
COMPENSATION REPORT

This report describes the principles of Kaba Group's compensation policy and provides information and figures on the payments made to the Group's various officers and corporate bodies. It is based on the chapter on compensation, shareholdings and loans in the Directive on Information relating to Corporate Governance (DCG) issued by the SIX Swiss Exchange AG, and takes account of Art. 663b^{bis} and Art. 663c of the Swiss Code of Obligations.

The Compensation Report will be put to a consultative vote for the first time at the Annual General Meeting of Kaba Holding AG on 29 October 2013.

Content and method of determining compensation and shareholding programs

Board of Directors

Members of the Board of Directors are paid an amount for their work that is proposed at the beginning of every financial year by the Compensation Committee and decided by the whole Board of Directors. The remuneration paid to Board members is based on the time they devote to the job and their function. In terms of amount and structure, it is in line with remuneration paid by comparable medium-sized, internationally active Swiss and listed industrial companies.

The basic compensation paid to Board members consists of a cash payment of CHF 70,000 and a fixed allocation of 100 Kaba Holding AG shares and of 200 shares respectively for the Chairman of the Board. Payments in the form of lump-sum fees are additionally made for specific roles within the Board of Directors (Chair, Vice-Chair, chairmanship and membership of the Audit Committee), while payments in the form of time-related fees are envisaged for specific tasks allocated by the Board of Directors and for membership of the Compensation and Nomination Committee. A part of the cash component of the basic compensation and of the additional compensation can also be paid out to individual Board members in the form of Kaba Holding AG

shares if so elected. The number of shares allocated is calculated using the average closing price for a period of five trading days ending on 30 June of the relevant remuneration period. Lump-sum expenses for each meeting day and actual costs such as flights are paid separately.

Executive Board

Members of the Kaba Group's Executive Board receive performance-related remuneration. This remuneration is divided into a fixed basic compensation and a variable compensation.

The fixed basic compensation is the payment that members of the Executive Board receive for fulfilling their operational roles. This is based on the content and complexity of the job, and is set at around the market level paid for comparable positions in the industrial sector in the country where the member of the Executive Board works. A remuneration study conducted in 2011/2012 forms the basis for comparison; this study will be updated every two years. The study looked at around 2,500 publicly listed and private industrial companies, including Kaba's competitors in the security sector, that are comparable in terms of e.g. sales, number of employees, internationality of business, etc. The basic compensation is usually paid in the local currency. The Chief Executive Officer also receives in addition a fixed allocation of shares as part of his basic remuneration.

The variable compensation consists of a bonus and an allocation of shares. The bonuses of the Executive Board members' remuneration are based on the Group's after-tax earnings and on its growth compared with the previous year, and/or the specific division's EBIT (always split between the EBIT of the individual divisional areas of responsibility and the EBIT of the whole Access + Data Systems respectively Key Systems business). Cut-off date for the assessment is the last day of the financial year. The bonus of the Executive Board's remuneration amounts to a maximum of 150% of the basic compensation.

The Compensation Committee approves the Chief Executive Officer's proposal for remuneration of members of the Executive Board (including allocation of shares from the share allocation plans, see below). The Chair of the Compensation Committee informs the Board of Directors regularly about the decisions made, and especially about changes to the system, new employment contracts and major changes to existing employment contracts on top level.

During the 2012/2013 financial year, a multi-year initiative to optimize the compensation system was also launched and a set of compensation regulations was introduced. These regulations include, for example, the regulation that compensation for senior management must in principle be based on the market median in the relevant national or regional market, and should be within a range of -20% to +35% of this range. The definition of the relevant market is based on the overall national or regional market, i.e. the average of all companies, regions, sectors and functions in a country. The provider of the remuneration study ensures this average is dominated by manufacturing industry and high-tech firms. In addition, cross-comparisons are made where necessary between individual regions for each function; sometimes individual assessments are also carried out for very specific functions in individual countries.

Stock option and stock award plans

The Annual General Meeting of 27 October 1997 authorized the creation of conditional capital in the amount of CHF 200,000 for the creation of a stock option plan.

The Extraordinary General Meeting of Kaba Holding AG held on 8 February 2001 increased this conditional capital by CHF 400,000 to CHF 600,000 (issued as 60,000 registered shares with a par value of CHF 10.00 each).

The Annual General Meeting of 25 October 2005 approved an increase in the conditional capital by an additional 60,000 registered shares.

The 2002 Stock Option Plan, under which no further options were issued during the 2012/2013 financial year and under which previously issued options have expired, was replaced in 2007 by the Kaba Executive Stock Award Plan (ESAP 1).

In addition to the existing ESAP 1, the Kaba Executive Stock Award Plan Plus (ESAP Plus) has been introduced. The Board of Directors approved the revised ESAP 1 regulations and the ESAP Plus regulations on 23 October 2012. The two sets of regulations came into effect retrospectively as of 1 July 2012.

The purpose of ESAP 1 is to offer its participants an interest in Kaba Holding AG's share capital and an interest in the success and the overall performance of the Kaba Group, as well as to enable the participants to identify themselves more closely with the company. By introducing ESAP Plus, Kaba intends to create incentive structures by enabling employees to participate in the company's success, but also to switch to a tool that increases employee loyalty according to rank and that establishes a link with individual performance.

Unlike the existing ESAP 1, the new ESAP Plus imposes a three-year blocking period on all shares awarded. Once the blocking period has expired and provided plan participants are still employed with the Kaba Group and no termination notice has been given, ESAP Plus participants receive an additional unblocked share for every two shares originally awarded. While existing plan participants can choose between the two stock award plans for the 2012/2013 financial year to ensure they maintain their existing holdings, new plan participants are only being offered the new ESAP Plus stock award plan.

Both stock award plans are open to the Executive Board and to members of the senior management designated by the Chief Executive Officer. The Compensation Committee approves the list of par-

ticipants in the stock award plans every year at the end of August. The Compensation Committee may decide to extend entitlement to other employees. The Compensation Committee, in response to the Chief Executive Officer's proposal, defines the individual allocations. The decision about individual allocations is at the discretion of the Compensation Committee, which considers the plan participants' individual performances (and amount of overall remuneration). Participants are told their share allocation in the middle of September of the year in question. Shares are usually issued at the end of September / start of October.

If a participant should die, or if there is a change of control of Kaba Holding AG (for changes of control see "Changes of control and defense measures" on page 76 of the Corporate Governance Report), the blocking period will be lifted.

A total of 3,940 shares (out of conditional capital) were issued on 15 August 2007. A total of 4,060 shares (out of treasury shares) were allotted on 15 August 2008. A total of 4,100 shares (out of treasury shares) were allotted on 14 August 2009. On 16 August 2010, a total of 4,220 shares were allotted (out of treasury shares). On 15 August 2011, 3,610 shares were allotted (out of treasury shares).

On 22 November 2012, 2,570 shares (out of treasury shares) were allotted, of which 310 under ESAP 1 and 2,260 under ESAP Plus.

COMPENSATION TO THE BOARD OF DIRECTORS AND EXECUTIVE BOARD

Financial year 2012/2013

	Basic compensation ¹⁾		Social benefits ²⁾	Total CHF	thereof paid out in shares ³⁾	
	Total	of which for functions and specifically attributed tasks			Number of shares	Value of shares
Board of Directors						
Allemand Heribert Member Audit Committee	152,305	40,000	7,659	159,964	100	34,940
Andrien Maurice P. Member Compensation Committee Member Nomination Committee	107,440	2,500	0	107,440	100	34,940
Chiu Elton SK	111,648	0	6,928	118,576	100	34,940
Daeniker Daniel Chair Audit Committee	207,266	90,000	12,748	220,014	100	34,940
Dörig Rolf Vice-Chairman of the Board Chair Compensation Committee Member Audit Committee Member Nomination Committee	162,789	47,500	10,699	173,488	100	34,940
Dubs-Kuenzle Karina	112,236	0	7,537	119,773	100	34,940
Graf Ulrich Chairman of the Board Chair Nomination Committee Member Compensation Committee	407,072	232,500	21,208	428,280	200	69,880
Hess Hans	111,547	0	6,826	118,373	100	34,940
Pleines Thomas	112,236	0	7,537	119,773	100	34,940
Total Board of Directors	1,484,539	412,500	81,142	1,565,681	1,000	349,400

1) Basic compensation consists of a cash payment of CHF 70,000 and a fixed allocation of shares. Payments in the form of lump-sum fees are additionally made for specific roles within the Board of Directors (Chair, Vice-Chair, chairmanship and membership of the Audit Committee), while payments in the form of time-related fees are envisaged for specific tasks allocated by the Board of Directors and for membership of the Compensation and Nomination Committee.

2) No contributions are being paid into the pension plan.

3) As part of their basic compensation, each Board member receives a fixed allocation of 100 shares. The Chairman of the Board of Directors receives a fixed allocation of 200 shares. Part of the cash component of the basic compensation can also be paid out to each Board member in the form of Kaba Holding AG shares if so elected. This was not possible in the period under review because internal restrictions prevented Board members from electing shares; the cash component and the additional payments were therefore paid exclusively in cash in the period under review.

	Basic compensation	Var. comp. ⁵⁾	Social benefits ⁶⁾	Total CHF	thereof paid out in shares	
	Total				Number of shares	Value of shares
Executive Board⁴⁾						
Cadonau Riet	866,357 ⁷⁾	719,068	345,387	1,930,812	350	122,290
Other Executive Board	2,410,893	1,679,239	958,180	5,048,312	1,168	431,699
Total Executive Board	3,277,250	2,398,307	1,303,567	6,979,124	1,518	553,989

4) The remuneration of members of the Executive Board consists of a fixed basic compensation and a variable compensation, which is made up of a bonus and an allocation of shares. As an exception to this, the CEO receives a fixed allocation of shares as part of his basic compensation. In addition, one other member of the Executive Board has been allotted shares as part of his basic compensation in the financial year 2012/2013.

5) During the year under review, the bonuses for individual Executive Board members lay between 37 % and 97 % of the basic compensation.

6) The total share of pension plan contributions comes to CHF 740,759.

7) The basic compensation of the CEO consists of a basic salary of CHF 744,067 and a fixed allocation of 350 shares (share value CHF 122,290).

	Basic compensation	Var. comp.	Social benefits	Total CHF	thereof paid out in shares	
	Total				Number of shares	Value of shares
Total Board of Directors and Executive Board	4,761,789	2,398,307	1,384,709	8,544,805	2,518	903,389

Financial year 2011/2012

	Basic compensation ¹⁾		Social benefits ²⁾	Total CHF	thereof paid out in shares ³⁾	
	Total	of which for functions and specifically attributed tasks			Number of shares	Value of shares
Board of Directors						
Allemann Heribert Member Audit Committee	152,209	40,000	9,133	161,342	100	35,235
Andrien Maurice P. Member Compensation Committee Member Nomination Committee	112,735	2,500	0	112,735	100	35,235
Chiu Elton SK	112,761	0	7,942	120,703	100	35,235
Daeniker Daniel Chair Audit Committee	174,873	60,000	12,005	186,878	192	67,651
Dörig Rolf Vice-Chairman of the Board Chair Compensation Committee Member Audit Committee Member Nomination Committee	160,783	47,500	10,062	170,845	350	123,323
Dubs-Kuenzle Karina	112,250	0	8,655	120,905	100	35,235
Graf Ulrich Chairman of the Board Chair Nomination Committee Member Compensation Committee	432,824	232,500	23,552	456,376	450 ⁴⁾	139,720
Pleines Thomas	111,070	0	7,237	118,307	199	70,118
Total Board of Directors	1,369,505	382,500	78,586	1,448,091	1,591	541,752

- 1) Basic compensation consists of a cash payment of CHF 70,000 and a fixed allocation of shares. Payments in the form of lump-sum fees are additionally made for specific roles within the Board of Directors (Chair, Vice-Chair, chairmanship and membership of the Audit Committee), while payments in the form of time-related fees are envisaged for specific tasks allocated by the Board of Directors and for membership of the Compensation and Nomination Committee.
- 2) No contributions are being paid into the pension plan.
- 3) As part of their basic compensation, each Board member receives a fixed allocation of 100 shares. The Chairman of the Board of Directors receives a fixed allocation of 200 shares. Part of the cash component of the basic compensation can also be paid out to each Board member in the form of Kaba Holding AG shares if so elected.
- 4) In addition to the 200 shares in the fixed allocation, Ulrich Graf was allocated another 250 shares from the Executive Stock Award Plan ESAP 1. This is because he acted as executive Chairman in 2010/2011; the relevant shares were not paid out, however, until the period under review.

	Basic compensation	Var. comp. ⁶⁾	Social benefits ⁷⁾	Total CHF	thereof paid out in shares	
	Total				Number of shares	Value of shares
Executive Board⁵⁾						
Cadonau Riet	869,614 ⁸⁾	1,073,251	363,368	2,306,233	350	123,323
Other Executive Board	2,338,221	1,695,990	891,462	4,925,673	798	233,704
Total Executive Board	3,207,835	2,769,241	1,254,830	7,231,906	1,148	357,027

- 5) The remuneration of members of the Executive Board consists of a fixed basic compensation and a variable compensation, which is made up of a bonus and an allocation of shares. As an exception to this, the CEO receives a fixed allocation of shares as part of his basic compensation. In addition, one other member of the Executive Board has been allotted shares as part of his basic compensation in the financial year 2011/2012.
- 6) During the year under review, the bonuses for individual Executive Board members lay between 40% and 140% of the basic compensation.
- 7) The total share of pension plan contributions comes to CHF 743,300.
- 8) The basic compensation of the CEO consists of a basic salary of CHF 746,291 and a fixed allocation of 350 shares (share value CHF 123,323).

	Basic compensation	Var. comp.	Social benefits	Total CHF	thereof paid out in shares	
	Total				Number of shares	Value of shares
Total Board of Directors and Executive Board	4,577,340	2,769,241	1,333,416	8,679,997	2,739	898,779

In addition, in the financial year 2011/2012, 400 shares worth CHF 110,800 were allocated to former members of the Executive Board.

Shares and share options held by Board of Directors and Executive Board

As at the respective call date, the individual members of the Board of Directors and the Executive Board (including related parties) held the following number of shares in Kaba Holding AG. None of the members of the Board of Directors and the Executive Board held any options.

Financial year as at 30 June 2013

	Number of shares
Board of Directors	
Allemann Heribert	9,350
Andrien Maurice P.	720
Chiu Elton SK	200
Daeniker Daniel	369
Dörig Rolf	3,984
Dubs-Kuenzle Karina	35,844
Graf Ulrich	7,204
Hess Hans	700
Pleines Thomas	199
Total Board of Directors	58,570
Executive Board	
Belflower Frank	1,200
Cadonau Riet	1,852
Gaspari Roberto	950
Grawehr Patrick	50
Häberli Andreas	210
Malacarne Beat	150
Sideranko Carl	0
Zocca Stefano	318
Total Executive Board	4,730

Financial year as at 30 June 2012

	Number of shares
Board of Directors	
Allemann Heribert	9,250
Andrien Maurice P.	620
Chiu Elton SK	100
Daeniker Daniel	163
Dörig Rolf	3,634
Dubs-Kuenzle Karina	35,744
Graf Ulrich	7,254
Pleines Thomas	0
Total Board of Directors	56,765
Executive Board	
Belflower Frank	1,050
Cadonau Riet	1,502
Gaspari Roberto	750
Grawehr Patrick	0
Häberli Andreas	60
Malacarne Beat	0
Sideranko Carl	150
Zocca Stefano	0
Total Executive Board	3,512