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ANNUAL GENERAL MEETING OF ABB, MARCH 24, 2022

## **PETER VOSER**

# Chairman of the Board of Directors

Looking back on the past year, one thing is clear: COVID-19 had and continues to have a major impact, not only on society at large but also on the way we work here at ABB. The most important thing is: Thanks to effective measures, we were once again able to protect our employees. This also enabled us to maintain our business operations and continue on our successful course. Revenues and orders grew strongly and we were able to significantly improve our results compared with pre-pandemic levels. As a global company, we have proved that we know how to manage the crisis.

But the pandemic is not over yet, and the economic impacts of the coronavirus continue to be felt. In the second half of last year, deliveries were interrupted and supply-chain shortages went far beyond individual components. The challenges we faced were not only due to the semi-conductor shortage, but also high commodity prices and in some regions a shortage of skilled personnel.

Nevertheless, we are confident that the worst of the delivery problems are behind us. Now there is the devastating war in Ukraine that over the past few weeks has led not only to huge suffering for countless numbers of people but also to new uncertainties for the entire global economy. Here, too, ABB's top priority is the health and wellbeing of our employees and their families. In Ukraine, we have very few activities and, in Russia, where we employ around 750 people, we generated around 1 to 2 percent of our group sales in 2021. We have stopped taking new orders for Russia until further notice. After having suspended our business activities in Russia, we will – after careful case-by-case assessment – have to fulfil a small number of existing contractual obligations with customers, not infringing on imposed sanctions. Our crisis management team is continuously monitoring the situation on the ground so that we can respond quickly to changes. The full impact of the war is impossible to predict, but one thing is already clear: In the end, there will be only losers.

But in spite of the war, which is preoccupying us all, let me return to our business. Looking at global trends that we at ABB are focusing on, we can be positive about the future: There is no question that governments and businesses must reduce emissions and use resources more efficiently. For ABB, as a supplier of electrification and automation technologies, these trends open up tremendous opportunities. Demand for electrical energy is growing twice as fast as demand for other forms of energy and software-based automation is the most effective way to improve energy and resource efficiency.

Overall, we are very satisfied with our business development. This includes the progress we have made in restructuring the Group. When I look back over the past two to three years, I am proud of how much we have already achieved. We transferred more accountability to our Divisions, which improved efficiency; we made our business more robust and sustainable; and we redesigned our leadership development and succession planning.

Since the announcement of the carve-out of our Power Grids business in December 2018, we have continued to realign and decentralize our business model. At the center of our transformation is our

ambition to sustainably increase the value of our company for the benefit of all of our stakeholders – customers, employees, shareholders, business partners and society as a whole. By further strengthening our position in electrification and automation, we are focusing on two key technologies for a sustainable future. For example, I would like to mention the acquisition of ASTI Mobile Robotics. This is a crucial building block for us: ASTI is a leading global manufacturer of autonomous mobile robots. This acquisition will help us tap the growing potential in areas such as logistics and warehouse automation.

This year, we will start working on two additional milestones in line with our strategy of active portfolio management: the exit of our Turbocharging Division, which has been given the new name of Accelleron, as well as the planned stock exchange listing of our E-mobility business, assuming market conditions are favorable. On March 1, Daniel Bischofberger succeeded Oliver Riemenschneider as CEO of Accelleron. In the event of a spin-off, Oliver Riemenschneider would likely take over as the Chairman of the Board of Directors at Accelleron. Should we decide for the option of a spin-off, we will invite you, dear shareholders, to an Extraordinary General Meeting to seek your approval. Concerning the planned listing in Switzerland of our ABB E-mobility Division, our CEO will tell you more in his address later on.

With these important changes, we are repositioning ABB while remaining true to our roots. This includes keeping our headquarters in Switzerland and investing in canton Aargau. ABB has demonstrated how well “Swissness” complements our role as a global player – this is a combination that both our customers and we ourselves value very highly.

But tradition doesn’t mean standing still. Our stated goal is to continue improving step by step, and in every way possible. Because, let’s be clear: Changes in the business organization can only succeed if our corporate culture continues to develop. That also includes the composition of our Board of Directors.

A year ago, we committed ourselves to strengthening gender diversity on our Board of Directors. As a result, we were able to quickly identify suitable female candidates who would strengthen diversity, experience and expertise. To accommodate their personal career planning and allow for any necessary adjustments to existing directorships, we will now propose one or more female candidates for election at the 2023 Annual General Meeting.

An important part of our corporate culture is a compensation structure that, in addition to wage equality, also offers performance-based, competitive incentives and drives our managers to aim for outstanding results. This will enable us to recruit, motivate and retain top talents, who will help our company strengthen its position as a global technology leader. In this way, dear shareholders, we will create sustainable value for you, without taking excessive risks.

With the implementation of our ABB Way operating model, we have introduced yet another important step in our leadership development. Instead of position-based succession planning, we have created an open job market. This means that all positions up to Executive Committee level will now be advertised internally. This is our way of helping our managers realize their ambitions through a fair and transparent process that promotes the best people for the respective position.

Externally, we are also committed to making a positive contribution as a “good corporate citizen”. In particular, this means that sustainability has top priority.

We are consistently implementing our sustainability strategy 2030. Over the past two years, we have managed to reduce CO<sub>2</sub> emissions from our own sites by 39 percent. That puts us well on our way to achieving our goal of becoming carbon neutral by 2030. We are focusing intensely on reducing CO<sub>2</sub>e emissions throughout our entire value chain. These efforts are primarily directed at helping our customers cut their annual CO<sub>2</sub>e emissions through the deployment of technologies like our energy-efficient electric motors and drives and our electric-vehicle charging infrastructure.

We are also able to manufacture our products in an increasingly sustainable way, thanks to automation and artificial intelligence, among other technologies. Our innovative technologies are an important contributor to the next industrial revolution. As a technology company, we want to lead the way in

making supply chains and production smarter, more local and more flexible. Consumers want production to be both sustainable and as close to home as possible. Companies are automating ever faster to remain price competitive. Europe is ready to embark on a path of sustainable re-industrialization: Global supply chains consisting of only one huge factory in a low-cost production site will soon be history. At ABB, we have long had a policy of localized production. Whether you look towards China, the US or Europe, the lion's share of our revenue comes from products that are manufactured in the region.

To achieve our sustainability goals as quickly and consistently as possible, we have clearly defined roles and responsibilities on our Board of Directors: While the Governance and Nomination Committee oversees corporate social responsibility, which includes health, safety, the environment and sustainability, ultimate responsibility for our sustainability strategy and goals and our annual sustainability report rests with the Board of Directors as a whole.

To show how seriously we take our sustainability commitment, we have linked our 2030 sustainability strategy and its ambitious goals to the short- and long-term incentive plans of members of the Executive Committee. To further underscore our commitment to sustainability and long-term value creation, we have sharpened our performance focus. All members of the Executive Committee will have at least two ESG (environmental, social and governance) performance indicators incorporated in the personal component of their short-term incentive plan. At the same time, an ESG measure with a weighting of 20 percent has been added to ABB's long-term incentive plan for the Executive Committee members. Moreover, for new EC members, the share of variable, performance-based compensation – which includes ESG criteria – has also been increased.

We will continue to become consistently more sustainable as we move forward and in the coming years we will strengthen the communication with you, our shareholders, including a potential non-binding vote to approve our ESG objectives at the 2023 Annual General Meeting.

Our solid financial performance in 2021 confirms that the “ABB Way” business model we introduced in 2020 is exactly right for our company. All four businesses have contributed to strong growth in orders and increased profitability. We were also able to raise cash flow and strengthen our balance sheet. Despite the supply-chain difficulties outlined earlier, we were able to significantly improve in key businesses.

In light of our improved financial results and in line with our policy of paying an increasing and sustainable dividend over time, we would like to propose a dividend of 0.82 Swiss francs for your approval, dear shareholders.

On behalf of the Board of Directors, I want to express my sincere gratitude to you, our shareholders, for your support. I wish to thank especially our CEO Björn Rosengren as well as the Executive Committee and all of the employees at ABB for their tremendous commitment and excellent performance in this demanding year.

In view of the war in Eastern Europe, it is clear that the social and political challenges will continue in 2022. That is all the more reason for me to wish you and all of us successful and, above all, peaceful times.

Thank you.