

dormakaba Holding AG

# Invitation to the Annual General Meeting

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

12 October  
2021

Mövenpick Hotel  
Zürich Regensdorf

# Agenda and motions

## 1. Reporting on the financial year 2020/21

### 1.1 Approval of the financial statements (including Group and Holding financial statements) and the **Group Management Report for the financial year 2020/21**

The Board of Directors (BoD) proposes that the financial statements (including Group and Holding financial statements) and the Group Management Report for the financial year 2020/21 be approved after having acknowledged the reports of the statutory auditors.

### 1.2 Advisory vote on the Compensation Report 2020/21

The BoD proposes that the Compensation Report 2020/21 be ratified in a non-binding advisory vote.

## 2. Appropriation of retained earnings of dormakaba Holding AG

The BoD proposes that the retained earnings at the Annual General Meeting's (AGM) disposal, i.e.

	CHF million
Net profit for the period	44.2
Allocation from reserves for treasury shares	8.4
Statutory retained earnings carried forward from previous year	455.6
<b>Unappropriated retained earnings at the end of the period</b>	<b>508.2</b>
Allocation from reserves from capital contributions	26.3
<b>Total at the AGM's disposal</b>	<b>534.5</b>

be appropriated as follows:

	CHF million
Dividend distribution from unappropriated retained earnings*	26.3
Distribution from reserves from capital contributions*	26.3
Statutory retained earnings to be carried forward	481.9
<b>Total at the AGM's disposal</b>	<b>534.5</b>

\* Calculated based on the number of shares as at 30 June 2021. The total amount of the distribution depends on the number of shares entitled to dividend as at 13 October 2021. Treasury shares are not entitled to dividend payout.

The BoD proposes to the AGM a distribution of total CHF 12.50 per share, in the form of an equal distribution from unappropriated retained earnings and reserves from capital contribution. As last year, the distribution from the reserves from capital contribution is free of the Swiss withholding tax of 35%. Shares of dormakaba Holding AG purchased until 13 October 2021 will entitle to distribution. As of 14 October 2021, the shares will be traded ex-dividend. Subject to the approval of the proposal by the AGM, the payment of the distribution will be settled as from 18 October 2021.

### **3. Discharge of the Board of Directors and of the Executive Committee**

The BoD proposes that discharge be granted to the members of the BoD and of the Executive Committee (EC) for the financial year 2020/21.

### **4. Elections to the BoD**

The BoD proposes the new or re-election of the following members of the BoD for a term of one year each (by way of separate election). CVs are found under [www.dk.world/BoD](http://www.dk.world/BoD).

**4.1 Re-election of Riet Cadonau** as member and Chair of the BoD in the same vote

**4.2 Re-election of Hans Hess** as a member

**4.3 Re-election of Jens Birgersson** as a member

**4.4 Re-election of Stephanie Brecht-Bergen** as a member

**4.5 Re-election of Daniel Daeniker** as a member

**4.6 Re-election of Hans Gummert** as a member

**4.7 Re-election of John Heppner** as a member

**4.8 Re-election of Christine Mankel** as a member

**4.9 Re-election of John Y. Liu** as a member

**4.10 New election of Thomas Aebischer** as a member

Thomas Aebischer, Swiss citizen, 60 years of age, held over the course of his career various positions as CFO at Holcim/LafargeHolcim in Switzerland, Mexico, and the USA, including Group CFO and member of the Executive Committee. Thereafter and until 2019, he was Executive Vice President and CFO of LyondellBasell Industries, Rotterdam (NL), and Houston (USA). Since 2021 he is the CFO of the biotech start-up RWDC Industries Limited (SG). He has broad financial know-how in a global, industrial, and publicly listed environment. He will be an independent member of the dormakaba BoD. His CV is available under [www.dk.world/CV\\_TA](http://www.dk.world/CV_TA).

The BoD intends to appoint Hans Hess (in the event of his re-election) as Vice-Chair and Lead Independent Director of the BoD.

## **5. Elections to the Nomination and Compensation Committee**

The BoD proposes the re-election of the following members of the Nomination and Compensation Committee for a term of one year each (by way of separate election):

**5.1 Re-election of Hans Hess** as a member

**5.2 Re-election of Stephanie Brecht-Bergen** as a member

**5.3 Re-election of John Heppner** as a member

The BoD intends to appoint Hans Hess (in the event of his re-election) as Chair of the Nomination and Compensation Committee.

## **6. Appointment of PricewaterhouseCoopers AG as statutory auditors**

The BoD proposes the re-election of PricewaterhouseCoopers AG, Zurich, as statutory auditors for a term of one year.

## **7. Appointment of Law Office Keller Partnership as independent proxy**

The BoD proposes the re-election of the Law Office Keller Partnership, Zurich, as independent proxy for a term of one year.

## **8. Approval of the compensation of the BoD and the EC**

### **8.1 Approval of the compensation of the BoD**

The BoD requests the approval of a maximum total compensation amount for the BoD of CHF 3,200,000 for the period from the AGM 2021 until the AGM 2022.

### **8.2 Approval of the compensation of the EC**

For the financial year 2022/23 the BoD requests the approval of a maximum aggregate amount of CHF 5,300,000 for the fixed basic compensation of the EC and of CHF 11,700,000 for the variable compensation of the EC, which makes a maximum total compensation amount of CHF 17,000,000 for the financial year 2022/23.

## 9. Renewal of Authorized Share Capital

(Amendment to Articles of Incorporation)

At the AGM held on 22 October 2019, the shareholders created an authorized capital and entitled the BoD of dormakaba Holding AG to increase the share capital up to a maximum amount of CHF 42,000, consisting of 420,000 registered shares with a nominal value of CHF 0.10 each. This entitlement expires on 22 October 2021. The BoD now requests to renew the authorized capital and to empower the BoD to increase the share capital until 12 October 2023 up to a maximum amount of CHF 42,000, consisting of 420,000 registered shares with a nominal value of CHF 0.10 each. In addition, the total of new registered shares to be issued from authorized and conditional share capital, where the subscription or advance subscription rights were restricted or excluded, shall be limited to 420,000 new registered shares (i.e. to less than 10% of the currently issued share capital).

Accordingly, the BoD requests to amend the Articles of Incorporation as follows:

Current wording of the Articles of Incorporation	Proposed wording of the Articles of Incorporation (changes in bold)
§ 3c – Authorized Share Capital	§ 3c – Authorized Share Capital
1. The Board of Directors shall be entitled to increase the share capital until October 22, 2021 up to a maximum amount of CHF 42,000 by issuing 420,000 registered shares at most with a par value of CHF 0.10 each that shall be fully paid in. Increases in partial amounts shall also be authorized.	1. The Board of Directors shall be entitled to increase the share capital until <b>October 12, 2023</b> up to a maximum amount of CHF 42,000 by issuing 420,000 registered shares at most with a par value of CHF 0.10 each that shall be fully paid in. Increases in partial amounts shall also be authorized.
[2.–4. unchanged]	[2.–4. unchanged]
	<b>§ 3d – Exclusion of Subscription or Advance Subscription Rights</b>
	<b>Until October 12, 2023, the total of new registered shares issued from (i) conditional share capital pursuant to §§ 3a and 3b of the Articles of Incorporation where the subscription or advance subscription rights were restricted or excluded, and (ii) authorized share capital pursuant to § 3c of the Articles of Incorporation where the subscription rights were restricted or excluded, may not exceed 420,000 new registered shares.</b>

# Organizational

## Documentation

The Annual Report 2020/21, which contains

- Group Management Report 2020/21
- Financial statements 2020/21 (including Group and Holding financial statements)
- Corporate Governance Report 2020/21
- Compensation Report 2020/21

as well as the original reports of the statutory auditors, are available for review by shareholders at the company's headquarters at Hofwisenstrasse 24, 8153 Rümlang, Switzerland.

The documentation is also published online at [www.report.dormakaba.com](http://www.report.dormakaba.com).

## Provisions on the exercise of voting rights

Only shareholders entered in the share register with voting rights by 4 October 2021 will be entitled to vote. They will receive the invitation to the Annual General Meeting (AGM) together with the motions of the BoD. **No entries will be made in the share register from 5 to 12 October 2021.** Shareholders who sell their registered shares prior to the AGM are not entitled to vote.

## Proxy

Shareholders cannot attend the AGM 2021 in person but may only be represented by the **independent proxy**, Law Office Keller Partnership, Alfred-Escher-Strasse 11, 8002 Zurich, Switzerland.

## Electronic proxies and instructions to the independent proxy

Shareholders may register themselves online to grant power of attorney and issue voting instructions to the independent proxy electronically until the close of the online voting period on 8 October 2021 at 3:00 pm CEST.

Information on how to access the online voting platform is included on the reply form. Contact information for technical support is available on the homepage of the platform.

## Schedule of the AGM

4.00 pm                      Beginning of the AGM

Rümlang, 30 August 2021

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

## Agenda item 8

### **Preface**

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

The approval of the maximum total compensation amount of the BoD applies to the compensation period from the AGM 2021 until the AGM 2022 (agenda item 8.1).

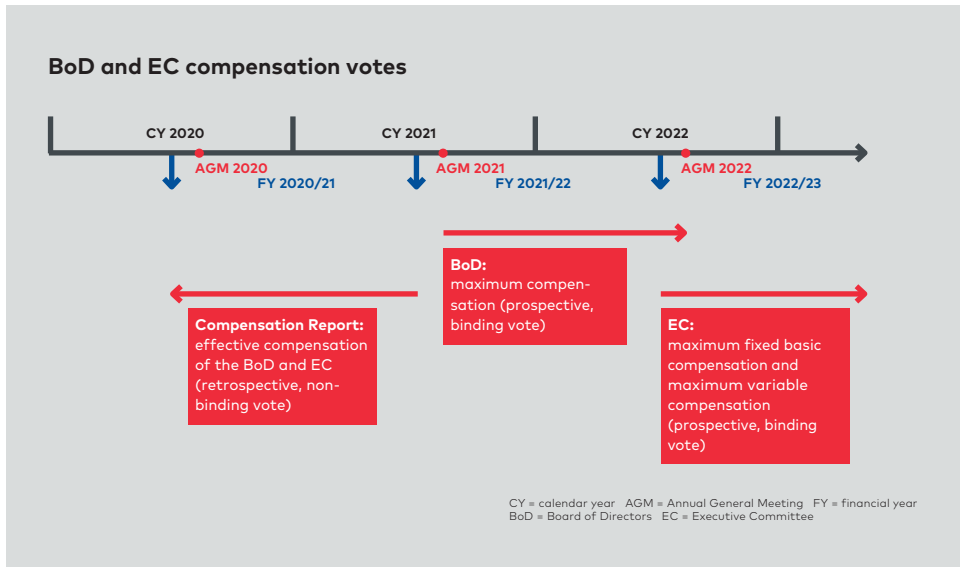
The approval of the maximum total compensation amount of the EC applies to the financial year 2022/23 and includes fixed and variable compensation elements (agenda item 8.2).

This document provides shareholders of dormakaba Holding AG with background information on the requested maximum amounts of compensation of the BoD and the EC.



Further information about the compensation system and about the compensation awarded for the financial year 2020/21 can be found in the Compensation Report 2020/21. Shareholders will have the opportunity to express their opinion on the Compensation Report in a non-binding retrospective vote as part of the AGM 2021.

The graphic below illustrates the structure of the shareholders' votes on compensation at the AGM 2021.



## Agenda item 8.1 – Approval of the compensation of the BoD

### Request of the BoD

The BoD requests the approval of a maximum total compensation amount for the BoD of CHF 3,200,000 for the period from the AGM 2021 until the AGM 2022.

The proposal assumes that all proposed BoD members (ten members) will be elected by the AGM 2021 (previous compensation period from AGM 2020 until AGM 2021: ten members).

**Explanation of the fundamentals of compensation for the BoD**

To reinforce their independence, BoD members receive only fixed compensation. They receive no variable or performance-based compensation, no stock options and no additional fees for attending BoD or committee meetings. The amount of compensation is determined annually by the BoD based on the recommendation of the Nomination and Compensation Committee according to the function, time, and effort spent by the individual members to fulfill their tasks on the BoD and its committees.

According to the current compensation directive, each BoD member receives an annual cash compensation for the work on the BoD and on its committees. Additional fees may be paid for performing additional special tasks assigned by the BoD. A portion of the cash compensation can be allocated individually in form of restricted shares of dormakaba Holding AG if the respective BoD member so decides. In addition, the BoD members receive an allocation of restricted shares based on a fixed monetary amount. 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 amount of compensation of each function of the BoD is determined periodically considering the market compensation trends and comparisons with other Swiss listed industrial companies. The last benchmarking analysis was conducted in financial year 2017/18 based on the following peer companies: Autoneum, Bucher Industries, EMS Chemie, Geberit, Georg Fischer, Landis+Gyr, Logitech, Lonza, OC Oerlikon, Sonova, and Sulzer. The results of the analysis showed that the overall compensation of the BoD was slightly below market benchmark. In view of the evolving requirements on the BoD members' role and considering that the compensation level of the BoD remained unchanged since 2014 despite being below benchmark, they were increased at the AGM 2019. Aside from the changes described below related to the non-executive BoD Chair function and the new Nomination and Compensation Committee constitution, no changes were made to the BoD compensation levels since the AGM 2019.

Until 31 March 2021, the BoD Chair did not receive any compensation for his function on the BoD during his dual role as BoD Chair and CEO. Effective 1 April 2021, the BoD Chair stepped down from his dual role and handed over the CEO role to his successor. At this date, the compensation for his CEO role was discontinued and replaced by a compensation for the non-executive BoD Chair role, which consists of an annual fee of CHF 680,000, of which CHF 360,000 is paid in cash and CHF 320,000 in restricted shares (following a similar ratio between cash and share compensation as for the other BoD members). In line with legal requirements, he is insured in the company's pension fund. Both the employee and employer portions of the annual contributions

are borne by the BoD Chair himself, therefore no pension cost is paid by the company. The annual fee for the BoD Chair role was determined based on the expected time and effort required to effectively perform this role and with consideration of remuneration levels of defined benchmark companies. The BoD Chair is not eligible to receive any additional committee fees.

For the term of office from the AGM 2020 until the AGM 2021, the BoD compensation system was modified to accommodate the formation of the Nomination and Compensation Committee. The Committee Chair fee for the new Nomination and Compensation Committee amounts to CHF 60,000 and the membership fee to CHF 20,000. This structure was determined based on the expected level of time and effort required to effectively run the committee and to be consistent with the existing structure for the Audit Committee. Upon implementation of the Nomination and Compensation Committee, the individual Compensation respectively Nomination Committees and their corresponding fee structures were discontinued.

The resulting compensation model of the BoD is summarized in the table below.

Basic compensation			Additional compensation		
in CHF	BoD Chair*	BoD member	in CHF	Committee Chair	Committee member
in cash	360,000	100,000	Audit Committee	60,000	20,000
in restricted shares	320,000	90,000	Nomination and Compensation Committee	60,000	20,000
<b>Total</b>	<b>680,000</b>	<b>190,000</b>	Lead Independent Director	30,000	

\* The BoD Chair did not receive any compensation for his function when he acted in a dual role as BoD Chair and CEO (until 31 March 2021).

The requested maximum total compensation of CHF 3,200,000 includes the following elements:

- CHF 1,820,000 for cash compensation. This includes compensation for the work in the committees and for special tasks,
- CHF 1,130,000 for compensation in restricted shares,
- CHF 149,000 for estimated social security contributions,
- as in previous years, a reserve of 3% of the total amount to compensate for any unforeseeable circumstances.

The requested amount of CHF 3,200,000 is higher than the maximum total compensation amount approved by the shareholders for the previous compensation period from the AGM 2020 until the AGM 2021 by CHF 260,000. This is due to the addition of the BoD Chair fee for the entire AGM period.

The calculation of the total compensation for BoD members considers 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 EC**

### **Request of the BoD**

The BoD requests the approval of a maximum aggregate amount of CHF 5,300,000 for the fixed basic compensation of the EC and of CHF 11,700,000 for the variable compensation of the EC, which makes a maximum total compensation amount of CHF 17,000,000 for financial year 2022/23.

The proposal of the BoD has been calculated based on the current EC composition.

### **Explanation of the fundamentals of compensation for the EC**

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

- The annual base salary is set by reference to the market median in the relevant national or regional market (benchmarks based on data of Korn Ferry Hay Group as an independent external consultant).
- The variable compensation (short- and long-term) amounts to at least 50% of the total direct compensation.
- 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 a range 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 selected EC members may be adjusted to reflect competitive market practice.
- 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 for approval.
- The maximum grant value, granted in the form of performance share units (conditional right to a certain number of shares at the end of the vesting period) under the long-term incentive plan, may be adjusted for selected EC members to reflect competitive market practice. The vesting of the performance share units will depend on the consolidated earnings per share growth and on the relative total shareholder return compared to companies of a defined peer group over a three-year performance period.
- Assuming a linear development of the employer contributions to social insurance and pension plan in relation to the fixed and variable compensation elements.
- Inclusion of a reserve of 10% in each of the compensation elements to cover any unforeseeable circumstances such as currency fluctuations and share price development (which impacts the value of employer contributions to social insurance on vested shares).

The table below illustrates the development of the compensation of the EC:

Financial year/CHF	2020/21 maximum approved	2020/21 effective	2021/22 maximum approved	Request for EC compensation 2022/23 (maximum)
Fixed basic compensation	5,600,000	4,445,619	5,200,000	5,300,000
Variable compensation	12,400,000	7,955,877	11,300,000	11,700,000
<b>Total</b>	18,000,000	13,652,662*	16,500,000	17,000,000
<b>Total requested compensation (including 10% reserve)</b>				17,000,000

\* Includes the replacement award for the new CEO in the amount of CHF 1,251,166.

On this basis, the following is proposed by the BoD for the EC:

- Maximum aggregate fixed compensation including social insurance and pension contributions as well as other benefits of CHF 5,300,000.
- Maximum aggregate variable compensation including social insurance and pension plan contributions of CHF 11,700,000. This includes CHF 6,300,000 for the maximum payout under the short-term incentive, CHF 3,700,000 for the maximum grant value under the long-term incentive and CHF 1,700,000 for social insurance and pension contributions. The long-term incentive grant will consist of performance share units only.
- Total requested aggregate compensation amount of CHF 17,000,000. Compared with the maximum compensation for the financial year 2021/22, the amount is higher due to the possible compensation adjustments for selected EC members to reflect competitive market practice.

The calculation of the total compensation amount for EC members considers 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.

dormakaba Holding AG – the Board of Directors

**Editor** dormakaba Holding AG  
Hofwisenstrasse 24, 8153 Rümlang, Switzerland  
Tel. +41 44 818 90 11  
[www.dormakabagroup.com](http://www.dormakabagroup.com)

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