



REGULATIONS OF THE GOVERNANCE, NOMINATION & COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS OF ABB LTD

These regulations were approved by the Board of Directors of ABB Ltd. at its meeting of April 26, 2006. It replaces the previous regulations of the Nomination & Compensation Committee of July 22, 2002.



REGULATIONS OF THE GOVERNANCE, NOMINATION & COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS OF ABB LTD

1. Purpose

The Governance, Nomination & Compensation Committee (the committee) is established by the Board of Directors (the Board) of ABB Ltd. (the company). It is responsible for overseeing corporate governance practices within ABB, for selecting candidates for the Board, its committees, the Chief Executive Officer (CEO) and the Executive Committee of ABB Ltd. (EC), their succession planning and employment as well as compensation matters relating to the Board and the EC.

2. Authority

The committee shall have the authority and resources required to discharge its duties and responsibilities, including the authority to retain counsel and other experts or consultants, subject to prior approval of the Chairman of the Board.

Group management, through the CEO and EC member responsible for Human Resources, is responsible for providing the committee in a timely manner with all accurate and relevant information and assistance contemplated by these regulations, as well as other resources the committee may request or need to fulfill its responsibilities and duties.

3. Composition

The committee shall consist of at least three independent, non-executive directors appointed by the Board. The Board shall appoint one of the committee members as chairman of the committee.

The members of the committee shall be appointed by the Board for a one-year term, whereby one-year term shall mean the period between two ordinary general meetings of shareholders. Members of the committee may be re-appointed immediately after the lapse of their term.

The EC member responsible for Human Resources acts as secretary of the committee.



4. Meetings

The committee shall meet at least four times a year, or more frequently if deemed necessary or appropriate. The chairman of the committee shall prepare or approve an agenda in advance of each meeting.

Meetings of the committee may be called by the Chairman of the Board, the CEO, the EC member responsible for Human Resources, the chairman of the committee, or by a majority of the members of the committee.

The person calling the committee meeting shall prepare and submit an agenda to the Chairman for approval and distribution to all the committee members sufficiently in advance of each meeting.

The committee may invite members of the EC or - subject to prior notification of the responsible member of the EC - senior management to its meetings as it may deem desirable or appropriate. Any potential conflict of interest must be avoided and confidentiality of the discussions must be maintained. The Chairman of the Board has the right to attend all or any of the committee meetings.

For purposes of these regulations, the term "senior management" shall include the senior group officers, heads of group functions, business unit managers and such other key personnel as the committee may from time to time determine.

A majority of the members of the committee shall constitute a quorum. The committee shall act only on the affirmative vote of at least two (2) of its members.

The agenda and minutes of the meetings shall be distributed to the CEO excluding items concerning directly the function of the CEO.

5. Duties and responsibilities

The committee has the following duties and responsibilities:

Corporate governance

- (a) To develop and recommend to the Board a set of corporate governance principles to be put into a charter on corporate governance, and review those principles at least once a year.
- (b) To recommend to the Board for its approval changes to the Regulations of the Board.
- (c) To review periodically the Articles of Incorporation of the company



and recommend to the Board changes thereto in respect of good corporate governance.

- (d) To submit annually to the Board a proposal concerning the determination of the independent status of the Board members and the corresponding disclosure (as stipulated by applicable law, regulations and listing requirements).

Nomination

- (a) To make recommendations to the Board as to changes to the size of the Board that the committee believes to be desirable.
- (b) To identify individuals believed to be qualified to become directors and to recommend candidates that the Board can propose to shareholders for election, reelection or removal from the Board. In recommending a candidate, the committee shall take into account judgment, skill, education, experience, interplay and interaction with other directors' personal and professional background and such other factors as the committee deems appropriate.
- (c) To identify and recommend to the Board the appointment of individuals believed to be qualified to become chairman, vice-chairman and members of a Board committee. In recommending a candidate, the committee shall take into account judgment, skill, education, experience, interplay and interaction with other directors' personal and professional background and such other factors as the committee deems appropriate.
- (d) To identify and recommend to the Board the appointment of individuals believed to be qualified to become CEO and other members of the EC as proposed by the CEO.
- (e) To maintain an orientation program for new Board members and an ongoing education program for existing Board members.

Compensation

- (a) To establish, in consultation with the CEO and the head of Group Function Human Resources, ABB's general compensation policy, collaborate with the Finance, Audit and Compliance Committee (FACC) in development of the pension directive and monitor the development and implementation of compensation programs.
- (b) To review and propose to the Board the compensation of directors and the CEO and, upon proposal by the CEO, the other members of the EC, as well as to review and approve, upon proposal of the CEO, the compensation of other members of Group senior



management. The compensation shall include salary and all other benefits, pension schemes including long-term incentive plans and bonuses. In proposing or deciding on a specific compensation, the committee shall take into account performance, professional skills, experience and personal qualities, shareholder return, prevailing market conditions and such other factors as the committee deems appropriate.

- (c) To review and approve the corporate goals and objectives relevant for the compensation of the CEO, evaluate the performance of the CEO based on those goals and objectives, and set the CEO's proposed compensation level based on this evaluation. In determining the long-term incentive component of the CEO's compensation package, the committee shall consider, among other factors, ABB's performance and shareholder return, the value of similar incentive awards given to chief executive officers of comparable companies and the awards given to the CEO in past years.
- (d) To review and propose to the Board the incentive compensation plans and the equity-based plans, taking into account dilution effects caused to the shareholders, and monitor compliance therewith.
- (e) To review and approve any severance or similar termination payments proposed to be made to any current or former director or members of the EC or senior management.

Other committee responsibilities

- (a) Perform any other activities consistent with these regulations as the committee or the Board deems necessary or appropriate.
- (b) The Board may from time to time expressly delegate any other duties or responsibilities to the committee relating to ABB's corporate governance, nomination policy and compensation programs. Such other duties and responsibilities shall be duly discharged by the committee.

6. Reporting and evaluation

Reporting to the Board

The committee shall report to the Board on a regular basis but not less than once a year. The report shall include the report on corporate governance and compensation for inclusion in ABB's annual report.



Annual evaluation

The committee shall perform an annual review and self-evaluation of the committee's performance, including a review of the committee's compliance with these regulations. The committee shall conduct such evaluation and review in such manner as it deems appropriate and report the results to the Board.

Review of these regulations

The committee shall review these regulations annually to reassess their adequacy and, if appropriate, recommend changes to the Board for approval.