

Corporate Governance

General framework

This Corporate Governance report explains the principles of management and control at the highest level of the Kaba Group in accordance with the Directive on Information Relating to Corporate Governance (the Corporate Governance Directive, RLCG) issued by the SIX Swiss Exchange AG. The information contained in this report for financial 2009/2010 is valid as at 30 June 2010, unless otherwise stated.

Corporate governance at the Kaba Group complies largely with the principles and recommendations of the Swiss Code of Best Practice for Corporate Governance dated 25 March 2002 and 6 September 2007. However, because of its shareholder structure and size, the Kaba Group has adopted certain changes and simplifications to the Code.

The principles and rules on corporate governance at the Kaba Group are laid down in the Articles of Incorporation¹⁾, the Organizational Regulations and the regulations of the Board of Directors' committees. They are regularly reviewed by the Chief Executive Officer, who from time to time sub-

mits proposals for amendments to the Board of Directors for a decision.

Group structure

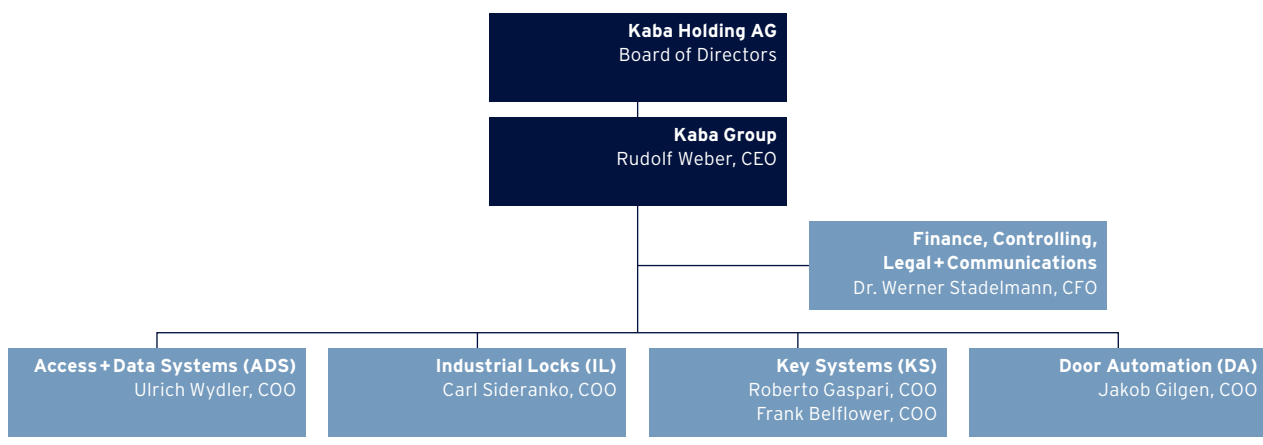
The Group's organizational structure is based on the main business functions. With a view to further enhancing the efficiency of the Group, on 1 July 2009 Kaba has put in place a new management structure for its Access+Data Systems segment. All the segment's operations will be placed under a central management set-up. This will enhance the efficiency of this segment and will provide for better use of synergies between the American, European and Asian regions. At the beginning of the year under review, Safe Locks and Wah Yuet were brought together to form a new Industrial Locks segment.

The names of the companies that go to make up the consolidated Group can be found in the Financial Statements on pages 110 to 112.

1) The Articles of Incorporation are published on www.kaba.com.

GROUP STRUCTURE

as at 1 July 2009



Shareholders

The following table sets out the shareholding structure of Kaba Holding AG as at the end of the financial year and gives the names of shareholders that have disclosed voting rights of 3% or more to Kaba Holding AG.

Due to the 3% threshold as stipulated by stock exchange law, the following disclosures have been made during financial 2009/2010: Kin Shek Ng, who holds his shares indirectly through associated companies, disclosed a reduction in his shareholding to 2.97% (112,815 shares) on 30 July 2009. Further, on 1 August 2009, Harris Associates

L.P. reported a 3.00% shareholding (114,291 shares). In addition, on 25 August 2009, TIAA-CREF Investment Management, LLC reported a 3.08% shareholding (117,324 shares); however, the shareholding was reduced to 2.67% (101,785 shares) on 15 October 2009. Finally, on 22 June 2010, Capital Group Companies, Inc. and associated companies disclosed a reduction in shareholding to 2.99% (114,000 shares).

SHAREHOLDER GROUP

	as at 30.06.2010 No. of shares at CHF 0.10 par value	in %	as at 30.06.2009 No. of shares at CHF 0.10 par value	in %
Heirs of Leo Bodmer				
Creed Kuenzle ¹⁾	127,452	3.3	127,452	3.3
Karin Forrer ²⁾	196,910	5.2	196,910	5.2
Other heirs of Leo Bodmer	362,800	9.5	360,645	9.5
Total heirs of Leo Bodmer	687,162	18.0	685,007	18.0
Public shareholders				
Ulrich Breimi ³⁾	193,500	5.1	193,500	5.1
Allianz SE	188,994	5.0	188,994	5.0
Gekla AG	140,000	3.7	114,908	3.0
Harris Associates L.P.	114,291	3.0		
Kin Shek Ng ⁴⁾			173,089	4.5
Capital Group Companies, Inc.			196,869	5.2
Other public shareholders	2,448,456	64.3	2,223,246	58.4
Total public shareholders	3,085,241	81.1	3,090,606	81.2
Members of the Board and current Executives				
Other members of the Board (non-executive)	52,600	1.4	57,468	1.5
Current Executives (incl. executive Board member)	16,625	0.4	16,165	0.4
Total members of the Board and current Executives	69,225	1.8	73,633	1.9
Less double-counting in respect of heirs of Leo Bodmer who are members of the Board ⁵⁾	- 35,550	- 0.9	- 43,168	- 1.1
Total shares	3,806,078	100.0	3,806,078	100.0

1) Creed Kuenzle, Herrliberg, was Chairman of the Board of Directors of Kaba Holding AG from 1978 to 2001.

2) Karin Forrer, Ittigen, was a member of the Board of Directors of Kaba Holding AG from 1978 to 1997.

3) Ulrich Breimi, Zollikon, was employed by Kaba Holding AG from 1962 to 1992 and was Delegate of the Board of Directors from 1975 to 1992.

4) Kin Shek Ng, Kowloon, was a member of the Board of Directors of Kaba Holding AG from 24 October 2006 to 16 February 2009.

5) The shareholdings of heirs of Leo Bodmer who are also members of the Board of Directors are included under both "Other heirs of Leo Bodmer" and "Other members of the Board".

As far as Kaba Holding AG knows, the above-mentioned principal shareholders are not linked by any shareholders' agreements or similar arrangements with respect to their Kaba Holding AG registered shares or the exercise of shareholders' rights.

Cross-Shareholdings

The Kaba Group has not entered in any capital-based or voting rights-based cross-shareholdings with other companies.

Capital structure

Capital

At 30 June 2010, the share capital of Kaba Holding AG was CHF 380,607.80, divided into 3,806,078 fully paid-up registered shares with a par value of CHF 0.10 each. In addition, at 30 June 2010, Kaba Holding AG had at its disposal authorized capital of CHF 38,000 (divided into 380,000 registered shares with a par value of CHF 0.10 each) and conditional capital amounting to a maximum of CHF 43,833.20 for the issue of bonds or similar instruments (maximum CHF 36,000 divided into 360,000 registered shares with a par value of CHF 0.10 each) and for employee share ownership schemes (maximum CHF 7,833.20 divided into 78,332 registered shares with a par value of CHF 0.10 each).

Kaba Holding AG has not issued any non-voting shares (*Partizipationsscheine*) or profit-sharing certificates (*Genussscheine*).

Conditional capital

The share capital of Kaba Holding AG may be increased by an amount not exceeding CHF 36,000 by issuing up to 360,000 registered shares, to be fully paid up, with a par value of CHF 0.10 each, through the exercise of conversion and/or option rights that have been granted in connection with the issue of bonds or similar instruments by Kaba Holding AG or a group company, and/or through the exercise of option rights that have been conferred on shareholders. If bonds or similar instruments are issued in connection with conversion and/or option rights, the subscription rights of existing shareholders are excluded. The right

to subscribe to the new registered shares falls to the respective holders of conversion and/or option rights. The purchase of registered shares by exercise of conversion and/or option rights, as well as every subsequent transfer of registered shares, is subject to the transfer and voting right restrictions set out in the Articles of Incorporation.

The Board of Directors is entitled to limit or abolish the pre-emptive subscription right of shareholders in connection with the issue of bonds or similar instruments with conversion and/or option rights if such instruments are issued for the purpose of financing the acquisition of companies, parts of companies or equity interests. If the Board of Directors abolishes the pre-emptive subscription right, the following applies: the convertible bonds or bonds with warrants will be issued on market terms, and the new registered shares will be issued pursuant to the then applicable terms of conversion or warrant exercise; conversion rights may be exercised for no more than ten years and option rights may be exercised for no more than seven years after the time of the relevant issue of bonds.

The share capital of Kaba Holding AG may be increased by no more than CHF 7,833.20 by issuing to employees and members of the Board of Directors of Kaba Holding AG and of group companies no more than 78,332 registered shares with a par value of CHF 0.10 each, which must be fully paid up. The subscription rights of existing shareholders to such new shares are excluded. Registered shares or option rights in this respect will be issued to employees or members of the Board of Directors subject to one or more sets of regulations to be defined by the Board of Directors and taking into account performance, function and level of responsibility. Said registered shares or option rights may be issued to employees or members of the Board of Directors at a price below the market price. In connection with the issue of option rights to employees and members of the Board of Directors, the pre-emptive subscription right of existing shareholders is excluded. The purchase of shares within the context of employee share ownership schemes, as well as any subsequent transfers of such shares, are subject to the transfer and voting right restrictions set out in the Articles of Incorporation.

Authorized capital

The Board of Directors is authorized until 21 October 2010 to increase the share capital by an amount not exceeding CHF 38,000 by issuing up to 380,000 registered shares, to be fully paid up, with a par value of CHF 0.10 each. The increase may be subdivided into partial amounts. The new registered shares, once acquired, are subject to the transfer and voting right restrictions set out in the Articles of Incorporation.

The Board of Directors will determine the time of issue of new registered shares, their issue price, the type of payment, the subscription conditions and the beginning of dividend entitlement.

The Board of Directors may issue new registered shares via firm underwriting by a bank or a consortium and subsequent offer to existing shareholders. The Board of Directors may declare non-exercised subscription rights null and void or place them on the market, including registered shares for which subscription rights are granted but not exercised. The Board of Directors is also entitled to restrict, or to repeal and transfer to third parties, the subscription rights of shareholders in cases where the registered shares are used for the acquisition of companies, parts of companies or equity interests as well as in cases of share placements made to finance or refinance such transactions. The Board of Directors will propose to the Annual General Meeting of 19 October 2010 that this entitlement be renewed until 19 October 2012 (maximum of CHF 38,000

divided into 380,000 registered shares, to be fully paid up, with a par value of CHF 0.10 each).

Changes in capital structure within the last three financial years

Due to the exercise of options under the 2002 Stock Option Plan and (from 2007 on) the allocation and issue of shares under the Kaba Executive Stock Award Plan, the share capital of Kaba Holding AG was increased (i) as at 30 June 2008 by CHF 1,308.50 from CHF 379,069.30 to CHF 380,377.80 through the issue of 13,085 registered shares with a par value of CHF 0.10 each; conditional capital declined accordingly by CHF 1,308.50 from CHF 45,371.70 to CHF 44,063.20 (represented by 440,632 registered shares with a par value of CHF 0.10 each); and (ii) as at 30 June 2009 by CHF 230 from CHF 380,377.80 to CHF 380,607.80 through the issue of 2,300 registered shares with a par value of CHF 0.10 each; conditional capital declined accordingly by CHF 230 from CHF 44,063.20 to CHF 43,833.20 (represented by 438,332 registered shares with a par value of CHF 0.10 each). As at 30 June 2010 the share capital of Kaba Holding AG did not change and thus remains CHF 380,607.80. For details, see "Authorized Capital" and "Conditional Capital", page 38.

The Annual General Meeting of 21 October 2008 renewed the authorized capital and authorized the Board of Directors of Kaba Holding AG to increase the share capital by a maximum of CHF 38,000 by issuing a maximum of 380,000

CHANGES OF CAPITAL DURING THE LAST THREE REPORTING YEARS KABA HOLDING AG

in CHF	30.06.2010	30.06.2009	30.06.2008	30.06.2007
Equity				
Share capital	380,608	380,608	380,378	379,069
Legal reserves				
– General reserves	600,640,418	600,638,456	600,160,951	596,607,713
– Reserve for treasury shares	1,843,406	3,061,485	1,818,846	939,734
Other reserves	188,437,094	157,219,015	158,461,654	119,340,766
Unappropriated retained earnings	109,234,119	96,351,334	52,974,456	87,257,961
Total equity	900,535,645	857,650,898	813,796,285	804,525,243

registered shares, to be fully paid up, with a par value of CHF 0.10 each.

The shares

Each registered share carries one vote at the general meetings of Kaba Holding AG (subject to voting right restrictions, page 51). Voting rights may be exercised only after a shareholder has been entered in the share register of Kaba Holding AG as a shareholder with voting rights.

The registered shares of Kaba Holding AG are issued in the form of uncertificated shares. They are registered with SIX SIS AG as book-entry securities in accordance with the new Swiss Act on Book-Entry Securities, enacted on 1 January 2010. In connection with the new Act on Book-Entry Securities and the revised provisions of the Swiss Code of Obligations, the Board of Directors proposes to the Annual General Meeting that the Articles of Incorporation of Kaba Holding AG be amended in order to reflect the changes in the applicable law. The amended provisions of the Articles of Incorporation as proposed to the Annual General Meeting state that, in the future, (1) Kaba Holding AG will have the right to issue its shares as single certificates, global certificates or uncertificated securities, and (2) that each shareholder may at any time request a written confirmation from Kaba Holding AG of the shares held by such shareholder, as reflected in the share register, but will no longer be entitled to request printing and delivery of share certificates.

The registered shares have full dividend rights. There are no shares with privileged dividend entitlement or other preferential rights outstanding.

Limitations on transferability and nominee registrations

Approval for transfer of registered shares may be refused for the following reasons:

- a) In the case of individuals, legal entities or partnerships, if they would acquire more than 5% of all share votes as a result of the share transfer. Legal entities and partnerships linked by capital, voting rights, common management or otherwise, as well as all natural persons and legal entities that have combined for the purpose of circumventing this restriction, are deemed to constitute a single person.

The limitation to 5% of all share votes also applies in the case of subscription for or acquisition of registered

shares by exercise of subscription, option or conversion rights.

For shareholders who were entered in the share register with more than 5% of all share votes on 13 November 1995, the Board of Directors may provide for exceptions to this restriction via regulations. Therefore, the Board of Directors resolved on 27 October 1997 to issue a regulation with respect to the limitations on transferability of registered shares of Kaba Holding AG. According to these regulations, the Board of Directors has generally approved the registration of shareholders who were already entered in the share register with more than 5% of all voting rights on 13 November 1995. These shareholders will not be entered for registered shares thereafter acquired if such registration increases their percentage of voting rights above the total percentage registered on 13 November 1995. The Board of Directors will, however, approve such acquisitions insofar as they are intended to offset disposals that have been or will be completed after 13 November 1995. Such right to restock is only valid up to such total percentage of voting rights for which the shareholders concerned were registered on 13 November 1995. The Board of Directors will always approve registration of registered shares that have been acquired through succession, division of an estate or marital property law (article 685d paragraph 3, Swiss Code of Obligations). The existing rights to restock will in such cases be proportionally transferred.

- b) If authorization of the transfer of registered shares could prevent Kaba Holding AG from furnishing legally required evidence regarding the constituency of its body of shareholders.
- c) If the registered shares are held in trust.

For the year under review, the Board of Directors has not granted any exemptions from the limitations on transferability.

To cancel or change the restrictions on transferability of registered shares, a resolution of the General Meeting approved by at least two-thirds of the votes represented is required.

Pursuant to the amended Articles of Incorporation as proposed to the Annual General Meeting in connection with the new Act on Book Entry Securities, the registered shares

of Kaba Holding AG in the form of book-entry securities cannot be transferred, and no security interest in any such book-entry securities can be granted, by way of assignment. Rather, any transfer of, or granting of security in, such registered shares in the form of book-entry securities must be effected in accordance with the provisions of the Act on Book-Entry Securities.

Convertible bonds and options

On 18 January 2002, Kaba Finance Luxembourg S.A. issued a 4% convertible bond maturing on 18 January 2010 in the amount of CHF 138,240,000 at par value, unconditionally and irrevocably guaranteed by Kaba Holding AG.

As no bonds were converted, all convertible bonds were redeemed on 18 January 2010, at 130.78% of the par value (CHF 180,790,272).

Information on options and shares granted to employees may be found on page 50.

Board of Directors

The duties of the Board of Directors of Kaba Holding AG are based on the provisions of the Swiss Code of Obligations, the Articles of Incorporation and the Organizational Regulations.

Members of the Board of Directors

The Board of Directors of Kaba Holding AG consists of seven members. Two of the current members of the Board of Directors have been members of the executive management of Kaba Holding AG or of the Kaba Group in the last four financial years: Ulrich Graf and Heribert Allemann. During the period under review, Thomas Zimmermann resigned from Kaba Holding AG's Board of Directors on 20 October 2009. The non-executive members of the Board of Directors have no important business connections with Kaba Holding AG or the Kaba Group.

The following table sets forth the name, position, age, time of first election and remaining term of office of each member of the Board of Directors.

MEMBERS OF THE BOARD OF DIRECTORS 2009/2010

Name/Position	Year of birth	Entry	Remaining term
Ulrich Graf Chairman, executive	1945	1989	2011
Rolf Dörig Vice-Chairman, non-executive	1957	2004	2010
Heribert Allemann non-executive member	1944	2006	2012
Maurice P. Andrien non-executive member	1941	2001	2010
Riet Cadonau non-executive member	1961	2006	2011
Karina Dubs-Kuenzle non-executive member	1963	2001	2010
Klaus Schmidt non-executive member	1958	2005	2011

Ulrich Graf
Chairman



- > Chairman of the Compensation and Nomination Committees
- > Swiss citizen
- > Education:
Degree in electrical engineering from the Swiss Federal Institute of Technology (ETH) (Zurich/CH)
- > Career:
1989–2006 CEO of Kaba Group and President of Kaba Holding AG;
1976–1989 various executive positions at Kaba Group
- > External activities and interests:
Chairman of the Board of Directors of Dätwyler Holding AG (Altdorf/CH), Griesser AG (Aadorf/CH) and Fr. Sauter AG (Basle/CH); member of the Board of Directors of Georg Fischer AG (Schaffhausen/CH) and Feller AG (Horgen/CH); member of the Board of Trustees of Rega (Swiss Air Rescue) (CH); member of the Supervisory Board of Dekra e.V. (Stuttgart/DE)

Rolf Dörig
Vice-Chairman



- > Member of the Compensation, Nomination and Audit Committees
- > Swiss citizen
- > Education:
Dr. iur. University of Zurich (CH), admission to the bar
- > Career:
2002–2009 CEO and Delegate of the Board of Directors of Swiss Life Group (CH); 1986–2002 various executive positions at Credit Suisse Group (CH); 2000–2002 member of the Group Executive Board and responsible for Swiss corporate and retail banking
- > External activities and interests:
Chairman of the Board of Directors of Swiss Life¹⁾ (CH), Adecco¹⁾ (CH) and Danzer AG (CH); member of the Executive Committee of Economiesuisse (CH) and of the Zurich Chamber of Commerce (CH)

1) Listed company

Heribert Allemann



- > Member of the Audit Committee
- > Swiss citizen
- > Education:
Degree in micro-engineering from the University of Applied Sciences (Biel/CH); Degree in economics and business administration from the University of Berne (CH); Further studies in business management at Harvard Business School
- > Career:
2001–2006 Deputy CEO Kaba Group; 1990–2006 Head of various divisions within Kaba Group and member of the Executive Committee; 1984–1989 CEO of Celfa-Folex Group (CH); 1976–1984 Head of a profit center of Holderbank Management + Consulting (re-named Holcim) (CH)
- > External activities and interests:
President of the Board of Alpa Partners AG (Zug/CH); member of the Board of Contract Farming India AG (Zug/CH); coach and consultant in company management

Maurice P. Andrien



- > Member of the Compensation and Nomination Committees
- > U.S. citizen
- > Education:
Bachelor's degree in electrical engineering from the Massachusetts Institute of Technology (MIT) (USA); Master's degree in management MIT (USA)
- > Career:
1999–2001 President, CEO and Director of SunSource Inc. (Philadelphia, PA/USA); 1998–1999 COO and member of the Board of Unican Security Systems Ltd. (Montreal/CA)
- > External activities and interests:
Member of the Board of Hillman Group (Cincinnati, OH/USA), State Industrial Products Inc. (Cleveland, OH/USA) and Cogniscape LLC (Swarthmore, PA/USA)

Riet Cadonau

- > Chairman of the Audit Committee
 - > Swiss citizen
 - > Education:
Master's degree in economics from the University of Zurich (CH); Advanced Management Program at INSEAD (Fontainebleau/FR)
 - > Career:
Since 2007 CEO of Ascom Group (CH); until 2007 Managing Director of ACS Europe + Transport Revenue (Dallas, TX/USA), a global line of business of ACS Inc. (Affiliated Computer Services); 2001–2005 member of the Executive Board of the Ascom Group, from 2002 Deputy CEO and General Manager of the Transport Revenue Division, which was acquired by ACS in 2005; 1990–2001 various management positions at IBM Switzerland, lastly as a member of the Management Board and Director of IBM Global Services
 - > External activities and interests:
Member of the Board of Directors of Griesser AG (Aadorf/CH)
-

Karina Dubs-Kuenzle

- > Swiss citizen
 - > Career:
Since 1997 Partner of Dubs Konzepte AG (Zurich/CH); advertising assistant at Wirz Werbeberatung AG (Zurich/CH) and at Heiri Scherer Creative (Zurich/CH)
 - > External activities and interests:
Member of the Board of Directors of Dubs Konzepte AG and Fehba Import Export AG (Zurich/CH)
-

Klaus Schmidt

- > German citizen
 - > Education:
Degree in technically oriented business administration from the Technical University of Stuttgart (DE); MBA Program University of Oregon (USA); Advanced Management Program at INSEAD (Fontainebleau/FR); Doctor honoris causa (h.c.) European Business School (Hessen/DE)
 - > Career:
Since 2010 CEO German Capital Partner (DE); 2003–2009 CEO Dekra AG (DE); 1996–2003 CFO Dekra AG/e.V.; 1994–1996 Managing Director of Alcatel Air Navigation Systems GmbH and Standard Elektrik Lorenz AG (SEL Alcatel AG) (DE)
 - > External activities and interests:
Member of the Kuratorium of the European Business School (Hessen/DE); Vice-Chairman of the Supervisory Board of Horváth AG (Stuttgart/DE); member of the Advisory Board of Deutsche Bank AG (Frankfurt/DE); member of the Advisory Board of BW Bank (Stuttgart/DE)
-

Elections and terms of office

The General Meeting elects the Board of Directors of Kaba Holding AG. The Articles of Incorporation of Kaba Holding AG provide that the Board of Directors must consist of five to ten members at any time. Each member of the Board of Directors is elected for a term of three years and may be reelected to successive terms. About one-third of the members of the Board of Directors are recommended for reelection each year; the Board of Directors decides on how tenure is allocated. When they reach the age of 70, the members of the Board of Directors resign at the next Annual General Meeting.

The terms of office of Maurice P. Andrien, Rolf Dörig and Karina Dubs-Kuenzle expire at the Annual General Meeting of 19 October 2010. The Board of Directors proposes their reelection.

Internal organizational structure

The Board of Directors is ultimately responsible for business strategy and exercises overall guidance over the Kaba Group. The Board of Directors is the highest decision-making body and establishes the strategic, organizational, accounting and financial planning policies to be followed by the Kaba Group. The Board of Directors has delegated the management of day-to-day business operations to the Group Management Board, which is headed by the Chief Executive Officer. The Chief Executive Officer is responsible for the overall executive management of the Kaba Group and for all other matters except for those reserved by law, the Articles of Incorporation or Organizational Regulations to another corporate body.

The primary duties of the Board of Directors, as defined in the Swiss Code of Obligations and the Articles of Incorporation of Kaba Holding AG, are as follows:

- > Strategic direction and management of Kaba;
- > Accounting matters, financial control, and financial planning; Appointment and dismissal of the members of the Group Management Board and other key executives;
- > Overall supervision of business operation;
- > Preparation of the annual reports and the general meetings as well as the execution of its resolutions.

Resolutions of the Board of Directors are taken collectively by its members. The Chief Executive Officer and the Chief

Financial Officer attend the meetings of the Board of Directors on a regular basis in an advisory capacity. Other members of the executive management are called in an advisory capacity as necessary to advise on individual agenda items. During financial 2009/2010, the Board of Directors met five times at regularly scheduled meetings and three times for extraordinary meetings. Meetings generally last a half or a whole working day. External advisors participated once in Board meetings. In addition, ten meetings of the committees took place.

The agendas for Board meetings are set by the Chairman based on proposals from the Chief Executive Officer. Any member of the Board of Directors, however, may request that an item be included on the agenda. In advance of Board meetings, the members of the Board of Directors receive documents allowing them to prepare for discussion of the items on the agenda.

The Board of Directors maintains an exchange of ideas with the company's managers and usually visits one or more locations of the Kaba Group per year.

Committees

The Board of Directors has established an Audit Committee, a Compensation Committee and a Nomination Committee. Each of the committees has regulations in writing, outlining its duties and responsibilities. The chairpersons are elected by the Board of Directors. The committees meet regularly and are required to submit full minutes and recommendations to the Board of Directors at its regular meetings. The agendas for the committee meetings are set by their chairpersons. In advance of meetings the members of the committees receive documents allowing them to prepare for discussion of the items on the agenda.

Audit Committee

The Audit Committee consists of three non-executive members of the Board of Directors whose professional background has made them experienced in financial and accounting matters:

- > Riet Cadonau (Chair)
- > Heribert Allemann
- > Rolf Dörig

The Board of Directors has determined that the members must meet certain requirements with respect to indepen-

dence and qualification and may not be part of the Group Management Board. Each member of the Audit Committee is elected for a term of one year and may be reelected to successive terms.

The chairperson invites the members of the Audit Committee to convene as often as business requires, but meetings are held at least once a year. In financial 2009/2010, the Audit Committee met four times.

The Chief Executive Officer and the Chief Financial Officer attend the meetings in an advisory capacity as do, usually, representatives of the statutory auditors and, if necessary, representatives of internal audit and controlling. In financial 2009/2010, representatives of the statutory auditors and of internal audit and controlling attended two respectively four meetings and an external insurance specialist attended one meeting. The Audit Committee keeps minutes of its discussions and resolutions.

The principal responsibility of the Audit Committee is to maintain a comprehensive and effective auditing approach for Kaba Holding AG and the Kaba Group. In particular, the Audit Committee has the following responsibilities:

With regard to external auditing

- > Approval of the focal points of the auditing program;
- > Acceptance of the statutory auditors' report and any recommendations from the statutory auditors before the annual accounts (individual and consolidated accounts) are submitted to the Board of Directors for approval;
- > Submission of a proposal to the Board of Directors as a whole as to which external auditor is to be proposed to the General Meeting for election as the statutory auditor and group auditor, including appraisal of the statutory auditors' performance and compensation as well as of their independence, and assessment of the compatibility of their auditing activities with any consultancy mandates.

With regard to internal auditing

- > Approval of guidelines governing the organization and responsibilities of internal auditing;
- > Outsourcing of internal auditing activities to third parties if necessary;
- > Approval of the auditing program;
- > Checking auditing results and recommendations by external or internal auditors.

The Audit Committee reports yearly to the Board of Directors as a whole on its activities. It notifies the Board of Directors immediately of any important matters.

Compensation Committee

The Compensation Committee consists of three members of the Board of Directors:

- > Ulrich Graf (Chair)
- > Maurice P. Andrien
- > Rolf Dörig

Each member of the Compensation Committee is elected for a term of one year and may be reelected to successive terms.

The Compensation Committee is responsible for submitting proposals to the Board of Directors as a whole about the compensation (including share option schemes) of the individual members of the Board of Directors. Upon application from the Chief Executive Officer, it also determines the salary policy for the members of the Group Management Board as well as approving the compensation of the members of the Group Management Board. The Compensation Committee meets at least once a year. In financial 2009/2010, the Compensation Committee met three times. Usually, the Chief Executive Officer and the Chief Financial Officer attend the meetings, but not external advisors. Details of the salary policy at the Kaba Group may be found on pages 50/51.

Nomination Committee

The Nomination Committee is composed of three members, the majority of whom must be non-executive members of the Board of Directors:

- > Ulrich Graf (Chair)
- > Maurice P. Andrien
- > Rolf Dörig

The meetings are generally also attended in an advisory capacity by the Chief Executive Officer, as the sole member of the executive management. External advisors do not attend.

The Nomination Committee convenes at least once a year. In financial 2009/2010, the Nomination Committee met three times. The Committee's members are elected for a term of one year, and reelection is possible.

The Nomination Committee establishes the principles for the nomination and reelection of members of the Board of Directors, and pursuant to these principles submits to the Board of Directors proposals regarding the Board's composition.

Decisions on nominations are made by the Board of Directors itself. The Board of Directors may also delegate responsibility for the nomination and evaluation of members of the executive management to the Nomination Committee. The Nomination Committee keeps minutes of its discussions and resolutions, and regularly reports to the Board of Directors.

Information and control instruments relating to executive management

Kaba Group's management information system (MIS) operates as follows: the individual financial statements (balance sheet, income statement, cash flow statement) of each of the subsidiaries are prepared monthly, quarterly, semi-annually and annually. These figures are summarized per segment and consolidated for the Group. They are compared with the preceding financial year and the budget. The budget, which constitutes the first year of a three year mid-term plan per subsidiary, is assessed on the basis of the quarterly statements in the form of forecasts with respect to its achievability.

The Chief Executive Officer reports in writing once a month to the Board of Directors on the achievement of budgeted figures. The Segment Heads inform the CEO about business progress and noteworthy events in regular telephone conversations, and they generally report in writing once every two months on the achievement of budgeted figures.

At the meetings of the Board of Directors, these reports are discussed with the Chief Executive Officer and the Chief Financial Officer.

Executive management

Management philosophy

The Kaba Group delegates entrepreneurial responsibility to the lowest possible level. Management organization at Kaba is based on decentralized responsibility and swift decision-making channels that are close to local markets. This struc-

ture calls for personal initiative at all levels and ensures maximum customer satisfaction.

As a rule, the Segment Heads are responsible for their business activities worldwide, including development, production and distribution.

Management organization

The Board of Directors has appointed a Group Management Board, chaired by the Chief Executive Officer. Its functions and responsibilities are defined in Kaba Holding AG's Organizational Regulations. The Segment Heads and the Chief Financial Officer report to the Chief Executive Officer, who is responsible for overall management and collaboration across Segments. The Group Management Board includes the Segment Heads and the Chief Financial Officer.

Chief Executive Officer

The Chief Executive Officer manages the Kaba Group. He is entrusted with all functions except for those matters reserved by law, the Articles of Incorporation and the Organizational Regulations for another corporate body. After consultation with the Group Management Board, the Chief Executive Officer submits strategy, long- and medium-term objectives and the management guidelines of the Kaba Group to the Board of Directors as a whole for approval. Upon proposals submitted by the Chief Executive Officer, the Board of Directors as a whole makes decisions in relation to annual budgets (consolidated and for the holding company), individual projects, annual statements (individual and consolidated) and personnel. Upon application from the Chief Executive Officer, the Compensation Committee of the Board of Directors approves the compensation (including the allocation of shares under the Executive Stock Award Plan as well as insurance aspects) of the members of the Group Management Board.

The Chief Executive Officer reports regularly to the Board of Directors as a whole on current business developments, anticipated opportunities and risks as well as changes at the lower management level. The members of the Board of Directors may request and review other information. The Chief Executive Officer must immediately notify the Chairman of the Board of Directors if significant unanticipated developments occur. The Chief Executive Officer regularly reviews whether the Articles of Incorporation, the regula-

tions issued by the Board of Directors and signatory powers must be changed and, if necessary, submits the respective amendments.

Members of the Group Management Board

The following table provides the name, age, position and date first elected for those individuals who currently serve as members of the Group Management Board.

MEMBERS OF THE GROUP MANAGEMENT BOARD 2009/2010

Name/Position	Year of birth	Entry Management Board
Rudolf Weber Chief Executive Officer	1950	2006
Frank Belflower Chief Operating Officer Key Systems Americas; Access + Data Systems Americas	1953	2001
Roberto Gaspari Chief Operating Officer Key Systems Europe/Asia Pacific	1959	2006
Jakob Gilgen Chief Operating Officer Door Automation	1955	2003
Carl Sideranko Chief Operating Officer Industrial Locks	1954	2006
Dr. Werner Stadelmann Chief Financial Officer	1947	1981
Ulrich Wydler Chief Operating Officer Access + Data Systems	1947	1994

Rudolf Weber
CEO



- > Swiss Citizen
- > Education:
Degree in engineering from the Swiss Federal Institute of Technology (ETH) (Zurich/CH); Master of Economic Studies from the University of St. Gallen (CH)
- > Career:
Since July 2006 CEO of Kaba Group; 2002–2006 CEO Fr. Sauter AG (Basle/CH); 1996–2001 CEO Hoval Heiztechnik (Feldmeilen/CH); 1986–1996 member of the Executive Committee at Elco Looser Holding AG (Zurich/CH)
- > External activities and interests:
Member of the Board of Directors of Enics AG (Baden/CH), Elma AG (Wetzikon/CH) and Vittrashop Holding AG (Muttentz/CH)

Frank Belflower
COO Key Systems Americas;
Access + Data Systems Americas



- > U.S. citizen
- > Education:
Bachelor of Arts (BA Psychology)
- > Career:
Since 2001 COO and member of the Executive Committee Kaba Group; 1993–2001 member of the management of Unican Group (2001 acquisition of Unican Security Systems Ltd. by Kaba Group); since 1978 different management positions at Unican Group (USA)
- > External activities and interests:
Member of the Industry Advisory Board of ALOA (USA); member of the strategic committees of SHDA and BHMA, two major North American industry associations

Roberto Gaspari
COO Key Systems
Europe/Asia Pacific



- > Italian citizen
- > Education:
Graduated in business studies from the Bocconi University (Milan/IT)
- > Career:
Since 1 January 2006 COO and member of the Executive Committee Kaba Group; since 2002 General Manager Silca S.p.A. (Vittorio Veneto/IT); 1997–2002 Managing Director Italy and France at the multinational American company Watts Industries Inc.; 1988–1997 Managing Director at Cisa S.p.A. (IT)

Jakob Gilgen
COO Door Automation



- > Swiss citizen
- > Education:
Diplomas in mechanical and electrical engineering from the University of Applied Sciences Biel (CH); post-graduate studies in business management
- > Career:
Since 1 July 2003 COO and member of the Executive Committee Kaba Group; 1993–2003 President and Managing Director of the former Gilgen AG (1996 acquisition of Gilgen Tür- und Tor-automation AG by Kaba Group)
- > External activities and interests:
Chairman of the Board of Directors Gilgen Logistics AG (CH); part-time commercial law judge at the Superior Court of the Canton of Berne (CH)

Carl Sideranko
COO Industrial Locks



- > U.S. citizen
- > Education:
Bachelor of Science
(BS Marketing)
- > Career:
Since 2006 COO and member of the Executive Committee Kaba Group; until 2006 General Manager Kaba Mas Corp. and Strategic Business Segment Manager for Safe Locks (USA); 1998–2006 Head of distribution Mas-Hamilton Group from (2001 acquisition by Unican); 1976–1998 various management positions in the security industry at Emhart Industries and Assa Abloy affiliates

Werner Stadelmann
CFO



- > Swiss citizen
- > Education:
Graduated as Dr. oec. HSG from
the University of St. Gallen (CH)
- > Career:
Since 1990 Chief Finance Officer; since 1981 Group Controller and member of the Executive Committee Kaba Group; 1974–1981 various positions in the controlling of the Gurit Group (Wattwil/CH)
- > External activities and interests:
Member of the Advisory Board Deutsche Bank, District of Freiburg (DE)

Ulrich Wydler
COO Access + Data Systems



- > Swiss citizen
 - > Education:
Degree in electrical engineering
from the Technical University
of Brugg (CH)
 - > Career:
Since 1994 COO and member of the Executive Committee Kaba Group; 1984 entry Kaba Group; 1972–1984 head of development and manager of projects in the air defense division of Oerlikon-Bührle Contraves (CH)
 - > External activities and interests:
Chairman of the Board of Directors Bridge Betriebsdaten AG (CH)
-

Management contracts

Kaba Holding AG and its group companies have not entered into management contracts with third parties.

Compensation, shareholdings and loans

Content and method of determining compensation and shareholding programs

For their work, the members of the Board of Directors receive compensation that is proposed by the Compensation Committee and ratified by the Board of Directors as a whole.

Kaba managers receive performance-related compensation. The variable component – 15% to 30% of total compensation – depends on the achievement of individual performance goals, which are defined in advance every year. The size of this component also depends partly on the profit generated in the relevant operating unit or Business Segment and on consolidated net income. The Compensation Committee approves, upon application from the Chief Executive Officer, the compensation of the members of the Group Management Board (including the allocation of shares under the Executive Stock Award Plan).

A Stock Option Plan and Executive Stock Award Plan represented further components of compensation for members of the Board of Directors and the Group Management Board. According to the Kaba Executive Stock Option Plan instituted on 2 July 2002 (2002 Stock Option Plan), which superseded the Regulations on the Issuance of Options on Stocks dated 16 September 1998 (1998 Stock Option Plan), those entitled received options that could be exercised in steps over a certain period of time within the scope determined by the Compensation Committee or the Board of Directors.

In financial 2009/2010, no more options were issued under the 2002 Stock Option Plan. In 2007, the 2002 Stock Option Plan was replaced by an Executive Stock Award Plan. However, the 2002 Stock Option Plan remains in force with respect to all options issued under it, until these options are exercised or expire.

All other facts and figures on management compensation can be found in the Financial Statements of Kaba Holding AG (from page 115) and in the accompanying Notes.

Stock Option and Stock Award Plans

The 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).

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

2002 Stock Option Plan

The purpose of the 2002 Stock Option Plan was to offer those eligible a share in the capital of Kaba Holding AG and in the financial success of the Kaba Group in order to encourage their identification with the Kaba Group. Members of the Board of Directors and upper management levels, including members of the Group Management Board and other selected managers, were eligible for the plan.

Every year on 1 September, at the Chief Executive Officer's request, the Compensation Committee defined the eligibility criteria and the number of options to be allotted. The allotment of options to members of the Board of Directors as proposed by the Compensation Committee was ratified by the Board of Directors. Each option, allotted free of charge to the eligible persons, entitled the owner to purchase a registered share of Kaba Holding AG (at the option owner's discretion: physical delivery or cash payment in lieu).

The exercise price corresponded to the average closing price of Kaba Holding AG registered shares on the SIX Swiss Exchange during the last two months prior to 31 August of the respective allotment year (2002: CHF 293.90; 2003: CHF 199.90; 2004: CHF 250.35; 2005: CHF 352.72; 2006: CHF 322.83). The options are subject to a graduated blocking period of one to four years, during each of which 25% of the annual allotment vests and is exercisable. They can be exercised within five years from the date of allotment, at which point any unexercised options will lapse.

A total of 113,752 registered shares with a par value of CHF 0.10 each (totaling CHF 11,375.20) of the conditional share capital were originally reserved for the 2002 Stock Option Plan. A total of 69,080 options have been allotted,

whereof 120 options have been exercised in return for treasury shares of Kaba Holding AG and 31,480 in return for conditional share capital.

Executive Stock Award Plan

The 2002 Stock Option Plan has been replaced by the Executive Stock Award Plan (ESAP 1). The Board of Directors approved the regulations for ESAP 1 on 1 March 2007. The purpose of the Executive Stock Award Plan is to offer those who are eligible a share in the capital of Kaba Holding AG and in the financial success of the Kaba Group and to encourage their identification with the Kaba Group. The following are eligible for the plan: members of the Board of Directors, the Group Management Board, Senior Corporate Management, members of the general management business units and Group companies as designated by the Chief Executive Officer. The Compensation Committee is responsible for approving the list of participants of the Executive Stock Award Plan in the week before 21 July. Eligibility for participation may be extended to other selected members of staff.

The Compensation Committee is responsible, on application from the Chief Executive Officer, for determining the individual levels and the numbers of shares allotted. Participants will be informed of the number of shares allotted to them on or about 21 July of each year; participants can then choose whether to accept the shares, reject them, or accept them with a blocking period of five years. The shares will be allotted on or about 15 August.

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 52), 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 issued on 15 August 2008. A total of 4,100 shares (out of treasury shares) were issued on 14 August 2009.

Shareholders' participation rights

Voting right restriction and proxy voting

At the General Meeting of Kaba Holding AG, each registered share entitles its owner to one vote. Single shareholders may exercise no more than 5% of all voting rights when directly representing their own registered shares and indirectly acting as proxies for registered shares owned by others. In this context, legal entities or partnerships that are linked by capital, voting rights, common management or otherwise, as well as all individuals, legal entities or partnerships that combine with the intention of circumventing the voting right restriction, are deemed to constitute a single person. This voting right restriction does not apply to banks representing shareholders, members of a corporate body acting as proxies, or independent proxies pursuant to article 689c of the Swiss Code of Obligations.

This voting right restriction does not apply to shareholders who were already listed in the share register with more than 5% of the voting rights when the voting rights restriction clause was ratified.

A shareholder may be represented only by another shareholder with a written proxy. Representation by banks, by members of a corporate body acting as proxies or by independent proxies pursuant to articles 689c and 689d of the Swiss Code of Obligations remains reserved.

The voting right restriction can only be lifted by a resolution of the General Meeting with a majority of the votes submitted.

Majorities required by the Articles of Incorporation

For resolutions covering

- > conversion of registered shares into bearer shares,
- > dissolution of Kaba Holding AG (including as a result of merger), and
- > amendments to provisions of the Articles of Incorporation regarding the restrictions on the transferability of registered shares, resolutions of the General Meeting and the election and reelection of members of the Board of Directors

approval requires at least two-thirds of the votes represented. In all other cases, the General Meeting of Kaba Holding AG passes its resolutions and conducts its votes, without regard for the number of shareholders present or

represented shares, on the basis of the majority of votes cast. Mandatory provisions of the law are reserved.

Convocation of the General Meeting of Shareholders and agenda

Convocation of the General Meeting is in accordance with the legal requirements.

The Board of Directors of Kaba Holding AG is obliged to include motions by shareholders collectively representing 0.5% of the share capital in the agenda sent out with the invitation to the General Meeting, provided that such motions are submitted in writing to the Board of Directors at least four weeks prior to the General Meeting. Proposals for inclusion in the agenda must be made in writing, stating the subject matter and the motions.

The Board of Directors will propose to the Annual General Meeting on 19 October 2010 that the Articles of Incorporation of Kaba Holding AG be adjusted in line with the legal provisions to the extent that in future the Annual Report and the statutory auditors' report will have to be made available for review only at the company's registered office in Rümlang, not at any branch offices of Kaba Holding AG.

Entry in the share register / Invitation to the General Meeting of 19 October 2010

Shareholders entered in the share register with voting rights as at 11 October 2010 will receive the invitation to the Annual General Meeting on 19 October 2010 with the proposals of the Board of Directors. Shareholders who return their reply slip will receive the admission card and voting materials. Shareholders who sell all their shares before the General Meeting will no longer be eligible to vote. Shareholders who sell part of their shares or purchase additional shares are to have their admission cards updated at the information desk at the venue of the General Meeting. No entries will be made in the share register from 12 to 19 October 2010.

Changes of control and defense measures

Duty to make a public offer

The Articles of Incorporation do not contain opting-out or opting-up provisions (article 22 of the Swiss Federal Law on Stock Exchanges and Securities Trading).

Change of control provisions

In the event of a change of control of Kaba Holding AG, Kaba Management + Consulting AG (with joint liability on the part of Kaba Holding AG) is obliged to make a payment in the amount of approximately one annual salary (including bonus) – the "change-of-control amount" – to members of the extended Group Management Board who have had their employment relationship terminated or have terminated their employment relationship themselves within one year after the change of control event date, with a view to improving their pension entitlements.

Moreover, Kaba Management + Consulting AG (with joint liability on the part of Kaba Holding AG) has granted a takeover bonus to five members of the extended Group Management Board who in a takeover situation (i.e. in the case of a public takeover bid or a merger of Kaba Holding AG following which the original shareholders of Kaba Holding AG hold less than 50% of the voting rights in the merged company) may be heavily exposed during the takeover process in the interest of Kaba Holding AG and the shareholders. The takeover bonus only arises if a takeover occurs and the Board of Directors has approved the negotiations or the takeover or merger. The takeover bonus will become payable at the time the new owner is entered in the share register for Kaba Holding AG with more than 50% of all shares with voting rights, or when the merger is entered in the commercial register. The takeover bonus will be calculated as follows: change-of-control amount for the person eligible for the bonus, multiplied by the increase in the share price in percentage points, divided by 12.5; the increase in the share price will be determined on the basis of the average opening price of Kaba Holding AG shares in the fourth month before the point in time (the base price) at which the Board of Directors of Kaba Holding AG decides to enter into the takeover bid or merger or to enter into negotiations.

If the share price was significantly affected by takeover speculation in the month that determines the base price, an

earlier point in time will be chosen by the parties. The gross amount of a takeover bonus will be no more than five times the change-of-control amount for the person eligible for the bonus.

2002 Stock Option Plan

The rules of the 2002 Stock Option Plan provide that, upon a change of control (as defined therein) of Kaba Holding AG, all unvested options shall immediately vest and shall, together with other outstanding vested options, be exercisable immediately.

Executive Stock Award Plan

The rules of the Executive Stock Award Plan provide that, in the event of a change of control (as defined therein) of Kaba Holding AG, all blocking periods chosen by participants shall be lifted.

Auditors

Duration of the mandate and term of office of the head auditor

PricewaterhouseCoopers AG, Zurich, was appointed auditor of Kaba Holding AG in 1907 and of the Kaba Group in 1982. The head auditor responsible for the existing auditing mandate was appointed effective in financial 2009/2010.

Auditing honorariums and additional honorariums

Fees charged by the Group auditors PricewaterhouseCoopers for services in connection with auditing the financial statements of Kaba Holding AG and the Group companies and the consolidated financial statements of the Kaba Group in financial 2009/2010 were approximately CHF 1,779,000.

In addition, in financial 2009/2010 the Kaba Group incurred fees of around CHF 349,000 for other consultancy services rendered by PricewaterhouseCoopers.

Of these fees, approximately CHF 133,000 was incurred for tax advice, and CHF 127,000 for general consultancy for example with regard to financial structure optimization. CHF 69,000 was charged for providing support to a subsidiary in a reorganization project as well as for IT consul-

tancy. Fees of CHF 19,000 were incurred for other miscellaneous services.

The Audit Committee of the Board of Directors annually assesses the performance, remuneration and independence of the statutory and group auditors and submits to the Board of Directors a proposal as to which external auditors shall be proposed for election by the General Meeting. The Audit Committee also annually monitors the scope of the external auditing process, the auditing program and the relevant procedures and discusses the auditing results with the external auditors.

Information policy

The Kaba Group is committed to a transparent information policy for the benefit of the public and financial markets. This commitment (which far exceeds legal requirements) and the continuity in investor relations are underlined by the Investor's Handbook, which Kaba publishes annually (since 1996) together with the Annual Report. The Investor's Handbook may be downloaded from the website www.kaba.com.

The following schedule lists important dates.

DATES

Financial 2009/2010

Closure of financial year	30 June 2010
Announcement of annual results	15 September 2010
Publication of Annual Report	15 September 2010
Annual General Meeting	19 October 2010

Financial 2010/2011

Semi-annual statement	31 December 2010
Announcement of semi-annual statement	7 March 2011
Closure of financial year	30 June 2011
Announcement of annual results	19 September 2011
Publication of Annual Report	19 September 2011
Annual General Meeting	25 October 2011

Reporting on financial 2009/2010 together with the financial statements as at 30 June 2010 includes the Annual Report, the Financial Report and the Corporate Governance report. This documentation can be ordered using the form that is distributed to shareholders together with the invitation to the Annual General Meeting. It can also be ordered online at www.kaba.com. The share price, annual reports, press releases and presentations may be downloaded from www.kaba.com. Press conferences and analyst meetings take place at least once a year.

The Kaba Group also holds meetings for investors. These meetings allow financial analysts and investors to gain an in-depth insight into the company's business by enabling them to see the company's operations for themselves and to meet members of senior and middle management.

Kaba Holding AG publishes price-sensitive information in accordance with its obligation to disclose price-sensitive facts in accordance with the rules of the SIX Swiss Exchange AG (Listing Rules, art. 53 – and rule on ad hoc publicity).

The notifications, reports and presentations of the Kaba Group are not continually updated by the company; the statements and data contained therein are therefore valid on the relevant date of publication. For those wishing to obtain current information, Kaba Holding AG recommends that they do not refer solely to past publications.

Contact

Investor Relations

Dr. Werner Stadelmann

Chief Financial Officer

Hofwisenstrasse 24

8153 Rümlang, Switzerland

Phone +41 44 818 90 61

Fax +41 44 818 90 52

E-mail investor@kaba.com

Media Relations

Jean-Luc Ferrazzini

Chief Communications Officer

Hofwisenstrasse 24

8153 Rümlang, Switzerland

Phone +41 44 818 92 01

Fax +41 44 818 91 94

E-mail jferrazzini@kaba.com

