

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 (Corporate Governance Directive, RLCCG) issued by the SIX Swiss Exchange AG. The information contained in this report for financial 2010/2011 is valid as at 30 June 2011, unless stated otherwise.

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 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.

Group structure

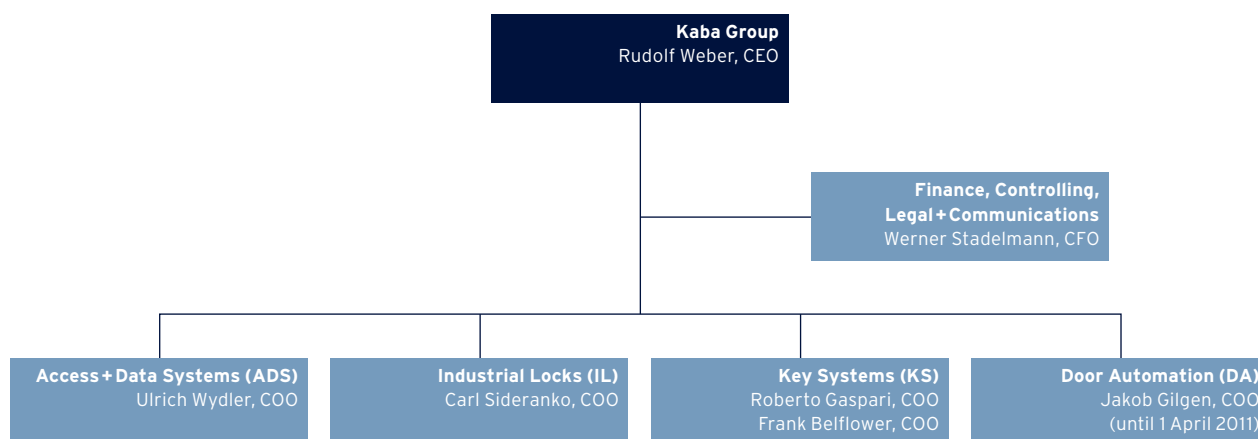
With a view to further enhancing the Group's transparency, on 1 July 2011 Kaba will put in place a new management structure for its Access+Data Systems segment. The Business Segment will be managed through two segments: Access+Data Systems EMEA/Asia Pacific and Access+Data Systems Americas. In addition, the function of Chief Technology Officer (CTO) has been created at Management Board level. The new Management Board post of Head of Group Services is being introduced on 16 August 2011.

The names of the companies that go to make up the consolidated Group can be found in the Financial Statements on pages 116 to 118.

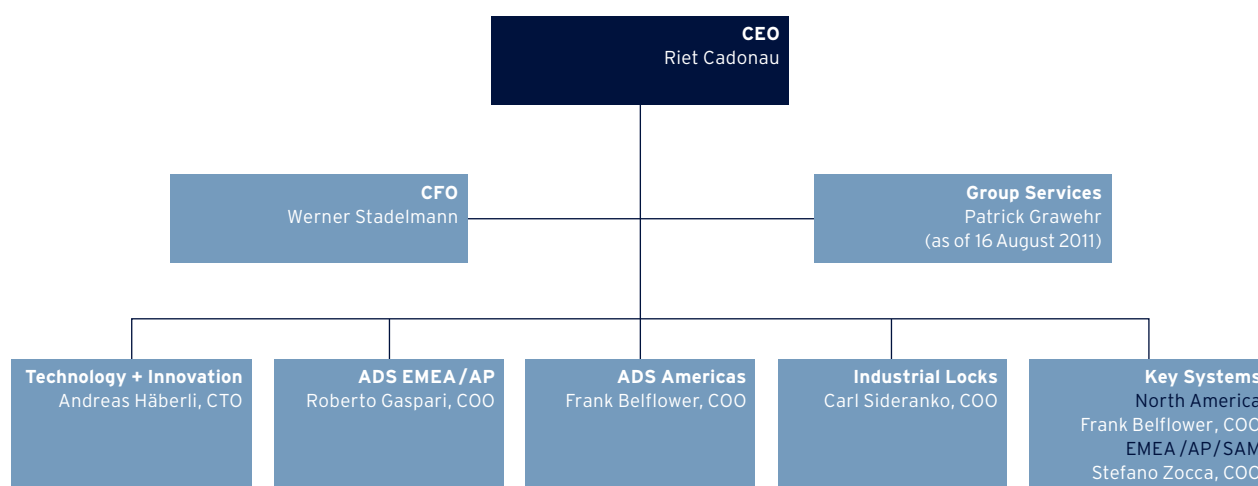
¹⁾ The Articles of Incorporation are published on www.kaba.com.

MANAGEMENT BOARD

until 30 June 2011



as of 1 July 2011



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.

The following notifications relating to stock market threshold reporting rules were made during the 2010/2011 financial year: Harris Associates L.P. reported on 4 November 2010 that it had reduced its shareholding to 2.99% (114,150 shares). In addition, Allianz SE reported on 28 January 2011 that it had reduced its shareholding to below 3%.

SHAREHOLDER GROUP

	as at 30.06.2011		as at 30.06.2010	
	No. of shares at CHF 0.10 par value	in %	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	265,344	7.0	362,800	9.5
Total heirs of Leo Bodmer	589,706	15.5	687,162	18.0
Public shareholders				
Ulrich Bremi ³⁾	193,500	5.1	193,500	5.1
Allianz SE			188,994	5.0
Gekla AG	140,000	3.6	140,000	3.7
Harris Associates L.P.			114,291	3.0
Other public shareholders	2,865,982	75.1	2,448,456	64.3
Total public shareholders	3,199,482	83.8	3,085,241	81.1
Members of the Board and current Executives				
Other members of the Board (non-executive)	50,069	1.3	52,600	1.4
Current Executives (incl. executive Board member)	11,018	0.3	16,625	0.4
Total members of the Board and current Executives	61,087	1.6	69,225	1.8
Less double-counting in respect of heirs of Leo Bodmer who are members of the Board ⁴⁾	-35,674	-0.9	-35,550	-0.9
Total shares	3,814,601	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 Bremi, Zollikon, was employed by Kaba Holding AG from 1962 to 1992 and was Delegate of the Board of Directors from 1975 to 1992.

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

As far as Kaba Holding AG knows, the aforementioned 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 2011, the share capital of Kaba Holding AG was CHF 381,460.10, divided into 3,814,601 fully paid-up registered shares with a par value of CHF 0.10 each. In addition, at 30 June 2011, 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 42,980.90 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 6,980.90 divided into 69,809 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 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 6,980.90 by issuing to employees and members of the Board of Directors of Kaba Holding AG and of Group companies no more than 69,809 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 19 October 2012 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.

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 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); and (ii) as at 30 June 2011 by CHF 852.30 from CHF 380,607.80 to CHF 381,460.10 through the issue of 8,523 registered shares with a par value of CHF 0.10 each; conditional capital declined by CHF 852.30 from CHF 43,833.20 to CHF 42,980.90 accordingly (represented by 429,809 registered shares with a par value of CHF 0.10 each). For details, see "Authorized Capital" (this page) and "Conditional Capital" (page 37).

The Annual General Meeting of 19 October 2010 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 registered shares, to be fully paid up, with a par value of CHF 0.10 each.

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

in CHF	30.06.2011	30.06.2010	30.06.2009	30.06.2008
Equity				
Share capital	381,460	380,608	380,608	380,378
Legal reserves				
– General reserves	40,694,291	600,640,418	600,638,456	600,160,951
– Reserve from capital contribution	562,669,512			
– Reserve for treasury shares	4,169,010	1,843,406	3,061,485	1,818,846
Other reserves	216,111,490	188,437,094	157,219,015	158,461,654
Unappropriated retained earnings	78,973,594	109,234,119	96,351,334	52,974,456
Total equity	902,999,357	900,535,645	857,650,898	813,796,285

The shares

Each registered share carries one vote at the general meetings of Kaba Holding AG (subject to voting right restrictions, page 52). 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 entry into force of the Act on Book-Entry Securities and the revised provisions of the Swiss Code of Obligations, the Articles of Incorporation of Kaba Holding AG were amended at the Annual General Meeting of 19 October 2010 to reflect the new legal situation. The amended provisions of the Articles of Incorporation as proposed to the Annual General Meeting state that (1) Kaba Holding AG has 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. Two shareholders, each with holdings of between 5% and 6%, are currently subject to this ruling. 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, these can be entered without voting rights.

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 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

Neither Kaba Holding AG nor any of its Group companies have issued any convertible bonds or warrants that are still outstanding, or any options, apart from employee options and shares, details of which can be found from page 50 onwards.

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 nine people. No members of the Board have been part of the executive management of Kaba Holding AG or Kaba Group at any time in the last four financial years. Ulrich Graf, for many years executive Chairman of the Board of Directors, has headed the Board as non-executive Chairman since 1 July 2011. Riet Cadonau, who resigned from the Board on 30 June 2011 for reasons of good corporate governance, has been employed by Kaba Group as designated CEO since 1 April 2011, and took up his function as CEO of Kaba Group on 1 July 2011. No members of the Board have significant business relations 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 2010/2011

Name/Position	Year of birth	Entry	Remaining term
Ulrich Graf Chairman, executive	1945	1989	2011
Rolf Dörig Vice-Chairman, non-executive	1957	2004	2013
Heribert Allemann non-executive member	1944	2006	2012
Maurice P. Andrien non-executive member	1941	2001	2013
Riet Cadonau non-executive member (until 30 June 2011)	1961	2006	2011
Elton SK Chiu non-executive member	1957	2010	2013
Daniel Daeniker non-executive member	1963	2010	2013
Karina Dubs-Kuenzle non-executive member	1963	2001	2013
Klaus Schmidt non-executive member	1958	2005	2011

Ulrich Graf
Chairman



- > Chairman of the Nomination Committee; Member of the Compensation Committee
- > 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 Delegate of the Board of Directors 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 AG¹⁾ (Altdorf/CH), Griesser Group (Aadorf/CH) and Fr. Sauter AG (Basel/CH); member of the Board of Directors of Georg Fischer AG¹⁾ (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



- > Chairman of the Compensation Committee; Member of the Nomination and Audit Committee
- > Swiss citizen
- > Education:
Dr. iur. University of Zurich (CH), attorney-at-law
- > Career:
2002–2009 CEO and Delegate of the Board of Directors of Swiss Life Group¹⁾ (Zurich/CH); 2000–2002 member of the Group Executive Board and responsible for Swiss corporate and retail banking; 1986–2002 various executive positions at Credit Suisse Group¹⁾ (Zurich/CH)
- > External activities and interests:
Chairman of the Board of Directors of Swiss Life¹⁾ (Zurich/CH), Adecco¹⁾ (Lausanne/CH) and Danzer AG (Baar/CH); member of the Executive Committee of Economiesuisse (CH) and of the Zurich Chamber of Commerce (CH)

Heribert Allemann



- > Member of the Audit Committee
- > Swiss citizen
- > Education:
Degree in microengineering from the University of Applied Sciences (Biel/CH); Degree in economics and business administration from the University of Bern (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 (Seewen/CH); 1976–1984 Head of a profit center of Holderbank Management + Consulting (renamed Holcim¹⁾) (Zurich/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:
2001–2004 Chairman of the board of Directors of Hillman Group (Cincinnati, OH/USA) and of SunSource Technology Services (Philadelphia, PA/USA); 1999–2001 President, CEO and Director of SunSource Inc.; 1998–1999 COO and member of the Board of Ucan Security Systems Ltd. (Montreal/CA)
- > External activities and interests:
Member of the Board of Hillman Group (Cincinnati, OH/USA) and State Industrial Products Inc. (Cleveland, OH/USA)

1) Listed company

Riet Cadonau

(until 30 June 2011,
CEO as from 1 July 2011)



- > Swiss citizen
- > Education:
Master's degree in economics from the University of Zurich (CH);
Advanced Management Program at INSEAD (Fontainebleau/FR)
- > Career:
As from 1 July 2011 CEO of Kaba Group; 2007–2011 CEO of Ascom Group¹⁾ (Dübendorf/CH); until 2007 Managing Director of ACS Europe+ Transport Revenue, a global line of business of ACS Inc. (today a Xerox company); 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 (Zurich/CH), lastly as a member of the Management Board and Director of IBM Global Services
- > External activities and interests:
2006–2011 Member of the Board of Directors of Kaba Group and Griesser Group (Aadorf/CH); 2004–2009 President of the Swiss Management Association (www.smg.ch)

Elton SK Chiu

- > Chinese citizen,
residing in Hong Kong
- > Education:
Higher diploma in accountancy at Hong Kong Polytechnic (HK); Corporate Financial Management Program at the University of Michigan (USA)
- > Career:
Since 2003 President of ELP Business Advisory Ltd. (founded by Chiu) and Vice-Chairman of Centurylink International Investment Ltd. as well as practicing consultant at Chan + Man, Certified Public Accountants (all HK); 1989–2003 various management positions at JT International (China) Ltd. and its predecessor companies (HK), most recently as General Manager; since 2006 non-executive member of the Board of the Kaba affiliate Wah Yuet Group (HK/CN)
- > External activities and interests:
Member of the Hong Kong Institute of Certified Public Accountants (FCPA, practicing); member of the Association of Chartered Certified Accountants of United Kingdom (FCCA); member of the Institute of Chartered Accountants, England and Wales (ACA)

Daniel Daeniker

- > Chairman of the Audit Committee
(as from 1 July 2011)
- > Swiss citizen
- > Education:
Dr. iur. University Zurich (CH),
admission to the bar; LL. M. at The Law School of the University of Chicago (IL/USA)
- > Career:
Since 2000 partner at Homburger AG (Zurich/CH), which he joined in 1991; lecturer in law at the University of Zurich (CH); member of the editorial board of the legal periodical GesKR (Zeitschrift für Gesellschafts- und Kapitalmarktrecht) (CH)
- > External activities and interests:
Member of the Board of Directors of GAM Holding AG¹⁾ (Zurich/CH) and of Rothschild Continuation Holdings AG (Zug/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)

1) Listed company

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 (Munich/DE); 2003–2009 CEO Dekra AG (Stuttgart/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) (Stuttgart/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 AG¹⁾ (Frankfurt/DE); member of the Advisory Board of BW Bank (Stuttgart/DE)
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1) Listed company

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 re-elected to successive terms. About one-third of the members of the Board of Directors are recommended for re-election 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 Ulrich Graf and Klaus Schmidt expire at the Annual General Meeting of 25 October 2011. The Board of Directors proposes that Ulrich Graf be re-elected. For personal reasons, Klaus Schmidt is not putting himself forward for re-election.

Riet Cadonau became CEO on 1 July 2011, and on this date stepped down from the Board of Directors, as announced, for reasons of good corporate governance. Existing Board member Daniel Daeniker took over from him as Chair of the Audit Committee.

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;
- > Approving the signing authority of Kaba Holding AG employees;
- > Approving the purchase and sale of, and changes to, business areas if worth more than CHF 2 million;
- > Approving investment in and disposal of property worth more than CHF 2 million;
- > Approving investment in and disposal of machinery, equipment or software worth more than CHF 5 million.

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 2010/2011, the Board of Directors met six times at regularly scheduled meetings and once for an extraordinary meeting. Meetings generally last a half or a whole working day. In addition, nine 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 chair-

persons. 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, until 30 June 2011)
- > Daniel Daeniker (Chair, as of 1 July 2011)
- > Heribert Allemann
- > Rolf Dörig

The Board of Directors has determined that the members must meet certain requirements with respect to independence 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 re-elected 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 2010/2011, 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. During the 2010/2011 financial year, representatives of the statutory auditors took part in two meetings, representatives of the internal auditors and controlling took part in four meetings, and representatives of the legal department took part in three meetings. The Audit Committee keeps minutes of its discussions and resolutions.

The principal responsibilities of the Audit Committee are to evaluate risk management and controlling processes, monitor financial reporting and assess internal and external audits. With regard to external audits, the Audit Committee has the following responsibilities:

- > 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 as a whole 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;
- > Approval of the auditing program;
- > Checking auditing results and recommendations by external or internal auditors;
- > Upkeep and expansion of the existing Internal Control System (ICS). Internal Audit audits the ICS, compliance with the guidelines established by the Management Information System, compliance with guidelines on limiting legal risk, and reporting on/minimization of insurable risks. In individual cases, external specialist auditors may be brought in to help;
- > Auditing of Compliance Report;
- > Monitoring of outstanding legal proceedings;
- > Evaluation and monitoring of business and financial risks.

The risk management system periodically records legal, operational and business risks. Legal risks include current or potential legal disputes; operational risks include scenarios such as operational failures and natural disasters; and business risks include e.g. payment defaults, general negative market developments, etc. Risks are quantified and weighted with regard to their likelihood and their possible financial and/or business impact. Preventative measures that have been planned or already implemented are also subject to critical review. Risks are recorded if they amount to CHF 0.5 million or more.

The Audit Committee reports regularly to the Board of Directors as a whole on its activities; however, 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:

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

Each member of the Compensation Committee is elected for a term of one year and may be re-elected for 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) for 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 2010/2011, the Compensation Committee met four times. Usually the Chief Executive Officer and the Chief Financial Officers attend the meeting, but not external advisors.

Details of the salary policy at the Kaba Group may be found on pages 50 to 52.

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 2010/2011, the Nomination Committee met once. The Committee's members are elected for a term of one year, and re-election is possible.

The Nomination Committee establishes the principles for the nomination and re-election 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 monthly – or during the year under review sometimes every two months – discussions, and they report once a month in writing on the achievement of budgeted figures.

At the meetings of the Board of Directors, these reports are discussed and evaluated 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 structure calls for personal initiative at all levels and ensures maximum customer satisfaction.

As a rule, the Segment Heads are responsible for their own business activities worldwide, including development, production and distribution, while as from 1 July 2011 R+D is strategically managed by the Chief Technology Officer at Group Management level.

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, the Chief Financial Officer and the Chief Technology Officer as well as the Head of Group Services report (the latter two both as from 1 July 2011) to the Chief Executive Officer, who is responsible for overall management and collaboration across segments. These functions sit on the Management Board.

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 in management at segment 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.

Members of the Group Management Board

The following table provides the name, age, position and date first elected for those individuals who in the year under review served as members of the Group Management Board.

MEMBERS OF THE GROUP MANAGEMENT BOARD 2010/2011

Name/Position	Year of birth	Entry Management Board
Rudolf Weber Chief Executive Officer (until 30 June 2011)	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 (until 1 April 2011)	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 (until 30 June 2011)	1947	1994

Rudolf Weber

CEO
(until 30 June 2011)



- > 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:
From 2006 to 30 June 2011 CEO of Kaba Group; 2002–2006 CEO Fr. Sauter AG (Basel/CH); 1996–2001 CEO Hoval Heiztechnik (Feldmeilen/CH); 1986–1996 member of the Executive Committee at Elco Looser Holding AG¹⁾ (Zurich/CH)
- > External activities and interests:
Member of the Board of Directors of ENICS AG (Zurich/CH), Elma AG (Wetzikon/CH) and Vittrashop Holding AG (MuttENZ/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. (Faenza/IT)

Jakob Gilgen

COO Door Automation
(until 1 April 2011)



- > Swiss citizen
- > Education:
Diplomas in mechanical and electrical engineering from the University of Applied Sciences Biel (CH); postgraduate studies in business management
- > Career:
From 2003 to 1 April 2011 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 Torautomation AG by Kaba Group)
- > External activities and interests:
Chairman of the Board of Directors Gilgen Logistics AG (Oberwangen/CH); part-time commercial law judge at the Superior Court of the Canton of Bern (CH)

1) Listed company

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; 2001–2006 General Manager Kaba Mas Corp. and Strategic Business Segment Manager for Safe Locks (Americas); 1998–2000 Head of distribution Mas-Hamilton Group (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 Financial Officer Kaba Group; since 1981 Group Controller and member of the Executive Committee Kaba Group; 1974–1981 various positions in the controlling area of the Gurit Group¹⁾ (Wattwil/CH)
- > External activities and interests:
Member of the Advisory Board Deutsche Bank¹⁾ (Frankfurt/DE)

Ulrich Wydler
COO Access + Data Systems
(until 30 June 2011)



- > Swiss citizen
- > Education:
Degree in electrical engineering
from the Technical University
of Brugg (CH)
- > Career:
From 1994 to 30 June 2011 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 Contraves¹⁾ (Zurich/CH)

1) Listed company

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

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. The compensation 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 compensation paid to comparable medium-sized Swiss firms and listed manufacturing companies. For as long as he worked in an executive capacity – i.e. until 30 June 2011 – the Chairman of the Board of Directors received compensation defined using the same principles as compensation for Kaba Group's management. The basic compensation paid to other board members consists of a cash payment of CHF 70,000 and a fixed allocation of 100 Kaba Holding AG shares. Additional compensation is available for specific functions within the Board of Directors (flat-rate fees) and work on Board committees (time-dependent). The cash component of the basic compensation and the additional compensation can also be paid out to individual Board members in the form of Kaba Holding AG shares if so requested. 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 and actual costs are paid separately.

Members of Kaba Group Management Board receive performance-related pay. Compensation is divided between a fixed basic salary, a variable payment and other salary components. The fixed basic payment is the payment that managers receive for fulfilling their operational roles. This is based on the complexity of the role, and on the experience and seniority of the employee. The basic payment is paid in twelve or thirteen instalments per financial year in the local currency. Members of the Board of Directors and the CEO also receive a fixed allocation of shares as part of their

basic remuneration. Managers can benefit from the Kaba Executive Stock Award Plan (ESAP 1). The variable component is based on achieving the individual performance targets set in advance each year, and on the profit achieved in the relevant operating unit or Business Segment, and on the overall consolidated profit. This ensures that the compensation paid reflects the employee's personal contribution while also giving due consideration to the performance of the company as a whole. The individual performance targets and the variable payments they determine are defined each financial year within the first four weeks of the year. The variable salary components account for 30% to 45% of the total salary. The salary paid to the Chairman of the Board of Directors and the Chief Executive Officer can include a higher variable component. The Compensation Committee approves the Chief Executive Officer's proposal for remuneration of members of the Management Board (including allocation of shares from the share allocation plan). The Chairman of the Compensation Committee informs the Board of Directors regularly about the decisions made, especially those concerning changes to the system, new employment contracts and major changes to existing employment contracts.

A Stock Option Plan and an Executive Stock Award Plan represented further components of compensation for members of the Board of Directors, the Group Management Board and selected other managers. 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 2010/2011, 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 remained in force with respect to all options issued under it, until these options were either exercised or until they expired on 31 August 2011.

All other facts and figures on the compensation of the Board of Directors and the Management Board can be found in the Financial Statements of Kaba Holding AG (from page 121) 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 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 the expiry of the five-year period 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 40,003 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: 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 non-executive members of the Board of Directors were entitled to benefit from the ESAP 1 until 30 June 2010. This entitlement was rescinded by the regulations on compensating members of the Board of Directors of 1 July 2010. 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, in response to the Chief Executive Officer's proposal, defines the individual level and the number of shares allotted to each tier of management. The allocation is based on non-individual performance and it aims to strengthen managers' sense of corporate responsibility. Consequently, the Compensation Committee focuses on a general assessment of consolidated results for the past year. Participants will be informed of the number of shares allotted to them at the end of 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 53), 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. On 16 August 2010, a total of 4,220 shares were issued (out of treasury shares).

Code of Conduct

Kaba implemented a Code of Conduct in 2008. The Code of Conduct includes standards and rules on such matters as bribery and corruption, equal employment opportunities, workplace harassment, cartel and competition law, and procedures for reporting misconduct. The Code of Conduct is available to all employees of Kaba Group in seven languages and in electronic as well as printed form. Employees confirm receipt of the document with their signature. General Managers of the local companies are responsible for implementing and imposing the Code of Conduct. The General Counsel, as Compliance Officer, monitors these processes and, alongside line managers, is one of the defined contacts for reporting infringements of the Code of Conduct. Kaba Group managers are trained at management meetings in how to work with the Code of Conduct. The Kaba Code of Conduct can be found on the www.kaba.com website.

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 permitted.

The voting right restriction can only be amended 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 re-election 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.

At the Annual General Meeting of 19 October 2010, the Articles of Incorporation of Kaba Holding AG were 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 inspection only at the company's registered office in Rümlang, but not at any branch offices of Kaba Holding AG.

Entry in the share register/ Invitation to the General Meeting of 25 October 2011

Shareholders entered in the share register with voting rights as at 17 October 2011 will receive the invitation to the Annual General Meeting on 25 October 2011 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 18 to 25 October 2011.

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 six 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.

The Board of Directors has decided that from August 2011 the takeover bonus will be abolished in line with the recommendations of the Swiss Code of Best Practice for Corporate Governance.

2002 Stock Option Plan

During the period under review, the rules of the 2002 Stock Option Plan provided that, upon a change of control (as defined in the Regulations) of Kaba Holding AG, all unvested options would immediately vest and would, together with other outstanding vested options, be exercisable immediately. All options issued under the 2002 Stock Option Plan have in the meantime either been exercised or expired on 31 August 2011.

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 fees and additional fees

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 2010/2011 were approximately CHF 1,344,000.

In addition, in financial 2010/2011 the Kaba Group incurred fees of around CHF 641,000 for other consultancy services rendered by PricewaterhouseCoopers.

Of these fees, approximately CHF 350,000 was incurred for due diligence work in connection with two acquisition projects, and approximately CHF 163,000 for tax advice (direct and indirect taxes).

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 reporting on financial 2010/2011, together with the Financial Statements as at 30 June 2011, includes the Annual Report, the Financial Report and the Corporate Governance report. These publications can be ordered by shareholders using the form distributed with the invitation to the Annual General Meeting, or online from www.kaba.com. The share price, annual reports, press releases and presentations may also be downloaded from www.kaba.com. Media and analysts' conferences are usually held at least once a year.

In order to increase the company's transparency still further, Kaba intends to step up its sustainability reporting and join the Carbon Disclosure Project run by Ethos, the Swiss Foundation for Sustainable Development in the course of financial 2011/2012.

Kaba Group also holds investors' meetings. 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 the Group's executives and managers.

Kaba Holding AG publishes price-sensitive information in accordance with its disclosure obligations under the rules of the SIX Swiss Exchange AG (Listing Rules, Art. 53, and rules 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 as of 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.

A list of the most important dates in the financial year can be found on page 55.

Kaba Holding AG informs its shareholders in half-yearly shareholder letters about the Group's business performance (including consolidated balance sheet and consolidated income statement for the half-year to 31 December).

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DATES

Financial 2010/2011

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

Financial 2011/2012

Semiannual statement	31 December 2011
Announcement of semiannual statement	5 March 2012
Closure of financial year	30 June 2012
Announcement of annual results	17 September 2012
Publication of Annual Report	17 September 2012
Annual General Meeting	23 October 2012