

ROCHE HOLDING AG

MEETING DATE	Fri, 26 Nov 2021 10:30 am	TYPE	EGM	ISSUE DATE	Wed, 10 Nov 2021
MEETING LOCATION	Electronic vote: https://www.roche.com/de/about/governance/annual_general_meetings.htm				
CURRENT INDICES	FTSE EuroFirst				
SECTOR	Pharmaceuticals				
FYE	31 Dec 2020				



PROPOSALS

ADVICE

1 Accept Interim Financial Statements and Statutory Reports

For

Introduction & Background: On 4 November 2021 the company announced that entered into an agreement regarding the repurchase of the equity stake held by Novartis Holding AG (Novartis) in Roche Holding Ltd (Roche). Novartis has been holding an equity stake in Roche since 2001, and since 2003 holds an equity stake in Roche representing approximately 33.33% of all shares and voting rights. The equity stake corresponds to approximately 6.2% of all dividend-bearing equity securities. At the beginning of September 2021, Novartis informed the company of its intention to sell its stake in Roche in the short term. In addition, Novartis also inquired whether the company was interested in repurchasing the stake held by Novartis in Roche.

Proposal: The Board of Directors proposes a capital reduction by cancellation of the 53.3 million shares to be repurchased from Novartis and the interim financial statements prepared for the purpose of the transaction be approved.

Recommendation: 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.

2 Approve CHF 53.3 Million Reduction in Share Capital via Cancellation of Shares

For

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Proposal: The Board of Directors proposes a capital reduction by cancellation of the 53.3 million shares to be repurchased from Novartis and the interim financial statements prepared for the purpose of the transaction be approved.

Rationale: The Board of Directors and the Executive Committee of the company have reviewed, with the assistance of internal and external experts, the possibility of a repurchase transaction, together with possible alternatives. Based on an extensive assessment made in various meetings the Board conclude that: i) A repurchase of the equity stake held by Novartis has the desired effect that the two companies that are direct competitors on various global markets become disentangled, ii) With this repurchase, the company regains its full strategic flexibility with regard to resolutions of its annual general meeting. The company eliminates the influence of a competitor (Novartis) as a major shareholder, in particular with regard to resolutions that would require a qualified majority, including strategically relevant resolutions on potential equity financing transactions, iii) The Board of Directors has considered and assessed alternative transactions with the assistance of internal and external experts. In doing so, it concluded that, in particular due to the market situation and the limited liquidity of the shares, a sell-down of the equity stake by Novartis in the market or through a placement could likely not be done in a way that would be in the interests of Roche and the holders of Roche equity securities. Ultimately, it could not be excluded that any such alternative transactions would lead to a significant, possibly enduring pressure on the price of Roche's equity securities and cause uncertainty for market participants, iv) The voting power of the pool formed by shareholders of the founding families will increase to approx. 67.5% of the voting rights upon completion of the transaction without any involvement or participation of the pool in the transaction. Based on a request of the family pool, the Swiss Takeover Board has exempted the pool from the obligation to submit a mandatory offer based on the applicable statutory provisions. The family pool is not involved in the repurchase transaction, v) Although the company will use significant funds for the repurchase, it will be able to continue its operating activities, its research and development projects, in-licensing and collaborations as well as its M&A activities to the same extent as before, vi) On the basis of an unchanged dividend policy, all holders of company's equity securities will benefit from the repurchase and the proposed capital reduction by cancellation of the repurchased shares and the earnings accretion resulting therefrom. The percentage of shares held by the public (so-called free float) will exceed 20%. This will allow the shares to be included in the Swiss Performance Index (SPI) and possibly in other indices and vii) The transaction does not change the communicated outlook for the full year. The company expects a mid-single-digit sales growth at constant exchange rates. Core EPS growth at constant exchange rates is targeted to be broadly in line with sales growth. Additionally, the company is aiming to increase the dividend in Swiss francs also for 2021. Based on the mentioned considerations, the Board of Directors believes that the repurchase of the equity stake held by Novartis is in the best interest of the company.

Recommendation: Such reduction of Capital does not raise governance concerns as shareholders rights will not be affected. Support is therefore recommended.

3 Transact Other Business

For

Standard resolution.

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