



Material topics covered in this chapter
Executive remuneration

Our
**Remuneration
Report**

shows the commitment to a fair, performance-based and results-oriented compensation policy that links employees' interests with those of various other stakeholder groups.

Modern and attractive conditions are key aspects for Roche's interaction with its employees, partners and society in general.

1. Principles

Roche's success depends substantially on the expertise, motivation and performance of its employees. This conviction forms the basis of our compensation policy.

Roche aims to remunerate all employees fairly, transparently and in line with market conditions, to enable them to participate appropriately in the company's success. We pursue this goal by providing competitive, performance-based and results-oriented compensation.

We strive for a balanced mix of fixed and variable compensation components geared to each employee's position and management responsibility.

Compensation
policy:
[roche.com/
rewards](https://roche.com/rewards)

Sound value
system:
[roche.com/
living_our_
values](https://roche.com/living_our_values)

Firstly, the variable components are intended to create additional financial incentives to achieve corporate goals and to keep innovation at a consistently high level while increasing the value that the company creates for all stakeholder groups. Secondly, in order to allow employees and managers to participate in the company's business success, adequate compensation measures are key. Both objectives are incentivised by annual bonus payments and long-term securities-based programmes.

For a global company like Roche, market-competitive remuneration plays a key role along with a performance-based, transparent compensation structure. To ensure that compensation packages are competitive, both the structure and individual components are regularly benchmarked against Swiss, European and international criteria. Our remuneration guidelines and their underlying principles are also subject to regular outside comparisons.

However, compensation policy is only one factor in safeguarding Roche's future success. Another key element is a corporate culture that offers employees conditions in which they can make their best possible contribution to the shared corporate goal of improving healthcare to patients. This includes a sound value system that is based on integrity, courage and passion. At the same time, our decentralised management approach plays a major role with its wide scope for individual decision-making, respectful interactions, openness to diversity, wide-ranging training and development opportunities and an attractive working environment. An unidimensional diminishment to questions on remuneration would fall by far too short.

Roche is committed to a fair, performance-based and results-oriented compensation policy that links employees' interests with those of various other stakeholder groups.

2. Remuneration decision process and approval framework

2.1 Overview

Each year the Remuneration Committee of Roche's Board of Directors decides the remuneration of Board members and the members of the Group's Corporate Executive Committee.

The terms of the long-term oriented Performance Share Plan (PSP) awards are decided annually by the Board of Directors, acting upon recommendations from the Remuneration Committee (as of 2019 see 3.1.6).

Remuneration decision process and approval framework

Remuneration components	Beneficiary		Decision by	Approval by
	Board of Directors (BoD) Chairman (C)	Corporate Executive Committee (CEC) incl. CEO Roche Group		
Base pay/remuneration	√	√	Remuneration Committee	Annual General Meeting
Bonus	√ (C only)	√		
Stock-settled Stock Appreciation Rights	-	√		
Performance Share Plan	-	√	Board of Directors upon recommendation from Remuneration Committee	
Decisions on pension	√ (C only)	√	Remuneration Committee	

The Remuneration Committee tracks market data on salaries at other leading global pharmaceutical companies¹ and at major Swiss companies² and reports its findings to the full Board. The external consulting firm PricewaterhouseCoopers (PwC) assists the Remuneration Committee of Roche in performing market comparisons and in advising. Information on the Remuneration Committee's remit, powers and procedures for making remuneration decisions can be found in the Bylaws of the Roche Board of Directors³ and in the Articles of Incorporation.⁴ They are also outlined in the sections below on the principles governing specific remuneration components (see 3.).

Since 2014, total aggregate amounts which are based on these decisions have been submitted to the General Meeting for approval implementing the 'Ordinance against excessive compensation in listed corporations' (Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften [VegüV]). The General Meeting shall vote annually and with binding effect on the approval of the remuneration (that the Board of Directors has resolved) of the Board of Directors and the Corporate Executive Committee (for details see 4. and 5.).

¹ Peer set for 2018: Abbott Laboratories, AbbVie, Amgen, Astellas, AstraZeneca, Bayer, Bristol-Myers Squibb, Eli Lilly, GlaxoSmithKline, Johnson & Johnson, Merck & Co., Novartis, Pfizer, Sanofi, Takeda (no change in composition of peer set compared to 2017).

² ABB, Credit Suisse, LafargeHolcim, Nestlé, Sonova, Straumann, Swiss Re, UBS, Zurich Insurance.

³ [roche.com/article_of_incorporation](https://www.roche.com/article_of_incorporation)

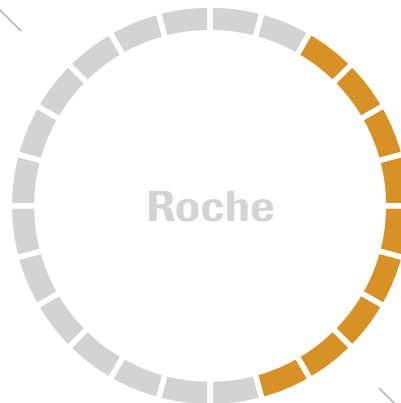
⁴ [roche.com/article_of_incorporation](https://www.roche.com/article_of_incorporation)



André Hoffmann, Chairman of the Remuneration Committee.

Peer set for 2018

- Abbott Laboratories
- AbbVie
- Amgen
- Astellas
- AstraZeneca
- Bayer
- Bristol-Myers Squibb
- Eli Lilly
- GlaxoSmithKline
- Johnson & Johnson
- Merck & Co.
- Novartis
- Pfizer
- Sanofi
- Takeda



- ABB
- Credit Suisse
- LafargeHolcim
- Nestlé
- Sonova
- Straumann
- Swiss Re
- UBS
- Zurich Insurance

Peer set for 2018

Market comparison companies for salary assessment

- Pharma peer set
- Major Swiss companies

2.2 Procedure for submitting total Board and Executive remuneration for shareholder approval at the Annual General Meeting

Each year at the Annual General Meeting (AGM) shareholders approve the total remuneration for the Board of Directors and for the Corporate Executive Committee as decided by the Board of Directors' Remuneration Committee and the Board of Directors, respectively.

According to the approval at the AGM 2014, Roche has committed itself to obtaining separate and binding shareholder approvals of the total remuneration paid to the Board of Directors and to the Corporate Executive Committee as follows:

Approval of total remuneration at the Annual General Meeting (AGM) 2019

Retrospective:

Chairman of the BoD (C):

- Bonus for financial year 2018 (total amount)

Corporate Executive Committee (CEC) including CEO Roche Group:

- Bonus for financial year 2018 (total amount)

Prospective:

Board of Directors (BoD) including C:

Aggregate total remuneration (AGM 2019–AGM 2020)

- Base pay/remuneration

Corporate Executive Committee (CEC) including CEO Roche Group:

Aggregate total remuneration (AGM 2019–AGM 2020)

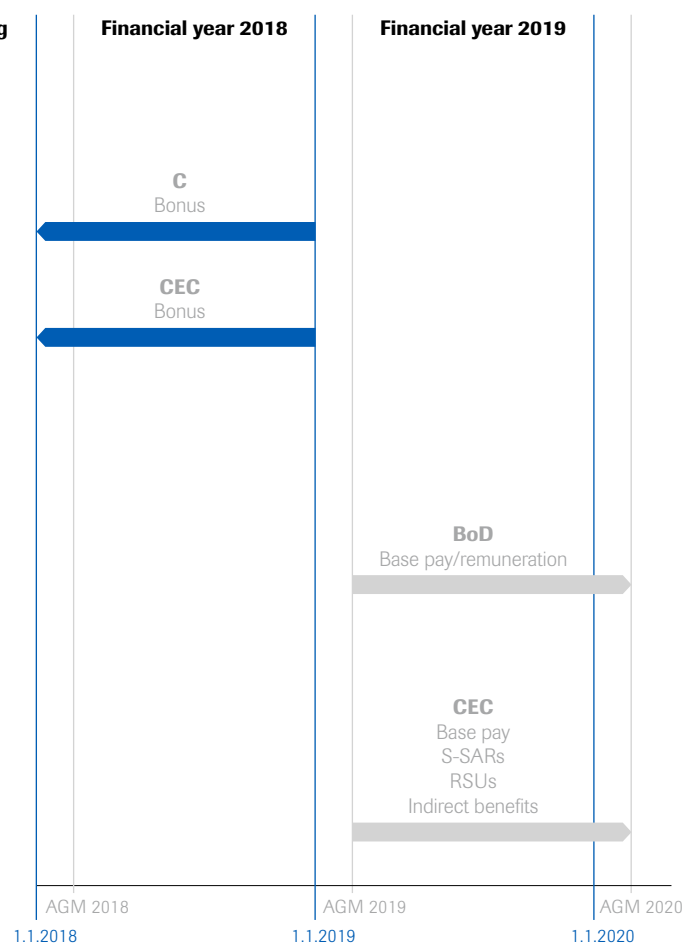
- Base pay
- Stock-settled Stock Appreciation Rights (S-SARs)
- Restricted Stock Units (RSUs) (see 3.1.6)
- Indirect benefits

Retrospective approval

Total aggregate bonus amounts for the Corporate Executive Committee and the Chairman of the Board of Directors for the financial year just ended will be submitted retrospectively at each ordinary AGM for separate and binding approval.

Prospective approval

All other Board and Executive aggregate remuneration will be submitted prospectively to the AGM for separate and binding approval for the period between two ordinary AGMs.



3. Remuneration components

3.1 Overview of remuneration elements

Remuneration to the members of the Board of Directors and the Corporate Executive Committee are composed of the following elements (for concrete composition see chart below: 'Composition of remuneration to the Board of Directors and the Corporate Executive Committee'):

The fixed base salary is complemented with the annual variable bonus as **Short-Term Incentive (STI)** and with perennial remuneration elements (S-SARs, PSP, as of 2019 see 3.1.6) as **Long-Term Incentive (LTI)**.

The remuneration components are linked to the employees' performance, the company's financial performance and commercial success and thus align the interests of Roche and its employees with those of shareholders.

The LTI remuneration components are intended to sustainably and homogeneously and long-term oriented align management's interest with those of shareholders and holders of non-voting equity securities and to give participating managers an additional incentive to achieve value growth in the form of long-term total shareholder returns.

Composition of remuneration to the Board of Directors and the Corporate Executive Committee

Annual remuneration elements	Description	C	BoD	CEO Roche Group	CEC
Base pay/ remuneration	Monthly payment (see 3.1.1 below)	√	√ Quarterly payments	√	√
Bonus	Annual payment (see 3.1.2 below)	√ For 10 years blocked non-voting equity securities and/or shares	-	√ For 10 years blocked non-voting equity securities and/or shares	√ Cash
Pensions etc.	(see 3.1.7 below)	√	-	√	√
Perennial remuneration elements					
Stock-settled Stock Appreciation Rights (S-SARs)	(see 3.1.3 below)	-	-	√	√
Performance Share Plan (PSP)	(see 3.1.4 below)	-	-	√ For 10 years blocked non-voting equity securities and/or shares	√

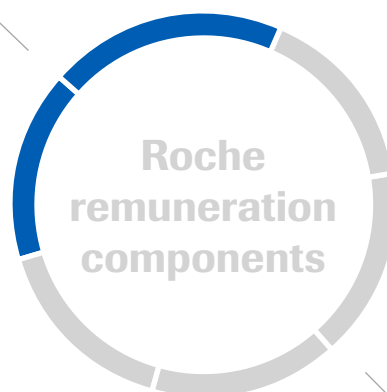
Variable, long-term

STI:

- Bonus

LTI:

- Stock-settled Stock Appreciation Rights
- Performance Share Plan



Base salary

Indirect benefits (employer contribution):

- Pensions and insurance contributions
- Roche Connect
- Tax consulting services

Expense allowances

Others:

- Children's schooling costs
- Foreign tax obligation
- AHV/IV/ALV

Fixed

3.1.1 Base pay (fixed)

Base pay (cash payment) is determined for each position based on salary market data of other leading global pharmaceutical companies (see footnote 1) and of other major Swiss companies (see footnote 2) and reflects individuals' abilities, experience and performance over time. Pay adjustments are likewise linked to individual performance and take into account prevailing market conditions and the company's overall financial situation.

The Remuneration Committee makes and reviews the final decision on the individual base pay paid to the Chairman of the Board of Directors and members of the Corporate Executive Committee and on the remuneration of the other members of the Board.

3.1.2 Bonuses (variable)

Bonuses are annually awarded for individual contributions of value creation in a business year and are meant to be an incentive to strive for outstanding results and to create new business opportunities. 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, diversity of employees and managers, environmental goals and to the achievement of measurable and qualitative individual or functional performance objectives. For competitive reasons, Roche does not disclose the individual performance objectives of members of its Corporate Executive Committee and of its Chairman.

In December at the end of a reporting year or in January following a reporting year, the Remuneration Committee decides on the bonuses and their amounts payable to the Chairman of the Board and the members of the Corporate Executive Committee in respect of the current reporting year, based on performance against the aforementioned objectives. At the same time, the Remuneration Committee also decides in what form bonuses will be awarded, ie, cash payments and/or non-voting equity securities and/or shares.

3.1.3 Stock-settled Stock Appreciation Rights (S-SARs) (long-term)

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 2012, S-SARs granted all vest together after three years (as of 2019 see 3.1.6) and then have to be exercised within seven years of the grant date (as of 2019 see 3.1.6). 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 (for details see page 139).

S-SARs to the Corporate Executive Committee are allocated individually at the Remuneration Committee's discretion. In 2018 in addition, around 19,400 employees received S-SARs (for their new choice of the mix between S-SARs and RSUs as of 2019 and regarding changes in vesting and expiration periods, in the composition of the remuneration components for the Corporate Executive Committee and the Enlarged Corporate Executive Committee starting as of 2019 see 3.1.6).

3.1.4 Performance Share Plan (PSP) (long-term)

The PSP was established in 2002 for periods of three years each and is based on a three-year comparison of the Total Shareholder Return (TSR) with 15 peer companies (see footnote 1).

In a respective year, the PSP consists 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. In 2018, there were the three overlapping performance cycles PSP 2016–2018, PSP 2017–2019 and PSP 2018–2020, of which PSP 2016–2018 closed on 31 December 2018 (see 5.7 and 5.3).

The plan's key performance metric for an award, the TSR, is calculated as a three-month moving average rate before the start of and before the end of the performance cycle. The payment of the PSP is determined by the Board of Directors on an annual basis, acting upon recommendations from the Remuneration Committee.

Since 2016, PSP awards as a remuneration component has been reserved for the Corporate Executive Committee and the Enlarged Corporate Executive Committee, however, no new awards will be granted as of 2019 (see 3.1.6).

The long-term incentives for the Corporate Executive Committee comprised until 2018 PSP awards and S-SARs, approximately 50% each.

3.1.5 Restricted Stock Units (RSUs) (long-term)

RSUs serve as a remuneration component for around 19,600 eligible Roche employees. RSUs contain rights to receive non-voting equity securities and/or shares after a three-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 after three years only. Thereafter, resulting non-voting equity securities and/or shares may remain blocked for up to ten years (for their new choice of the mix between S-SARs and RSUs as of 2019 and regarding changes in vesting and expiration periods, in the composition of the remuneration components for the Corporate Executive Committee and the Enlarged Corporate Executive Committee see 3.1.6).

3.1.6 Outlook 2019

Starting in 2019, subject to the approval of corresponding changes to the Articles of Incorporation at the Annual General Meeting 2019, composition of the remuneration components of the Long-Term Incentive (LTI) for the Corporate Executive Committee and the Enlarged Corporate Executive Committee will change. No new PSP awards will be granted as of the end of 2018, whereby the Board of Directors, acting upon recommendations from the Remuneration Committee, must determine the payment of the ongoing PSP 2017–2019 and PSP 2018–2020 at the end of 2019 and 2020, respectively. As of 2019, LTI of the Corporate Executive Committee and the Enlarged Corporate Executive Committee will be complemented with Restricted Stock Units (RSUs) and will be composed of 80% S-SARs and 20% RSUs (based on the already existing individual target value of the total LTI for Corporate Executive Committee members of 133.33% of a base pay measured on 1 January of a year). Vesting and expiration periods are aligned for all S-SARs and RSUs (see below). RSU awards are allocated individually for the Corporate Executive Committee and Enlarged Corporate Executive Committee at the Remuneration Committee's discretion. Unlike all other participants of the two programmes, members of the Corporate Executive Committee and the Enlarged Corporate Executive Committee have no choice in determining the mix of RSUs and S-SARs, which will have a four-year cliff vesting.

As of 2019, with the new grant in March 2019, remaining participants of the S-SARs and RSUs programmes will be offered a choice of three combinations to determine the mix of Restricted Stock Units (RSUs) and Stock-settled Stock Appreciation Rights (S-SARs, options are used instead of S-SARs in some countries). The following options will be offered:

Choice 1	Choice 2	Choice 3
80% S-SARs	50% S-SARs	20% S-SARs
20% RSUs	50% RSUs	80% RSUs

Offering this level of choice empowers participants to engage more fully in their total rewards, enables them to better understand a critical element of their compensation, increases the value of the programme, and positions Roche as the first among its peer group to provide this benefit. The expiration period for any newly issued S-SARs will be extended from currently seven years to ten years. This will give participants an additional three years to exercise vested S-SARs. The vesting schedule for any newly issued RSUs will change from three-year cliff vesting to four-year annual vesting. Each year, 25% of the granted RSUs will vest and will become available to participants.

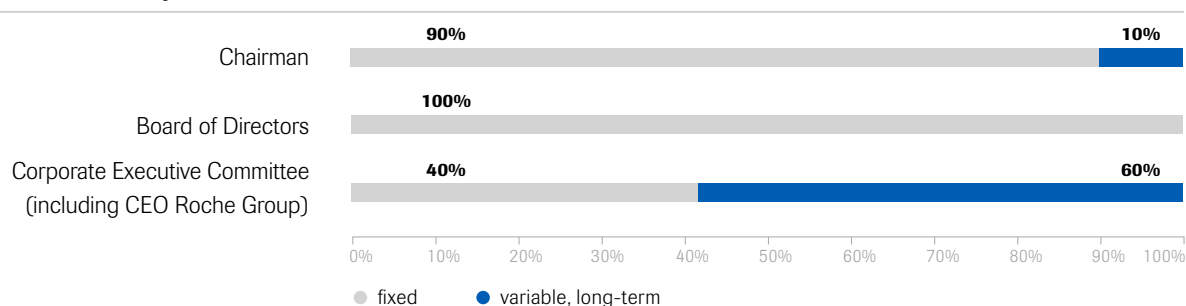
The vesting schedule for S-SARs, currently three-year annual vesting, will also be aligned with a four-year annual vesting schedule for any new grants.

These innovative changes will make the Roche Long-Term Incentive programme more attractive, enabling Roche to attract, motivate and retain the best talent and keep it aligned with the company's long-term success.

3.1.7 Indirect benefits

As shown in 5.9 (5.3 [for the CEO Roche Group] and 4.3 [for the Chairman], respectively), members of the Corporate Executive Committee additionally received indirect benefits (payments in pension funds, MGB [Stiftung der F. Hoffmann-La Roche AG für Mitarbeiter-Gewinnbeteiligung als Ergänzung der beruflichen Vorsorge, ie, employee profit-sharing foundation supplementing occupational pension benefits], insurances, Roche Connect, payments for foreign tax obligation and tax consulting services and annual expense allowances) and as shown under 5.10 individual members of the Corporate Executive Committee received payments for schooling costs for their children.

3.2 Weighting (fixed/variable, long-term) of 2018 remuneration components (at target and as percentage of total remuneration in 2018)



3.3 Ratio of the remuneration components relative to fixed base pay of the Corporate Executive Committee 2018

Ratio of variable remuneration components (bonuses, S-SARs and PSP) relative to % of value of fixed base pay

Criteria	STI (variable)	LTI (long-term)	
	Bonus	S-SARs	PSP
Individual target value*	≤100%	66.66%	66.66%**
Minimum	0%	0%	0%
Maximum	200%	66.66%	133.33%
Performance criteria	Group objectives (Group and divisional business performance) and individual objectives considering 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, diversity of employees and managers, environmental goals	Value development determined by performance (plus a value adjustment for dividends) of NES after grant	Value development determined by performance (plus a value adjustment for dividends) of NES/shares after grant. Group performance of TSR in relation to TSR performance of peer set (TSR definition see 5.7)
Split in %			
a) Group objectives	70%	n.a.	100%
b) Individual objectives	30%	n.a.	-

n.a. – not applicable

* Assessed in consideration of the performance of competitors and the macro-economic development

** Based on annual base pay measured at 1 January of first year of cycle

For all further details please refer to the following sections of this Remuneration Report.⁵

⁵ See also in the Finance Report Note 31 to the Roche Group Consolidated Financial Statements ('Related parties', page 120) and Note 6 to the Financial Statements of Roche Holding Ltd ('Board and Executive shareholdings', page 170).

4. Remuneration of the Board of Directors

4.1 Resolution and approval

Remuneration of the Chairman of the Board of Directors and of members of the Board of Directors was decided at the Remuneration Committee's discretion, taking into account market comparisons.

The remuneration is in form of cash payments and is annually tracked against market data on directors' pay at other leading global pharmaceutical companies (see footnote 1) and other major Swiss companies (see footnote 2) which is assisted by the consultancy of PwC.

As in the previous year, in 2019, the Board of Directors will separately submit the total aggregate bonus of the Chairman of the Board of Directors to the General Meeting for the 2018 financial year for retrospectively binding approval.

The maximum amounts of the total aggregate remuneration of the Board of Directors for the period between the ordinary General Meeting 2019 and the ordinary General Meeting 2020 will be tabled in 2019 as in the previous year for the General Meeting's prospectively binding approval (see 2.2).

4.2 Amount of remuneration to the members of the Board of Directors

In 2018, the members of the Board of Directors⁶ received remuneration and additional compensation in form of quarterly fixed cash payments as shown in the 'Remuneration of members of the Board of

Directors 2018' table on page 132 for their Board activities. Roche paid legally required employer's contributions of total CHF 120,473 to Swiss social security programmes providing retirement, disability and unemployment benefits (AHV/IV/ALV) for the members of the Board of Directors beside the legally required contributions separately stated for the Chairman of the Board of Directors.

The basic remuneration of the Board of Directors (excluding the Chairman) has remained unchanged since 2001.

With the exception of the Chairman of the Board of Directors (bonus in form of blocked shares) and Dr Severin Schwan as an executive member of the Board, members of the Board of Directors were not awarded any shares, non-voting equity securities or S-SARs.

There are no loans or credits granted to the members of the Board of Directors.

In his capacity as a member of the Chugai International Council (CIC) of Chugai Pharmaceutical Co., Ltd. André Hoffmann received in 2018 honoraria amounting to a total of USD 40,000 (CHF 39,123).

For his advisory service on the Genentech Scientific Review Board, Prof. Dr Richard P. Lifton received in 2018 honoraria amounting to a total of USD 10,000 (CHF 9,781).

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⁶ For a list of members, their positions and their committee memberships and chairmanships see page 107.

Remuneration of members of the Board of Directors 2018 (in CHF)

	Basic remuneration	Additional remuneration for committee members/chairs ⁷	Additional special remuneration	Total remuneration
Ch. Franz, Chairman		(see '4.3 Total remuneration paid to the Chairman of the Board of Directors')		
A. Hoffmann, Vice-Chairman	400,000 ⁸	–	39,123 (see page 131)	439,123
J. Bell	300,000	30,000	–	330,000
J. Brown	300,000	60,000	–	360,000
P. Bulcke	300,000	30,000	–	330,000
A. Hauser	300,000	30,000	–	330,000
R.P. Lifton	300,000	30,000	9,781 (see page 131)	339,781
A. Oeri	300,000	60,000	–	360,000
B. Poussot	300,000	30,000	–	330,000
S. Schwan	(see '5.3 Highest total remuneration paid to Dr Severin Schwan as a member of the Corporate Executive Committee', remuneration received in his primary function as CEO Roche Group is reflected in total remuneration for the Corporate Executive Committee)			
C. Suessemuth Dyckerhoff	300,000	60,000	–	360,000
P.R. Voser	300,000	30,000	–	330,000
Total⁹	3,100,000	360,000	48,904	3,508,904

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7 With the exception of members of the Presidium (Chairman, Vice-Chairman) Board members receive CHF 30,000/year for each committee they serve on and CHF 60,000/year for each committee they chair.

8 Remuneration for serving as Vice-Chairman of the Board.

9 Additionally, employer contribution to AHV/IV/ALV totalling CHF 351,618 (including the Chairman) was paid that does not form part of remuneration.

Remuneration of members of the Board of Directors 2017 (in CHF)

	Basic remuneration	Additional remuneration for committee members/chairs ¹⁰	Additional special remuneration	Total remuneration
Ch. Franz, Chairman	(see '4.3 Total remuneration paid to the Chairman of the Board of Directors')			
A. Hoffmann, Vice-Chairman	400,000 ¹¹	–	39,392	439,392
J. Bell	300,000	30,000	–	330,000
J. Brown	300,000	60,000	–	360,000
P. Bulcke	300,000	30,000	–	330,000
A. Hauser (since March 2017)	250,000 ¹²	30,000	–	280,000
R.P. Lifton	300,000	30,000	18,465	348,465
A. Oeri	300,000	60,000	–	360,000
B. Poussot	300,000	30,000	–	330,000
S. Schwan	(see '5.3 Highest total remuneration paid to Dr Severin Schwan as a member of the Corporate Executive Committee', remuneration received in his primary function as CEO Roche Group is reflected in total remuneration for the Corporate Executive Committee)			
C. Suessmuth Dyckerhoff	300,000	60,000	–	360,000
P.R. Voser	300,000	30,000	–	330,000
P. Baschera (retired in March 2017)	75,000 ¹³	7,500 ¹³	–	82,500 ¹³
Total¹⁴	3,125,000	367,500	57,857	3,550,357

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¹⁰ With the exception of members of the Presidium (Chairman, Vice-Chairman) Board members receive CHF 30,000/year for each committee they serve on and CHF 60,000/year for each committee they chair.

¹¹ Remuneration for serving as Vice-Chairman of the Board.

¹² Prorated remuneration for the period from March to December 2017.

¹³ Prorated remuneration paid for the period January to March 2017.

¹⁴ Additionally, employer contribution to AHV/IV/ALV totalling CHF 427,155 (including the Chairman) was paid that does not form part of remuneration.

4.3 Total remuneration paid to the Chairman of the Board of Directors

As Chairman, Dr Christoph Franz received total remuneration for 2018 as shown below. The Remuneration Committee's bonus proposal (adopted in late 2018) in respect of the 2018 financial year

(in form of shares blocked for ten years, payable in March 2019) will be put for shareholder binding vote at the 2019 ordinary Annual General Meeting (AGM).

The Chairman's total remuneration is contained in the total remuneration of the Board of Directors in 4.4.

Total remuneration paid to the Chairman of the Board of Directors (in CHF)

	2018	2017
Base salary (in cash)	3,500,000	3,500,000
Bonus (subject to approval of the Annual General Meeting)	558,390*	558,390*
Pension funds/MGB ¹⁵ /insurances/annual expense allowances	1,687,311**	1,681,401**
Total	5,745,701¹⁶	5,739,791

* In form of shares blocked for 10 years (calculation of number of shares, based on the price at the date of transfer in March 2019 and April 2018, respectively, after approval at the AGM 2019/AGM 2018, respectively), calculation of value in consideration of reduction of value due to blocking period of 10 years (reduced market value: 55.839%) to be submitted for shareholder approval at the AGM 2019/as approved at the AGM 2018, respectively

** Including employer contribution of social securities' beneficial parts

¹⁵ MGB: Stiftung der F. Hoffmann-La Roche AG für Mitarbeiter-Gewinnbeteiligung (employee profit-sharing foundation supplementing occupational pension benefits).

¹⁶ Additionally, employer contribution to AHV/IV/ALV of CHF 231,145 (2017: CHF 231,200) was paid that does not form part of remuneration.

4.4 Total remuneration paid to the Board of Directors

For the 2018 calendar year the members of the Board of Directors received remuneration including bonuses and employer contribution of social securities' beneficial parts totalling CHF 9,328,325 (2017: CHF 9,364,757), excluding additional employer's contribution paid to AHV/IV/ALV totalling CHF 351,618 (2017: CHF 427,155) that does not form part of remuneration.

4.5 Remuneration paid to the former members of the Board of Directors

Former member of the Board of Directors Dr Franz B. Humer in 2018 received fees amounting to a total of USD 40,000 (CHF 39,123) for serving as a member of the Chugai International Council (CIC) of Chugai Pharmaceutical Co., Ltd.

Former member of the Board of Directors William M. Burns in 2018 received honoraria amounting to a total of USD 40,000 (CHF 39,123) in his capacity as a member of the Chugai International Council (CIC) of Chugai Pharmaceutical Co., Ltd.

No additional remuneration was paid.

4.6 Board remuneration subject to approval at the Annual General Meeting**4.6.1 Submission of the Chairman's total aggregate bonus for a binding vote at the Annual General Meeting**

Remuneration to the Chairman of the Board of Directors includes a bonus award of CHF 558,390 in form of shares blocked for ten years as shown in the table in section '4.3 Total remuneration paid to the Chairman of the Board of Directors'. The Board of Directors will submit the Remuneration Committee's bonus proposal (adopted in late 2018) for the Chairman of the Board, Dr Christoph Franz, in respect of the 2018 financial year (payable in March 2019, excluding legally required employer's contributions to AHV/IV/ALV) for the shareholder binding vote to the 2019 ordinary Annual General Meeting.

Retrospective approvals of the Chairman's total aggregate bonus (in CHF)*

	Proposal AGM 2019	AGM 2018	AGM 2017
	Aggregate amount for financial year 2018	Aggregate amount for financial year 2017	Aggregate amount for financial year 2016
Total aggregate amount proposal for approval/ approved by the AGM	558,390**	558,390**	558,390**

* Excluding legally required employer's contributions to AHV/IV/ALV

** Bonus award (in form of shares, blocked for 10 years [calculation of number of shares based on the price at the date of transfer in March 2019/ April 2018/April 2017, respectively, after approval at the AGM 2019/AGM 2018/AGM 2017, respectively], calculation of value in consideration of reduction of value due to blocking period of 10 years [reduced market value: 55.839%] to be submitted for shareholder approval at the AGM 2019/ as approved at the AGM 2018 and AGM 2017, respectively)

4.6.2 Submission of the Board's total aggregate future remuneration for a binding shareholder vote

The Board of Directors proposes that the 2019 ordinary AGM approve Board remuneration totalling not more than CHF 10,000,000 (excluding legally required employer's contributions to AHV/IV/ALV and excluding bonuses) for the period ending at the 2020 ordinary AGM.

Dr Severin Schwan's remuneration as shown in 5.3 which he receives in his function as CEO Roche Group and member of the Corporate Executive Committee is not included here but is part of the Corporate Executive Committee's total remuneration.

Prospective approvals of the Board's total aggregate future remuneration (in CHF)*

	Proposal AGM 2019	AGM 2018	AGM 2017
	Aggregate amount for the period AGM 2019-AGM 2020	Aggregate amount for the period AGM 2018-AGM 2019	Aggregate amount for the period AGM 2017-AGM 2018
Total aggregate amount proposal for approval/ approved by the AGM	10,000,000	10,000,000	10,000,000

* Excluding legally required employer's contributions to AHV/IV/ALV and excluding bonuses

4.6.3 Reconciliation of the reported remuneration with the shareholders' approved remuneration for the members of the Board of Directors

The 2017 ordinary AGM approved Board remuneration totalling not more than CHF 10,000,000 (excluding legally required employer's contributions to AHV/IV/ALV and excluding bonuses) for the period ending at the 2018 ordinary AGM.

For comparison, from the 2017 ordinary AGM to the 2018 ordinary AGM actual remuneration amounted to CHF 8,700,243 (excluding legally required employer's contributions to AHV/IV/ALV and excluding bonuses).

Prospectively approved total remuneration for the members of the Board of Directors in comparison to the actual total payments made (in CHF)*

	Total remuneration for the period AGM 2018–AGM 2019	Total remuneration for the period AGM 2017–AGM 2018	Total remuneration for the period AGM 2016–AGM 2017
Maximum of total remuneration approved by the AGM	10,000,000	10,000,000	10,000,000
Actual total remuneration paid	Calculation at end of period	8,700,243	8,637,246
Within the approved limit	Calculation at end of period	Yes	Yes

* Excluding legally required employer's contributions to AHV/IV/ALV and excluding bonuses

4.7 Security holdings

Directors André Hoffmann and Dr Andreas Oeri and members of the founders' families who are closely associated with them belong to a contractually bound shareholder group with pooled voting rights. At the end of 2018 this group held 72,018,000 shares (45.01% of issued shares). Detailed information about this group can be found in the Finance Report, Note 31 to the Roche Group Consolidated Financial Statements

(‘Related parties’, page 120) and in Note 4 to the Financial Statements of Roche Holding Ltd (‘Significant shareholders’, page 169). In addition, as at 31 December 2018 (as at 31 December 2017, respectively) the members of the Board of Directors and persons closely associated with them held Roche shares, non-voting equity securities (NES) and American Depositary Receipts (ADRs^{***}) as shown in the table ‘Security holdings’ below.

Security holdings (shares and NES)

	(as at 31 December 2018)				(as at 31 December 2017)			
	Shares (number)	Non-voting equity securities (NES) (number)	Close relatives' security holdings (number/type)	Others (number)	Shares (number)	Non-voting equity securities (NES) (number)	Close relatives' security holdings (number/type)	Others (number)
Board of Directors								
Ch. Franz	16,014	4,810	–	–	11,522	4,810	–	–
A. Hoffmann	–*	200	–	–	–*	200	–	–
J. Bell	1,115	1,647	–	–	1,115	1,647	–	–
J. Brown	729	–	–	–	729	–	–	–
P. Bulcke	–	4,000	–	–	–	4,000	–	–
A. Hauser	–	150	20 NES	–	–	150	20 NES	–
R.P. Lifton	–	–	–	300 ADRs ^{***}	–	–	–	300 ADRs ^{***}
A. Oeri	–*	187,793	–	–	–*	187,793	–	–
B. Poussot	500	500	–	–	500	500	–	–
S. Schwan	(see ‘5.16 Security holdings’ Corporate Executive Committee on page 145)				(see ‘5.16 Security holdings’ Corporate Executive Committee on page 145)			
C. Suesmuth Dyckerhoff	–	2,100 ^{**}	–	–	–	621 ^{**}	–	–
P.R. Voser	–	5,000	–	–	–	5,000	–	–
Total	18,358	206,200	20 NES	300 ADRs^{***}	13,866	204,721	20 NES	300 ADRs^{***}

* Shares held by the shareholder group with pooled voting rights not listed

** Jointly held with close relative

*** Roche's ADR (American Depositary Receipt), listed on OTCQX www.otcmarkets.com/stock/RHHBY/quote International Premier under the symbol RHHBY, ISIN US771195104. Traded in USD, eight (8) ADRs represent one (1) underlying NES.

5. Remuneration of the Corporate Executive Committee

5.1 Resolution and approval

Remuneration of the members of the Corporate Executive Committee was decided at the Remuneration Committee's discretion, taking into account market comparisons.

As in the previous year, in 2019, the Board of Directors will separately submit the total aggregate bonuses of the Corporate Executive Committee to the General Meeting for the 2018 financial year for retrospectively binding approval.

The maximum amounts of the total aggregate remuneration of the Corporate Executive Committee for the period between the ordinary General Meeting 2019 and the ordinary General Meeting 2020 will be tabled in 2019 as in the previous year for the General Meeting's prospectively binding approval (see 2.2).

5.2 Amount of remuneration to members of the Corporate Executive Committee

The general provisions assigning authority for decisions on Corporate Executive Committee remuneration to the Remuneration Committee and to the Board of Directors are outlined on page 123, '2. Remuneration decision process and approval framework'.

In 2018, members of the Corporate Executive Committee received remuneration for their work as shown in 5.3–5.12. The amount of remuneration for the CEO Roche Group, Dr Severin Schwan, is explained in 5.3 in detail.

Payments (base pay, bonus, S-SARs, RSUs, indirect benefits such as employer contributions for pension funds, MGB, Roche Connect, expense allowances etc.) to Dr Michael Heuer, who was appointed as CEO Roche Diagnostics a. i. as of October 2018, are included and aggregated in the total remuneration of the Corporate Executive Committee (see 5.12).

5.3 Highest total remuneration paid to Dr Severin Schwan as a member of the Corporate Executive Committee

Dr Severin Schwan, executive member of the Board of Directors, received his remuneration in his primary function as CEO Roche Group. It is reflected as the highest total remuneration paid to a member of the Corporate Executive Committee (see page 138) and included in the total amount paid to the Corporate Executive Committee (see '5.12 Total remuneration paid to the members of the Corporate Executive Committee', page 142).

Highest total remuneration paid to Dr Severin Schwan as a member of the Corporate Executive Committee (in CHF)

	2018	2017 ¹⁷
Base salary	4,000,000	4,000,000
S-SARs ¹⁸	2,666,934	2,666,851
Pension funds/MGB ¹⁹ /insurances	585,418**	578,506**
Roche Connect	100,008	100,008
Bonus (subject to approval of the total aggregate bonuses for the Corporate Executive Committee by Annual General Meeting)		
– Blocked shares	2,791,950 ^{20*}	2,791,950*
PSP	1,488,911 ^{21*}	1,488,970 ^{22*}
Other payments incl. expense allowance/for tax consulting services	127,314	62,778
Total	11,760,535²³	11,689,063²³

AUDITED

- * Calculation of value of non-voting equity securities/shares in consideration of reduction of value due to blocking period of 10 years (reduced market value: 55.839%)
- ** Including employer contribution of social securities' beneficial parts
- 17 For detailed calculation of the remuneration for 2017 and 2016 see Annual Report 2017, page 137.
- 18 Number of S-SARs 2018: 100,677, grant value according to the trinomial model for American call options: CHF 26.49. Trinomial model for American call options value as described in '5.6 Stock-settled Stock Appreciation Rights (S-SARs) of the other members of the Corporate Executive Committee', page 139.
Number of S-SARs 2017: 85,476, grant value according to the trinomial model for American call options: CHF 31.20. Trinomial model for American call options value as described in '5.6 Stock-settled Stock Appreciation Rights (S-SARs) of the other members of the Corporate Executive Committee', page 139.
- 19 MGB: Stiftung der F. Hoffmann-La Roche AG für Mitarbeiter-Gewinnbeteiligung (employee profit-sharing foundation supplementing occupational pension benefits).
- 20 Shares blocked for 10 years (calculation of number of shares based on the share price at the date of transfer in March 2019 after approval at the AGM 2019).
- 21 Target number of non-voting equity securities for PSP 2018–2020 (11,076 non-voting equity securities) multiplied per non-voting equity securities' price averaged over the three months (October to December 2017) prior to the start of the performance cycle 2018–2020, CHF 240.74/non-voting equity security.
- 22 Target number of non-voting equity securities for PSP 2017–2019 (11,565 non-voting equity securities) multiplied per non-voting equity securities' price averaged over the three months (October to December 2016) prior to the start of the performance cycle 2017–2019, CHF 230.57/non-voting equity security.
- 23 Includes an annual expense allowance (CHF 30,000), payments for tax consulting services (CHF 47,314; 2017: CHF 32,778) and anniversary payment (CHF 50,000). Additionally, employer contribution to AHV/IV/ALV of CHF 428,867 (2017: CHF 555,967) was paid that does not form part of remuneration.

5.4 Base pay of the other members of the Corporate Executive Committee**Base pay** (in CHF)

	2018	2017
R. Diggelmann (retired from the Corporate Executive Committee at the end of September 2018)	975,000*	1,300,000
A. Hippe	1,600,000	1,600,000
G.A. Keller	1,500,000	1,500,000
D. O'Day	2,500,000	2,500,000
C.A. Wilbur	925,000	825,000
Total	7,500,000	7,725,000

AUDITED

- * Prorated remuneration for the period from January to September 2018.

Base pay to Dr Michael Heuer is included and aggregated in the total remuneration of the Corporate Executive Committee (see 5.12).

5.5 Bonuses of the other members of the Corporate Executive Committee

The Remuneration Committee of the Board of Directors determined the Corporate Executive Committee members' bonuses based on the performance 2018 against the agreed objectives. For Dr Michael Heuer a regular bonus of CHF 500,000 and a bonus for his interim function of an additional CHF 500,000 (total: CHF 1 million) is being proposed. It is included and aggregated in the total remuneration of the Corporate

Executive Committee (see 5.12). The total aggregate amount of bonuses will be brought forward for a binding vote by the Annual General Meeting 2019.

Except for Dr Severin Schwan, all members of the Corporate Executive Committee will receive the bonus 2018 as a 100% cash payment which is due in March 2019. Dr Severin Schwan will receive the bonus in form of Roche shares which are blocked for ten years (see page 138). Bonus payment is due in March 2019.

Bonus (in CHF)

	2018 (subject to approval of the total aggregate bonuses of the Corporate Executive Committee by the Annual General Meeting 2019)	2017
R. Diggelmann (retired from the Corporate Executive Committee at the end of September 2018)	900,000	1,350,000
A. Hippe	2,000,000	2,000,000
G.A. Keller	1,400,000	1,400,000
D. O'Day	–	3,100,000
C.A. Wilbur	1,200,000	950,000
Total	5,500,000	8,800,000

AUDITED

5.6 Stock-settled Stock Appreciation Rights (S-SARs) of the other members of the Corporate Executive Committee

The S-SARs shown in the 5.16.2 'S-SARs' table on page 146 entitle holders to benefit financially from any increase in the value of Roche's non-voting equity securities (NES) between the grant date and the exercise date. The strike price for S-SARs under the terms of this multi-year plan was the closing price for Roche NES at grant date. All S-SARs vest three years after the grant date. Vested S-SARs can be exercised (converted into NES) within seven 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 call

options. The trinomial model is an effective method for valuation of American call options, as it considers the possibility of exercising the option any time prior to maturity (called 'American' option, as compared to a 'European' option, which only allows exercise at their maturity date).²⁴

The numbers of S-SARs, the strike prices, expiry dates and grant values for S-SARs are shown in the 5.16.2 'S-SARs' table on page 146. The numbers of S-SARs as calculated at the time of issue have been entered as values in the table on pages 140 and 138.²⁵ S-SARs granted to Dr Michael Heuer are subject to a yearly vesting and shown in the 5.16.2 'S-SARs' table and the fair value for 2018 is included and aggregated in the total remuneration of the Corporate Executive Committee (see 5.12).

²⁴ For further information on the trinomial model for American call options: Please refer to Boyle, Phelim P.: 'A lattice framework for options pricing with two state variables', The Journal of Financial and Quantitative Analysis, Volume 23, Issue 1 (Mar 1988), 1–12, roche.com/trinomial-model.pdf

²⁵ See strike prices in table 5.16.2 'S-SARs', page 146.

Stock-settled Stock Appreciation Rights (S-SARs) (in CHF)		
	S-SARs 2018	S-SARs 2017
R. Diggelmann (retired from the Corporate Executive Committee at the end of September 2018)	866,700*	866,923
A. Hippe	1,066,885	1,066,759
G.A. Keller	1,000,209	1,000,022
D. O'Day	1,666,724	1,666,829
C.A. Wilbur	566,939	500,198
Total	5,167,457	5,100,731

* Grant 2018: 32,718 S-SARs, grant value CHF 26.49 per S-SAR, price CHF 220.80, expiry date 15.3.2025

5.7 Performance Share Plan (PSP) of the other members of the Corporate Executive Committee

The PSP consists of overlapping three-year performance cycles, with a new cycle beginning each year. In 2018, there were thus three cycles in progress (PSP 2016–2018, PSP 2017–2019 and PSP 2018–2020), whereas PSP 2016–2018 closed on 31 December 2018 with none of the targeted shares awarded.

Under the provisions of this plan, a number of non-voting equity securities (NES) or shares have been 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 NES) outperforms the average return on an investment in securities issued by a set of peer companies.²⁶ Comparisons are based on the securities' market prices and dividend yields, ie, on Total Shareholder Return (TSR). To reduce the effect of short-term market fluctuations, security prices are averaged over the three months (October to December) prior to the start of a performance cycle and over the three months (October to December) at the end of the cycle.

If Roche securities perform better than the average of the peer set, the Board of Directors can elect to increase the NES or shares award. The maximum award is double the original-level reserved target number of NES or shares according to the PSP (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 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 NES or shares will be awarded.

In 2018, NES were reserved under the plan for members of the Corporate Executive Committee as shown in the table on page 141 and on page 138. The Board of Directors will decide on the actual level of NES, shares or cash equivalent awards for the PSP cycles 2017–2019 and 2018–2020 after the close of the 2019 and 2020 financial years, respectively. The aim of the PSP is to provide an incentive to participants to achieve long-term value growth. Due to Roland Diggelmann's and Daniel O'Day's resignations, potential awards will be reduced.

Dr Michael Heuer is not participating in the PSP programme.

At the end of the PSP 2016–2018 cycle (based on a three-month average) with distributed dividends totalling CHF 21.219 billion (2018: CHF 7.159 billion; 2017: CHF 7.073 billion; 2016: CHF 6.987 billion), according to the terms of the plan, the participants received none of the originally targeted shares.

²⁶ See footnote 1, page 123.

Performance Share Plan (PSP)

	2018			2017		
	Target number of non-voting equity securities (NES) for PSP 2018-2020 (number)	Fair value at grant per non-voting equity security (NES), NES prices averaged over the three months (October to December 2017) prior to the start of the performance cycle PSP 2018-2020 (value in CHF)	Fair value of target number of non-voting equity securities (NES) for PSP 2018-2020 (value in CHF)	Target number of non-voting equity securities (NES) for PSP 2017-2019 (number)	Fair value at grant per non-voting equity security (NES), NES prices averaged over the three months (October to December 2016) prior to the start of the performance cycle PSP 2017-2019 (value in CHF)	Fair value of target number of non-voting equity securities (NES) for PSP 2017-2019 (value in CHF)
R. Diggelmann***	3,600	240.74	866,664	3,758	230.57	866,482
A. Hippe	4,430	240.74	595,511**	4,626	230.57	844,857*
G.A. Keller	4,153	240.74	558,274**	4,337	230.57	558,380**
D. O'Day	6,923	240.74	1,666,643	7,228	230.57	1,666,560
C.A. Wilbur	2,353	240.74	566,461	2,168	230.57	499,876
Total	21,459	240.74	4,253,553	22,117	230.57	4,436,155

AUDITED

* Calculation of value of non-voting equity securities in consideration of reduction of value due to blocking period of 4 years (reduced market value: 79.209%)

** Calculation of value of non-voting equity securities in consideration of reduction of value due to blocking period of 10 years (reduced market value: 55.839%)

*** Retired from the Corporate Executive Committee at the end of September 2018

5.8 Restricted Stock Units of the other members of the Corporate Executive Committee

In 2018, as the only member of the Corporate Executive Committee Dr Michael Heuer received RSUs before his appointment as CEO Roche Diagnostics a. i. (see 3.1.5).

Roche Connect is a voluntary stock purchase plan offering employees the opportunity to buy Roche non-voting equity securities (NES) up to an amount equal to 10% of their annual salary at a 20% discount. NES purchased under this plan are subject to a holding period, which is four years in Switzerland.

5.9 Indirect benefits of the other members of the Corporate Executive Committee

Employer contributions made in 2018 to social security schemes, pension plans and a Group-wide employee stock purchase plan (Roche Connect) in respect of members of the Corporate Executive Committee are shown in the 'Indirect benefits (employer contributions)' table on page 142 and employer contributions as shown in the table on page 138.

In addition, members of the Corporate Executive Committee received annual expense allowances and some members payments for foreign tax obligations and tax consulting services as shown in the table on page 142.

Indirect benefits (employer contributions) (in CHF)

	2018				2017			
	Pension funds/ MGB ²⁷ / insurances*	Annual expense allowances	Roche Connect	Payments for tax/tax consulting services	Pension funds/ MGB ²⁷ / insurances*	Annual expense allowances	Roche Connect	Payments for tax/tax consulting services
R. Diggelmann**	255,159	22,500	20,000	7,108	328,506	30,000	30,000	8,611
A. Hippe	335,418	30,000	39,996	13,378	328,506	30,000	39,996	15,545
G.A. Keller	122,226	30,000	37,500	-	115,314	30,000	37,500	1,623
D. O'Day	335,418	30,000	62,496	670,831	328,506	30,000	62,496	628,039
C.A. Wilbur	335,418	30,000	18,744	75,299	319,506	30,000	18,744	37,147
Total	1,383,639	142,500	178,736	766,616	1,420,338	150,000	188,736	690,965

* Including employer contribution of social securities' beneficial parts

** Retired from the Corporate Executive Committee at the end of September 2018

27 MGB: Stiftung der F. Hoffmann-La Roche AG für Mitarbeiter-Gewinnbeteiligung (employee profit-sharing foundation supplementing occupational pension benefits).

Payments (employer contributions) of indirect benefits for pension funds, MGB, Roche Connect, expense allowances etc. to Dr Michael Heuer are included and aggregated in the total remuneration of the Corporate Executive Committee (see 5.12).

5.10 Other remuneration and loans of members of the Corporate Executive Committee

Based on contractual obligations, in 2018, Roche paid to individual members of the Corporate Executive Committee for their children's schooling costs totalling CHF 46,777 (2017: CHF 42,300).

All aforementioned additional payments are included in the total remuneration to members of the Corporate Executive Committee.

In 2018, there are no loans or credits granted to the members of the Corporate Executive Committee.

The maximum regular period of notice for members of the Corporate Executive Committee is 12 months. There are no change-of-control clauses in the employment contracts.

5.11 Remuneration to former members of the Corporate Executive Committee

In 2018, pensions totalling CHF 2,057,784 (2017: CHF 2,049,180) were paid to former Corporate Executive Committee members.

5.12 Total remuneration paid to the members of the Corporate Executive Committee

For the 2018 calendar year, the members of the Corporate Executive Committee received remuneration including bonuses and employer contribution of social securities' beneficial parts and all payments to Dr Michael Heuer, CEO Roche Diagnostics a. i., totalling CHF 39,272,132 (2017: CHF 40,243,288), excluding additional employer's contribution paid to AHV/IV/ALV totalling CHF 1,792,838 (2017: CHF 1,975,317) that does not form part of remuneration.

No additional remuneration other than the above mentioned payments was paid to current or former members of the Corporate Executive Committee.

5.13 Executive remuneration subject to approval at the Annual General Meeting

5.13.1 Submission of Executive total aggregate bonuses for a binding vote at the Annual General Meeting

The Board of Directors proposes awarding the members of the Corporate Executive Committee bonuses (for Dr Severin Schwan in form of Roche shares which are

blocked for ten years, for all other members of the Corporate Executive Committee as a 100% cash payment, see 5.5) totalling CHF 9,291,950 in respect of the 2018 financial year (2017: CHF 11,591,950), excluding legally required employer's contributions to AHV/IV/ALV, and will submit this proposed total amount to the ordinary Annual General Meeting (AGM) 2019 for a binding vote.

Retrospective approvals of the members of the Executive Committee's total aggregate bonuses (in CHF)*

	Proposal AGM 2019	AGM 2018	AGM 2017
	Aggregate amount for financial year 2018	Aggregate amount for financial year 2017	Aggregate amount for financial year 2016
Total aggregate amount proposal for approval/ approved by the AGM	9,291,950	11,591,950	11,891,950

* Excluding legally required employer's contributions to AHV/IV/ALV

5.13.2 Submission of Executive total future aggregate remuneration for a binding shareholder vote

The Board of Directors proposes that the 2019 ordinary AGM approves remuneration for the Corporate Executive Committee totalling not more than CHF 38,000,000 (excluding legally required employer's contributions to AHV/IV/ALV and excluding bonuses) for the period ending at the 2020 ordinary AGM.

The amount of Executive total future aggregate remuneration is composed of base pay, long-term

incentives S-SARs (calculated at grant value without considering reductions of value due to blocking periods if applicable) and RSUs (see 3.1.6, calculated at the time of reservation of non-voting equity securities or shares, without considering reductions of value due to blocking periods), contributions to pension benefits (excluding legally required employer's contributions to AHV/IV/ALV) as well as contributions for expenses, payments for foreign tax obligations, tax consulting services and Roche Connect.

Prospective approvals of the members of the Executive Committee's total future aggregate remuneration (in CHF)*

	Proposal AGM 2019	AGM 2018	AGM 2017
	Aggregate amount for the period AGM 2019–AGM 2020	Aggregate amount for the period AGM 2018–AGM 2019	Aggregate amount for the period AGM 2017–AGM 2018
Total aggregate amount proposal for approval/ approved by the AGM	38,000,000	41,000,000	41,000,000

* Excluding legally required employer's contributions to AHV/IV/ALV and excluding bonuses

5.13.3 Reconciliation of the reported remuneration with the shareholders' prospectively approved remuneration for the members of the Corporate Executive Committee

The 2017 ordinary AGM approved remuneration for the Corporate Executive Committee totalling not more than CHF 41,000,000 (excluding legally required employer's contributions to AHV/IV/ALV and

excluding bonuses) for the period ending at the 2018 ordinary AGM.

For comparison, from the 2017 ordinary AGM to the 2018 ordinary AGM remuneration amounted to CHF 38,215,056 (excluding legally required employer's contributions to AHV/IV/ALV and excluding bonuses. PSP: assumption of maximum value).

Prospectively approved total remuneration of the members of the Executive Committee in comparison to actual total remuneration effected (in CHF)*

	Amount for the period AGM 2018-AGM 2019	Amount for the period AGM 2017-AGM 2018	Amount for the period AGM 2016-AGM 2017
Maximum of total remuneration prospectively approved by the AGM**	41,000,000	41,000,000	41,000,000
Total remuneration calculated at end of corresponding AGM-AGM period**	Calculation at the end of period AGM 2018-AGM 2019	38,215,056	40,001,760
Actual total remuneration realised (for corresponding AGM-AGM period based on the actual amount calculated retrospectively after the end of the corresponding PSP cycle)	Calculation at the end of 2020 (after the end of the PSP cycle 2018-2020)	Calculation at the end of 2019 (after the end of the PSP cycle 2017-2019)	24,022,793***
Within the approved limit	Calculation at end of period	Calculation at end of period	Yes
Additional amount paid for new members of the Corporate Executive Committee after approval by the AGM and not within the approved total amount	No	No	No

* Excluding legally required employer's contributions to AHV/IV/ALV and excluding bonuses

** Including assumption amount of 200% (maximum possible award) of shares/non-voting equity securities of the corresponding PSP cycle

*** Due to no award of shares under the PSP 2016-2018 cycle and their originally included calculation of 200% (maximum possible award), the amount of the total remuneration for the period AGM 2016-AGM 2017 is reduced to CHF 24,022,793.

5.14 Clawback

In addition to applicable statutory provisions, Roche's long-term incentive plans include the option to partially reclaim distributed compensation as a result of special circumstances (clawback).

If the employee voluntarily serves notice of termination of employment, S-SARs (see 5.16.2) and RSUs (see 3.1.5) which are unvested at the date of termination of employment lapse immediately without any compensation.

Upon termination of employment as a result of serious misconduct, all S-SARs and RSUs granted and outstanding, whether vested or unvested, shall lapse immediately without any compensation. According to the S-SARs plan rules, serious misconduct by the participant may include (inter alia):

- activity leading to serious disciplinary action
- repeated or willful failure to perform such duties as have been reasonably assigned by Roche
- violation of any law or public regulation
- commission of a crime
- gross negligence or willful misconduct in employment
- engaging in conduct bringing disgrace or disrepute to Roche and/or any of its subsidiaries
- violation of any of Roche's directives and guidelines relating to business conduct

According to the regulations of the PSP programme, the originally targeted but not awarded NES or shares shall lapse without any compensation upon notice of termination of employment being given for any reason other than redundancy, disability or retirement.

5.15 Guidelines for security holdings

In 2012, the Board of Directors decided that the CEO Roche Group and other CEC members must acquire shares and/or NES equivalent to two annual base salaries (CEO Roche Group since 2018 equivalent to five annual base salaries) and one annual base salary, respectively, by the end of 2016 and retain these holdings for as long as they serve on the CEC. With the exception of Cristina A. Wilbur, who joined the Corporate Executive Committee in 2016 and who must fulfil the requirement by the end of 2020, all other members of the Corporate Executive Committee fulfil this requirement.

5.16 Security holdings

As at 31 December 2018 (as at 31 December 2017, respectively) the members of the CEC and persons closely associated with them held securities as shown in the tables 'Shares and non-voting equity securities (NES)' and 'S-SARs' below.

	Type of security	Value to be acquired
CEO Roche Group	Shares and/or NES	5 × annual base salary
Members of the Corporate Executive Committee	Shares and/or NES	1 × annual base salary

5.16.1 Shares and non-voting equity securities (NES)

	(as at 31 December 2018)				(as at 31 December 2017)		
	Shares (number)	NES (number)	Close relatives' security holdings (number/type)		Shares (number)	NES (number)	Close relatives' security holdings (number/type)
			Shares	NES			
Corporate Executive Committee							
S. Schwan	175,890	35,270	-	-	153,428	27,040	-
A. Hippe	6,970	19,956	-	-	6,970	16,585	-
G.A. Keller	19,191	21,462	1,100	-	19,191	18,445	1,100
D. O'Day	3,065	19,432	-	-	3,065	16,091	-
C.A. Wilbur	-	3,955	-	-	-	3,141	-
M. Heuer	3	18,602*	-	729	n.a.	n.a.	n.a.
Total	205,119	118,677	1,100	729	182,654	81,302	1,100

n.a. - not applicable

* Excluding 4,897 RSUs

5.16.2 S-SARs

	Number of S-SARs held on 31 December 2018					
	2018	2017	2016	2015	2014	2013
Corporate Executive Committee						
S. Schwan	100,677	85,476	89,517	59,997	54,453	30,000
A. Hippe	40,275	34,191	35,811	24,003	21,783	-
G.A. Keller	37,758	32,052	33,570	22,503	20,424	-
D. O'Day	62,919	53,424	55,950	30,000	27,231	-
C.A. Wilbur	21,402	16,032	15,339	4,164	5,754	4,594
M. Heuer**	15,402	12,381	12,840	9,120	8,076	10,392
Total	278,433	233,556	243,027	149,787	137,721	44,986
Price (CHF)	220.80	251.90	251.50	256.10	263.20	214.00
Market price per NES on 31 December 2018 (CHF)	243.40					
Expiry date	15.3.2025	16.3.2024	3.3.2023	5.3.2022	6.3.2021	7.3.2020
Grant value per S-SAR (CHF)	26.49	31.20*	29.79*	43.34*	47.75*	36.38*
Since 1.1.2012: - Trinomial model for American call options						
* Values according to corresponding annual reports						
** Excluding close-relative's 460 S-SARs (2012: price: CHF 157.50; expiry date: 8.3.2019; grant value per S-SAR: CHF 24.41) holdings in total						



Statutory Auditor's Report

To the General Meeting of Roche Holding Ltd, Basel

We have audited the accompanying Remuneration Report of Roche Holding Ltd for the year ended 31 December 2018. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (the Ordinance) contained in the sections marked as 'audited' with a grey line, including the respective footnotes, on pages 120 to 146 of the Remuneration Report.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the Remuneration Report in accordance with Swiss law and the 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 accompanying Remuneration 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 Remuneration 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 Remuneration 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 judgement, including the assessment of the risks of material misstatements in the Remuneration 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 Remuneration 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 Remuneration Report for the year ended 31 December 2018 of Roche Holding Ltd complies with Swiss law and articles 14–16 of the Ordinance.

KPMG AG

Mark Baillache
Licensed Audit Expert
Auditor in Charge

Marc Ziegler
Licensed Audit Expert

Basel, 28 January 2019