

dormakaba Holding AG

Annual General Meeting

Explanation concerning
the approval of the compensation
of the Board of Directors and
Executive Committee

2017

Agenda item 8

Preface

In line with the Ordinance Against Excessive Compensation in Listed Stock Companies (VegÜV), the Board of Directors will submit the maximum total compensation amounts of the Board of Directors and the Executive Committee to shareholders' vote at this year's Annual General Meeting.

The approval of the maximum total compensation amount of the Board of Directors applies to the compensation period from the 2017 Annual General Meeting until the 2018 Annual General Meeting (agenda item 8.1).

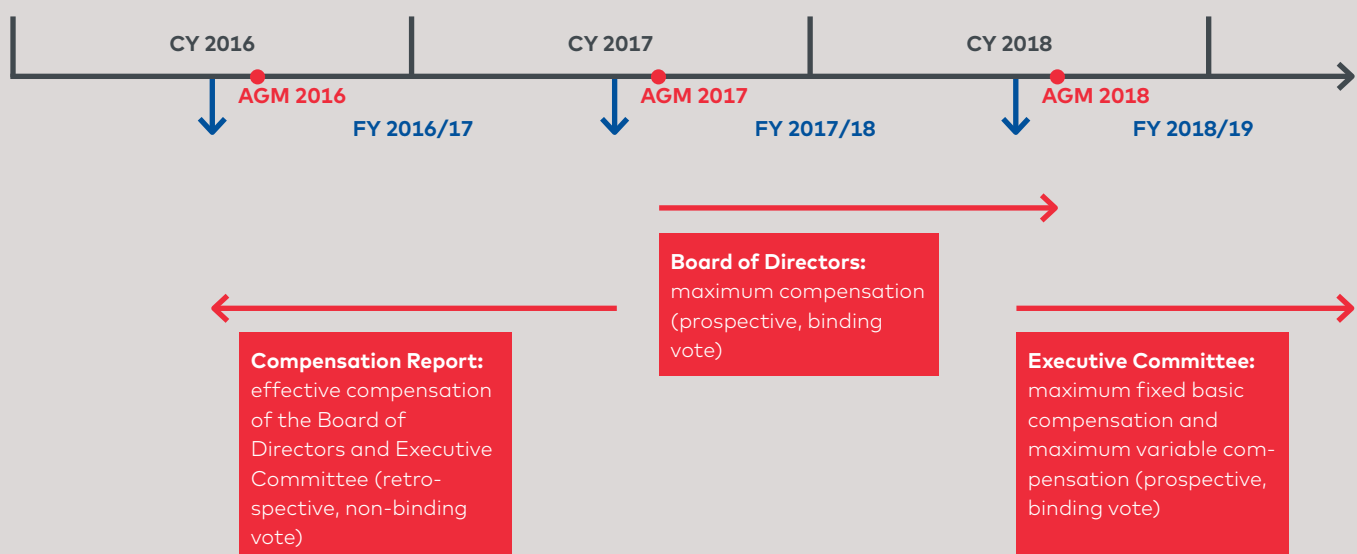
The approval of the maximum total compensation amount of the Executive Committee applies to financial year 2018/19 and includes fixed and variable compensation elements (agenda item 8.2).

This document provides shareholders of dormakaba Holding AG with background information on the requested maximum amounts of compensation of the Board of Directors and the Executive Committee.

Further information about the compensation system and about the compensation awarded for the financial year 2016/17 can be found in the Compensation Report 2016/17. Shareholders will have the opportunity to express their opinion on the Compensation Report in a non-binding retrospective vote.

The graphic below illustrates the structure of the shareholders' votes on compensation at the 2017 Annual General Meeting.

Board of Directors and Executive Committee compensation votes



Agenda item 8.1 – Approval of the compensation of the Board of Directors

Request of the Board of Directors

The Board of Directors requests approval of a maximum total compensation amount for the Board of Directors of CHF 2,750,000 for the period from the 2017 Annual General Meeting until the 2018 Annual General Meeting.

The proposal assumes that all proposed Board members (10 members) will be elected by the Annual General Meeting (previous compensation period from 2016 Annual General Meeting until 2017 Annual General Meeting: 10 members).

Explanation of the fundamentals of compensation for the Board of Directors

The compensation policy applicable to the Board of Directors was reviewed and adjusted in financial year 2016/17 on the basis of market data of other Swiss listed industrial companies comparable in size and complexity. In order to reinforce their independence, members of the Board of Directors receive only fixed compensation. They receive no variable or performance-based compensation, no stock options and no additional fees for attending Board or committee meetings. Board members do not receive any company pension or insurance benefits.

The amount of compensation is determined annually by the Board of Directors based on the recommendation of the Compensation Committee according to the function, time and effort spent by the individual members to fulfill their tasks on the Board of Directors and its committees.

According to the current compensation directive, each member of the Board of Directors receives an annual cash compensation for their work on the Board of Directors and on the Board's committees and for performing additional special tasks. A portion of the cash compensation can be allocated individually in form of restricted shares of dormakaba Holding AG if the respective Board of Directors member so decides. In addition, the members of the Board of Directors receive a fixed allocation of restricted shares. Considering the very positive share price development during the financial year 2016/17, the Board of Directors decided to allocate the shares based on a fixed monetary amount (rather than a fixed number of shares), starting with the compensation period from the 2017 Annual General Meeting until the 2018 Annual General Meeting. The fixed monetary amount is converted into a number of shares on the basis of the average closing share price during the five last trading days of the month preceding the payment of the compensation. All allocated shares are subject to a three-year blocking period.

The compensation model of the Board of Directors is summarized in the table below:

Basic compensation		
in CHF	Chairman BoD	Member BoD
in cash	330,000	90,000
in restricted shares	240,000	80,000
+		
Additional compensation for Chairman role or committee roles		
in CHF	Committee chairman	Committee member
Audit Committee	60,000	15,000
Compensation Committee	45,000	10,000
Nomination Committee	45,000	10,000

The requested maximum total compensation of CHF 2,750,000 includes CHF 1,564,000 for cash compensation (incl. compensation for special tasks), CHF 960,000 for compensation in restricted shares, CHF 142,000 for estimated social security contributions and a reserve of 3% of the total amount in order to compensate for any unforeseeable circumstances. The requested amount of CHF 2,750,000 is the same as the maximum total compensation amount approved by the shareholders for the previous compensation period from the 2016 Annual General Meeting until the 2017 Annual General Meeting.

Calculation of the total compensation for members of the Board of Directors takes into account the compensation of the company and that of any of its Group companies. The approved compensation can therefore be paid by the company or any of its Group companies.

Agenda item 8.2 – Approval of the compensation of the Executive Committee

Request of the Board of Directors

The Board of Directors requests the approval of a maximum aggregate amount of CHF 6,100,000 for the fixed basic compensation of the Executive Committee and of CHF 13,400,000 for the variable compensation of the Executive Committee, which makes a maximum total compensation amount of CHF 19,500,00 for financial year 2018/19.

The proposal of the Board of Directors has been calculated on the basis of the current Executive Committee composition.

Explanation of the fundamentals of compensation for the Executive Committee

The following guiding principles apply in determining the compensation of the individual members of the Executive Committee:

- Annual base salary is set by reference to the market median in the relevant national or regional market (benchmarks based on data of Hay Group).
- Variable compensation (short- and long-term) amounts to at least 50 % of the total direct compensation. For recently promoted members of the Executive Committee, the compensation mix may still be slightly different. It is foreseen to adjust the compensation mix in the coming years to entirely fulfill this principle.
- The portion of compensation delivered in shares (long-term variable compensation) shall be increased in coming years to up to 30 % of total direct compensation.
- The total direct compensation shall stay within the range defined by dormakaba of –20 % to +35 % of the market median.

The compensation amounts proposed and submitted to vote have been calculated based on the following assumptions:

- The annual base salary of the Executive Committee members is not expected to change substantially compared to preceding year.
- The short-term variable compensation amounts to a maximum of 150 % of the annual base salary. It is further assumed that the basis for short-term incentives (comparison of effective annual financial results to those of the preceding year) will remain unchanged. The maximum possible amount has been requested.
- The maximum grant value under the long-term incentive plan, which includes restricted shares and performance share units (a conditional right to a certain number of shares after the vesting period). The vesting of the performance share units depends on the consolidated earnings per share over the three-year vesting period:
 - Considering the very positive share price development of dormakaba Holding AG during the financial year 2016/17, the Board of Directors decided to allocate the shares based on a fixed monetary amount (rather than a fixed number of shares), starting with the long-term incentive grant in financial year 2018/19. The fixed monetary amount for each Executive Committee member has been estimated based on the value currently delivered under the plan and on the compensation benchmarks. For certain Executive Committee members, the long-term incentive value will be increased in order to align their compensation mix to the principles described above.

- Linear development of the social insurance and pension plan employer contributions in relation to compensation among fixed and variable compensation components in relation to their respective weight in total compensation.
- Inclusion of a reserve of 10 % in each of the compensation elements in order to compensate for any unforeseeable circumstances such as currency fluctuations.

The table below illustrates the development of the compensation of the Executive Committee:

Financial year/CHF	2016/17 maximum indicative	2016/17 effective	2017/18 maximum approved	2018/19 maximum requested
Fixed basic compensation	5,690,000	4,946,065	5,730,000	6,100,000
Variable compensation	11,560,000	8,080,069	12,500,000	13,400,000
Total	17,250,000	13,026,134	18,230,000	19,500,000
Total requested compensation (including 10 % reserve)				19,500,000

The calculation of the total compensation amount for members of the Executive Committee takes into account any compensation of the company and that of any of its Group companies. The approved compensation can therefore be paid by the company or any of its Group companies.

On this basis, the following is proposed for the Executive Committee:

- Maximum aggregate fixed compensation including social insurance and pension contributions as well as non-cash and other benefits of CHF 6,100,000.
- Maximum aggregate variable compensation including social insurance and pension plan contributions of CHF 13,400,000.
- Total requested aggregate compensation amount of CHF 19,500,000. Compared with the maximum compensation for financial year 2017/18, the requested total compensation for the Executive Committee is higher primarily due to the increase in the long-term incentive value, the impact of this estimated increase on the social security contributions and the overall reserve of 10%.

dormakaba Holding AG – the Board of Directors