



# **Amendments to the Articles of Incorporation**

## *Roche Holding Ltd*

*† March 2016-5 March 2019*

*Draft for approval by the Annual General Meeting  
of Roche Holding Ltd on 5 March 2019*

*(Translation of the German original)*

## **I. Name, Purpose, Registered Office and Duration of the Company**

### **§ 1**

Under the names

‘Roche Holding AG’

‘Roche Holding SA’

‘Roche Holding Ltd’

there exists a joint-stock company whose purpose is to hold shares in companies that manufacture and sell pharmaceutical and chemical products of all kinds. The Company may also participate in other industrial enterprises and holding companies.

### **§ 2**

The Company has its registered office in and falls under the jurisdiction of Basel, and its duration is unlimited.

## **II. Share Capital, Shares and Shareholders**

### **§ 3**

- <sup>1</sup> The Company’s share capital is CHF 160,000,000, divided into 160,000,000 fully paid up bearer shares with a nominal value of 1 Swiss franc each.
- <sup>2</sup> The shares are numbered 1–160,000,000.
- <sup>3</sup> By a resolution of the General Meeting, existing bearer shares can be converted at any time into registered shares or registered shares into bearer shares.
- <sup>4</sup> If the Company has registered shares outstanding, the voting rights associated with these shares and other rights associated with the voting rights can be exercised only by persons who have been entered in the register of shareholders as shareholders with voting rights or as beneficiaries. The Board of Directors keeps a register of shareholders for this purpose and decides on recognition of shareholders or beneficiaries and on their entry in the register.

- <sup>5</sup> In respect of registered shares the Board of Directors is entitled to refuse recognition of a buyer as a shareholder with voting rights, subject to § 3 subsection 6,
1. provided, as a result of recognition, a buyer were to acquire or hold directly or indirectly more than 3% of all registered shares entered in the register of commerce;
  2. provided, and for as long as, the information available to the Company indicates that additional recognition of non-Swiss citizens could hinder the verification of identity required by law. The Board is granted these powers under Art. 4 of the Final Provisions of the Federal Act on the Amendment of Company Law and under various federal laws, notably the Federal Act of 16 December 1983 governing the purchase of real estate by nonresidents ('Lex Friedrich') and the decree of the Federal Council governing unjustified recourse to the federation's double taxation agreements of 14 December 1962 (the 'misuse decree');
  3. provided the buyer, despite being requested to do so by the Company, fails to expressly state that he has acquired, and will hold, the shares in his own name and for his own account.

Legal entities and partnerships, which are associated with each other through their equity, voting rights, or common management, or in similar way, and all individual persons or legal entities and partnerships which, through agreements, syndicates or in any other way, pursue coordinated action aimed at evading the restriction on registration are considered to be one buyer in the sense of subsections 1 and 2 above.

- <sup>6</sup> If existing bearer shares are converted into registered shares, each shareholder is entitled to exchange his shares for registered shares and to have himself entered in the register of shareholders as a shareholder with voting rights; this does not require the consent of the Board of Directors.

#### § 4

- <sup>1</sup> In addition, there are 702,562,700 bearer non-voting equity securities (*Genussscheine*).
- <sup>2</sup> The non-voting equity securities (*Genussscheine*) are numbered 1-702,562,700.
- <sup>3</sup> They are not part of the share capital and confer no voting rights. However, each non-voting equity security (*Genussschein*) does confer the same rights as any one of the shares numbered 1-160,000,000 to participate in the available earnings and in any remaining proceeds from liquidation following repayment of the share and the participation certificate (PC) capital.
- <sup>4</sup> The subscription rights of non-voting equity security (*Genussschein*) holders are governed by the provisions set out in § 5.

- <sup>5</sup> Non-voting equity securities (*Genussscheine*) are bound by the Balance Sheet and the Income Statement approved by the General Meeting as well as by the appropriation of available earnings decided by the General Meeting.
- <sup>6</sup> All notices of the Company concerning the non-voting equity securities (*Genussscheine*) are issued by being published twice in the journals designated for this purpose by the Company.
- <sup>7</sup> The Company is entitled at all times to exchange shares or PCs for all or some of the non-voting equity securities (*Genussscheine*) without the consent of the bearers thereof. In the event of exchange against shares, each such share shall participate in available earnings and liquidation proceeds in the same way as any one of the shares numbered 1–160,000,000. In the event of exchange against PCs, each non-voting equity security (*Genussschein*) shall be replaced by PCs with a total nominal value equivalent to the nominal value of one of the shares numbered 1–160,000,000. If only part of non-voting equity securities (*Genussscheine*) are exchanged, selection shall be made by drawing lots.
- <sup>8</sup> Non-voting equity securities (*Genussscheine*) selected for exchange are called in by a notice published once in the journals designated by the Company. The General Meeting decides on the timing at which the rights attaching to non-voting equity securities (*Genussscheine*) called in for exchange terminate and are replaced by the rights attaching to the new shares or PCs.
- <sup>9</sup> Meetings of non-voting equity security (*Genussschein*) holders are convened whenever the Board of Directors regards this as desirable.
- <sup>10</sup> Every non-voting equity security (*Genussschein*) holder is entitled to attend these meetings. He can give written authorization for another non-voting equity security (*Genussschein*) holder to represent him at these meetings.
- <sup>11</sup> Each non-voting equity security (*Genussschein*) carries one vote. To be able to exercise voting rights, non-voting equity security (*Genussschein*) holders must deposit their non-voting equity securities (*Genussscheine*) at the latest one week before the meeting at the office of the Company or at such depositaries outside the Company as may be indicated in the notice, or they must show evidence of their ownership of non-voting equity securities (*Genussscheine*) in the manner prescribed by the Board of Directors.
- <sup>12</sup> Meetings are convened by the Board of Directors by publication of the agenda in two notices in the journals designated by the company for this purpose. The second notice must be published no later than 20 days before the date of the meeting.  
Meetings are presided over by the Chairman, a Vice-Chairman or another member of the Board of Directors. The minutes must be signed by the Chairman and the Secretary of the meeting.

- <sup>13</sup> A meeting of non-voting equity security (*Genussschein*) holders can pass resolutions if at least half of the non-voting equity securities (*Genussscheine*) issued are present or represented. Resolutions are passed by a majority of two-thirds of votes cast, which must include the absolute majority of the bearers of all the votes represented, subject to § 4 subsection 15.
- <sup>14</sup> If at a meeting of non-voting equity security (*Genussschein*) holders the necessary quorum of non-voting equity securities (*Genussscheine*) is not represented, a second meeting must be called which is empowered to pass resolutions by an absolute majority of votes represented. Notice of convocation of such a second meeting of non-voting equity security (*Genussschein*) holders can be given simultaneously with the notice of the convocation of the first meeting, and the meeting can be held immediately after the first meeting, subject to § 4 subsection 15.
- <sup>15</sup> The meeting of non-voting equity security (*Genussschein*) holders can decide in a manner binding for all non-voting equity securities (*Genussscheine*) any changes to the rights of non-voting equity securities (*Genussscheine*) defined by the Articles, but a decision to waive some or all rights conferred by non-voting equity securities (*Genussscheine*) requires the agreement of the holders of the majority of all outstanding non-voting equity securities (*Genussscheine*).
- <sup>16</sup> All resolutions of the meeting of non-voting equity security (*Genussschein*) holders must be approved by the General Meeting of Shareholders.

#### § 4bis

- <sup>1</sup> The General Meeting can create participation certificate (PC) capital and increase said capital, or authorize the Board of Directors to take decisions to this effect. The PCs are bearer certificates and have a nominal value. The issuing terms are to be fixed by the Board of Directors.
- <sup>2</sup> The Company can also at any time exchange non-voting equity securities (*Genussscheine*) for PCs according to the provisions of § 4 subsection 7.
- <sup>3</sup> PCs confer, proportionately to their nominal value compared with that of shares, the same entitlement in respect of the available earnings and liquidation proceeds as do the shares. PCs do not confer voting rights or any rights associated therewith.
- <sup>4</sup> The subscription rights of PC holders are governed by the provisions set out in § 5.

- <sup>5</sup> All resolutions of the General Meeting, particularly those concerning approval of the Balance Sheet and the Income Statement and the appropriation of available earnings are binding upon PC holders insofar as their right to the same status as that of the shares in respect of the Company's assets is safeguarded.
- <sup>6</sup> The convocation of the General Meeting, including the agenda and proposals, must be communicated to the PC holders no later than 20 days before the date of the Meeting in a notice published in the 'Schweizerisches Handelsamtsblatt'. The notice of convocation must state that the resolutions of the General Meeting will be available for inspection by the PC holders at the registered office of the Company after the General Meeting.

## § 5

In the event of new equity-type securities being issued, the subscription rights of shareholders, non-voting equity security (*Genussschein*) holders and PC holders are defined as follows:

- a) If PC capital is being created for the first time, shareholders and non-voting equity security (*Genussschein*) holders have subscription rights in proportion to the number of securities already in their possession.
- b) If the share capital alone is increased, holders of all categories of securities have proportionate subscription rights.
- c) If the PC capital alone or the number of non-voting equity securities (*Genussscheine*) alone is increased, holders of all categories of securities have proportionate subscription rights.
- d) If the share capital and PC capital are increased simultaneously and in the same proportion, the shareholders' subscription rights relate solely to shares and those of the PC and non-voting equity security (*Genussschein*) holders solely to PCs.
- e) Subscription rights are subject to preclusion for valid reasons. In particular, the exchange of non-voting equity securities (*Genussscheine*) for shares or PCs is considered a valid reason.

## § 6

- <sup>1</sup> The Company issues its shares, non-voting equity securities (*Genussscheine*) and PCs in the form of individual certificates or global certificates. The Company is at liberty, at any time, and without the consent of the respective shareholders, non-voting equity security (*Genussschein*) holders or PC holders, to convert shares, non-voting equity securities (*Genussscheine*), and PCs issued in one of these forms into a different form. The Company shall bear the costs involved.

- <sup>2</sup> Shareholders, non-voting equity security (*Genussschein*) holders and PC holders may, at any time, request to be provided with individual certificates for the shares, non-voting equity securities (*Genussscheine*) and PCs issued to them. They shall bear the costs involved.
- <sup>3</sup> Shares, non-voting equity securities (*Genussscheine*) and PCs issued by the Company as individual certificates or global certificates are signed by two members of the Board of Directors; facsimile signatures are sufficient.
- <sup>4</sup> Book-entry securities representing shares, non-voting equity securities (*Genussscheine*) or PCs issued by the Company may not be transferred by assignment, nor may they be pledged as collateral.

#### § 7

Dividends and share of profits which have not been drawn within five years of maturity are credited to the free reserves.

#### § 8

The Company is entitled to issue debentures.

### **III. Statutory Bodies**

#### § 9

The statutory bodies of the Company are:

- a) the General Meeting.
- b) the Board of Directors.
- c) the Auditors.

#### *A. The General Meeting*

#### § 10

- <sup>1</sup> The General Meeting is convened by the Board of Directors, together with its agenda and the proposals of the Board of Directors and the shareholders published, by two successive notices in the journals designated for this purpose by the Company. The first notice must be given at the latest 20 days before the day of the General Meeting.

- <sup>2</sup> Shareholders representing shares with a nominal value of at least CHF 1,000,000 can request inclusion of items in the agenda until no later than 28 days before the General Meeting. The request must be submitted in writing and precise details must be given of the items and proposals.
- <sup>3</sup> No resolutions can be passed on matters that have not been duly mentioned in the notice of convocation, with the exception of a proposal to convene an Extraordinary General Meeting or to have a special audit performed.
- <sup>4</sup> The Annual Report and the Auditors' Report must be made available for inspection by holders of shares or PCs at the registered office of the Company no later than 20 days before the Ordinary General Meeting; this possibility of inspection must be stated in the notice convening the General Meeting.

#### § 11

- <sup>1</sup> General Meetings are held at a place to be designated in each case by the Board of Directors.
- <sup>2</sup> The Chairman of the Board of Directors or a Vice-Chairman or, in their absence, a Director designated by the Board presides over the meeting and appoints a Secretary and one or several scrutineers.
- <sup>3</sup> The discussions and resolutions of General Meetings are recorded in minutes which must be signed by the Chairman and the Secretary of the Meeting and by the scrutineers and shall be deemed to be ratified by their signatures.

#### § 12

- <sup>1</sup> Shareholders wishing to attend a General Meeting must deposit their share certificates at the latest five days before the day of the meeting at depositaries to be designated by the Board of Directors or furnish proof of entitlement in another manner prescribed by the Board of Directors. Thereupon they will receive entrance cards made out in their names.
- <sup>2</sup> Shareholders can be represented by proxy at General Meetings. Corporate and depositary proxies are prohibited.
- <sup>3</sup> The Chairman of a General Meeting decides as to the acceptance of the proxies.

#### § 13

- <sup>1</sup> The General Meeting can pass resolutions regardless of the numbers of shareholders present and shares represented.
- <sup>2</sup> At the General Meeting, each share carries to one vote.

## § 14

- <sup>1</sup> The following matters are to be dealt with exclusively by the General Meeting:
  - a) Adoption and amendment of the Articles.
  - b) Acceptance of the Auditors' Report and proposals.
  - c) Approval of the Management Report (subject to Article 961d of the Swiss Code of Obligations), the Annual Financial Statements and the Consolidated Financial Statements.
  - d) Discharge of the members of the Board of Directors.
  - e) Resolutions regarding the appropriation of available earnings, particularly declaration of the dividend.
  - f) Approval of the Board of Directors' remuneration.
  - g) Approval of the Executive Committee's remuneration.
  - h) Election of the members of the Board of Directors.
  - i) Election of the Chairperson of the Board of Directors.
  - j) Election of each member of the Remuneration Committee.
  - k) Election of the independent proxy.
  - l) Election of the Auditors.
  - m) Resolutions regarding the liquidation of the Company and the proceeds thereof.
- <sup>2</sup> In addition to the matters that are its exclusive responsibility, the General Meeting decides on all affairs of the Company which the Board of Directors finds expedient to submit to it or which are submitted to it in accordance with the law.

## § 15

- <sup>1</sup> Voting at the General Meeting is effected as a rule by a show of hands, but ballots must be used if the Chairman so decides, or if the General Meeting itself so decides by a majority of the shareholders represented. At the direction of the Chairman, an electronic voting procedure may be used instead of paper ballots.
- <sup>2</sup> Resolutions of the General Meeting are passed by an absolute majority of the votes represented, subject to the provisions of § 16, the following provisions and so far as the law permits.

Approvals by the General Meeting regarding the Board of Directors' and Executive Committee's remuneration and resolutions regarding the appropriation of available earnings, particularly votes to determine the dividend, require an absolute majority of the votes cast. Abstentions from these votes do not count as votes cast.

- <sup>3</sup> Elections are effected by ballot or, if the Chairman so directs, using an electronic voting procedure. With the consent of the General Meeting, however, elections may take place by way of a show of hands.
- <sup>4</sup> Elections are carried by an absolute majority of the votes cast. Abstentions from these votes do not count as votes cast.
- <sup>5</sup> Shareholders may cast their votes at the General Meeting remotely through electronic authorisations and instructions to the independent proxy.

## § 16

A resolution by the General Meeting of Shareholders passed with at least two-thirds of the votes represented and the absolute majority of the nominal value of shares represented shall be required for:

1. Changes to the purpose of the Company.
2. Recision of provisions in the Articles requiring a qualified quorum or majority for resolutions at the General Meeting.
3. Creation of shares with privileged voting rights.
4. Restrictions on the transferability of registered shares.
5. An authorized or conditional increase in capital.
6. An increase in capital by recourse to equity, against contribution in kind or for the acquisition of assets and the granting of special benefits.
7. Restriction or elimination of subscription rights.
8. Relocation of the Company's registered office.
9. Dissolution of the Company without liquidation.

## § 17

- <sup>1</sup> The Ordinary General Meeting is to be held every year, at the latest on 30 June.
- <sup>2</sup> Extraordinary General Meetings are held when the Board of Directors or the Auditors regard them as necessary. In addition, Extraordinary General Meetings must be convened if a General Meeting so resolves or if one or more shareholders who can prove that together they own one-tenth of the share capital request a Meeting by a written application, which must include the agenda items and the proposals.

## *B. The Board of Directors*

### § 18

- <sup>1</sup> The Board of Directors is made up of at least seven members. The Chairman of the Board may serve in either a part-time or a full-time capacity and is remunerated in the manner and amount decided by the Remuneration Committee and according to the General Meeting's approval.
- <sup>2</sup> The members of the Board of Directors, the Chairman of the Board of Directors and the members of the Remuneration Committee are to be elected by the General Meeting for a period of one year, the time from one Ordinary Annual General Meeting to the completion of the next being regarded as one year. There is no limit on the number of times a member can be re-elected.
- <sup>3</sup> If the Chairman of the Board of Directors resigns or is otherwise unable or unavailable to serve, the Vice-Chairman (or the more senior Vice-Chairman if two Vice-Chairmen have been elected) serves as Acting Chairman until the next Ordinary General Meeting. If a seat becomes vacant on the Remuneration Committee, the Board of Directors may appoint one of its members to fill the vacancy until the next Ordinary General Meeting or leave the vacancy unfilled.
- <sup>4</sup> If the number of members of the Board of Directors falls below three, an Extraordinary General Meeting must be called to complete the Board of Directors.

### § 19

- <sup>1</sup> The Board of Directors elects one or two Vice-Chairmen from among its members.
- <sup>2</sup> The Secretary is elected by the Board of Directors and need not be a Director himself.

### § 20

- <sup>1</sup> The Board of Directors meets as often as the affairs of the Company make this necessary, and also whenever a meeting is requested in writing by one of its members.
- <sup>2</sup> The notice of convocation of the Board of Directors is given by a member presiding over the Board (Chairman or Vice-Chairman).
- <sup>3</sup> Minutes are drawn up of the discussions and decisions of the Board of Directors. The minutes are signed by the Chairman and the Secretary.
- <sup>4</sup> The quorum at a meeting of the Directors is one-half of its members.
- <sup>5</sup> Resolutions by circular are permitted unless a member asks for deliberation.
- <sup>6</sup> Decisions of the Board of Directors are taken by an absolute majority of votes cast. In case of equality of votes, the Chairman of the meeting has the casting vote.

## § 21

- <sup>1</sup> The Board of Directors is the highest authority for the management of the Company and for supervision of the management of the business. It decides on all matters that are not subject, or assigned, to another statutory body of the Company under the provisions of the law, the Articles of Incorporation or regulations.
- <sup>2</sup> The Board of Directors is entrusted with the following nontransferable and irrevocable duties:
  - a) Ultimate management of the Company and issuing the necessary instructions.
  - b) Establishing the organization of the Company.
  - c) Structuring of the accounting system, financial controlling and financial planning.
  - d) Appointing and removal of individuals entrusted with the management of the business and with the representation of the Company.
  - e) Ultimate supervision of the individuals entrusted with management of the business; in particular with regard to compliance with the law, the Articles of Incorporation, regulations and instructions.
  - f) Preparation of the Annual Report and of the Remuneration Report, preparing of the General Meeting and implementing its resolutions.
  - g) Notifying the judge in the event of overindebtedness.

## § 22

- <sup>1</sup> The Board of Directors can delegate the preparation and implementation of its resolutions or the supervision of business transactions to committees or individual members. It shall ensure appropriate reporting to its members.
- <sup>2</sup> The Board of Directors can delegate management of the Company, or parts thereof, to one or several individual persons, members of the Board of Directors or third parties, who need not be shareholders. As the authority responsible for the management of the business, it can, in particular, appoint an Executive Committee consisting of several members. The Company or companies controlled by it may conclude permanent or fixed-term contracts on remuneration with members of the Board of Directors. The term and termination of said contracts shall be determined by the term of office and by the law. The Company or companies controlled by it may conclude permanent or fixed-term employment contracts with members of the Executive Committee. Fixed-term employment contracts run for a maximum period of one year and are renewable. Permanent employment contracts are subject to a maximum notice period of one year.

<sup>3</sup> Any delegation of duties and rights by the Board of Directors must be laid down in a set of organizational regulations.

<sup>4</sup> No member of the Board of Directors may assume more than 15 additional appointments, of which no more than 5 may be in publicly listed companies.

No member of the Executive Committee may assume more than 5 additional appointments, of which no more than 1 may be in publicly listed companies.

This restriction does not include:

- a) Appointments at companies controlled by the Company or which control it.
- b) Appointments which a member of the Board of Directors or of the Executive Committee assumes by order of the Company or by order of companies controlled by the Company.
- c) Appointments at associations, non-profit foundations, family foundations and employee welfare foundations.

Appointments are defined as appointments to the most senior management body of a legal entity which is obliged to be entered in the commercial register or in an equivalent foreign commercial register. Appointments to various legal entities which are controlled by the same entity, or which are subject to the same commercial authorisation, are counted as a single appointment.

## § 23

<sup>1</sup> The Company is bound by the joint signatures of two persons authorised to sign.

<sup>2</sup> The Board of Directors decides on the manner in which such signatures are to be given.

## § 24

<sup>1</sup> As a remuneration for the demands made upon their time, for their general administrative work and the legal responsibilities assigned to them, the members of the Board of Directors receive a payment independent of the business result which is charged to the Income Statement.

<sup>2</sup> Each year the Board of Directors submits the total amount of this remuneration to the General Meeting for its binding approval.

<sup>3</sup> The General Meeting approves the Board of Directors' proposals in respect of maximum aggregate amounts:

- a) for remuneration of the Board of Directors (excluding the bonus paid to the Chairman of the Board of Directors) for the period up to the next Ordinary General Meeting.
- b) for remuneration of the Executive Committee (excluding the bonuses paid to the members of the Executive Committee) for the period from one Ordinary General Meeting until the next Ordinary General Meeting.

The Board of Directors may submit to the General Meeting for its approval proposals in respect of maximum aggregate amounts and/or individual remuneration components for other time periods and/or in respect of additional amounts for special remuneration components, as well as additional conditional proposals.

- <sup>4</sup> If the General Meeting rejects a proposal submitted by the Board of Directors, the latter must convene an Extraordinary General Meeting
- <sup>5</sup> The Company or companies controlled by it is/are authorised to pay to any individual who joins or is promoted within the Executive Committee during a period for which the General Meeting has already approved the Executive Committee's remuneration an additional amount for this period if the total aggregate amount which has already been approved is not adequate for the remuneration of said individual. For any one remuneration period, this additional amount may not exceed 20% for the Chief Executive Officer and 15% for the other functions in the Executive Committee, respectively, of the most recently approved total aggregate amount of the maximum remuneration for the Executive Committee.

## § 25

- <sup>1</sup> Members of the Board of Directors do not receive credits or loans, nor do they participate in any profit-sharing or equity-based reward plans.  
Compensation paid to members of the Board of Directors for activities in enterprises that are directly or indirectly controlled by the Company is permissible. This compensation is included in the total remuneration payable to the Board of Directors which is subject to the General Meeting's approval.
- <sup>2</sup> Members of the Executive Committee are eligible to receive mortgage credits or loans for amounts of up to a maximum of  $\frac{2}{3}$  of the market value of residential property intended for their own personal use.  
Compensation paid to members of the Executive Committee for activities in enterprises that are directly or indirectly controlled by the Company is permissible. This compensation is included in the total remuneration payable to the Executive Committee which is subject to the General Meeting's approval.
- <sup>3</sup> Together with the pension benefits payable which are to be approved annually, members of the Board of Directors and the Executive Committee may receive company-funded pension benefits amounting to up to a maximum of 60% of base pay.

- <sup>4</sup> Principles of tasks and responsibilities of the Remuneration Committee:  
The Remuneration Committee is composed of at least three members of the Board of Directors. The Remuneration Committee organises itself and appoints one of its members as Chairman. The Board of Directors issues a set of rules governing the organisation and decision making of the Remuneration Committees. Each year, subject to the General Meeting's approval of the total remuneration payable to the Board of Directors and the Executive Committee, the Remuneration Committee of the Board of Directors sets the remuneration of the Board of Directors and the members of the Executive Committee (base pay, variable bonuses, Stock-settled Stock Appreciation Rights [S-SARs], Restricted Stock Units [RSUs] and policy decisions on pension benefits). The terms of the Performance Share Plan (PSP) are determined annually by the Board of Directors, acting upon the recommendations of the Remuneration Committee.
- <sup>5</sup> Members of the Executive Committee may participate in the following profit-sharing and equity-based reward plans:
- a) Stock-settled Stock Appreciation Rights (S-SARs) Plan.
  - b) Restricted Stock Unit (RSU) Plan.
  - c) Performance Share Plan (PSP).
  - d) Roche Connect.
- <sup>6</sup> Principles governing remuneration, including the performance-based remuneration, of the Board of Directors and the Executive Committee:  
The remuneration components base pay (including participation in the employee profit-sharing foundation supplementing occupational pension benefits [German: Stiftung der F. Hoffmann-La Roche AG für Mitarbeiter-Gewinnbeteiligung als Ergänzung der beruflichen Vorsorge] and Roche Connect), bonuses, blocked non-voting equity securities (*Genussscheine*) or shares, Stock-settled Stock Appreciation Rights (S-SARs), Restricted Stock Units (RSUs) and Performance Share Plan (PSP) support the fundamental aims of Roche's remuneration policy. Remuneration is linked to the Company's financial performance and commercial success.
- a. Base salary  
Base pay (cash payment) is determined for each position based on salary market data of other leading global pharmaceutical companies and reflects individuals' abilities, experience and performance over time.

b. Bonuses

Bonuses are awarded for individual contributions to value creation. Bonus amounts are linked to business results (Group and divisional profits, sales growth, Operating Profit After Capital Charge [OPAC], increases in earnings per share and non-voting equity security [Genussschein], the pipeline) and the achievement of measurable and qualitative individual or functional performance objectives. Bonus payment is made in cash and/or non-voting equity securities [Genussscheine] and/or shares.

c. Stock-settled Stock Appreciation Rights (S-SARs) and Restricted Stock Units (RSUs)

S-SAR awards are allocated individually at the Remuneration Committee's discretion.

S-SARs entitle holders to benefit financially from any increase in the value of Roche's non-voting equity securities (*Genussscheine*) and/or shares between the grant date and the exercise date. The strike price for S-SARs under the terms of the multi-year plan is the closing price for Roche non-voting equity securities (*Genussscheine*) and/or shares at grant date. ~~For the members of the Executive Committee, all~~ S-SARs vest ~~three years during and/or at the end of a period of time defined by the Remuneration Committee~~ after the grant date. Vested S-SARs can be exercised (converted into non-voting equity securities [Genussscheine] and/or shares or, at the discretion of the Board of Directors, into their cash equivalent) within ~~seven a maximum of ten~~ years of the grant date. Unexercised S-SARs lapse without compensation. The fair value of the S-SARs is calculated at the grant date using the trinomial model for American options.

RSUs, i.e. the right to receive non-voting equity securities (*Genussscheine*) and/or shares after a ~~three-year~~ vesting period ~~defined by the Remuneration Committee~~ 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 [*Genussscheine*] and/or shares for which an individual award has been granted) are allocated individually at the Remuneration Committee's discretion. ~~RSUs and~~ are ~~not~~ definitively allocated and transferred to the recipient ~~after a period of time defined by the Remuneration Committee or at the end of the defined vesting period until three years later~~. Thereafter the resulting non-voting equity securities (*Genussscheine*) and/or shares may remain blocked for up to ten years.

d. Performance Share Plan (PSP)

The members of the Executive Committee and other members of senior management participate in the Performance Share Plan. The PSP is based on a three-year comparison of Total Shareholder Return (TSR) with peer companies and has three-year overlapping performance cycles, with a new cycle starting each year.

Under the provisions of this plan, a number of non-voting equity securities (*Genussscheine*) and/or shares are reserved for the participants in each cycle. The number of securities actually awarded will depend on whether and to what extent an investment in Roche securities (shares and non-voting equity securities [*Genussscheine*]) outperforms the average return on an investment in securities issued by a peer set of comparator companies.

If Roche securities perform better than the average of the peer set, the Board of Directors can elect to increase the award of non-voting equity securities (*Genussscheine*) and/or shares. The maximum award is double the original level reserved target number of non-voting equity securities (*Genussscheine*) and/or shares according to the PSP (starting with PSP 2013–2015 cycle 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 (*Genussscheine*) and/or shares for which an individual award has been granted) and requires that Roche securities perform as well as or better than those of 75% of the peer set. In the event that an investment in Roche securities underperforms the average return delivered by the peer companies, fewer or no non-voting equity securities (*Genussscheine*) and/or shares will be awarded.

PSP awards are determined annually by the Board of Directors, acting upon the recommendations of the Remuneration Committee.

e. Roche Connect

This programme enables all employees worldwide, except for those in the US and certain other countries, to make regular deductions from their salaries to purchase non-voting equity securities. The Group contributes to the programme, which allows the employees to purchase non-voting equity securities at a discount (usually 20%).

<sup>7</sup> Principles governing the allocation of equities to the members of the Board of Directors and of the Executive Committee:

The principles governing the allocation of equities to the members of the Board of Directors and of the Executive Committee are aligned with the principles governing remuneration components and remuneration plans, as set out in § 25.

### *C. The Auditors*

#### § 26

- <sup>1</sup> Each year the General Meeting appoints an auditing company as Auditors in accordance with Art. 727 et seq. of the Swiss Code of Obligations. The Auditors are vested with the duties and powers conferred on them by law.

## **IV. Confidentiality**

#### § 27

All the Company's statutory bodies and employees, including the Auditors, are obliged to treat all Company business as strictly confidential, not only while they are employed by the Company or exercise any functions connected with it, but also after they have left the Company or ceased to exercise such functions.

## **V. Balance Sheet, Income Statement, Appropriation of available earnings**

#### § 28

The books are closed on 31 December of each year, and the Income Statement of the Company and the Balance Sheet are drawn up in accordance with the provisions of the Swiss Code of Obligations.

#### § 29

- <sup>1</sup> From the available earnings remaining after deduction of all expenses, interest payable, losses and provisions set aside in advance, at least 5% shall initially be allocated to the General Legal Reserves as long as such Reserves do not equal 20% of the share capital.

- <sup>2</sup> From the available earnings remaining after contribution to the General Legal Reserves, an amount corresponding to a dividend of 5% of the share capital is distributed to the shareholders; this distribution is subject to the condition that an amount equal to that paid on shares be paid simultaneously on the non-voting equity securities (*Genussscheine*), which, under the terms of the Articles, rank *pari passu* with the shares in respect of distribution of available earnings, and that an amount be paid on PCs in proportion to their nominal value compared to that of the shares.
- <sup>3</sup> The available earnings remaining after distribution to the shareholders and holders of non-voting equity securities (*Genussscheine*) and to holders of any existing participation certificates in accordance with § 29 subsection 2 of these Articles is at the disposal of the General Meeting, which is free to distribute it as it thinks fit, provided that the part of the available earnings earmarked for distribution is allotted equally to the shares and to the non-voting equity securities (*Genussscheine*), which, under the terms of the Articles of Incorporation, rank *pari passu* with the shares, as well as to the PCs proportionately to their nominal value compared with that of the shares.

### § 30

- <sup>1</sup> All reserves form part of the Company's assets; they are not administered separately, nor do they accrue interest separately.
- <sup>2</sup> Prescriptions as to use exist only with regard to the General Legal Reserves. Allocations from these Reserves must be proposed by the Board of Directors and approved by the General Meeting.
- <sup>3</sup> All other reserves are at the disposal of the Board of Directors unless the General Meeting decides otherwise.

### § 31

The Ordinary General Meeting, after having considered the relevant proposals of the Board of Directors and the Report of the Auditors, decides on the appropriation of the amounts placed at its disposal and fixes the dividends.

#### § 32

The General Meeting may totally or partially allocate to reserve accounts the part of the available earnings placed at its disposal in accordance with § 29.

## **VI. Dissolution and Liquidation**

#### § 33

- <sup>1</sup> Dissolution and liquidation are effected as determined by law, unless these Articles stipulate otherwise.
- <sup>2</sup> The proceeds of liquidation are distributed equally to all shares, non-voting equity securities (*Genussscheine*) and PCs in accordance with the rights adherent to them under these Articles.

## **VII. Publications**

#### § 34

All publications of the Company appear in the 'Schweizerisches Handelsamtsblatt'. The Board of Directors may at any time designate further journals as official organs of the Company; it may also rescind such designations.

## VIII. Disputes

### § 35

- <sup>1</sup> All disputes over corporate matters between the Company and its statutory bodies, or between such bodies, or between the Company or its statutory bodies and individual shareholders, shall be adjudicated by the ordinary Courts of the Canton in which the Company has its registered office, subject to appeal to the Swiss Federal Court. For the purposes of such disputes, all shareholders concerned shall elect to be domiciled at the registered office of the Company, and shall be legally bound by all official and judicial notices served at this domicile.
- <sup>2</sup> Without prejudice to the jurisdiction stipulated in the foregoing subsection, the Company may, if it prefers, sue its statutory bodies or shareholders in the place of jurisdiction to which they are ordinarily subject and in the Court competent to deal with the given dispute.
- <sup>3</sup> Swiss law is applicable to all such disputes.

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