
ANNUAL GENERAL MEETING, MARCH 25, 2021

Chairman Annual General Meeting speech

Valued shareholders of ABB,

Once again, because of COVID-19, it is not possible to hold our annual general meeting with our shareholders present. However, I hope you have taken the opportunity to vote on the Board of Directors' proposals through our independent proxy.

We are living in extraordinary times. A year ago, we were holding daily crisis meetings to try to manage a rapidly spreading pandemic. Today, we have adjusted to a new normal of working from home, meeting and shopping online, and generally relying on technology to help us overcome barriers and restrictions on our freedom of movement.

At ABB, thanks to our dedicated people, advanced technologies and financial resilience, we have managed the crisis very well and helped our customers and many others through it. Our people have also distinguished themselves through their personal commitment and contributions.

Sadly, in spite of all our efforts to keep our people safe, 25 ABB employees have died of COVID-19-related complications to date. On behalf of everyone at ABB, I would like to offer our sincere condolences to their families and to assure you that we will continue to do everything possible to protect our people.

2020 performance

In 2020, we delivered a solid financial and operational performance, despite the challenging circumstances.

As expected, our markets were impacted by COVID-19, resulting in lower orders and revenues but our operational EBITA margin was stable compared to 2019 and the operating cash flows also showed a solid performance. All in all, the right actions were taken in response to the pandemic.

In line with our policy of paying a sustainable dividend over time, we are proposing a dividend of CHF 0.80 per share.

Based on improving markets in the fourth quarter and taking account of long-term trends favorable to our business, we are confident about our prospects in 2021 and beyond.

Megatrends

COVID-19 has not so much changed our world as speeded up changes that were already happening, especially when it comes to adopting advanced technology.

Apart from remote working, we are seeing more and more industries turning to robotics and automation to address challenges like fluctuating demand – heightened by COVID-19 – labor shortages and consumer demand for more personalized products.

The pandemic has also further heightened awareness of how vulnerable our society is to changes in our environment, pushing sustainability to the top of the agenda.

We see this clearly in the rise of electricity use, which is now growing twice as fast as other energy sources, as people migrate to cities, consumers switch to electric vehicles, and industries increasingly seek to reduce their environmental footprint.

At ABB, we are very well-positioned to drive and benefit from these changes. Our digitally connected robotics and automation solutions are being deployed across high-growth segments including electronics, healthcare, consumer goods, logistics and food and beverage, among others.

At the same time, rising demand for cleaner forms of energy and more efficient solutions is benefitting our Electrification and Motion businesses. We are seeing particularly strong growth in e-mobility, where we are a market leader.

Our superior domain knowledge in electrification and automation has allowed us build up a strong portfolio of digital solutions and services under the ABB Ability™ brand.

As the demand for digitally enabled solutions increases, we see tremendous opportunities for our remote monitoring, preventive maintenance and other connected solutions for industry, cities and transport.

Transformation

To position ABB to take full advantage of these trends, we embarked on an ambitious transformation program in 2019. One significant achievement was the carve-out and sale of our Power Grids business, which was handed over to Hitachi on July 1 last year.

Today, Hitachi ABB Power Grids, of which we still own a 19.9 percent stake, is a very successful business within the Hitachi Group, with better prospects than it would have had as part of ABB.

As committed by your Board and Management we have been returning the cash proceeds from the sale of Power Grids in form of a share buyback program to our shareholders. We have completed the initial buyback program as of yesterday and will shortly announce plans to continue to return those proceeds. All shares bought back will be cancelled, with your approval.

We have also largely concluded our capital structure optimization program and improved the long-term financial positioning of ABB through debt restructuring and pension risk optimization.

Purpose

As part of our transformation, we set out to define ABB's Purpose in 2020, in consultation with representatives of all stakeholder groups. Our aim was to better understand how ABB is perceived by its employees, customers, suppliers, shareholders and civil society.

From their feedback, we articulated a clear statement of Purpose, including what we stand for as a company and what we should aspire to be in the future.

By providing a common and shared understanding of why we exist, our Purpose is a key driver of engagement, performance and culture.

Our culture is defined by our values: courage, care, curiosity and collaboration, which were also updated in 2020 to inform our behavior.

Our Purpose feeds into everything we do – it is at the core of our new performance-driven operating model, the ABB Way.

Sustainability

As a global technology company, part of our company Purpose is to contribute to a more productive and sustainable future, which we do through our advanced technologies and sustainable business practices.

To drive and support sustainability in our own operations and our value chain, we have set ambitious sustainability targets for 2030.

Key targets include: achieving carbon neutrality in our own operations; helping our customers reduce their CO₂ emissions; and increasing re-use, re-cycling and product durability while reducing waste. We also aim to double the number of women in senior management roles to 25 percent.

As part of its overall responsibility for the company's strategy and targets, the Board of Directors oversees ABB's sustainability strategy and monitors progress and target achievements.

For the 2030 strategy, sustainability will specifically be added to the responsibilities of the Board's Governance and Nomination Committee, while the Compensation Committee will ensure that ABB's remuneration policies are linked to the achievement of its sustainability targets.

With regards to remuneration, we have already in past years linked senior management short-term bonuses to safety targets. And we just disclosed in our 2020 annual report that, from 2021, the Board will set specific ESG targets that will have a direct impact on annual incentive plan outcomes for the Executive Committee and our top 100 senior leaders. Progress against these targets will be disclosed in future Compensation reports.

Governance

In 2020, the Board of Directors worked closely with the CEO and the executive management to develop ABB's long-term strategy, which was presented to shareholders in November 2020.

In preparation for the strategy announcement, we conducted a thorough portfolio review and took the decision to exit three of our Divisions: Turbocharging, Mechanical Power Transmission and Power Conversion. Moving forward, active portfolio management will be an integral part of our company strategy.

As you can read in our compensation report, no adjustments were made to our executive management's incentive plan targets, which were set before the COVID-19 pandemic.

As Chairman, I am very proud of our Board of Directors, Executive Committee and more than 200 senior managers who voluntarily donated 10 percent of their compensation or salary for a period of six months during 2020. Together, we raised \$3 million to help employees whose jobs or livelihoods were affected by the COVID-19 pandemic.

Following the decision of Matti Alahuhta not to stand for re-election to the Board of Directors, we carried out a detailed review of the Board's composition and concluded that the Board has a very good mix of CEO, CFO, industry, geographic/regional, sustainability and technology experience. Therefore, we are not proposing any new members, meaning that the number of Board members will be reduced from 11 to 10. All other Board members are standing for re-election today.

However, we recognize that we need to strengthen the gender diversity of the Board, which we will do by adding one female director during the next two years – preferably at next year's AGM.

I want to take this opportunity to thank Matti Alahuhta for his valuable service to ABB since he joined the Board in 2014, and to wish him all the best in his future endeavors.

On behalf of the Board of Directors, I would like to thank our CEO Björn Rosengren, the Executive Committee and all ABB leaders and Employees for their personal commitment and contribution during an extraordinary 2020. And, dear shareholders I would like to thank you for your trust during an exceptionally eventful year.

We look forward to counting on your continued support as we drive forward our strategy and make ABB an even more successful company in the years ahead.

Thank you.