

Compensation Report

General introduction

The Compensation Report describes the principles underlying the compensation policy and provides information about the steering process and the compensation awarded to the Board of Directors (BoD) and Executive Committee (EC) of dormakaba Holding AG. It meets the requirements of Articles 14 to 16 of the Ordinance Against Excessive Pay at Publicly Listed Companies of 20 November 2013 (VegÜV), Article 663c of the Swiss Code of Obligations, the SIX Swiss Exchange's Directive on Information relating to Corporate Governance, and economiesuisse's Swiss Code of Best Practice for Corporate Governance.

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Introductory notes from the Compensation Committee

dormakaba posted strong growth despite external headwinds for financial year 2021/22. Growth was most pronounced in the Regions Asia Pacific and Americas, but also good in Europe & Africa. In Key & Wall Solutions, growth picked up in the second half-year as Movable Walls started to convert part of its Covid-related project backlog into sales. External headwinds such as shortages of electronic components, labor, and building materials in general prevented even better growth.

dormakaba increased net sales by 10.3% to CHF 2,756.9 million in 2021/22 (previous year: CHF 2,499.7 million), organic sales increased by 7.7%. Adjusted EBITDA increased by 2.8% to CHF 372.3 million (previous year: CHF 362.0 million), whereas the adjusted EBITDA margin at 13.5% was below the previous year's level of 14.5%. Net profit at CHF 122.5 million (previous year: CHF 193.3 million) was impacted by the divestment of the Mesker business (CHF 61.4 million) mainly due to the recycling of goodwill (for more information please see the [Consolidated Financial Statements, chapter 4.3](#)) in mid-June 2022 as well as expenses linked to the implementation of the new strategy Shape4Growth.

The Board of Directors has decided to exclude the effect for Mesker in the dividend payout calculation because the transaction has no material impact on the company's cash flow. Consequently, the BoD also decided to exclude the Mesker effect from the management compensation.

The Nomination and Compensation Committee (NCC) performed its regular activities throughout the financial year, such as the propositions of compensation for the members of the BoD and EC, as well as the preparation of the Compensation Report and the binding say-on-pay votes at the AGM.

The NCC periodically reviews the BoD compensation program to ensure market competitiveness and appropriate fit for the company. During the past financial year, the NCC conducted a new benchmark analysis of BoD compensation levels based on a revised peer group. As a result of this analysis, the NCC recommended a reduction in the annual retainer for the Board Chair role. This change takes effect during the term of office starting with the AGM 2022. No other changes will be made to the BoD compensation program. More information is provided later in this report.

In addition, as announced in the 2020/21 Compensation Report, the NCC conducted a thorough review of the compensation program to ensure that it remains aligned with the strategic direction of the company in the context of the new strategy Shape4Growth for the period 2022 to 2027. Further to this analysis, the NCC decided to implement several changes to the incentive programs, which apply to EC members and will come into effect as of the financial year 2022/23:

- Short-term incentive (STI): a target-based approach will replace the current profit-share approach. A target STI amount will be determined for each EC member (corresponding to the amount to be paid if all performance objectives are met) and will be multiplied by a performance factor between 0% and 200% based on the achievement of the pre-defined performance objectives. The performance objectives will include organic sales growth, unadjusted EBITDA margin, and ROCE/NWC at Group and/or regional or business level (for EC members responsible for a Region or Key and Wall Solutions) and may include clearly measurable functional objectives (for EC members responsible for a Function);
- Long-term incentive (LTI): the LTI grant size will be determined as a monetary amount based on the organizational level of the role instead of the current set of criteria.

Further details on these changes can be found in the [New Compensation Architecture section](#) at the end of this Compensation Report.

At the upcoming AGM, our shareholders will be asked to prospectively approve the aggregate maximum amounts of compensation of the BoD for the period until the following AGM and of the EC for the financial year 2023/24. Further, our shareholders will have the opportunity to express their opinion about our compensation system and the compensation awarded to the BoD and to the EC by way of a consultative vote on the Compensation Report 2021/22.

At the AGM 2021, binding votes were conducted on the aggregate maximum compensation amounts for the BoD and for the EC, as well as a consultative vote on the Compensation Report. The shareholders approved the maximum compensation amounts for both the BoD and the EC with approval rates of 98%, and the consultative vote on the Compensation Report received an approval rate of 87%. This positive voting outcomes show that the active dialogue engaged with investors was fruitful and that shareholders endorse the compensation system in place at dormakaba. We would like to thank investors for their trust and support.

The NCC trusts that this Compensation Report is informative and would like to thank our shareholders for their valuable feedback on our approach to executive compensation.

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Compensation at a glance

To ensure their independence, BoD members only receive fixed compensation paid in cash and shares restricted for three years. The amount of compensation depends on the function on the BoD.

Summary of current compensation system of the BoD

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
Total	680,000	190,000		Lead Independent Director	30,000	

Shareholding ownership guideline

The BoD members are required to own at least 500 dormakaba shares within three years of tenure.

Compensation of the BoD in financial year 2021/22

The compensation awarded to the BoD in financial year 2021/22 is within the limits approved by the shareholders at the AGM:

Compensation period	Approved amount (CHF)	Effective amount (CHF)
AGM 2020 – AGM 2021	2,940,000	2,388,333
AGM 2021 – AGM 2022	3,200,000	To be determined*

* The compensation period is not yet completed, a definitive assessment will be provided in the 2022/23 Compensation Report.

Summary of current compensation system of the EC

The compensation system applicable to the EC is designed to engage executives to implement the company's strategy, to achieve the company's short- and long-term business objectives, and to create sustainable shareholder value. It consists of the following elements:

Purpose	Fixed compensation and benefits		Variable compensation (target of at least 50% of total compensation)	
	Annual base salary	Benefits	Short-term incentive (STI)	Long-term incentive (LTI)
	Reflects the function (scope, responsibilities), experience and skills of the individual	Establish a level of risk protection for the participants and their dependents	Rewards company performance	Rewards individual and company performance, aligns to shareholders' interests

Shareholding ownership guideline

The members of the EC are required to own a minimum multiple of their annual base salary in dormakaba shares within five years of tenure:

CEO	300% of annual base salary
EC member	200% of annual base salary

Compensation of the EC in financial year 2021/22

The compensation awarded to the EC in financial year 2021/22 is within the limits approved by the shareholders at the 2020 AGM:

Compensation period	Approved amount (CHF)	Effective amount (CHF)
Financial year 2021/22	16,500,000	11,162,842

Performance in financial year 2021/22

dormakaba posted strong growth despite external headwinds for financial year 2021/22. Organic sales growth was at 7.7% and above the guidance range of 3% to 5%. The strong organic growth and associated higher volumes were also reflected in a higher adjusted EBITDA, which excludes items affecting comparability. Adjusted EBITDA increased by 2.8% and amounted to CHF 372.3 million (previous year: CHF 362.0 million). The adjusted EBITDA margin was below guidance at 13.5% (previous year: 14.5%), impacted by shortages of electronic components, labor, and building materials as well as by accelerated inflation which could only partly be compensated with price increases. Items affecting comparability were at CHF -88.6 million on EBIT (previous year: CHF -9.3 million) and mainly related to the Mesker divestment in June 2022 and the strategy preparation and implementation.

Net profit was CHF 122.5 million (previous year: CHF 193.3 million). Excluding the effect of the divestment of the Mesker including tax and foreign currencies (CHF 61.4 million), the underlying net profit was CHF 183.9 million (a year-on-year decrease of 4.9%).

Compensation governance

- The NCC supports the BoD with matters related to the compensation of the BoD and of the EC.
- Shareholders approve the maximum compensation amounts of the BoD and of the EC. Further, they also express their opinion on the compensation system through a consultative vote on the Compensation Report.

Basic principles of compensation

The compensation system of dormakaba reflects the commitment to attract, engage, and retain the best talent within the industry. It is designed to engage executives and employees to implement the company's strategy, to achieve the company's short-term and long-term business objectives, and to create sustainable shareholder value.

The compensation for the **BoD** members consists exclusively of a fixed payment in cash and shares. This ensures that the BoD remains independent in exercising its supervisory duties towards the EC.

The compensation system for the **EC** members is built on the following key principles:

Reward for short-term and long-term performance

An important part of compensation is paid as variable incentives linked mainly to the overall performance of dormakaba. Those incentives are well-balanced between rewarding for short-term results (short-term incentive) and sustainable success of the company (long-term incentive).

Alignment to shareholders' interest

The share-based compensation delivered under the long-term incentive plan encourages the sustainable commitment of executives and management members, and aligns their interests to those of the shareholders.

Fairness and transparency

Compensation decisions are transparent and fair. The target level of total compensation is determined based on the function. The global grading system based on Korn Ferry Hay Group methodology ensures that functions are evaluated in a consistent manner across the organization.

Competitiveness

The structure and levels of compensation take into account the market practice (benchmarks based on Korn Ferry Hay Group data).

Managing compensation

Nomination and Compensation Committee (NCC)

In accordance with the [Articles of Incorporation](#) and the Organizational Regulations of dormakaba Holding AG, the BoD is responsible for the principles underlying the compensation policy and for the compensation steering process; it is supported in this work by the NCC.

The NCC consists of three BoD members, who are elected annually and individually by the AGM for a period of one year. At the AGM 2021, the shareholders re-elected Hans Hess (Chair), Stephanie Brecht-Bergen, and John Heppner as members of the NCC.

The NCC's main compensation tasks are:

- Propose and periodically review the compensation policy and regulations for the attention of the BoD;
- Propose to the BoD the specific design of the fundamental compensation elements and the determination of the compensation-related performance objectives;
- Propose to the BoD the maximum aggregate compensation amount of the BoD and of the EC to be submitted to the shareholders' vote at the AGM;
- Propose to the BoD the compensation to be paid to its members within the limits approved by the AGM;
- Decide on the terms of appointment, significant changes in existing employment contracts, and compensation for the EC members within the limits approved by the AGM;
- Decide on the share-based compensation to be awarded to the members of the EC and the Senior Management;
- Propose the Compensation Report to the BoD.

The compensation for the EC and for the Senior Management is set as part of an annual process.

Annual process and responsibilities in the compensation matters of the BoD and EC

	Aug	Oct	Dec	Feb	June
Compensation policy review and compensation principles for next financial year				NCC BoD	
Compensation planning and share award plan design				NCC BoD	NCC BoD
Compensation Report	NCC BoD	AGM			NCC
Maximum aggregate compensation amounts of the BoD and EC for next compensation period	NCC BoD	AGM			
Compensation structure and level of BoD for next compensation period	NCC BoD				NCC BoD
Individual target compensation of EC members for next financial year*					CEO NCC
Individual short-term incentive payments of EC members for previous financial year*	CEO NCC				
Individual share awards of EC members and Senior Management*	CEO NCC				CEO NCC
Review of external stakeholder feedback on compensation disclosure and (discussion of) changes for next disclosure		NCC	NCC	NCC	
NCC meeting schedule and agenda for next period of office			NCC		

red: recommending body

blue: reviewing body

gray: approving body

* Proposals related to the CEO compensation are prepared by the NCC Chair and approved by the NCC.

The NCC meets as often as business requires but at least once a year. Number of meetings held and attendance details, incl. participation of members of executive management and external advisors, are provided in the Corporate Governance Report.

The NCC Chair reports to the BoD after each meeting on the activities of the committee. The minutes of the committee's meetings are available to the BoD members.

The NCC may decide to consult external advisors on specific compensation matters. Agnès Blust Consulting, a company specialized in executive compensation in Swiss listed companies, has been appointed to provide independent advice on specific compensation and governance matters. While Agnès Blust Consulting did not have any other mandates with dormakaba at the time of providing its services, it has become part of PricewaterhouseCoopers since April 2022. PricewaterhouseCoopers is the current auditing firm of dormakaba, and there are clear rules in place to comply with the independence requirements of auditing firms, which have been implemented with effect of the transaction.

Shareholders' involvement

The BoD values the dialogue with shareholders and wants to know and understand their views on executive compensation. In this context, the BoD has held an annual consultative vote on the Compensation Report from financial year 2012/13 onwards. This vote allows shareholders to express their opinion on the compensation policy and systems applicable to the BoD and the EC. Since the AGM 2015, the BoD also seeks an annual prospective binding approval from shareholders of the maximum aggregate amount of compensation of the BoD and the maximum aggregate amounts of fixed and variable compensation of the EC.

The Articles of Incorporation include the principles of compensation applicable to the BoD and to the EC. Those provisions can be found [online](#) and include:

- Principles of compensation of the Board of Directors (Article 23);
- Principles of compensation of the Executive Committee (Article 24);
- Binding vote at the AGM (Article 22);
- Additional amount for new members of the Executive Committee (Article 25);
- Agreements with members of the Board of Directors and the Executive Committee, notice periods for the members of the Executive Committee (Article 26);
- Credits and loans to members of the Board of Directors and Executive Committee (Article 28).

Compensation architecture for the BoD

BoD members only receive fixed compensation based on the responsibilities and time requirement of their function, without any entitlement to performance-related compensation. This ensures that the BoD remains independent while exercising its supervisory duties towards the EC. The amount of compensation for each function of the BoD is determined annually considering the market compensation trends and comparisons with other listed Swiss industrial companies which operate internationally.

In the last financial year, the BoD reviewed the composition of the peer group that is the basis for the BoD compensation benchmark and decided to revise the peer group based on the following criteria: median market capitalization, annual sales, business model, industry, and compensation practices. Companies in the previous peer group with significantly different market capitalization levels were reviewed and replaced. The revised peer group consists of the following eleven companies: Bucher Industries, Clariant, Forbo, Georg Fischer, Landis+Gyr, OC Oerlikon, SFS Group, SIG Combibloc, Stadler Rail, Sulzer, and Tecan. Subsequent to the peer group revision, a benchmarking analysis was conducted by PwC. The results of the analysis showed that the overall compensation of the BoD was mostly in line with the benchmark except for the compensation of the BoD Chair.

In consideration of the outcome of the analysis, the NCC proposed to the BoD to reduce the compensation of the BoD Chair by CHF 45,000 to CHF 635,000 (previously: CHF 680,000). Of this amount, CHF 335,000 will be paid in cash and CHF 300'000 in restricted shares (following the same ratio of cash and share compensation as other BoD members). This adjustment takes effect for the term of office starting with the AGM 2022 and brings the BoD Chair compensation within the benchmark range, aligned with the principle to position fees for board and committee chairs above the market median, considering the above average level of responsibility and workload for these particular roles at dormakaba.

Compensation for other BoD members will remain unchanged.

1. Composition of compensation

The basic compensation paid to the members of the BoD comprises a cash payment and a grant of restricted shares of dormakaba Holding AG. The BoD Chair receives basic compensation of CHF 680,000, consisting of CHF 360,000 paid in cash and CHF 320,000 in restricted shares. The other members of the BoD receive basic compensation of CHF 190,000, consisting of CHF 100,000 in cash and CHF 90,000 in restricted shares. Additional fees are paid in cash for specific functions such as committee chair and/or committee member of the BoD or for performing special additional tasks assigned by the BoD. In line with legal requirements, the BoD Chair 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 compensation system and levels are documented in the BoD compensation directive and are 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
Total	680,000	190,000	Lead Independent Director	30,000	

The members of the BoD may decide to receive part of the cash payment in the form of shares of the company. The number of shares awarded is calculated using the average closing share price for the last five trading days of the last month of the relevant compensation period. The awarded shares are restricted for a period of three years; this blocking period remains in place if a member leaves the BoD. In addition, a shareholding ownership guideline is in place, requiring Board members to hold a minimum of 500 shares of dormakaba within three years after their election to the BoD.

Compensation is paid on a pro rata basis to Board members twice a year. For the term of office from the AGM 2021 until the AGM 2022, the first compensation period ended on 30 April 2022, the second will end on 31 October 2022. Actual expenses incurred are only reimbursed for travel and journeys outside Switzerland or as caused by special additional tasks performed on behalf of and assigned by the BoD.

2. Assessment of actual compensation paid to the BoD in the financial year 2021/22

The actual compensation paid to the BoD for the financial year 2021/22 increased compared to the previous year (+21%) mainly because of the BoD Chair receiving compensation for the full reporting year (previous year only from April to the AGM in October).

At the AGM 2021, the shareholders approved a maximum aggregate amount of CHF 3,200,000 for the BoD for the compensation period from the AGM 2021 until the AGM 2022. The compensation effectively paid for the portion of this term of office included in this Compensation Report (October 2021 – 30 June 2022) is within the limit approved by the shareholders. A conclusive assessment for the entire period will be included in the Compensation Report 2022/23.

At the AGM 2020, the shareholders approved a maximum aggregate amount of CHF 2,940,000 for the BoD for the compensation period from the AGM 2020 until the AGM 2021. The compensation effectively paid was CHF 2,388,333 and is within the limit approved by the shareholders.

As of 30 June 2022, in compliance with the [Articles of Incorporation](#), no loans or credits were granted to current or former BoD members, or parties closely related to them. Investments held by BoD members or related persons (including conversion and option rights) – if any – are listed [here](#).

Compensation architecture for the EC

The compensation awarded to EC members is primarily driven by the success of the company. In addition to competitive fixed compensation, there is a performance-related component, which rewards for performance and allows EC members to participate in the company's long-term value creation. The overall compensation consists of the following elements:

- Annual base salary;
- Benefits (such as retirement benefits);
- Short-term incentive;
- Long-term incentive (share-based compensation).

Purpose	Fixed compensation and benefits		Variable compensation (target of at least 50% of total compensation)	
	Annual base salary	Benefits	Short-term incentive (STI)	Long-term incentive (LTI)
	Reflects the function (scope, responsibilities), experience and skills of the individual	Establish a level of risk protection for the participants and their dependents	Rewards company performance	Rewards individual and company performance, aligns to shareholders' interests

To ensure consistency across the organization, roles within the organization have been evaluated using the job grading methodology of Korn Ferry Hay Group. The grading system is the basis for compensation activities such as benchmarking and determination of compensation structure and levels. For comparative purposes, dormakaba refers to external compensation studies that are conducted regularly by Korn Ferry Hay Group in most countries. Overall, these studies include the compensation data of 2,500 technology and industrial companies, including listed and privately held competitors in the security sector that are comparable with dormakaba in terms of annual revenues, number of employees, and complexity in the relevant national or regional markets. Consequently, there is no predefined peer group of companies that is used globally. Rather, the benchmark companies vary from country to country based on the database of Korn Ferry Hay Group. For the CEO role, the following companies were included in the last benchmark analysis conducted in the financial year 2018/19 covering Swiss listed industrial companies of similar size in terms of market capitalization, revenue, and number of employees: Autoneum, Bucher Industries, EMS Chemie, Geberit, Georg Fischer, Landis+Gyr, Logitech, Lonza, OC Oerlikon, Sonova, and Sulzer.

As a principle, the compensation paid to the EC members must be based on the market median in the relevant national or regional market and must be within a range of –20% to +35% of this figure. The variable component of compensation (= short- and long-term incentives) is targeted to make up for at least 50% of the overall compensation.

1. Annual base salary

EC members receive an annual base salary for fulfilling their role. It is based on the following factors:

- Content, responsibilities, and complexity of the function;
- External market value of the respective role: amount paid for comparable positions in the industrial sector in the country where the member works;
- Individual profile in terms of skill set, experience, and seniority.

2. Benefits

As the EC is international in its nature, the members participate in the benefits plans available in their country of employment. Benefits mainly consist of retirement, insurance, and healthcare plans that are designed to provide a reasonable level of protection for the participants and their dependents in respect to the events of retirement, disability, death, and illness/accident. The EC members with a Swiss employment contract participate in the occupational pension plans offered to all employees in Switzerland, which consist of a basic pension fund and a supplementary plan for management positions. The benefits offered by the pension fund of dormakaba in Switzerland are in line with benefits provided by other Swiss multinational industrial companies.

EC members under foreign employment contracts are insured commensurately with market conditions and with their position. Each plan varies in line with the local competitive and legal environment and is, as a minimum, in accordance with the legal requirements of the respective country.

Further, EC members are also provided with certain executive perquisites, such as company car or car allowance, representation allowance, and other benefits in kind according to competitive market practice in their country of employment.

3. Variable compensation

The variable compensation consists of a short-term incentive (STI) and a long-term incentive (LTI).

3.1 Short-term incentive

The short-term incentive is defined annually as a cash payment and aims to motivate the participants to meet and exceed the company's financial objectives, which are defined in line with the Group's strategy. Pursuant to the [Articles of Incorporation](#), the short-term incentive may not exceed 150% of the individual annual base salary for the EC members (cap).

Following the "We are ONE company" principle, the individual short-term incentive paid to the EC members is strictly based on financial objectives and not on individual goals. For the financial year 2021/22, the incentive formula relates exclusively to Group results in support of the Group-wide implementation of the Shape4Growth strategy. The business results are compared to the previous year's results to drive a continuous improvement of the business achievements, year after year.

The incentive formula is built around the principle of paying a predefined share of profit individually determined for each function, which is additionally modified by sales growth and net working capital (NWC) multipliers aiming to further strengthen the accountability for the efficient use of the company's financial resources and a growth-driven value creation.

The STI formula is illustrated below:

Group (CEO, CFO, CTO, COO)

Individual share in Group net income	x	Net income growth multiplier	x	Sales growth multiplier	x	Net working capital (NWC) multiplier	=	Amount of short-term incentive to be paid out
Percentage of Group net income		Factor of up to 1.6 depending on net income growth of dormakaba compared to previous year		Factor of up to 1.5 depending on sales growth of dormakaba compared to previous year		Factor of up to 1.4 depending on NWC results of dormakaba compared to previous year		Maximum 150% of annual base salary

Regional Presidents/President KWS/CMPO¹⁾ (former COOs)

Individual share in Group net income	x	Sales growth multiplier	x	Net working capital (NWC) multiplier	x	Sales Booster	=	Amount of short-term incentive to be paid out
Percentage of Group net income		Factor of up to 1.5 depending on sales growth of dormakaba compared to previous year		Factor of up to 1.4 depending on NWC results of dormakaba compared to previous year		Factor of up to 1.1 depending on achievement of sales growth target		Maximum 150% of annual base salary
10–30% of short-term incentive depending on the role		90–70% of short-term incentive depending on the role						

1) due to his transition, the STI of the CMPO will be evaluated based on the criteria set for the former COOs

The predefined share of profit is expressed as a percentage of Group net income. The growth multiplier is a combination of the company's net income growth (capped at 1.6 in case of substantial growth) and the Group sales growth (capped at 1.4). The net working capital (NWC) multiplier depends on the Group change of net working capital compared to previous year and is capped at 1.4 in case of substantial reduction of net working capital. The sales booster is based on the achievement of an absolute sales growth target and is capped at 1.1.

This formula is aligned to the business strategy of profitable growth because it rewards for bottom-line (Group net income) as well as top-line results (sales growth) and efficient management of the company's financial resources.

The calculation of the short-term incentive is based – just as the audited financial statements of the Group – on the actual figures recorded in the financial reporting system. For the relevant financial year, the Group net income was adjusted to reflect the impact of the sale of Mesker in the United States for the purpose of calculating the short-term incentive.

3.2 Long-term incentive

The purpose of the long-term incentive is to give the EC an ownership interest in dormakaba and a participation in the long-term performance of the company and thus to align their interests to those of the shareholders.

As of the grant of September 2021, the long-term incentive is delivered fully in performance share units. Therefore, at the beginning of the plan cycle (grant date), EC members are awarded performance share units of dormakaba based on the following criteria:

- **External benchmark:** typical grant size of long-term incentive for a similar function in the relevant market and positioning of the individual's total direct compensation compared to that benchmark. Total direct compensation includes fixed base salary plus short-term incentive plus allocation under the long-term incentive plan.
- **Individual performance:** measured against predefined priorities in the financial year prior to the grant, as documented within the performance management process. The long-term incentive is the only compensation program that takes into consideration the individual performance of the EC members. For each member, a list of individual strategic priorities is determined before the start of each financial year based on the mid-term plan of the Group, market/segment, or function. At the end of each financial year, the individual performance of the member is measured against those strategic priorities and will be considered for the determination of the grant size of the long-term incentive in the following financial year.

- **Strategic importance:** impact of the EC member's projects on the company's long-term success.
- **Retention:** desire to retain the person to the company and to its overall long-term value creation by offering restricted shares and performance share units subject to a three-year vesting period.



Based on the above criteria, the CEO formulates a proposal for long-term incentive awards of the individual EC members and other members of Senior Management, which is subject to approval by the Nomination and Compensation Committee (NCC). For the CEO, the NCC Chair formulates a proposal that is subject to the approval of the NCC. Pursuant to the Articles of Incorporation, the fair value of the long-term incentive at grant may not exceed 150% of the individual annual base salary for the EC members (cap).

The long-term incentive award is granted in the form of performance share units of dormakaba subject to a three-year performance-based vesting period. The award is designed to reward participants for the future performance of the earnings per share (EPS) and the relative TSR of the company over the three-year performance period. Both performance conditions are equally weighted at 50%. The vesting level may range from 0% to a maximum of 200% of the original number of units granted (maximum two shares for each performance share unit originally granted).

The relative TSR is measured relative to the SPI Industrials index: this index was selected as the performance benchmark because of the insufficient number of direct competitors of dormakaba that are publicly listed, which does not allow for a suitable customized peer group. Therefore, the SPI Industrials as an index of companies of comparable size listed on the SIX Swiss Exchange was the most appropriate alternative.

The EPS growth target is to outperform weighted GDP growth by 2% points.

The vesting formula for both performance indicators is illustrated below; there is no vesting below the threshold levels of performance:

	Threshold performance (25% vesting)	Target (100% vesting)	Cap (200% vesting)
Relative TSR (50%)	25 th percentile of peers	Median of peers	83.33 th percentile of peers
EPS growth (50%)	70% of target	EPS growth 2% points above GDP growth	140% of target

The vesting formula has been designed in line with market practice for Swiss publicly traded companies to combine pay for performance compensation principles and reach alignment with the long-term shareholder interest. It has both challenging targets and no excessive leverage. To reach the target, the company needs to outperform half of the peers in respect of relative TSR and needs to outperform GDP growth by 2% points on the EPS condition. While there is no payout below the threshold levels of performance, a partial payout is still possible for a performance between the threshold and the target. On the other side, an extraordinary performance is required to reach the cap of 200%.

Performance share units are usually awarded annually in September. In case of voluntary termination by the participant or if a participant is terminated for cause, performance share units are forfeited without any compensation. In case of termination without cause or retirement, performance share units are subject to a pro rata vesting at the regular vesting date. In case of disability, death, or change of control, performance share units are subject to an accelerated pro rata vesting based on a performance assessment by the BoD (see also [Corporate Governance Report](#)). The conditions for the award of performance share units are governed by the stock award plans of dormakaba.

Shares awarded in reporting periods 2021/22 and 2020/21 have come from dormakaba treasury.

The long-term incentive awards have been subject to clawback and malus provisions since 2019. In certain circumstances, such as in the case of financial restatement due to material non-compliance with financial reporting requirements or of fraudulent behavior or substantial willful misconduct, the BoD may decide to suspend the vesting or forfeit any granted long-term incentive award (malus provision) or to require the reimbursement of vested shares delivered under the long-term incentive (clawback provision).

4. Employment contracts

The EC members are employed under employment contracts of unlimited duration that are subject to a notice period of up to twelve months. EC members are not contractually entitled to sign-on awards, termination payments, or any change of control provisions other than the accelerated vesting and/or unblocking of share awards mentioned above. The employment contracts of the EC members may include post-employment non-competition clauses for a duration of up to a maximum of two years. In cases where the company decides to activate the post-employment non-competition provisions, the compensation paid in connection with such non-competition provisions may not exceed the monthly base salary, or half of the total compensation, for a period of twelve months.

5. Shareholding ownership guideline

The EC members are required to own a minimum multiple of their annual base salary in dormakaba shares within five years of hire or promotion to the EC, as set out in the following table.

CEO	300% of annual base salary
EC member	200% of annual base salary

To calculate whether the minimum holding requirement is met, all vested shares are considered, regardless of whether they are restricted or not. However, unvested performance share units are excluded from the calculation. The NCC reviews compliance with the share ownership guideline on an annual basis. In the event of a substantial rise or drop in the share price, the BoD may, at its discretion, review the minimum ownership requirement.

6. Assessment of actual compensation paid to the EC in the financial year 2021/22

In comparison to the previous year, total direct compensation (TDC) of the EC decreased by 10%. There are several factors that impacted the level of actual compensation paid to the EC in the 2021/22 financial year, which are summarized below.

- **Changes in EC composition:** Jim-Heng Lee was appointed CEO on 1 January 2022, succeeding Sabrina Soussan, who stepped down from her role as of 31 December 2021. Andy Jones was appointed to the role of President Asia Pacific on 12 January 2022, succeeding Jim-Heng Lee, and became a member of the EC. Mathias Mörtl joined the EC per 1 December 2021 as COO, a position newly created under the new strategy Shape4Growth. Bernd Brinker stepped down as CFO as per 31 March 2022 and was succeeded by Kaspar Kelterborn, who took up his responsibilities as interim CFO as of 1 April 2022 and who receives no variable compensation.
- **Base salary changes:** For two EC members, the target base salaries were adjusted by overall 5% in local currency to bring them in line with market requirements.
- **STI payout:** the STI payout formula is based on performance compared to previous year (and not on the achievement of budgeted targets). The STI payout of the CEO and EC members especially reflects the development of Group net income, which is the main driver of the STI payout and which decreased in respect to the prior year by 4.9% (excluding the effect of the divestment of the Mesker business in June 2022). In the reporting year, the STI payout of EC members is 71% of the annual base salary on average (previous year: 96%). A payout of 99% of annual base salary (on average) for the EC members corresponds to the level of originally expected performance for the financial year 2021/22.
- **LTI grant in September 2021:** to determine the individual grant size (nominal value), the allocation criteria in place for several years (described under [section 3.2](#)), such as individual performance in the previous year, the strategic importance of the projects under responsibility, position against benchmark and retention need were considered. Based on those factors, the LTI grant size of five EC members, was increased and the LTI grant size for one EC member was decreased compared to the previous year. For other EC members, the LTI grant size remained unchanged compared to the previous year. For three EC members no LTI award was granted in September 2021, as they joined the EC after the relevant date. The strategic priorities of the CEO for financial year 2020/21 (considered for determining the grant size in the reporting year) are detailed below:

Strategic priorities of the CEO (financial year 2021/22)

Strategic priorities of the CEO (financial year 2021/22) ¹⁾

Business performance	Achieve business performance in line with guidance. Implement Covid-19 initiatives (incl. „Cash Is King“)
Business development	Selectively establish further acquisitions/divestments in accordance with the defined strategic priorities.
Group innovation	Drive the digitization initiatives (cloud-based solutions)
Supply chain management	Deliver the defined procurement savings
Organization	Ensure succession for key positions, strengthen leadership teams and develop/retain key talents. Sustainability: achieve the defined sustainability targets. IT: continue to strengthen IT security.

1) This information is disclosed in summarized form for confidentiality reasons.

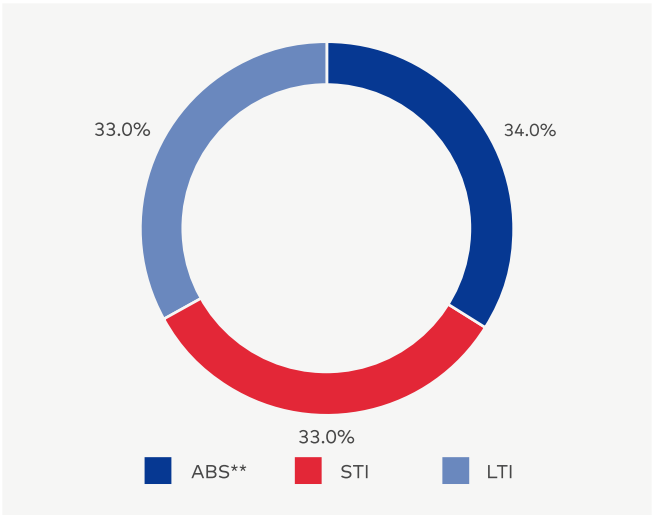
The performance share units granted under the long-term incentive in September 2018 vested in September 2021 based on the EPS growth and the rTSR ranking over the three-year vesting period at a vesting level of 79.87%. The share price at vesting amounted to CHF 660.50 compared to CHF 680.50 at grant.

Variable compensation forms a major part of total direct compensation (TDC). The percentage of overall compensation paid to the EC as variable compensation in the reporting year was 55% (excluding benefits and social security contributions) and decreased (previous year: 67%) due to a decrease predominantly in STI payout. Variable equity-based compensation (excluding new joining and leaving EC members) accounted for

27% of the TDC (previous year: 30%). This is approximately in line with the compensation strategy to award 30% or more of total compensation in equity-based compensation by applying increases primarily in the long-term incentive component rather than in the other compensation elements.

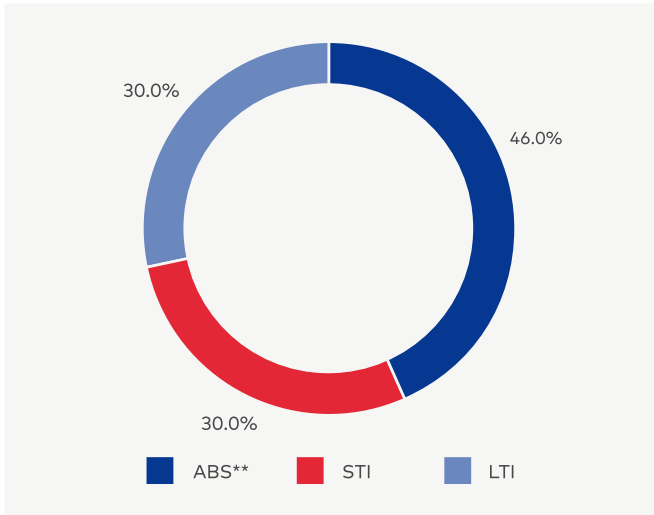
The table below represents the pay mix of the CEO and EC in relation to total direct compensation (excluding benefits and social security).

CEO*



* Based on new CEO annual target compensation mix
** Annual Base Salary

EC*



* EC excl. CEO
** Annual Base Salary

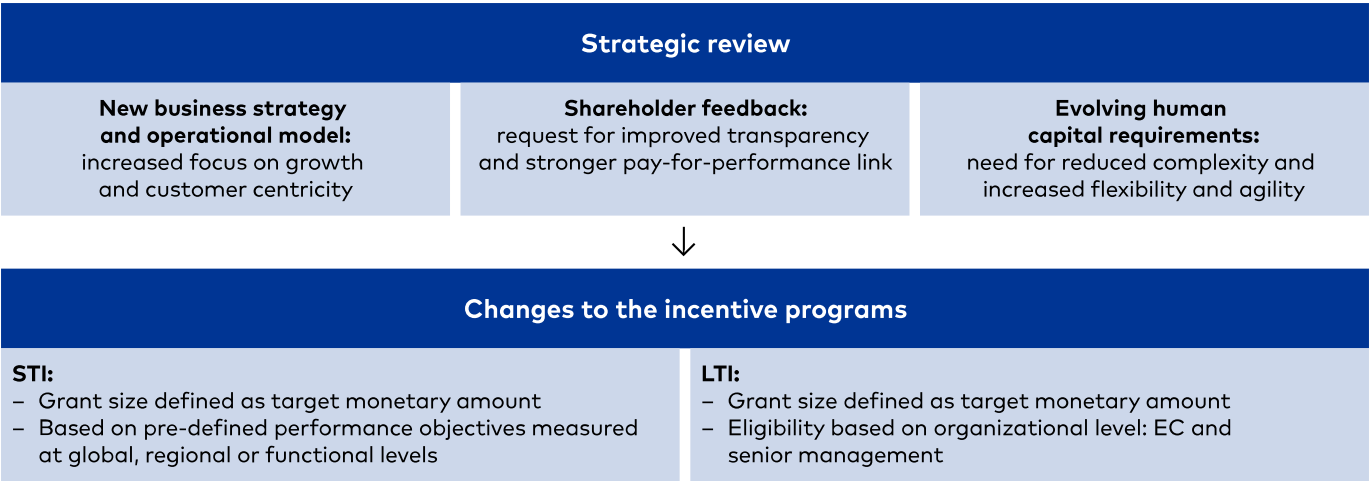
At the AGM 2020, the shareholders approved a maximum aggregate amount of CHF 16,500,000 for the EC for the financial year 2021/22. The compensation effectively awarded of CHF 11,162,842 is within the limit approved by the shareholders.

As of 30 June 2022, in compliance with the [Articles of Incorporation](#), no loans or credits were granted by dormakaba to current or former EC members, or parties closely related to them. Investments held by EC members or related persons (including conversion and option rights) – if any – are listed [here](#).

New Compensation Architecture

In the context of the strategic review that was initiated in 2021 for the period 2022 to 2027, the NCC has conducted a thorough review of the compensation program in financial year 2021/22 to ensure that it remains aligned with the strategic direction of the company, while continuing to drive performance, motivation, and behaviors that are aligned with the values of dormakaba. In line with the new business strategy Shape4Growth and related operating model, the current human capital context and the shareholder feedback received asking for more transparency, and a stronger pay-for-performance link, the NCC decided to implement several changes to the incentive programs, which will come into effect as of the 2022/23 financial year:

- Short-term incentive (STI): a target-based approach will replace the current profit-share approach. A target STI amount - corresponding to the amount to be paid if all performance objectives are met - will be determined for each EC member and will be multiplied by a performance factor between 0% and 200% based on the achievement of the pre-defined performance objectives. The performance objectives will include organic sales growth, unadjusted EBITDA margin, and ROCE/NWC at Group and/or regional or business level (for EC members responsible for a Region or Key & Wall Solutions) and clearly measurable functional objectives (for EC members responsible for a Function);
- Long-term incentive (LTI): the LTI grant size will be determined as a monetary amount based on the organizational level of the role instead of the current set of criteria.



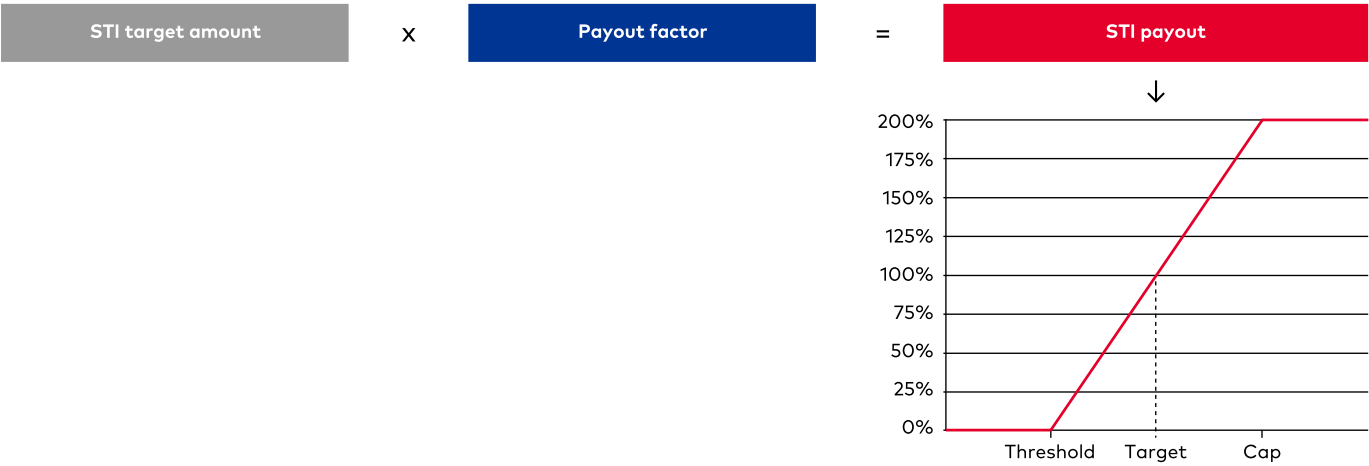
Short-term incentive (STI)

The current STI model based on a predefined share of profit will be replaced by a target-based system as of the financial year 2022/23: A target STI amount will be determined for each EC member, corresponding to the amount to be paid if all performance objectives are met (100% achievement). The CEO and CFO will be measured 100% on Group performance. The performance of Regional Presidents and KWS as well as Global Functions will be measured based on the Group performance (60%) and the performance of the own Region or Function (40%):

Group objectives	Own unit objectives	
60%	40%	
	Regional roles	Functional roles
Organic sales growth	Organic sales growth	Objectives related to the strategic priorities of the function
EBITDA margin*	EBITDA margin*	
ROCE*	NWC*	

*not adjusted for items affecting comparability

At the beginning of the financial year, the NCC sets a threshold, target, and maximum level of achievement for each performance objective. At the end of the financial year, the actual achievement is compared with the objectives that were set at the beginning of the period. The level of achievement for each objective determines a payout factor for each objective, and the respective payout factors are then summed up to determine an overall payout factor. The overall STI payout can range from 0% to 200% of the target STI amount.



The STI is paid in cash in the following financial year.

Long-term incentive (LTI)

Effective with the annual LTI grant planned for September 2023, the determination of the individual grant amounts will no longer depend on a set of criteria including individual performance, and strategic and retention needs. The grant size will be based on a monetary amount determined based on the organizational level of the role and the market data for the respective role.

No further changes to the design of the LTI will be made. The awards will continue to be fully granted in performance share units subject to a three-year vesting period and conditional upon the achievement of two equally weighted performance criteria: relative TSR and EPS growth. The vesting level will still range from 0% to a maximum of 200% of the original number of units granted (maximum two shares for each performance share unit originally granted).

Compensation to the BoD and EC

Financial year 2021/22

Compensation ¹⁾					
	Basic compensation	Additional compensation (committees, special tasks)	Social benefits ²⁾	Total (CHF)	of which in shares (CHF) ³⁾
BoD					
Aebischer Thomas (BoD member since AGM 2021)	126,667	13,333	9,775	149,775	59,620
Member Audit Committee (since AGM 2021)					
Birgersson Jens	190,000	20,000	–	210,000	89,426
Member Audit Committee					
Brecht-Bergen Stephanie	190,000	20,000	–	210,000	89,426
Member Nomination and Compensation Committee					
Cadonau Riet	680,000	21,111	47,087	748,198	319,651
Chair of the Board					
Daeniker Daniel	190,000	90,000	17,523	297,523	89,426
Chair Audit Committee					
Dubs-Kuenzle Karina (BoD member until AGM 2021)	63,333	6,667	4,846	74,846	29,806
Gummert Hans	190,000	83,022	–	273,022	89,426
Member Audit Committee					
Heppner John	190,000	20,000	–	210,000	89,426
Member Nomination and Compensation Committee					
Hess Hans	190,000	96,667	20,720	307,386	89,426
Vice-Chair of the Board					
Lead Independent Director					
Chair Nomination and Compensation Committee					
Member Audit Committee (until AGM 2021)					
Mankel Christine	190,000	–	–	190,000	89,426
Liu John	190,000	–	13,269	203,269	89,426
Total BoD	2,390,000	370,800	113,220	2,874,020	1,124,481

- 1) Compensation for the employer representative on the Swiss pension fund (Karina Dubs-Kuenzle) of CHF 10,000 p.a. and compensation for the membership of the Supervisory Board of dormakaba Holding GmbH + Co. KGaA (Hans Gummert) of CHF 63,023 are included in the compensation (additional compensation). Business expenses are not included. For Hans Gummert the additional compensation is paid in EUR and remains stable vis-à-vis the previous year, however, fluctuates in CHF due to currency exchange.
- 2) In line with the Swiss legal requirements under the respective law (BVG), the Chair of the Board is insured in the company pension fund. The employer cost of the pension benefits are deducted from the cash board fee disclosed above. The Chair of the Board is hence financing both the employee and employer contributions to the pension fund via a deduction on the cash board fee so that the insurance in the pension fund is cost-neutral to the company.
- 3) The compensation for the reporting period is paid out in three installments (November 2021, May 2022, and November 2022). Shares are awarded based on a fixed monetary amount of CHF 90,000 for the Board members. The average of the closing share prices of the last five trading days in the month prior to the payment is used to determine the number of shares allocated (CHF 677.40 for the shares transferred in November 2021 and CHF 446.20 for the shares transferred in May 2022).

	Fixed compensation			Variable compensation				Total CHF
	Fixed basic payment	Benefits and social / pension contributions ¹⁾	Total aggregate amount	STI ²⁾	LTI ³⁾	Social / pension contributions	Total aggregate amount	
EC members								
Jim-Heng Lee	639,979	369,716	1,009,695	526,529	349,963	98,909	975,401	1,985,096
Other EC ⁴⁾	3,288,160	781,121	4,069,281	2,135,726	2,172,357	800,382	5,108,465	9,177,746
Subtotal	3,928,139	1,150,837	5,078,976	2,662,255	2,522,320	899,291	6,083,866	11,162,842

1) Includes contributions to social security and occupational pension plans as well as fringe benefits. Contributions to social security and occupational pension plans are the contributions effectively paid in the reporting year and relate to the fixed and variable compensation effectively paid out in the reporting year. Fringe benefits include elements such as private use of company car, company car allowance, service anniversary, housing contributions, and one-time relocation allowances. Includes the fees for the interim CFO, who does not receive any variable compensation.

2) The short-term incentive reported will be paid after the end of the reporting year.

3) The LTI grant consists of PSUs only. The value of the PSUs is based on their fair value on the grant date which includes adjustments for lost dividends during the vesting period and the TSR performance conditions.

4) Includes the compensation of the former CFO (full year) and former CEO (until 31-Jan-22) during their contractual employment period.

Financial year 2020/21

Compensation ¹⁾					
	Basic compensation	Additional compensation (committees, special tasks)	Social benefits ²⁾	Total (CHF)	of which in shares (CHF) ³⁾
BoD					
Birgersson Jens Member Audit Committee (since AGM 2020)	183,667	13,333	–	197,000	110,578
Brecht-Bergen Stephanie Member Nomination Committee (until AGM 2020) Member Nomination and Compensation Committee (since AGM 2020)	183,667	16,667	–	200,333	86,537
Cadonau Riet Chair of the Board	170,000	–	12,942	182,942	79,390
Daeniker Daniel Chair Audit Committee	183,667	60,000	17,167	260,834	86,537
Dörig Rolf (BoD member until AGM 2020) Chair Compensation Committee (until AGM 2020) Member Nomination Committee (until AGM 2020)	57,000	25,000	5,736	87,736	26,869
Dubs-Kuenzle Karina	183,667	20,000	14,305	217,972	86,537
Gummert Hans Member Audit Committee Member Compensation Committee (until AGM 2020)	183,667	88,452	–	272,119	86,537
Heppner John Member Nomination and Compensation Committee (since AGM 2020)	183,667	26,667	–	210,333	95,305
Hess Hans Vice-Chair of the Board Lead Independent Director Chair Nomination and Compensation Committee (since AGM 2020) Chair Nomination Committee (until AGM 2020) Member Audit Committee Member Compensation Committee (until AGM 2020)	183,667	108,333	21,103	313,103	86,537
Mankel Christine	183,667	–	–	183,667	110,578
Liu John Y. (BoD member since AGM 2020)	126,667	–	8,839	135,506	59,669
Total BoD	1,823,000	358,452	80,093	2,261,545	915,074

- 1) The Chair of the Board receives compensation in his role since April 2021, covering three months of the reporting period. For as long as he was in his dual capacity as the CEO and Chair of the Board, he did not receive any compensation for his role as the Chair of the Board. Compensation for the employer representative on the Swiss pension fund (Karina Dubs-Kuenzle) of CHF 20,000 p.a. and compensation for the membership of the Supervisory Board of dormakaba Holding GmbH + Co. KGaA (Hans Gummert) of CHF 65,119 are included in the compensation (additional compensation). Business expenses are not included. For Hans Gummert the additional compensation is paid in EUR and remains stable vis-à-vis the previous year, however, fluctuates in CHF due to currency exchange.
- 2) In line with the Swiss legal requirements under the respective law (BVG), the Chair of the Board is insured in the company pension fund. The employer cost of the pension benefits are deducted from the cash board fee disclosed above. The Chair of the Board is hence financing both the employee and employer contributions to the pension fund via a deduction on the cash board fee so that the insurance in the pension fund is cost-neutral to the company.
- 3) The compensation for the reporting period is paid out in three installments (November 2020, May 2021, and November 2021). Shares are awarded based on a fixed monetary amount of CHF 90,000 for the Board members. The average of the closing share prices of the last five trading days in the month prior to the payment is used to determine the number of shares allocated (CHF 424.24 for the shares transferred in November 2020 and CHF 620.40 for the shares transferred in May 2021).

	Fixed compensation			Variable compensation			Total CHF	
	Fixed basic payment	Benefits and social / pension contributions ¹⁾	Total aggregate amount	STI ²⁾	LTI ³⁾	Social / pension contributions		Total aggregate amount
EC members								
Cadonau Riet ^{4) 5)}	596,274	133,753	730,027	956,250	1,280,281	269,821	2,506,352	3,236,379
Sabrina Soussan ⁶⁾	425,004	107,869	532,873	525,000	-	95,646	620,646	1,153,519
Other EC	2,415,866	766,853	3,182,719	2,355,028	1,821,187	652,664	4,828,879	8,011,598
Subtotal	3,437,144	1,008,475	4,445,619	3,836,278	3,101,468	1,018,131	7,955,877	12,401,496

- 1) Includes contributions to social security and occupational pension plans as well as fringe benefits. Contributions to social security and occupational pension plans are the contributions effectively paid in the reporting year and relate to the fixed and variable compensation effectively paid out in the reporting year. Fringe benefits include elements such as private use of company car, company car allowance, service anniversary, housing contributions, and one-time relocation allowances for two new EC members to facilitate their relocation following their appointment to the EC role. Fringe benefits amount to CHF 61,817 for the former CEO, to CHF 30,440 for the new CEO and CHF 436,069 for the other EC members.
- 2) The short-term incentive reported will be paid after the end of the reporting year.
- 3) The total grant value of the LTI includes CHF 751,608 in restricted shares and CHF 2,012,114 in performance share units (PSU). The fair value on the grant date is CHF 584 per restricted share. The value of the PSUs is based on their fair value on the grant date which includes adjustments for lost dividends during the vesting period and the TSR performance conditions.
- 4) In accordance with his employment contract from 2011, the former CEO receives a guaranteed allocation of 550 shares (worth CHF 337,750) which are blocked for three years. These shares are not yet included in the shares held as of 30 June 2021 as listed in the table 'Shares held by BoD and EC' as they were not yet allocated by the end of the financial year (grant date of 1 September 2021). However, they have been included in the long-term incentive compensation figure with a share price of CHF 614.09 (average closing price of May/June 2021).
- 5) In line with the contractual agreement in place which foresee a partial forfeiture of PSU, CHF 527,086 of the award granted to the CEO in September 2020 forfeits.
- 6) The replacement award in equity relating to the forfeited compensation at the previous employer for the new CEO is not included in the compensation table. The replacement award amounts to CHF 619,583 in restricted shares and CHF 631,583 in PSU granted at the hiring date on 1 January 2021. The shares are subject to a blocking period of 8 months, 1 year and 8 months, and 2 years and 8 months, respectively. The PSU are subject to a vesting period of 8 months, 1 year and 8 months, and 2 years and 8 months, respectively, based on the EPS and rTSR performance conditions used in the dormakaba LTI plan. The blocking period of the shares and the vesting period of the PSU mirror the restriction periods of the outstanding plans at dormakaba (LTI grants 2018, 2019 and 2020, vesting in 2021, 2022 and 2023, respectively) and broadly reflect those of the forfeited awards at the previous employer.

Shares held by BoD and EC

As at the respective call date, the individual BoD and EC members (including related parties) held the following number of shares in dormakaba Holding AG.

Number of shares	Financial year ended 30.06.2022	Financial year ended 30.06.2021
BoD		
Aebischer Thomas ¹⁾	100	
Birgersson Jens	2,085	1,919
Brecht-Bergen Stephanie	220,489	220,323
Cadonau Riet	8,630	7,015
Daeniker Daniel	2,020	1,854
Dubs Karina ²⁾		99,913
Gummert Hans	1,095	929
Heppner John	1,283	1,117
Hess Hans	2,156	1,790
Liu John Y.	238	72
Mankel Christine	220,699	220,533
Total BoD	458,795	555,465
EC		
Berninger Alwin	371	339
Bewick Stephen	335	312
Brinker Bernd ³⁾		1,964
Häberli Andreas	2,636	2,530
Housten Alex	747	617
Jones Andy ⁴⁾	233	
Kelterborn Kaspar ⁵⁾	48	
Lee Jim-Heng ⁶⁾	2,865	2,725
Mörtl Mathias ⁷⁾	-	
Soussan Sabrina ⁸⁾		1,233
Zocca Stefano	2,464	2,368
Total EC	9,699	12,088

1) BoD Member as of 12 October 2021

2) BoD Member until 12 October 2021

3) EC Member until 31 March 2022

4) EC Member as of 12 January 2022

5) EC Member as of 1 April 2022

6) CEO as of 1 January 2022

7) EC Member as of 1 December 2021

8) CEO until 31 December 2021

Report of the statutory auditor

to the General Meeting of dormakaba Holding AG

Rümlang

We have audited the Compensation Report of dormakaba Holding AG for the year ended 30 June 2022. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables on pages 155 to 159 of the Compensation Report.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the Compensation Report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the Compensation Report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Compensation Report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the Compensation Report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the Compensation Report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the Compensation Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Compensation Report of dormakaba Holding AG for the year ended 30 June 2022 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG



Beat Inauen
Audit expert
Auditor in charge



Sandra Burgstaller
Audit expert

Zürich, 25 August 2022

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