



## ROCHE HOLDING AG

European Governance Service

MEETING DATE	Tue, 17 Mar 2020 10:30 am	TYPE	AGM	ISSUE DATE	Thu, 05 Mar 2020
MEETING LOCATION	Congress Center in the Basel Trade Fair Complex, Basel, Switzerland.				
CURRENT INDICES	FTSE EuroFirst				
SECTOR	Pharmaceuticals				

### COMPANY OVERVIEW

Roche Holding AG is the holding company of Roche a Swiss global health-care company. The Holding has bearer shares listed on the SIX Swiss Exchange.

#### MEETING SPECIFIC INFORMATION

No quorum required for ordinary resolutions at this meeting. Resolutions under ordinary business are approved by simple majority of the votes cast.

Resolutions under extraordinary business require quorum of 50% of the share capital to be present at the meeting and 66% of the votes cast to be approved.

#### Election of the Compensation Committee

In compliance with the Ordinance Against Excessive Compensation, shareholders are entitled to appoint members of the Compensation Committee directly. The Company must submit candidates in separate resolutions.

In terms of good corporate governance, it is considered to be best practice that the compensation committee consists exclusively of independent members. Support is granted to independent directors, while opposition may be recommended for directors not considered to be independent.

#### Submission of binding remuneration proposals at Swiss listed companies

In compliance with the Ordinance Against Excessive Compensation, companies can submit a prospective or retrospective remuneration proposal for the Board of Directors and members of the Executive Committee.

In the first case, shareholders are asked to approve the cap for the proposed remuneration; in the second, shareholders will be asked to approve the actual remuneration to be paid to either the Board or the Executive Committee. The Ordinance Against Excessive Payments provides that if compensation is not approved, it may not be paid. In accordance with the Ordinance, companies can set in their Articles the procedures to be undertaken if shareholders reject a binding pay resolution. The Articles cannot provide for the Board or the compensation committee to set remuneration, should a binding proposal be rejected. Companies can propose another binding resolution on pay at the same AGM, at an EGM later during the year, or at the next AGM (for retrospective approval).

#### Appointment of independent proxy

The Ordinance Against Excessive Compensation effective January 2014 prohibits the appointment of a depository or a corporate proxy. Uninstructed proxy votes lodged with depository banks acting as an intermediary in the proxy chain or with the company itself have traditionally been treated as a vote in favour of all management resolutions.

### PROPOSALS

### ADVICE

- |   | PROPOSALS   | ADVICE     |
|---|---|------------|
| 1 | <b>Approve Financial Statements</b><br>Disclosure is adequate. The financial statements were made available sufficiently before the meeting and have been audited and certified. No serious governance concerns have been identified. | <b>For</b> |

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|------------|---|---------------|
| <b>2.1</b> | <b>Approve the total amount of bonuses for the Corporate Executive Committee.</b><br>It is proposed approve a total of CHF 11,141,950 in bonuses for the Corporate Executive Committee for 2019. There are a number of concerns about the remuneration structure at the Company. Firstly, the Chair of the Board is a recipient of additional remuneration, other than Non-Executive fees, in the form of a share-based bonus. The Chair is also a member of the Remuneration Committee and the Company has not disclosed performance conditions, quantified targets or the corresponding level of achievement. There are concerns that the remuneration structure may allow for overpaying against underperformance. On these grounds opposition is recommended.   | <b>Oppose</b> |
| <b>2.2</b> | <b>Approval of the total amount of bonuses for the Chair of the Board of Directors for 2019.</b><br>The Board of Directors proposes the approval of the total bonus amount of CHF 558,390 (in form of shares blocked for 10 years) for the Chair of the Board of Directors for 2019. A number of concerns have been noted. Firstly, the Chair of the Board is a recipient of additional remuneration, other than Non-Executive fees, in the form of a share-based bonus. Though it is welcomed that the shares are blocked for 10 years, which is considered to be sufficiently long term. It is considered that Non-Executive Directors should not receive variable, performance related remuneration. The Chair is also member of the Remuneration Committee, which means that the chair may have influence on the proposal for his own bonus. On these grounds, opposition is recommended. | <b>Oppose</b> |
| <b>3</b>   | <b>Discharge the Board</b><br>Standard proposal. No serious governance concerns have been identified. Support is recommended.   | <b>For</b>    |
| <b>4</b>   | <b>Approve the Dividend</b><br>The Board proposes a dividend of CHF 9.00 per share. The dividend is covered by earnings. Acceptable proposal.   | <b>For</b>    |
| <b>5.1</b> | <b>Re-elect Christoph Franz</b><br>Non-Executive Chair. Not considered independent as the Chair receives remuneration from the Company, in addition to non-executive fees. There is sufficient independent representation on the Board.   | <b>For</b>    |
| <b>5.2</b> | <b>Re-elect Christoph Franz as a member of the Remuneration Committee</b><br>Non-Executive Chair, candidate to the Remuneration Committee on this resolution. The Chair is not considered independent as the Chair receives remuneration from the Company, in addition to non-executive fees. It is considered that the Remuneration Committee should consist exclusively of independent members. Opposition is recommended.  | <b>Oppose</b> |
| <b>5.3</b> | <b>Re-elect André Hoffmann</b><br>Non-Executive Vice Chair. There are also concerns over the director's potential aggregate time commitments. Nevertheless, it is noted the director has attended all the board and committee meetings he was eligible to attend during the year under review.<br>The director is not considered independent as he is a representative of the founding family and controlling shareholder. He is also not considered independent owing to a tenure of over nine years. However, there is sufficient independent representation on the board. A vote in favour is therefore recommended.   | <b>For</b>    |
| <b>5.4</b> | <b>Re-elect Julie Brown</b><br>Independent Non-Executive Director.  | <b>For</b>    |
| <b>5.5</b> | <b>Re-elect Paul Bulcke</b><br>Non-Executive Director. Not considered independent owing to a tenure of over nine years. Although, there is sufficient independent representation on the board to support this proposal, it is noted the director is a member of the audit committee which should comprise wholly of independent directors. On this basis, an oppose vote is recommended.  | <b>Oppose</b> |
| <b>5.6</b> | <b>Re-elect Hans Clevers</b><br>Independent Non-Executive Director.   | <b>For</b>    |
| <b>5.7</b> | <b>Re-elect Anita Hauser</b><br>Independent Non-Executive Director. Although there are concerns over potential aggregate time commitments, this director has attended all Board and committee meetings during the year under review. On balance, support is recommended.  | <b>For</b>    |
| <b>5.8</b> | <b>Re-elect Richard P. Lifton</b><br>Independent Non-Executive Director.  | <b>For</b>    |

- |             |  |               |
|-------------|--|---------------|
| <b>5.9</b>  | <b>Re-elect Bernard Poussot</b><br>Independent Non-Executive Director.   | <b>For</b>    |
| <b>5.10</b> | <b>Re-elect Severin Schwan</b><br>Chief Executive.   | <b>For</b>    |
| <b>5.11</b> | <b>Re-elect Claudia Suessmuth Dyckerhoff</b><br>Independent Non-Executive Director.  | <b>For</b>    |
| <b>5.12</b> | <b>Elect Jörg Duschmalé</b><br>Non-Executive Director. Not considered independent as the director has close family ties with a significant shareholder: Maja Oeri. The director represents the fifth generation of the company's founder's descendants. However, there is sufficient independent representation on the Board.  | <b>For</b>    |
| <b>5.13</b> | <b>Elect Patrick Frost</b><br>Independent Non-Executive Director.  | <b>For</b>    |
| <b>5.14</b> | <b>Elect André Hoffmann as a member of the Remuneration Committee</b><br>Non-Executive Vice Chair, candidate to the Remuneration Committee on this resolution. Not considered to be independent as Mr. Hoffman is a representative of the founding family and controlling shareholder, also Mr. Hoffman has served on the Board for more than nine years. It is considered that the Remuneration Committee should consist exclusively of independent members. Opposition is recommended.   | <b>Oppose</b> |
| <b>5.15</b> | <b>Re-elect Richard P. Lifton as a member of the Remuneration Committee</b><br>Independent Non-Executive Director, candidate to the Remuneration Committee on this resolution. Support is recommended.   | <b>For</b>    |
| <b>5.16</b> | <b>Re-elect Bernard Poussot as a member of the Remuneration Committee</b><br>Independent Non-Executive Director, candidate to the Remuneration Committee on this resolution. Support is recommended.   | <b>For</b>    |
| <b>6</b>    | <b>Approve Fees Payable to the Board of Directors</b><br>It is proposed to approve the maximum total of CHF 10,000,000 in remuneration for the Board of Directors until the 2021 ordinary Annual General Meeting, excluding the bonus for the Chair of the Board of Directors for the financial year 2020 which will be proposed for approval at the 2021 Annual General Meeting. No increase has been proposed. Support is recommended.   | <b>For</b>    |
| <b>7</b>    | <b>Approve Remuneration Policy</b><br>It is proposed to approve the prospective remuneration for the members of the Executive Management of the Company which mean that the proposed amount will not be the actual amount to be paid but only the total remuneration cap. The voting outcome of this resolution will be bidding for the Company.<br>It is proposed to fix the remuneration of members of the Executive Committee until next AGM at CHF 37,000,000 (CHF 38,000,000 proposed at the last AGM). This proposal includes fixed and variable remuneration components.<br>Variable remuneration does not seem to be consistently capped and as such there are excessiveness concerns as the total potential variable remuneration may exceed 200% of the salary. In addition, the Company has not disclosed quantified targets for the performance criteria of its variable remuneration component, which may lead to overpayment against underperformance. There are concerns over the composition of the remuneration committee, currently, two non-independent directors and the Board chair serve as members. There are claw back clauses in place over the entirety of the variable remuneration, which is welcomed. Nevertheless, opposition is recommended based on potential excessive variable remuneration. | <b>Oppose</b> |
| <b>8</b>    | <b>Appoint Independent Proxy</b><br>Testaris AG proposed as the independent proxy to act on behalf of shareholder voting, for one-year term. The named proxy has no other commercial relationship with the company. A vote in favour is recommended.   | <b>For</b>    |
| <b>9</b>    | <b>Appoint the Auditors</b><br>KPMG proposed. Non-audit fees represented 10.60% of audit fees during the year under review and 10.25% on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditor. The current auditor has been in place for more than ten years. There are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor.   | <b>Oppose</b> |

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## SUPPORTING INFORMATION FOR RESOLUTIONS

### Proposal 7 - Approve Remuneration Policy

#### COMPANY ENGAGEMENT

A draft copy of this report was sent to the Company.  
The Company did not respond to engagement.

## CORPORATE GOVERNANCE HIGHLIGHTS

BOARD AND OTHER GOVERNANCE INFORMATION	AFTER MEETING
Size of Board	12
Average Disclosed Age of Directors	57
Average Tenure of All Directors	5.92
Number of Independent Directors	7
Board Independence Level	58.33%
Diversity On the Board 40% or More Among Non-Executive Directors	No
Directors' Aggregated Voting Rights	0.14%
Annual Election of Directors	Yes
Separate Chair and CEO	Yes
The Company Has a Senior Independent Director	No
No Executive is On the Remuneration Committee	Yes
No Executive is On the Nomination Committee	Yes
No Executive is On the Audit Committee	Yes
The Company Does Not Maintain a Corporate Jet	n/d
Number of Resolutions With a Significant Proportion of Votes Against (10%)	0
There is a Controlling Shareholder	Yes

## BOARD AND COMMITTEE COMPOSITION (post-Meeting)

### BOARD CHANGES

Directors Andreas Oeri and John Irving Bell will not be standing for re-election at the next AGM. Jörg Duschmalé and Patrick Frost will be appointed to the board of directors at the next AGM. It is noted P.R. Voser stepped down as a member of the board of directors on 30 June 2019.

DIRECTOR	GENDER	INDEPENDENT BY		BOARD	AC	RC	NC	SC	TENURE
		PIRC	COMPANY						
Christoph Franz	M	No	Yes	Ch	-	M	C	-	9
André Hoffmann	M	No	Yes	VCh	-	C	M	M	24
Julie Brown	F	Yes	Yes	NED	C	-	-	-	4
Paul Bulcke	M	No	Yes	NED	M	-	-	-	9
Hans Clevers	M	Yes	Yes	NED	M	-	-	-	1
Anita Hauser	F	Yes	Yes	NED	-	-	-	M	3
Richard P. Lifton	M	Yes	Yes	NED	-	M	-	-	5
Bernard Poussot	M	Yes	Yes	NED	-	M	-	-	5
Severin Schwan	M	No	No	CEO	-	-	-	-	7
Claudia Süßmuth Dyckerhoff	F	Yes	Yes	NED	M	-	-	M	4
Jörg Duschmalé	M	No	No	NED	-	-	-	-	<1
Patrick Frost	M	Yes	Yes	NED	-	-	-	-	<1
Number of Meetings				7	4	2	8	3	

PIRC assesses a non-executive director's independence according to PIRC's shareholder guidelines. Comments represent PIRC's analysis based on information in the report and accounts. AC = Audit Committee, RC = Remuneration Committee, NC = Nomination Committee, SC = Sustainability Committee, C = Chair of Committee, M = Member of Committee.

### BOARD OF DIRECTORS (post-Meeting)

CHRISTOPH FRANZ		CHAIR (NON EXECUTIVE)			
AGE	60	TENURE	9 Years	COMMITTEES	R,N*
OTHER POSITION	Ernst Göhner Foundation [Trustee]; Stadler Rail AG [NED]; University of St. Gallen [Adv]; Zurich Insurance Group Ltd [VCh]; ex-Deutsche Bahn AG [Exec]; ex-Deutsche Lufthansa [CEO, Ch]; ex-Lufthansa Passenger Airlines [CEO]; ex-Lufthansa Technik AG [NED]; ex-Swiss International Air Lines AG (SWISS) [CEO]				
INDEPENDENT BY PIRC	N	INDEPENDENT BY COMPANY		Y	
COMMENT	Not considered independent as the director receives remuneration from the Company, in addition to non-executive fees. Chairman of the Board of Directors of Roche Holding Ltd since 2014.				
ANDRÉ HOFFMANN		VICE CHAIR (NON EXECUTIVE)			
AGE	61	TENURE	24 Years	COMMITTEES	R*,N,SC
OTHER POSITION	Genentech Inc. [NED]; Inovalon Inc [NED]; Massellaz SA [Ch]; SYSTEMIQ Ltd. [NED]; ex-Amazentis SA [NED]; ex-Givaudan [VCh]; ex-Glyndebourne Productions Ltd. [NED]; ex-Inovalon Inc. [NED]; ex-James Capel and Co. [Exec]; ex-MedAssurant Inc. [NED]; ex-Nestlé UK Ltd. [Exec]; ex-Station Biologique de la Tour du Valat [Exec]				
INDEPENDENT BY PIRC	N	INDEPENDENT BY COMPANY		Y	
COMMENT	Not considered to be independent as Mr. Hoffman is a representative of the founding family and controlling shareholder, also Mr. Hoffman has served on the Board for more than nine years. There are concerns over the director's potential aggregate time commitments.				

<b>JULIE BROWN</b>		<b>NON-EXECUTIVE DIRECTOR</b>			
<b>AGE</b>	58	<b>TENURE</b>	4 Years	<b>COMMITTEES</b>	A*
<b>OTHER POSITION</b>	Burberry Group plc [Exec]; ex-AstraZeneca plc [Exec]; ex-Smith & Nephew plc [Exec]				
<b>INDEPENDENT BY PIRC</b>	Y	<b>INDEPENDENT BY COMPANY</b>		Y	
<b>PAUL BULCKE</b>		<b>NON-EXECUTIVE DIRECTOR</b>			
<b>AGE</b>	65	<b>TENURE</b>	9 Years	<b>COMMITTEES</b>	A
<b>OTHER POSITION</b>	Consumer Goods Forum [NED]; L'Oréal [VCh]; Nestlé Health Science S.A [Adv]; Nestlé S.A. [Ch, ex-CEO]; Nestlé Skin Health S.A [VCh]; ex-Cereal Partners Worldwide [Ch]; ex-Scott Graphics International [Financial Analyst]				
<b>INDEPENDENT BY PIRC</b>	N	<b>INDEPENDENT BY COMPANY</b>		Y	
<b>COMMENT</b>	Not considered independent owing to a tenure of over nine years.				
<b>HANS CLEVERS</b>		<b>NON-EXECUTIVE DIRECTOR</b>			
<b>AGE</b>	63	<b>TENURE</b>	1 Year	<b>COMMITTEES</b>	A
<b>OTHER POSITION</b>	Decibel Therapeutics [Adv]; Francis Crick Institute [Adv]; Institute of Molecular Pathology [Adv]; Merus [Adv]; Netherlands Cancer Institute [Adv]; Princess Máxima Center for Pediatric Oncology [NED]; Surrozen [Adv]; University Medical Center Utrecht [Prof]; ex-American Association for Cancer Research [NED]; International Society of Differentiation [Pres]; ex-Hubrecht Institute [NED]; ex-International Society for Stem Cell Research [Pres]; ex-Royal Netherlands Academy of Sciences [Pres]; ex-Swiss Institute for Experimental Cancer Research [Adv]; ex-University of Utrecht, Faculty of Medicine [Ch]				
<b>INDEPENDENT BY PIRC</b>	Y	<b>INDEPENDENT BY COMPANY</b>		Y	
<b>ANITA HAUSER</b>		<b>NON-EXECUTIVE DIRECTOR</b>			
<b>AGE</b>	51	<b>TENURE</b>	3 Years	<b>COMMITTEES</b>	SC
<b>OTHER POSITION</b>	AMAG Automobil- and Motoren AG [NED]; Bucher Industries AG [VCh]; Glatz AG [NED]; ex-EF Education First AG [Exec]; ex-Elida Fabergé AG [Exec]; ex-Lever Italy S.R.L. [Exec]; ex-Lindt & Sprüngli (International) AG [Exec]; ex-Magenta Management AG [MD]				
<b>INDEPENDENT BY PIRC</b>	Y	<b>INDEPENDENT BY COMPANY</b>		Y	
<b>COMMENT</b>	There are concerns over the director's potential aggregate time commitments.				
<b>RICHARD P. LIFTON</b>		<b>NON-EXECUTIVE DIRECTOR</b>			
<b>AGE</b>	67	<b>TENURE</b>	5 Years	<b>COMMITTEES</b>	R
<b>OTHER POSITION</b>	Breakthrough Prize in Life Sciences [Jury]; New York Genome Center [NED]; Rockefeller Archive Center [NED]; The Rockefeller University [Trustee]; The Simons Foundation Autism Research [Scientific Adv]; ex-Curagen Corporation [Ch]; ex-Harvard Medical School [Prof]; ex-Howard Hughes Medical Institute [Investigator]; ex-Merck & Co. [NED]; ex-The National Academy of Sciences [Mem of the Governing Council]; ex-Yale University School of Medicine [Prof, Ch, Exec]				
<b>INDEPENDENT BY PIRC</b>	Y	<b>INDEPENDENT BY COMPANY</b>		Y	
<b>BERNARD POUSSOT</b>		<b>NON-EXECUTIVE DIRECTOR</b>			
<b>AGE</b>	68	<b>TENURE</b>	5 Years	<b>COMMITTEES</b>	R
<b>OTHER POSITION</b>	Cargill [NED]; Eisenhower Fellowships Foundation [Trustee]; Max Planck Institute [NED]; ex-G.D. Searle [NED]; ex-Government of Morocco [Sec]; ex-Lankenau Hospital Foundation [Trustee]; ex-Wyeth Corporation [CEO & Pres, Ch]				
<b>INDEPENDENT BY PIRC</b>	Y	<b>INDEPENDENT BY COMPANY</b>		Y	

<b>SEVERIN SCHWAN</b>				<b>CHIEF EXECUTIVE</b>	
<b>AGE</b>	53	<b>TENURE</b>	7 Years	<b>COMMITTEES</b>	None
<b>OTHER POSITION</b>	Credit Suisse Group AG [VCh]; Mayor of Shanghai International Business Leaders Advisory Council (IBLAC) [Adv]; International Federation of Pharmaceutical Manufacturers & Associations (IFPMA) [VP]				
<b>INDEPENDENT BY PIRC</b>	N	<b>INDEPENDENT BY COMPANY</b>		N	

<b>CLAUDIA SÜSSMUTH DYCKERHOFF</b>				<b>NON-EXECUTIVE DIRECTOR</b>	
<b>AGE</b>	53	<b>TENURE</b>	4 Years	<b>COMMITTEES</b>	A,SC
<b>OTHER POSITION</b>	Buurtzorg Neighborhood Care Asia Ltd [Adv]; Clariant Ltd [NED]; Cyrcadia Ltd [NED]; Edugreen Education & Services Ltd., Kolkata [NED]; IMA [Adv]; McKinsey & Company [Adv, ex Snr Partner]; Ramsay Health Care [NED]; University of St. Gallen [Adv]				
<b>INDEPENDENT BY PIRC</b>	Y	<b>INDEPENDENT BY COMPANY</b>		Y	

<b>JÖRG DUSCHMALÉ</b>				<b>NON-EXECUTIVE DIRECTOR</b>	
<b>AGE</b>	35	<b>TENURE</b>	<1 Years	<b>COMMITTEES</b>	None
<b>OTHER POSITION</b>	ex-Swisscleantech [n/d]				
<b>INDEPENDENT BY PIRC</b>	N	<b>INDEPENDENT BY COMPANY</b>		N	
<b>COMMENT</b>	Not considered independent as the director has close family ties with a significant shareholder: Maja Oeri. The director represents the fifth generation of the company's founder's descendants.				

<b>PATRICK FROST</b>				<b>NON-EXECUTIVE DIRECTOR</b>	
<b>AGE</b>	51	<b>TENURE</b>	<1 Years	<b>COMMITTEES</b>	None
<b>OTHER POSITION</b>	Swiss American Chamber of Commerce [NED]; Swiss Life [CEO]; Vice President Zuercher Volkswirtschaftliche Gesellschaft [NED]; Zurich Chamber of Commerce [NED]; ex-Swiss Life [Exec]; ex-Winterthur Insurance, Zurich [Exec]; ex-Winterthur Investment Management [Exec]				
<b>INDEPENDENT BY PIRC</b>	Y	<b>INDEPENDENT BY COMPANY</b>		Y	

## BOARD COMPOSITION

### BOARD COMPOSITION FOLLOWING THE AGM

	Number	% of Board
Executive Director	1	8.33
Independent NEDs	7	58.33
Connected NEDs	4	33.33
Other	0	0.0

### BOARD COMMITTEES FOLLOWING THE AGM

	Number of Members	% Women	% Independent by PIRC	% Independent by Company
Whole Board	12	25.0	58.33	83.33
Audit	4	50.0	75.0	100.0
Remuneration	4	0.0	50.0	100.0
Nomination	2	0.0	0.0	100.0
CSR	3	66.67	66.67	100.0

### WORK FORCE GENDER BALANCE

	NUMBER	PERCENTAGE
Female Board Members	3	25.0
Female Senior Management	n/d	32
Female Work Force	n/d	49.9

#### BOARD AND COMMITTEE COMPOSITION CONCERNS

1. There is no Senior Independent Director.
2. The nomination committee is not fully independent, excluding employee representatives, as per PIRC independence criteria.
3. The remuneration committee is not fully independent, excluding employee representatives, as per PIRC independence criteria.
4. Recruitment practices for new directors are not transparent.
5. There is no evidence that there is a process for succession planning that is regularly reviewed.
6. There is no evidence that the training needs of the board is regularly reviewed and acted upon.
7. Members of the remuneration committee are connected with significant shareholders.
8. Members of the nomination committee are connected with significant shareholders.
9. Board evaluation is not externally verified at least once every three years

#### TOTAL HIGHEST PAID DIRECTOR REMUNERATION - CHF

	2019	% CHANGE	2018	% CHANGE	2017
<b>HIGHEST PAID DIRECTOR</b>	Severin Schwan		Severin Schwan		Severin Schwan
Awarded	7,441,649	-0.84	7,504,682	0.96	7,433,234
Paid	11,416,846	12.24	10,171,616	36.84	7,433,234

#### HIGHEST PAID DIRECTOR REMUNERATION BREAKDOWN - CHF

	2019	% CHANGE	2018	% CHANGE	2017
<b>Cash/Deferred</b>					
Salary	4,000,000	0.0	4,000,000	0.0	4,000,000
Annual Bonus Cash/Deferred	2,791,950	0.0	2,791,950	0.0	2,791,950
Other Bonus	68,856	-45.92	127,314	102.8	62,778
Benefits	0	-	0	-	0
Dividends on LTIPs	0	-	0	-	0
<i>Total</i>	6,860,806	-0.84	6,919,264	0.94	6,854,728
<b>Pension Payments</b>					
Defined Benefit	0	-	0	-	0
Defined Contribution	0	-	0	-	0
Pension Other	580,843	-0.78	585,418	1.19	578,506
<b>Share Incentives</b>					
Options Awarded	0	-	0	-	0
Options Paid	3,379,524	26.72	2,666,934	-	0
LTIP Awarded	0	-	0	-	0
LTIP Paid	595,673	-	0	-	0



REMUNERATION BEST PRACTICE PRINCIPLES	ANALYSIS
<b>A. Fixed Remuneration</b>	
The Company does not use adjusted metrics for its variable remuneration.	Yes
1. Pay elsewhere in the Company is used in determining directors pay?	Yes
2. Company consults employees when setting executive pay?	Yes
2.1 The Company has disclosed the review process of the remuneration policy.	Yes
2.2 The Company received significant opposition at the last AGM to its remuneration policy and has disclosed following steps to review.	n/d
3. There is information on the composition of NEDs' remuneration and how it is determined?	Yes
<b>B. Variable Pay</b>	
4. Maximum potential awards under annual bonuses are stated?	Yes
5. Maximum potential awards for long term incentive schemes disclosed?	Yes
6. Does clawback operate on the bonus?	<b>No</b>
7. Does clawback operate on the LTIP?	Yes
8. Performance period for the LTIP is 5 years or more?	<b>No</b>
9. If performance period is 4 years or less there is an additional holding period applied?	Yes
10. Are executive share schemes' long term performance measures appropriately linked to non-financial KPIs?	Yes
<b>C. Excessiveness and Other Remuneration Practices</b>	
11. Pay policy aims are fully explained in terms of the Company's objectives?	<b>No</b>
12. Total potential awards under all incentive schemes are not excessive?	<b>No</b>
13. Schemes are available to enable all employees to benefit from business success without subscription?	Yes
14. Directors are required to build up an adequate shareholding?	<b>No</b>
15. The intended balance of the pay package is fully described?	Yes
<b>D. Contracts</b>	
16. No pre-determined compensation in excess of one year?	Yes
17. Are termination provisions not excessive?	Yes
18. Mitigation statement has been made?	<b>No</b>
19. Duration of contracts and company liabilities on termination are given?	Yes

### Changes in Remuneration Policy

Starting in 2019, the composition of the remuneration components of the Long-Term Incentive (LTI) for the Corporate Executive Committee and the Enlarged Corporate Executive Committee be changed.

### Balance of fixed and variable remuneration:

The Company discloses all elements of individual remuneration for executives and non-executives. The Non-Executive Chairman also receives variable remuneration, which is against best practice in this market. Executive remuneration at the Company consists of fixed salary, pension allowances an annual bonus and long term incentives Stock-settled Stock Appreciation Rights (S-SARs) and Restricted Stock Units (RSUs). Variable remuneration for the CEO at target corresponds to approximately 233% of the fixed salary, at maximum, it corresponds to over 330% of base salary, which is considered excessive.

### Annual bonus:

Annual bonus are capped at 200% of fixed salary. Bonus amounts are linked to Group and divisional core profits, sales growth at constant exchange rates, Operating Profit After Capital Charge (OPAC) based on core operating profit, core earnings per share and Non-voting Equity Security (NES) growth at constant exchange rates, product development pipeline and to the achievement of measurable and qualitative individual or functional performance objectives. The Company did not disclose a clear list of metrics or any targets. For competitive reasons, Roche does not disclose the individual performance objectives of members of its Corporate Executive Committee. Although common practice in this market, not disclosing quantified performance criteria and targets for the variable remuneration component is considered a frustration of shareholder accountability, as it prevents a proper assessment of executive remuneration.

**Long term incentives:**

LTI 2019 of the Corporate Executive Committee and Enlarged Corporate Executive Committee is complemented with Restricted Stock Units (RSUs) and is composed of 80% S-SARs and 20% RSUs. Vesting and expiration periods are aligned for any newly issued S-SARs and RSUs. Unlike all other participants of the two programmes, members of the Corporate Executive Committee have no choice in determining the mix of RSUs and S-SARs, which will have a four-year cliff vesting.

**S-SARs** S-SARs entitle holders to benefit financially from any increase in the value of Roche's non-voting equity securities between the grant date and the exercise date. As of 2019, S-SARs granted all vest together after four years and then have to be exercised within ten years of the grant date. Unexercised S-SARs lapse without compensation. Since 2012, the fair value of S-SARs has been calculated at the grant date using the trinomial model for American call options. S-SARs are capped at 106.66% of the fixed remuneration.

**RSUs** As of 2019, the proportion of Restricted Stock Units (RSUs) of the members of the Corporate Executive Committee is 20% of the total LTI. RSUs contain rights to receive non-voting equity securities and/or shares after a (since 2019 newly defined) four-year vesting period plus a value adjustment (being the amount equivalent to the sum of the dividend paid during the vesting period attributable to the number of non-voting equity securities and/or shares for which an individual award has been granted). They will be vested to the recipient for the Corporate Executive Committee after four years only. Thereafter, resulting non-voting equity securities and/or shares may remain blocked for up to ten years. They are capped at 26.66% of the fixed remuneration.

**PSP** The PSP was established in 2002 for periods of three years each and based on a three-year comparison of the Total Shareholder Return (TSR) with 15 peer companies. In a respective year, the PSP consisted of three overlapping performance cycles, with a new cycle starting at the beginning of each year and a cycle finishing at the end of each year. The plan's key performance metric for an award, the TSR, was calculated as a three-month moving average rate before the start of and before the end of the performance cycle. No new PSP awards have been granted since the end of 2018. In 2019, there were only the two overlapping performance cycles.

**Severance, Pensions and contracts:**

The Company has entered into no severance agreements. There is a claw back policy, which allows the company to partially reclaim distributed compensation as a result of special circumstances. Notice for members of the Executive Committee is 12 months of base salary. There are no change-of-control clauses in the employment contracts.

## AUDIT

<b>Audit Firm</b>	KPMG
<b>Date Appointed</b>	2009-01-01
<b>Tenure</b>	11 Years

<b>AUDITOR REMUNERATION - CHFm</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
	<b>KPMG</b>	<b>KPMG</b>	<b>KPMG</b>
Statutory audit fee	21.7	21.7	21.0
<b>Acceptable non-audit work undertaken by the auditors</b>			
Audit-related, mandatory regulatory	0.1	0.7	0.5
Tax compliance	0.0	0.0	0.0
Subtotal Authorised	0.1	0.7	0.5
<b>Unacceptable non-audit work undertaken by the auditors</b>			
Other tax services	1.9	2.1	1.4
Acquisition-related	0.0	0.0	0.0
Other services	0.4	0.4	0.4
Total non-audit fees	2.3	2.5	1.8
<b>Company percentage of non-audit fees versus audit fees</b>	<b>10.6</b>	<b>11.52</b>	<b>8.57</b>
<b>Total Company three year percentage of unacceptable non-audit fees versus audit fees</b>	<b>10.0</b>		

### AUDIT CONCERNS

1. The whistleblowing hotline is not managed by an external company
2. The audit firm is not subject to five year term rotation.
3. The audit committee did not review whistle-blowing arrangements.
4. There is no whistle-blowing hotline.
5. Non-audit fees have not been broken down adequately.
6. The members of the Audit Committee are not alerted on cases filed from the whistle-blowing hotline.
7. The Company has no Data Protection Officer.

## FINANCIALS

	2019 CHF	2018 CHF	2017 CHF
Year End	31 December	31 December	31 December
Earnings Per Share (c)	15.77	12.29	10.12
Dividend Per Ordinary Share (c)	9.0	8.7	8.3

## BEST PRACTICE PRINCIPLES: ESG

### Policy Comments:

There is no mention of climate change targets in line with the Paris Agreement. No policy concerning wage could be found.

### Governance Comments:

The company makes no mention of climate strategy in reports.

### Disclosure Comments:

The company is in legal compliance of anti-bribery and corruption laws and operate a compliance hotline where reports can be submitted. This is in line with best practice as this promotes a culture of 'speaking up'. However, the company did not disclose data and measures on this policy regarding how many cases were reported, how many investigated, how many dismissed, and what the consequences were. The information on the scope emissions were from a report published for 2018.

BEST PRACTICE PRINCIPLE AND CRITERIA	ANALYSIS
<b>A. Policy</b>	
1.1 The Company has an adequate policy regarding Environment	Yes
1.2 The Company has a policy regarding Climate Change, including targets in line with Paris Agreement	<b>No</b>
2. The Company has an adequate policy regarding Human Rights and Community	Yes
3. The Company has an adequate policy regarding Employment (including equal employment opportunities), Diversity and Health and Safety	Yes
4. The Company has an adequate pay policy that covers Living Wage	<b>No</b>
5. The Company has an adequate policy regarding Bribery and Anti-corruption	Yes
<b>B. Governance</b>	
6.1 There is a dedicated committee or any specific board member in charge of ESG issues	Yes
6.2 The chair of the board is responsible for oversight of sustainability, including climate strategy	<b>No</b>
7. There is a member of Senior Management in charge of ESG	Yes
8.1 There is at least one member of the Board or Senior Management with significant ESG experience within the sector of the Company.	<b>No</b>
8.2 There is at least one member of the Board or Senior Management with significant Climate-related experience within the sector of the Company	<b>No</b>
9. There is evidence of adequate stakeholder engagement	Yes
10. The Company discloses the process in place to identify and assess material non-traditional financial risks and opportunities	Yes
11. There is evidence that the company adequately integrates an analysis of its impact on non-traditional financial risks and opportunities into decision-making	Yes
12. There is a separate statement of an external audit of ESG data	<b>No</b>
13. The Company has undergone significant labour relations disruptions or unrests in the year under review	<b>No</b>
<b>C. Disclosure</b>	
14. The Company discloses data and measures on anti-bribery and/or anti-corruption during the year	<b>No</b>
15. The Company discloses absolute or relative targets for the issues covered by its ESG policy	Yes
16. The Company adequately quantifies carbon emission in its annual report (or equivalent)	Yes
17. Scope 1 Emissions (in metric tons)	288,157
Scope 2 Emissions (in metric tons)	195,766
Scope 3 Emissions (in metric tons)	201,522
18. The company describes climate resilience scenario planning to a two degree target or less, as set out in the Paris Agreement?	Yes
19. The Company discloses gender balance at level of Board, Senior Management and Staff levels	Yes
20. The Company measures and discloses gender pay gap	<b>No</b>
21. If applicable, the Company discloses the gender pay gap as a percentage	

## SHARE CAPITAL AND SHAREHOLDER RELATIONS

### DISCLOSED ORDINARY VOTING RIGHTS

	PERCENTAGE
Ms Maja Oeri	5.057
Novartis Holding AG	33.33
Roche Holding Ltd	45.01

### CAPITAL STEWARDSHIP

Shareholder equity is the total of capital that has been invested in a company by its shareholders and the retained gains of that company attributable to shareholders. Net assets given by a company's financial statements balance with its shareholder equity and reflect how the shareholder equity has been invested or lost by the company. A comparison of a company's net assets to its market capitalisation provides information on the market's view of the company's ability to provide sufficient return on shareholder funds invested and to realise the values attributed to its assets.

Goodwill is written off when it becomes apparent that an acquisition is worth less than the company paid for it. A high level of goodwill written off by a company indicates a pattern of shareholder funds being lost through overpaying for acquisitions.

	ISSUED	AUTHORISED	TREASURY SHARES	CURRENCY
Number of Shares (m)	160		0	CHF
Shareholder Equity Per Share				204.67
Share Price at The Year End				307.6
Shareholder Equity Written Off as Goodwill				28.04
Shareholder Equity Per Share Including Goodwill Written Off				232.71
Tangible Shareholder Equity Per Share				74.58
				<b>PERCENTAGE</b>
Premium of Share Price to Shareholder Equity Per Share				50.29
Premium of Share Price to Shareholder Equity Per Share Inclusive of Goodwill Previously Written Off				32.18
Premium of Share Price to Shareholder Equity Per Share Less Goodwill and Intangibles				312.44
Acquisition Losses - Goodwill Written Off as a Proportion of Share Price				14.59
<b>NET ASSETS</b>	<b>CHF(m)</b>		<b>GOODWILL AND INTANGIBLES</b>	<b>CHF(m)</b>
Total Gross Net Assets (Total Equity)	35,867		Other Intangible Assets	8,358
Minority Interest	3,120		Goodwill Carried	12,456
Other Interests	0		Goodwill Written Off	4,487
Shareholder Equity	32,747			
Tangible Shareholder Equity	11,933			

#### **ANALYSIS: CAPITAL STEWARDSHIP**

Shareholders' funds are mainly invested in property, plant and equipment (CHF 22,173.0m) and in intangible assets, including goodwill (CHF 16,495.0m). The Group is therefore highly dependent on extracting the value from its intangible assets and goodwill. Accumulated goodwill impairment as at 31 December, 2019 was CHF 4,487.0 million; suggesting that the Company might have overpaid for some investments. At the year end, the shares were trading at a premium of 50.29% to Net Assets, indicative of investors' confidence in the realisable value of the balance sheet assets or in the Company's ability to achieve the market required rate of return on these assets.

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