB EOM logic as it applies from Oct. 1, 2019.

We are convinced that this next step in standardizing the Purchase to Pay process is an excellent opportunity for both ABB and our suppliers to optimize processes and achieve efficiencies.

We very much appreciate your cooperation and understanding in this matter and we look forward to a continued strong business relationship with you.

If you have any questions, please reach out to your contact at ABB.

Sincerely,



**Timo J. Ihamuotila**  
Group CFO



**Alanna Abrahamson**  
Business CFO  
Industrial Automation



**Bernd Krainick**  
Business CFO  
Motion



**Christian Nilsson**  
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