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	Group Instruction Number:	GI/GT-01.09
	Group Instruction Owner:	Head of GF-GT
	Related Group Directive(s)	GD/GT-01
	Approved By:	CEO
	Effective Date:	July 4, 2013

1.0 Overview

1.1 Introduction

The Group Internal Payment Conditions outline the intra-group payment and settlement procedures.

1.2 Objective

The Group Internal Payment Conditions shall minimize the Group's currency exposures and optimize the funding of working capital. The conditions shall furthermore ensure compliance with the arm's-length standard in tax matters.

This Group Instruction is applicable for all intra-group transactions.

1.3 Group Directive cross-reference

GD/GT-01 Finance

GD/LC-24 Project Risk Evaluation and Order Approval


1.4 Group Instruction cross-reference

GI/TA-01.01 Tax Transfer Pricing

2.0 Group Instruction requirements/content

2.1 Roles and responsibilities

- GF-GT and the Group CFO are responsible for defining payment terms and mandatory transaction currencies for intra-group cross-border transactions.
- GF-GT and the Group CFO are responsible for defining the countries which must use the ABB Cash-in-Time (CIT) payment system.
- The Country CFO is responsible for defining payment conditions for intra-group transactions within the same country.
- The ABB Arbitration Panel is responsible to make final and binding decisions for resolving disputes related to intra-group payments.

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2.2 General

Intra-group payment conditions are set in the best interest of the ABB Group. They are mandatory. All exceptions, including specific business reasons which require alternative payment conditions, need to be approved by Group Treasury (GF-GT) via the Global Business Unit, unless specifically addressed in this Group Instruction.

Failing to adhere to the defined intra-group payment conditions may have a negative economic impact on the ABB Group and its Group companies.

ABB Group companies

- shall not be considered as credit risk to other Group companies. Therefore, letters of support (guarantees or letters of comfort) for commercial transactions between ABB Group companies are not permitted, except for counter-guarantees.
- are not entitled to offset accounts payable with accounts receivable for internal transactions.
- are allowed to charge interest on overdue accounts. Penalty interest shall be set at market rates. In case of disagreement, GF-GT will help in setting this rate.

Agreed payment conditions must be stated on invoices and must be met by the paying company. To enable payments in CIT, the agreed payment conditions must specify due dates for Group internal invoices in accordance with the CIT netting schedule. If such due date is not a CIT settlement date, the payment shall be executed at the next CIT settlement date.

Invoices not issued in accordance with the payment terms and/or payment currencies defined by this Group Instruction can be disputed by the payer in CIT (described in Appendix 3).


2.3 Payment terms

GF-GT and the Group CFO issue mandatory payment terms for intra-group cross border sales and may review and update the list appropriately. Such changes do not modify the content of this Group Instruction. The mandatory payment terms are listed in Appendix 1 and Appendix 2.

Intra-group deliveries are to be settled 60 days after invoice date. If the due date is not a CIT settlement date, the payment shall be executed at the next CIT settlement date.

Group internal payment terms

- must reflect local market practice of the ABB buyer and shall be in the best interest of the ABB Group.

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- both parties must respect the defined payment terms and the internal pricing models shall reflect this fact.
- are defined on a ‘FCA (Free Carrier) seller’s premises’ Incoterms (International Commercial Terms) basis. Payment terms shall be adjusted accordingly in case other Incoterms are applied.
- are defined on the basis of land or ship transportation. In case of air transportation, payment terms shall be adjusted accordingly.
- are defined on the basis of the most common Group internal import flow of the ABB buyer. In case of special transactions (e.g. ABB Western Europe imports from ABB Asia Pacific), such payment terms shall be adjusted accordingly to reflect the different transportation time.

The ABB supplier shall not force the ABB buyer to accept shorter payment terms if no exception (as mentioned in 2.5 of this Group Instruction) applies.

Payment terms for intra-group transactions within the same country can be defined by the Country CFO, based on local market practice.

2.4 Payment currency

In general, intra-group transactions must be contracted in the local currency of the ABB buyer except where otherwise stated in Appendix 1 and Appendix 2.

When invoicing in currencies other than the local currency, the ABB seller is allowed to add the hedging costs to the base price. Such costs shall reflect real market rates, typically provided by GTO.


2.5 Exceptions

2.5.1 Western Europe

In Western Europe, intra-group deliveries must be settled 30 days after invoice date unless specified otherwise in Appendix 1. If the due date is not a CIT settlement date, the payment shall be executed at the next CIT settlement date.

2.5.2 Countries with major imports from overseas

GF-GT will set longer payment terms on a case by case basis, based on requests from Country CFO and Global Business Units.

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2.5.3 Countries with currency restriction or special regulations

GF-GT will set longer payment terms, especially for countries without access to Group Treasury Operations (GTO), where financing of working capital has to be arranged locally (avoiding expensive financing).

For countries with currency restrictions, i.e. China and India, the Group internal payment currency shall be USD and EUR (both currencies).

In large-scaled countries both parties together (ABB buyer and ABB seller) shall decide which of the two currencies to use. It shall be avoided that both parties need to enter into a hedging transaction, unless this has a negative effect for the ABB Group.

Small-scaled countries are allowed to use the same currency for all their Group internal exports (instead of the local currency of the ABB buyer).

2.5.4 Large projects / contractual relationship

For large projects, the ABB Risk Review Committee may review and define the Group internal payment terms and currency.

In case of a specific seller-buyer contractual relationship, such as contractor/sub-contractor or consortium agreement, the agreed payment terms and currency with the end customer shall also be applied between the involved ABB Group companies.


2.5.5 BU Turbocharging

Due to the specific business requirements, GF-GT has approved that BU Turbocharging is allowed to continue with their existing BU internal standard payment conditions.

The BU Turbocharging standard worldwide payment terms are part of the business model. The transfer price concept ensures that all Local Business Units (LBU) are treated in the same way. As a consequence, payment terms are standardized, which in addition supports that shorter payment terms are passed on to customers (also to Original Equipment Manufacturer OEM customers). Payment terms generally applied for intra-group transactions of BU Turbocharging are as follows:

Europe: 30 days based on Incoterms CIP destination airport
 Overseas: 45 days based on Incoterms CIP destination airport

To avoid different prices for service customers, the BU Turbocharging has global sales prices in CHF as the base currency. Service customer invoicing by the LBUs is done in local (or other) currency by using current CHF exchange rates. OEM customers are normally invoiced in CHF.

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2.5.6 Price list items

Price lists and related invoicing shall only be available in EUR, USD, or in the payment currency of the ABB buyer (to be decided by the ABB seller, together with the Global Business Unit).

Before a price list in a currency other than that previously used becomes effective, the implication of the currency decision must be discussed and approved by the Global Business Unit in cooperation with GF-GT.

Hedging costs on price list items shall be defined and agreed with the Global Business Unit and must be included in the price list.

Price lists with indicative pricing do not qualify for the above exception.

2.5.7 Contract manufacturing

Contract manufacturing arrangements must be approved by the Global Business Unit and GF-GT. All hedging costs incurred by the ABB seller must be borne by the ABB buyer.

2.5.7.1 Local currency of the ABB manufacturer and/or the ABB buyer is fully convertible


Price lists shall be available in the local currency of the ABB manufacturer. Group internal invoicing shall be done in the local currency of the ABB manufacturer.

2.5.7.2 Local currency of the ABB manufacturer and/or the ABB buyer is not fully convertible

Group internal invoicing shall be done in the currency defined by the ABB buyer.

The implication of the invoice currency decision must be discussed and agreed with the Country CFO or Country Treasurer of the ABB manufacturer.

The ABB manufacturer shall immediately hedge all firm purchase orders against the invoice currency.

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2.5.8 Alternative invoice currencies

The ABB buyer is allowed to accept alternative invoice currencies in case this will create a natural hedge and reduce his currency exposure (e.g. end customer is invoiced in a foreign currency) or if it is in another way beneficial for the buyer.

2.6 ABB Cash-in-Time (CIT) payment system

All ABB Group companies in countries which can legally and technically participate must pay all intra-group invoices within the ABB CIT payment system. Appendix 3 hereto contains detailed rules and the participating countries for cross-border sales and for domestic sales.

GF-GT and the Group CFO may review and update Appendix 3 as and when deemed appropriate.

2.7 Monitoring

- The ABB Arbitration Panel process allows the Group companies to raise a dispute whenever they are not treated according to this Group Instruction (by the other party).
- GF-GT and the Group CFO review Appendix 1 and 2 on a yearly basis.
- The Country/Company CFO confirms in the Assurance Report (quarterly) adherence to the Group Directives/Instructions.

3.0 Appendices and attachments

3.1 Corresponding authorization limits (where applicable)

See ABB Group Authorization Regulations

3.2 Appendices

Appendix 1 - Country Overview (Mandatory Payment Terms for Cross-Border Sales)

Appendix 2 - Payment Conditions for Intra-Group Arrangements

Appendix 3 - Cash-In-Time Payments of Group Internal Invoices and Countries Participating

3.3 Attachments

Not applicable

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4.0 Revision history











Revision	Approved By	Date	Revision Notes
1.0	Group Directives Committee by circulation	June 12, 2007	Please find in enclosed file changes to previous document highlighted by track changes:  GIFT 01.09 Group Internal Payment Cor
2.0	Group CEO & CFO	June 2, 2008	Please find in enclosed file changes to previous document highlighted by track changes:  GIFT 01.09 Group Internal Payment Cor
3.0	Group Directives Committee by circulation	April 14, 2009	Please find in enclosed file changes to previous document highlighted by track changes:  GIFT 01.09 Group Internal Payment Cor
4.0	Secretary Group Directives Committee	January 15, 2010	Due to re-organizing the Group Function Finance this GI has been updated with the correct department naming. Please find in enclosed file changes to previous document highlighted by track changes:  GIFT 01.09 Group Internal Payment Cor
5.0	Secretary, Group Directives Committee	June 1, 2010	This document is moved from GI/FT-01.09 to GI/GT-01.09 as a result of the reorganization of GF-FT into GF-GT, GF-TA and GF-RE. No content changes have been made to this Group Instruction.  GIFT 01.09 Group Internal Payment Cor

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6.0	Secretary Group Directives Committee	August 6, 2012	Please find in enclosed file changes to previous document highlighted by track changes:  GIGT 01.09 Group Internal Payment Cor
7.0	Secretary Group Directives Committee	May 3, 2013	Please find in enclosed file changes to previous document highlighted by track changes:  GIGT 01.09 Group Internal Payment Cor
8.0	Secretary Group Directives Committee	July 4, 2013	Please find in enclosed file changes to previous document highlighted by track changes:  GIGT 01.09 Group Internal Payment Cor
9.0	Secretary Group Directives Committee	February 27, 2014	Please find in enclosed file changes to previous document highlighted by track changes:  GIGT 01.09 Group Internal Payment Cor

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Appendix 1



GIGT
01.09-Appendix 1 - C

Appendix 2



GIGT
01.09-Appendix 2 - F

Appendix 3



GIGT
01.09-Appendix 3 - C
