Annual Report

2013

Key figures

Group sales

46,780 million CHF +6% (CER)[1]

Operating free cash flow

16,381 million CHF +5% (CER)

Core operating profit

17,904 million CHF +8% (CER)

IFRS[2] net income

11,373 million CHF +22% (CER)

Core earnings per share

14.27 CHF +10% (CER)

Dividend[3]

7.80 CHF +6%

Total Shareholder Return 2013

The value of CHF 100[4] invested 1/1/2013, for the period ending 31/12/2013

A sustainable company

339,350 Patients in clinical trials

21,000,000 Patients treated[5]

85,080 Employees[6]

A global leader in innovation

No.1 in biotech

No.1 in oncology

No.1 in *in vitro* diagnostics

No.1 in hospital markets

1 CER: Constant exchange rates (average full-year 2012).
2 IFRS: International Financial Reporting Standards.
3 Proposed by Board of Directors.
4 Prices translated at constant CHF exchange rates: USD = 0.94; EUR = 1.21; 100 JPY = 1.17; GBP = 1.49.
5 With one of Roche's top 25 selling products.
6 Full-time equivalents.

Making innovation accessible

Key events 2013

Roche Group

Roche delivered a strong performance in 2013, with a **22% increase in IFRS net income.** At the 2014 AGM, the Board of Directors will propose a **6% increase in dividend to CHF 7.80.** This would be the 27th such increase in as many years.

John C. Reed became **Head of Pharma Research and Early Development.** Prior to joining Roche he was CEO at Sanford-Burnham Medical Research Institute in California, United States.

Roche signed agreements with 160 partners, across a multitude of areas, including **immunotherapy** for cancer, **antibiotics** for multi-resistant bacteria and technologies for **new diagnostic tests.**

Roche announced plans to invest 800 million Swiss francs in its global **biologic medicine manufacturing** network to meet increasing demand.

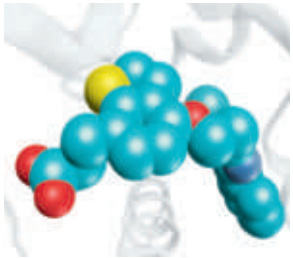
Pharmaceuticals

Kadcyla became our first **antibody–drug conjugate** approved in the United States and the European Union for the treatment of people with HER2-positive metastatic breast cancer.

The FDA granted **Perjeta** accelerated approval for **use before surgery** in people with HER2-positive early-stage breast cancer.

Gazyva received **US approval** for the treatment of people with previously untreated chronic lymphocytic leukemia.

Roche discontinued its development activities for **aleglitazar,** a medicine aimed at treating a diabetes-related heart condition, after a phase III trial review.



Corporate sustainability

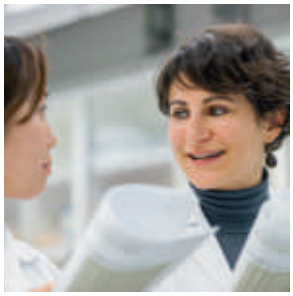
MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

For the **fifth consecutive year,** Roche was recognised by the Dow Jones Sustainability Indices (DJSI) as the **Group Leader** in sustainability within the pharmaceuticals, biotechnology and life sciences industry.

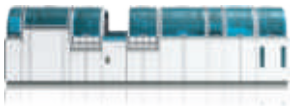
A decade of commitment: since the first **Roche Children's Walk** in 2003, Roche employees worldwide generated more than 11 million Swiss francs in support for vulnerable children in Malawi and the rest of the world.

Roche and the Medicines Patent Pool signed an agreement to **increase access** to **Valcyte to treat CMV infection** in HIV patients, a major cause of blindness.

Roche reached a total of **20.7% women in key positions** in 2013, a year ahead of its 2014 diversity goal of 20%.



Diagnostics

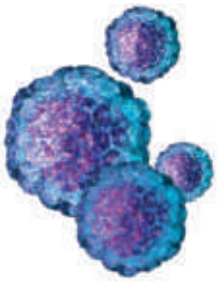


Roche launched the **cobas 8100,** a fully automated lab solution which improves a laboratory's throughput and testing efficiency, enabling healthcare professionals to make fast and reliable treatment decisions.

Roche acquired Constitution Medical Investor Inc., which is developing an innovative **hematology testing** system. This system is designed to provide faster and more accurate diagnosis of blood-related diseases.

The cobas HPV Test for cervical cancer screening received the **Prix Galien Greece 2013** award as **best diagnostic tool.** The Prix Galien awards are considered as the equivalent of Nobel Prizes by the scientific community.

Four new cancer tests to screen or diagnose breast, cervical, lung, or thyroid cancer were launched during the year.



How we make a difference

Roche is an innovation-driven business. In 2013, we invested 8.7 billion Swiss francs in research and development to produce state-of-the-art medicines and diagnostic tests that provide significant medical benefit.

Top-selling pharmaceuticals

in millions of CHF

MabThera/Rituxan

Oncology and Immunology

6,951 6%[1]

For non-Hodgkin's lymphoma, the most common cancer of the lymphatic system, and chronic lymphocytic leukemia, one of the most common forms of blood cancer, as well as rheumatoid arthritis.

Avastin

Oncology

6,254 13%[1]

For colorectal, breast, lung, kidney, ovarian cancer and glioblastoma, a type of brain tumour. It works by starving tumours of their blood supply.

Herceptin

Oncology

6,079 6%[1]

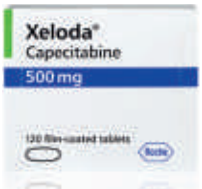
For HER2-positive breast cancer, one of the most aggressive forms of breast cancer affecting around 20% of patients diagnosed with the disease. It is also approved to treat HER2-positive gastric cancer.

Lucentis

Ophthalmology

1,689 15%[1]

For wet age-related macular degeneration, macular edema following retinal vein occlusion and diabetic macular edema. These diseases can cause severe damage to the eye.



Xeloda

Oncology

1,509 2%[1]

For colorectal, colon or breast cancer. Unlike many other chemotherapy cancer treatments that have to be given intravenously, Xeloda is a pill. It stops cancer cells from growing and decreases the size of the tumour.

Pharmaceuticals

Oncology, Immunology, Infectious diseases, Ophthalmology and Neuroscience

Sales in 2013 CHF 36.3 billion

Roche has more than 60 new molecular entities in its pipeline. We hope that one day these compounds will become medicines for diseases that currently have either no or very few treatment options. Roche does not produce generic, biosimilar or non-prescription drugs.

1 Sales growth at constant exchange rates (average full-year 2012).

Top-selling diagnostics

in millions of CHF

cobas e602

Immunodiagnostic

2,571 14%[1]

A broad portfolio of modular instruments, software and a wide range of immunology-based tests, including tests for tumours and heart diseases.

Accu-Chek Nano SmartView

Blood glucose meters

2,235 –3%[1]

These meters are designed for self-monitoring of blood glucose to help people with diabetes to keep their blood glucose levels under control.

cobas c502

Clinical chemistry

1,572 6%[1]

A broad portfolio of modular instruments, software and a wide range of tests based on clinical chemistry, including tests for thyroid dysfunction, cholesterol or triglycerides, important tests for assessing the health status, for example of the heart.

BenchMark Ultra

Tissue diagnosis

564 4%[1]

Advanced staining: Tissue-based tests to visualise and identify molecular targets in cancer tissue. These targets help to identify what is making a specific cancer grow, enabling doctors to choose the best therapy for each patient.

cobas AmpliPrep

Virology

514 1%[1]

Used for the early detection of viruses such as HIV, the human papilloma virus or hepatitis B or C viruses. Test results help physicians to identify the optimal therapy for the patient.

Diagnostics

Immunoassays, Diabetes, Clinical chemistry, PCR tests, Tissue cancer tests

Sales in 2013 CHF 10.5 billion

Roche develops diagnostic systems and tests for lab customers, medical practitioners, patients and healthcare systems. The division's strategy is built on two pillars: testing efficiency and medical value.

Making innovation accessible

Roche works in partnerships all over the world to make sure as many patients as possible can benefit from its medicines and diagnostic tests. A few examples of these initiatives can be found in this Annual Report:

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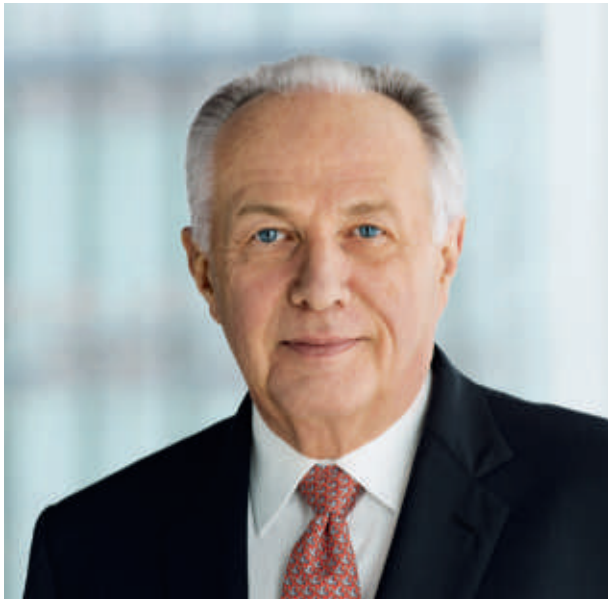


Letter to Shareholders from Franz B. Humer

Dear Shareholders

In my last letter to you as Chairman, it gives me great pleasure to report an excellent performance for the Roche Group in 2013. In a challenging, increasingly cost-sensitive environment, our focus on targeted medicines and diagnostic tests has allowed us to expand our strong market position and to significantly improve net income. In light of our strong performance, the Board of Directors is proposing – for the 27th consecutive year – an increase in dividend.

Roche posted strong results for 2013. Group sales increased 6% at constant exchange rates to 46.8 billion Swiss francs (+3% in Swiss francs) and overall net income grew sharply, up 22% to 11.4 billion Swiss francs (+18% in Swiss francs).

There is increasing demand for our medicines and diagnostic tests, especially the five new cancer treatments we launched over the last two years; and our pipelines are amongst the strongest in the industry. The 2013 results reaffirm the Roche strategy of focusing on innovation in medicines and diagnostics — and the resulting competitive advantage from developing medically differentiated products. Our strengths will become even more important in the future, as targeted, cost-effective treatments have a key role to play in overcoming today's healthcare challenges. Roche is developing medicines which not only improve and prolong the lives of patients, but can also save significant resources in other parts of the healthcare sector. To this end, diagnostic testing is increasingly playing a critical role in the detection of disease, the monitoring of treatment modalities and in the development of targeted treatments, all of which reduce overall costs to the healthcare system.

One of Roche's strengths is our significant biotech know-how. Our expertise in this area opens up a world of new possibilities to treat disease, bringing real medical breakthroughs to patients. Our leadership in biotech is also the result of targeted acquisitions. The Genentech merger in 2009 was the transac-

tion that has had the biggest impact on our pharmaceuticals business and in diagnostics, we became the market leader when we acquired Boehringer Mannheim in 1997. Over the past 15 years, with our systematic focus on innovation and selective transactions, Roche has become the world's leading company in oncology and the global number one in *in vitro* diagnostics. This focus on pharmaceuticals and diagnostics will enable us to succeed in an increasingly competitive marketplace.

There is no doubt in my mind that Roche is a unique company and this is as true today as it was two decades ago when I joined. It is unique because of its culture and unique because of the majority ownership by the original founding family, which allows us to take a long-term view and to pursue our long-term strategy to develop innovative products. The Hoffmann and Oeri families have my sincere gratitude for all the support they have given me throughout my career at Roche.

Our selection once again by the Dow Jones Sustainability Indices as the world's most sustainable healthcare company, is just another indication that Roche is on the right track. Roche was singled out for this distinction for the fifth year in a row in 2013. This rating recognises our commitment to behaving ethically and responsibly and creating long-term value for all our stakeholders.

The foundations of Roche are rock-solid. But as my predecessor used to say: 'the house of Roche is never finished'. No company has an automatic right to prosperity. It needs to be earned again and again. I am very confident that the new generation of leaders in our Executive Committee under Severin Schwan's leadership, and on the Board of Directors, will continue to build a successful business and enrich the Roche culture.

I have chosen the Annual General Meeting (AGM) on 4 March 2014 as the moment to step down as Chairman of the Roche Group. I have worked in the pharmaceutical industry for 40 years, half of which have been with Roche, as head of the Pharmaceuticals Division, as CEO and as Chairman of the Board.

At the forthcoming AGM, the Roche Board of Directors will propose that Christoph Franz, who has served as a non-executive Director on Roche's board since 2011, be elected Chairman of the Board. With Christoph Franz, Roche will have a Chairman with outstanding personal qualities and an impressive record as head of a major global company. I am sure that his extensive experience and exceptional worldwide network will be great assets.

In March 2013, a majority of Swiss citizens voted in a referendum in favour of a set of changes to the Swiss Constitution regarding governance regulations for listed companies. Roche has decided to comply with the new regulations earlier than required and will propose changes to the company's Articles of Incorporation at this year's AGM. The most important ones include: from 2014, the Chairman of the Board, all members of the Board of Directors and the members of the Remuneration Committee will be elected annually by the shareholders; and furthermore, we propose to implement the binding votes on remuneration in 2014, ahead of the mandatory date of 2015.

In light of our strong performance in 2013, the Board of Directors is proposing an 6% dividend increase to 7.80 Swiss francs per share and non-voting equity security (2012: 7.35 Swiss francs), making this the 27th dividend increase in as many years. If approved, more than half of our net income will be distributed to shareholders as dividends.

I would like to thank you, Roche shareholders, for your trust in me over these past years. I have immensely enjoyed my work with the Board, the management and the employees of Roche and am very proud of what we have accomplished together. Roche is a truly great company.

Franz B. Humer
Chairman of the Board

1995
2014

Dr Franz B. Humer

1995: Head of the Pharmaceuticals Division and Member of the Board of Directors of Roche Holding Ltd.

1996: Chief Operating Officer

1998: Chief Executive Officer

2001: Chief Executive Officer and Chairman of the Board of Directors of Roche Holding Ltd.

2008: Chairman of the Board of Directors of Roche Holding Ltd.

In Honour of Dr Franz B. Humer

Many thanks, Franz Humer!

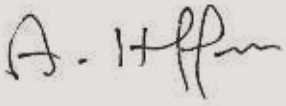
The great and enduring success of Roche is the achievement of our 85,000 employees, but it is especially the result of the far-sighted strategic and operational course set for the past 19 years by Dr Franz B. Humer. Dr Humer will retire as Chairman after the 2014 Annual General Meeting – reason enough to pay tribute to his exceptional career with our company. Dr Humer joined Roche in 1995 as Head of the Pharmaceuticals Division and as a member of the Board of Directors. A year later he was named Chief Operating Officer and then as of 1998 he assumed overall responsibility as Chief Executive Officer.

In 2001, following the retirement of Fritz Gerber, Franz B. Humer was elected Chairman of the Board. He served in both roles until 2008, when Severin Schwan was named CEO. Over the years, with his knowledge, his strategic vision, his impressive management skills and his strong personality, Dr Humer has shaped – and continues to shape – our company as few have done before him.

With his characteristic persistence, he focused the activities of the Pharmaceuticals and Diagnostics businesses on innovation. Short-term thinking with an eye to the next quarter's results, was of little interest to him, his actions were guided by a clearly formulated strategy that was equally comprehensible to employees and shareholders alike.

Our company owes a lot to its retiring Chairman. That Roche today is the undisputed leader in oncology is in large part due to the bold decisions made by Dr Humer during a very challenging period for the company, at the beginning of this century. Franz B. Humer believed in the value of close collaboration between the Pharmaceuticals and Diagnostics areas, well before it became common knowledge. In short, he saw the evolution in our industry before many of his peers and he had the strength to turn his vision into a reality.

For all this I would like to warmly thank Franz B. Humer on behalf of the Board of Directors and the Oeri and Hoffmann families. We are grateful that Dr Humer, with his experience and knowledge, will continue to advise the Roche Board.



André Hoffmann
Vice-Chairman of the Board of Directors

Letter to Shareholders from Severin Schwan

Dear Shareholders

2013 was an exceptional year for innovation at Roche. With Perjeta and Kadcyla, we brought new generations of treatment for patients with a very aggressive type of breast cancer. We also received US approval for Gazyva for treatment of patients with one of the most common types of leukemia. Growing demand for our medicines and diagnostics is reflected in our strong operating results – we have exceeded our financial targets for the year.

In 2013, Roche continued the positive growth trend of the past few years: sales in the Pharmaceuticals Division rose 7% to a total of 36.3 billion Swiss francs, with strong growth from the oncology portfolio, as well as from Actemra for rheumatoid arthritis and Lucentis, an eye medicine. Diagnostics sales grew ahead of the global *in vitro* diagnostics market, increasing 4% to 10.5 billion Swiss francs, driven by strong demand from clinical laboratories. Core operating profit grew by 8% to 17.9 billion Swiss francs and core earnings per share increased by 10% at constant exchange rates to 14.27 Swiss francs.

Very importantly for the future, we continue to make good progress with our product pipeline. An exciting milestone in the year was the approval in the United States and Europe for Kadcyla, a novel medicine which represents a major breakthrough for patients who are suffering from the very aggressive HER2-positive breast cancer. It is our first antibody–drug conjugate, where a highly potent chemotherapy drug is attached to the antibody to precisely target the cancer cells. This significantly reduces the side effects of systemic chemotherapy.

Other milestones in 2013 were the EU approval of the subcutaneous form of Herceptin, which reduces hospital time for patients, and Perjeta in combination with Herceptin received a ground-breaking approval in the United States as the first

treatment for patients with HER2-positive breast cancer before surgery. Both of these medicines significantly improve survival rates in women with HER2-positive breast cancer.

We are also working towards improving the standard of care in hematology tumours, extending our franchise from MabThera/Rituxan in 2013 with Gayzva for the treatment of chronic lymphocytic leukemia. This medicine received US approval in a record time after the FDA granted Priority Review and Breakthrough Therapy Designation.

Our pipeline has a number of exciting compounds — 66 new molecular entities in total, of which 15 are in the late stage. Around two-thirds of our late-stage compounds are being developed with a companion diagnostic, demonstrating the progress we are making with personalised healthcare.

By nature, innovation involves risk and therefore set-backs along the way. A disappointment in 2013 was the discontinuation of trials for aleglitazar, which had been a promising medicine to treat a diabetes-related heart condition. We have now re-aligned our research efforts to focus on the fields of cancer, immunology and autoimmune disease, ophthalmology, infectious diseases and neuroscience.

Our investment in R&D of 8.7 billion Swiss francs is amongst the highest in the world, because we remain firmly committed to our strategy of innovation and our focus on science. Our core strength is a deep understanding of the underlying molecular causes of disease which enables us to find targeted solutions to the root-causes of these diseases. Biotechnology products account for three-quarters of our pharmaceutical sales and most of our diagnostic tests.

Discovery and development of drugs is a long, expensive process with uncertain outcomes. Patent protection is fundamental for any research-based company, as patents are the only means of rewarding the creation of intellectual property with temporary market exclusivity. They ensure that we have the resources to keep investing in the future. When patents expire, these new medicines are accessible to mankind at low prices forever. I am very proud that 24 Roche medicines are included in the World Health Organization's (WHO) Essential Medicines list. 22 of them are now off-patent and are freely available at very low cost. This core WHO list comprises the most effective, safe and cost-efficient medicines believed to be required for any basic healthcare system. These products would not exist today without a robust patent system which encourages investments in innovation. We see the development of truly innovative medical products as our part of this 'contract with society'.

At the same time, access to innovative, patent protected treatments is one of the most challenging global health issues and one that is very close to my heart. Creating truly innovative medicines and diagnostic tests means very little if they don't reach the patient. Our aim is for every person who needs our products to be able to access and benefit from them. To this end, we are working all over the world with healthcare authorities, governments and other stakeholders to break down the barriers to accessing healthcare. You will find more about our initiatives to improve access throughout this report.

Looking forward, in 2014 we expect low-to mid-single digit Group sales growth at constant exchange rates and are targeting core EPS to grow at constant exchange rates, ahead of sales. We also expect to further increase our dividend.

I am confident about Roche's future, in large part because we have a culture where innovation can thrive. Ultimately, innovation depends on our talented and dedicated employees in all functions and in all countries; I would like to thank all Roche employees for their professionalism, commitment and passion.

Our exciting future is in no small part due to the foundations laid by our Chairman. Franz Humer will be stepping down as Chairman of the Roche Group in 2014, after 20 years with Roche. Under his leadership, Roche has become the number one pharmaceutical company in biotechnology, oncology and diagnostics. I am privileged to have worked with him and have greatly benefited from his guidance. Personally and on behalf of the Executive Committee and all Roche employees, I would like to thank Franz Humer for his invaluable contribution and all he has done for Roche.

Severin Schwan
Chief Executive Officer

Board of Directors

Dr Franz B. Humer

André Hoffmann
(representative of the shareholder group with pooled voting rights)

Dr Andreas Oeri
(representative of the shareholder group with pooled voting rights)

Prof. Pius Baschera

Prof. Sir John Irving Bell

Paul Bulcke

William M. Burns

Dr Christoph Franz

Dame DeAnne Julius

Dr Arthur D. Levinson

Dr Severin Schwan

Peter R. Voser

Prof. Beatrice Weder di Mauro

Board of Directors
per 31 December 2013

Board of Directors

	Name (year of birth)			First elected
Board of Directors	Dr Franz B. Humer (1946)	D*, E	Chairman	1995
	André Hoffmann (1958)	A, C*, D, E	Vice-Chairman	1996
	Dr Andreas Oeri (1949)	A*, E		1996
	Prof. Pius Baschera (1950)	A, E		2007
	Prof. Sir John Irving Bell (1952)	B, E		2001
	Paul Bulcke (1954)	B, E		2011
	William M. Burns (1947)	A, E		2010
	Dr Christoph Franz (1960)	C, E		2011
	Dame DeAnne Julius (1949)	B*, E		2002
	Dr Arthur D. Levinson (1950)	C, E		2010
	Dr Severin Schwan (1967)			2013
	Peter R. Voser (1958)	C, E		2011
	Prof. Beatrice Weder di Mauro (1965)	B, E		2006
Secretary to the Board of Directors	Dr Gottlieb A. Keller (1954)			
Honorary Chairman of the Board of Directors	Dr Fritz Gerber (1929)			

A Corporate Governance and Sustainability Committee.
B Audit Committee.
C Remuneration Committee.
D Presidium/Nomination Committee.
E Non-executive director.

* Committee chairperson.

Board of Directors

At the forthcoming Annual General Meeting (AGM) on 4 March 2014, the Roche Board of Directors will propose Christoph Franz to be elected as Chairman of the Board. Christoph Franz is nominated to succeed Franz B. Humer, who announced at the AGM in March 2013 that he would not be standing for re-election.

Corporate Executive Committee

Dr Severin Schwan

Daniel O'Day

Roland Diggelmann

Dr Alan Hippe

Silvia Ayyoubi

Dr Gottlieb A. Keller

Osamu Nagayama

Dr Richard Scheller

Prof. John C. Reed

Dr Stephan Feldhaus

Dr Sophie Kornowski-Bonnet

Corporate Executive Committee
per 31 December 2013

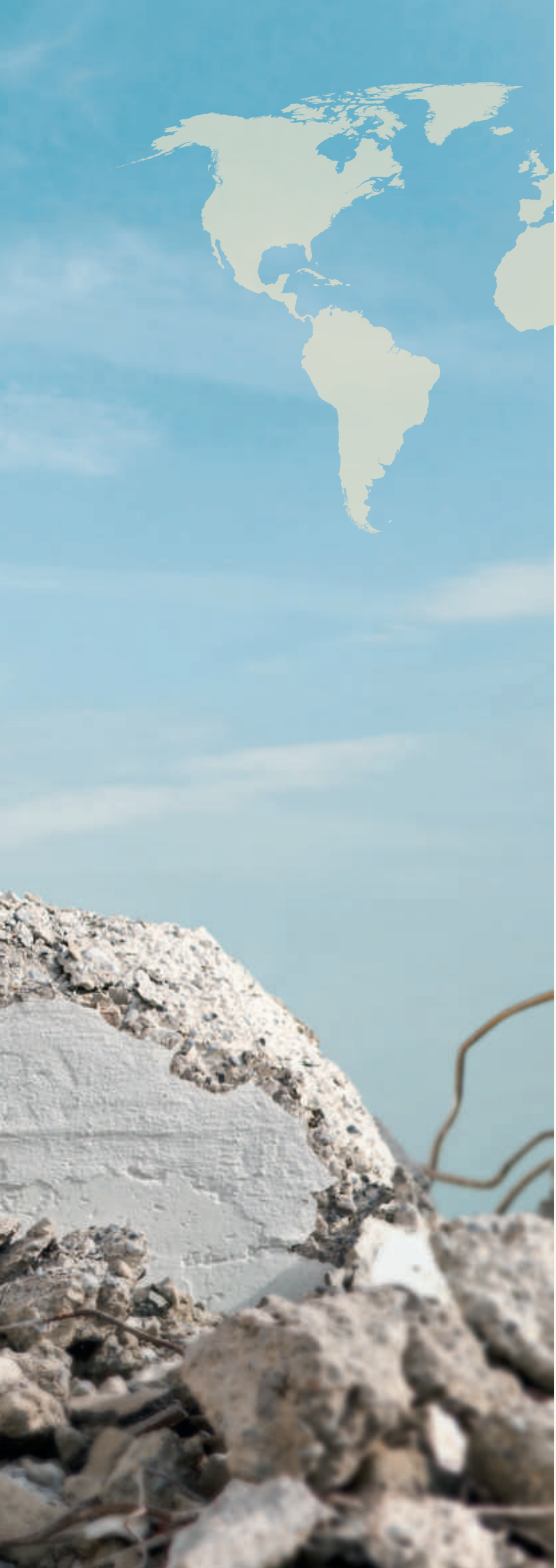
Corporate Executive Committee

	Name (year of birth)	Position
Corporate Executive Committee	Dr Severin Schwan (1967)	CEO of the Roche Group
	Daniel O'Day (1964)	COO Division Roche Pharmaceuticals
	Roland Diggelmann (1967)	COO Division Roche Diagnostics
	Dr Alan Hippe (1967)	Chief Financial and IT Officer
	Silvia Ayyoubi (1953)	Head Group Human Resources
	Dr Gottlieb A. Keller (1954)	General Counsel
Enlarged Corporate Executive Committee	Osamu Nagayama (1947)	Chairman and CEO Chugai
	Dr Richard Scheller (1953)	Head Genentech Research and Early Development (gRED)
	Prof. John C. Reed (1958)	Head Roche Pharma Research and Early Development (pRED)
	Dr Stephan Feldhaus (1962)	Head Group Communications
	Dr Sophie Kornowski-Bonnet (1963)	Head Roche Partnering
Secretary to the Corporate Executive Committee	Per-Olof Attinger (1960)	
Statutory Auditors of Roche Holding Ltd	KPMG Klynveld Peat Marwick Goerdeler SA (reporting years 2004–2008) KPMG AG (since 2009) Auditor in charge: John A. Morris (2004–2010) Ian Starkey (since 2011)	
Chief Compliance Officer	Dr Urs Jaisli (1956)	

Corporate Executive Committee

John C. Reed was appointed Head of Pharma Research and Early Development (pRED) on 2 April 2013 and became a member of the Enlarged Corporate Executive Committee.

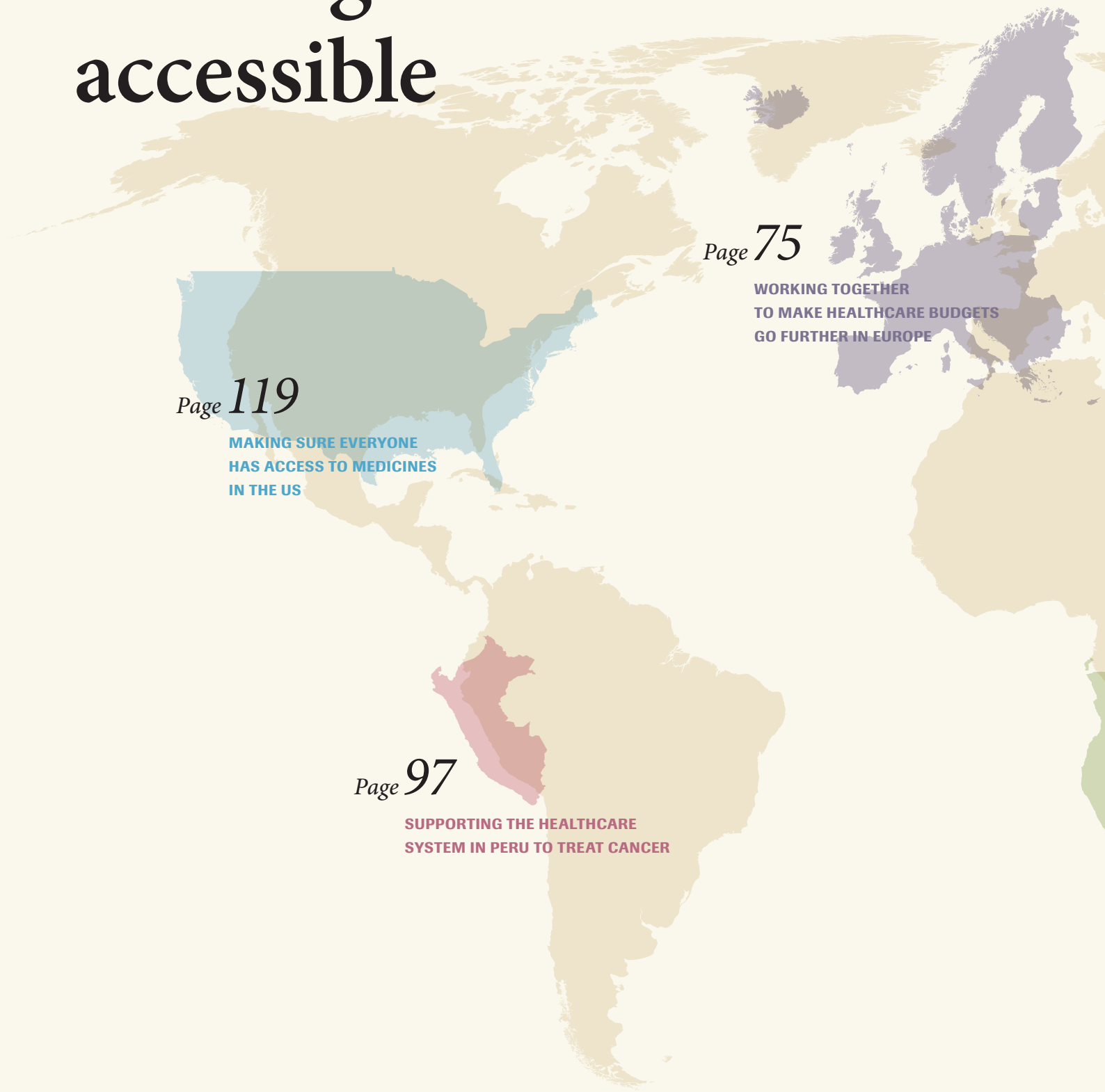
Breaking down the barriers



Access to healthcare remains a global challenge

Healthcare varies dramatically from country to country. In some countries, sophisticated medicines and tests are widely available, whilst in others there is little or no basic infrastructure. Even in established markets, medicines can take years to become available to patients. Roche works in partnerships all over the world to try to make a difference and help break down the barriers to healthcare. We run programmes tailored to specific local needs, whether to support disease education, bring screening to remote areas or make products affordable. A few examples of these initiatives can be found in this Annual Report.

Making innovation accessible



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WORKING TOGETHER
TO MAKE HEALTHCARE BUDGETS
GO FURTHER IN EUROPE

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MAKING SURE EVERYONE
HAS ACCESS TO MEDICINES
IN THE US

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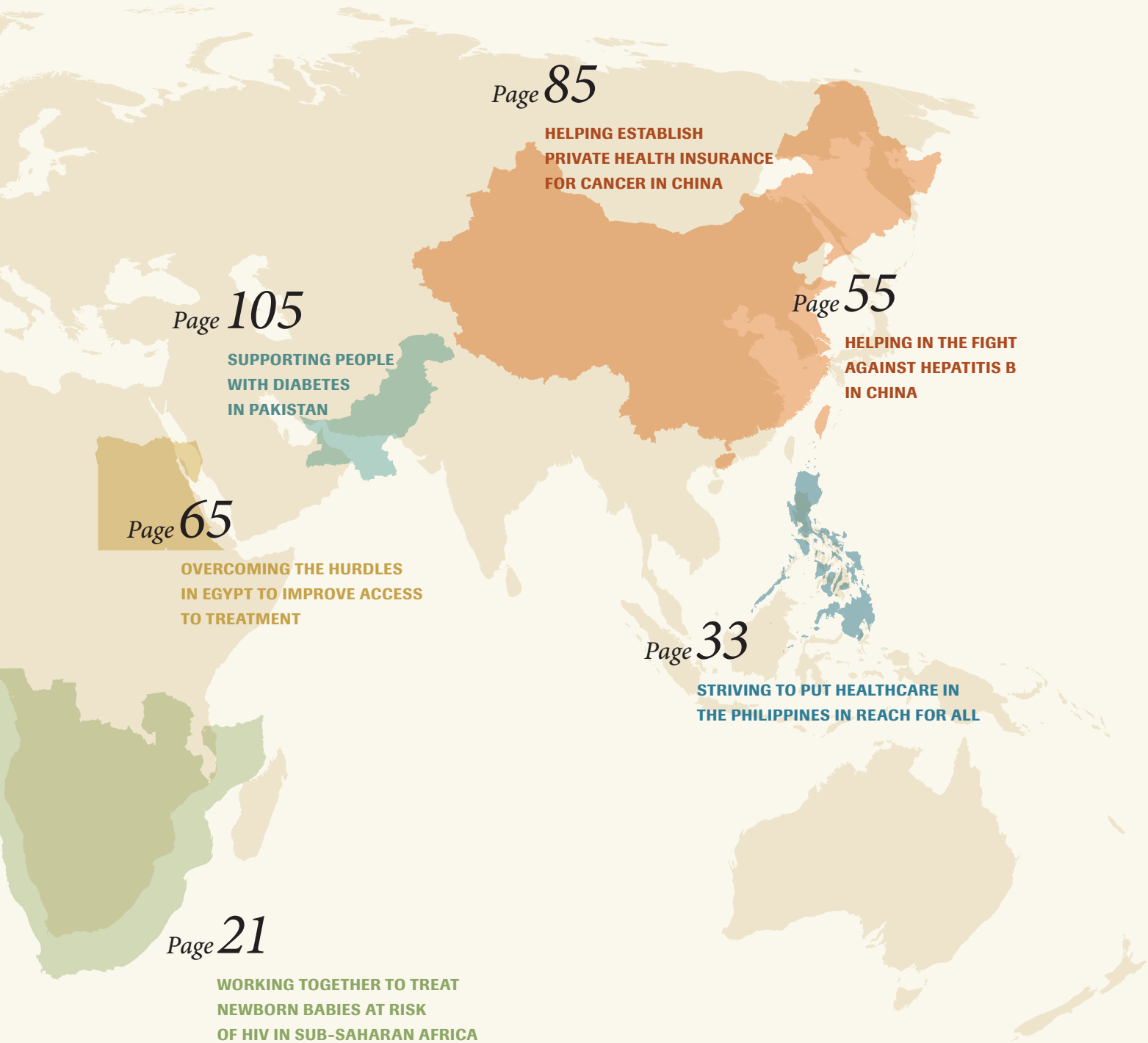
SUPPORTING THE HEALTHCARE
SYSTEM IN PERU TO TREAT CANCER



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HELPING ESTABLISH
PRIVATE HEALTH INSURANCE
FOR CANCER IN CHINA

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SUPPORTING PEOPLE
WITH DIABETES
IN PAKISTAN

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HELPING IN THE FIGHT
AGAINST HEPATITIS B
IN CHINA

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OVERCOMING THE HURDLES
IN EGYPT TO IMPROVE ACCESS
TO TREATMENT

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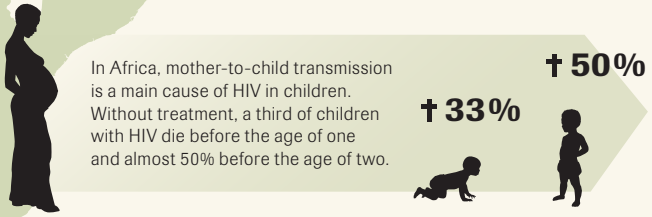
STRIVING TO PUT HEALTHCARE IN
THE PHILIPPINES IN REACH FOR ALL

Page 21

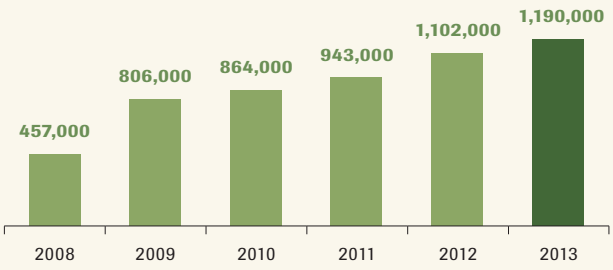
WORKING TOGETHER TO TREAT
NEWBORN BABIES AT RISK
OF HIV IN SUB-SAHARAN AFRICA

Working together to treat newborn babies at risk of HIV

Sub-Saharan Africa



Early infant diagnosis
Number of tests conducted, per year



Innovative testing technology expands access to care in remote areas

Early HIV diagnosis means babies can get the right treatment and stay healthy. To this end, Roche has supported the introduction of a new way of testing blood samples that are dried on a card, but still able to be effectively tested for HIV. The results process is a state-of-the-art procedure, with doctors notified of the test results immediately. This collection card has expanded access to HIV diagnosis, throughout the remotest areas of southern Africa, and Roche is continuing to work with a number of other organisations in public private partnerships to ensure subsequent medical care for babies with HIV.

14.2

Swiss francs
core earnings per share

BUSINESS REVIEW

Exceeded financial targets in 2013

Delivered strong sales growth in oncology, immunology and ophthalmology

Improved cash flow and reduced net debt

Key figures

Group sales	46,780 million CHF	+6% (CER)[1]
Core operating profit	17,904 million CHF	+8% (CER)
IFRS[2] net income	11,373 million CHF	+22% (CER)

	In millions of CHF		% changes		As % of sales	
	2013	2012	CER	CHF	2013	2012
Group sales	46,780	45,499	+6	+3	100	100
– Pharmaceuticals Division	36,304	35,232	+7	+3	78	77
– Diagnostics Division	10,476	10,267	+4	+2	22	23
Core operating profit	17,904	17,160	+8	+4	38.3	37.7
– Pharmaceuticals Division	16,108	15,488	+7	+4	44.4	44.0
– Diagnostics Division	2,177	2,187	+4	0	20.8	21.3
Operating free cash flow	16,381	16,135	+5	+2	35.0	35.5
Core earnings per share (CHF)	14.27	13.49	+10	+6		

Group results and outlook

The Roche Group posted strong overall results in 2013, exceeding all of its financial targets for the year. Group sales[1] increased 6% to 46.8 billion Swiss francs, reflecting positive demand for our oncology products, especially HER2 cancer products and Avastin, as well as for the instruments and tests of the Professional Diagnostics business. Pharmaceuticals sales increased 7% and Diagnostics sales grew 4%. The United States and emerging markets were the main regional growth drivers, with Europe performing well under challenging market conditions.

The Group's core operating profit grew 8% to 17.9 billion Swiss francs, and core earnings per share (EPS) increased by 10% at constant exchange rates (+6% in Swiss francs).

The Swiss franc rose against a number of currencies in 2013, mainly the Japanese yen and US dollar, leading to a negative impact on results reported in Swiss francs.

Strong sales growth from oncology, immunology and ophthalmology products

Sales for the Pharmaceuticals Division increased 7% in 2013 to 36.3 billion Swiss francs due to strong demand for products within the HER2 breast cancer franchise; cancer medicines Avastin and MabThera/Rituxan; Actemra/RoActemra for rheumatoid arthritis; and eye medicine, Lucentis. The performance of key growth products more than compensated for pricing and competitive pressure on mature products, such as

1 Unless otherwise stated, all growth rates are calculated using CER: Constant exchange rates (average full-year 2012).
2 IFRS: International Financial Reporting Standards.

Pegasys. This strong sales performance led to a 7% increase in core operating profit to 16.1 billion Swiss francs.

Pharmaceuticals sales: products > 1 billion CHF

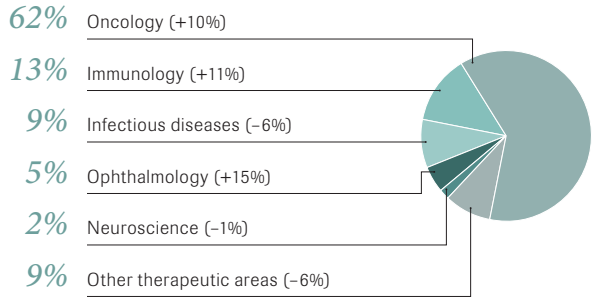
	Sales 2013 CHFm	Growth 2013 vs 12 % in CER	Share of 2013 %
MabThera/Rituxan	6,951	+6	19%
Avastin	6,254	+13	17%
Herceptin	6,079	+6	16%
Lucentis	1,689	+15	5%
Xeloda	1,509	+2	4%
Tarceva	1,339	+4	4%
Pegasys	1,312	–19	3%
Actemra/RoActemra	1,037	+30	3%
Other products	10,134	+6	29%
Total Pharmaceuticals	**36,304**	**+7**	**100%**

Cancer medicines account for the majority of Pharmaceutical sales (62%), of which almost a third are from products to treat HER2-positive breast cancer. Sales from the HER2 franchise, which now consists of Herceptin and newly launched medicines Perjeta and Kadcyla, grew 14% due to good uptake for both Perjeta and Kadcyla, as well as growing use of Herceptin in key emerging markets such as China and Brazil.

Avastin, which is used to treat several different types of cancer, was an important growth driver, with sales rising 13%. This was largely due to strong sales for treatment of ovarian cancer in Europe and increased use in colorectal cancer in Europe and the United States. Blood cancer and rheumatoid arthritis medicine MabThera/Rituxan again made a significant contribution to growth, with a 6% increase in sales in 2013.

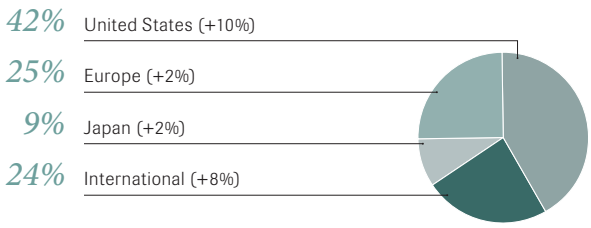
In addition to oncology products, the Pharmaceuticals Division was further supported by sales of the eye medicine Lucentis which grew 15% and sales of the rheumatoid arthritis drug, Actemra/RoActemra, which grew 30% to reach sales of more than 1 billion Swiss francs for the first time.

Pharmaceuticals sales by therapeutic area (CER)



The main regional sales growth drivers were the United States and the key emerging markets[3]. The United States posted a 10% rise in sales. Sales increased 12% in the key emerging markets and demand was particularly strong in China (+21%) and Brazil (+9%). In Europe sales rose 2% despite ongoing pricing pressure, with very strong sales in Avastin. In Japan, sales were 2% higher, in spite of the termination of a co-marketing agreement for Evista, an osteoporosis medicine. Excluding this impact, sales growth in Japan was 7%.

Pharmaceuticals sales by region (CER)



New pharmaceutical products

We strengthened the outlook for our HER2 and hematology product franchises with important launches of Perjeta and Kadcyla in HER2-positive breast cancer, and the US launch of Gazyva in chronic lymphocytic leukemia (CLL), one of the most common types of blood cancer.

Perjeta gained European approval in advanced HER2-positive breast cancer in March, as well as US approval to treat HER2-positive breast cancer before surgery in September. Perjeta, in combination with Herceptin, is now the only approved pre-surgical (neoadjuvant) breast cancer treatment in the United States. We also secured regulatory backing for Kadcyla in the United States, Europe and Japan in 2013, making it the first antibody–drug conjugate (ADC) approved to treat advanced HER2-positive breast cancer. An ADC is a targeted cancer medicine that can attach to certain types of cancer cells and deliver chemotherapy directly to them, resulting in a highly potent treatment that also has fewer adverse side effects. In addition to this, we received European approval of the subcutaneous formulation of Herceptin. This new formulation will help to significantly reduce the administration time and related

3 Roche's seven key emerging markets (E7) are Brazil, China, India, Mexico, Russia, South Korea and Turkey.

treatment costs associated with the traditional intravenous method of administration.

Gazyva was approved in the United States in November after the FDA granted it Breakthrough Therapy Designation, as a result of the strength of the data from a late-stage trial and the serious and life-threatening nature of CLL. Late-stage trials investigating Gazyva in non-Hodgkin's lymphoma, the most common cancer of the lymphatic system, as well as diffuse large B-cell lymphoma, are ongoing.

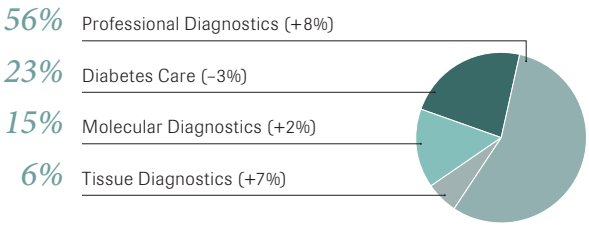
In 2013, Roche spent 7.7 billion Swiss francs in pharmaceutical research and development in the areas of oncology, immunology, infectious diseases, ophthalmology and neuroscience. During 2013, our pharmaceutical pipeline made significant progress both in oncology and in the areas of ophthalmology and immunology. Our pipeline currently has 66 new molecular entities in clinical development of which 15 are in late-stage development. Based on promising mid-stage data we selected eight NMEs for late-stage development during 2013: six compounds in oncology, one in immunology and one compound in ophthalmology.

Good growth of instruments and tests for clinical laboratories

The Diagnostics Division again grew ahead of the global *in vitro* diagnostics market, with sales increasing 4% to 10.5 billion Swiss francs. This growth was mainly driven by sales of Professional Diagnostics business area (+8%), which strengthened the division's position as market leader. Core operating profit in the Diagnostics Division rose 4% to 2.2 billion Swiss francs. The Division's core operating profit margin remained stable at 20.8%.

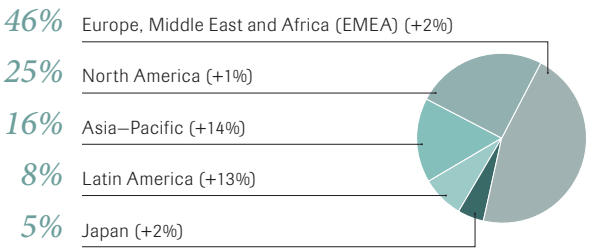
Professional Diagnostics, the Division's largest business area, benefited from strong growth in its immunoassay business. Sales of blood glucose monitoring products decreased 3% as a result of reimbursement cuts in key markets, including the United States. As a result, the Diabetes Care business unit continued to implement restructuring measures to ensure long-term profitability. The Molecular Diagnostics business area grew 2% with a 6% growth in the underlying business and maintained its position as market leader with strong growth in the blood screening business and tests for the human papilloma virus (HPV). Sales of Tissue Diagnostics, especially advanced staining products, rose 7%.

Diagnostics sales by business area (CER)



All regions contributed to growth with Asia–Pacific and Latin America growing at double-digit rates: sales rose 14% in Asia–Pacific (27% in China) and 13% in Latin America. The Europe, Middle East and Africa (EMEA) region, which accounts for almost half of the Division's business, grew 2%. In North America, sales increased 1% as strong sales growth in the Professional Diagnostics business was offset by sales declines in Diabetes Care. In Japan sales grew 2%.

Diagnostics sales by region (CER)



New diagnostic products

In 2013, the Diagnostics Division spent 1 billion Swiss francs in research and development on diagnostic instruments and tests. Roche launched 11 major products, including instruments that further advance lab automation, new devices for diabetes management, as well as additions to test menus on existing instruments. One of the key introductions was the cobas 8100 pre-and post-analytics instrument. This is a new fully automated workflow series that automates routine laboratory tasks, increases cost-efficiency in the lab and reduces manual handling of samples.

Next-generation blood glucose meters (Accu-Chek Active and Accu-Chek Aviva/Performa) were launched in several markets and the Accu-Chek Aviva Expert system received regulatory clearance in the United States.

Molecular Diagnostics received label expansion in tests for sexually transmitted diseases (CT/NG) for the US market and obtained market clearance in Europe for several microbiology tests (MRSA, MSSA and HSV 1 and 2).

In late 2013, Roche also obtained market clearance in Europe for its fully automated cell-based CINtec PLUS Cytology test used in cervical cancer screening. With the cobas HPV test for screening, the CINtec p16 Histology test, and CINtec PLUS Cytology test, Roche now has the most complete cervical cancer screening and diagnosis product portfolio which can identify cervical cancer early and identify cases that have been missed with Pap smear screening alone.

Improved profitability and cash flow

Operating profit improved and core EPS rose ahead of sales

The Group's core operating profit increased by 8% at constant exchange rates (+4% in Swiss francs), driven by the strong sales performance.

Marketing and distribution costs rose 2% to support growth in key markets such as the United States and China, patient access programmes and new product launches. Research and development costs increased 5% to 8.7 billion Swiss francs due to expenses in the oncology and neuroscience disease areas, including trials for recently launched products as well as for our pipeline products.

Roche's core earnings per share (EPS), which excludes non-core items such as global restructuring charges and amortisation and impairment of goodwill and intangible assets, rose 10% to 14.27 Swiss francs per share. This was driven by a strong operating performance and lower financing costs on debt incurred to finance the Genentech transaction.

Net income growing strongly

IFRS net income rose 22% to 11.4 billion Swiss francs (+18% in Swiss francs) due to the good operating performance, lower financing costs and significantly lower global restructuring expenses.

Roche completed the operational closure of the US Nutley site on schedule by the end of 2013. Restructuring measures to improve the efficiency and profitability of the Diabetes Care business area are also underway and the former Applied Science business area's portfolio of products has been integrated into the other business areas within Diagnostics.

As part of a broader initiative to expand production capabilities of biologic medicines, such as Actemra/RoActemra, Kadcyla and Perjeta, Roche recommissioned a discontinued production unit in California. This resulted in a reversal of previously incurred impairment charges, which also contributed to IFRS net income.

Improved net debt position

The Group's operating free cash flow grew by 5% at constant exchange rates (+2% in Swiss francs) to 16.4 billion Swiss francs as a result of cash flow generated by both divisions and despite an increase in inventories related to new product launches. The positive free cash flow enabled Roche to further improve the Group's net debt position and in 2013, Roche paid a record dividend payment to shareholders of 6.3 billion Swiss francs.

By the end of December, 67% of the debt taken out to finance the Genentech transaction in 2009 had been repaid. The net debt position of the Group at year-end 2013 was 6.7 billion Swiss francs, a decrease of 3.9 billion Swiss francs from year end 2012. At 31 December 2013, the net debt-to-asset ratio was 11%.

Outlook 2014

In 2014, Roche expects low- to mid-single digit Group sales growth, at constant exchange rates. Core EPS is targeted to grow (at CER) ahead of sales. Roche expects to further increase its dividend for 2014.

Market environment

Ageing populations, rising healthcare costs, growing economic pressures and new opportunities in emerging markets are driving rapid change in the healthcare market. Meanwhile, new scientific discoveries and technologies are providing unprecedented insight into disease mechanisms. Drawing on these scientific insights, and expertise in pharmaceuticals and diagnostics, Roche is responding to market challenges by developing innovative products that prevent, diagnose and treat disease.

Healthcare systems under pressure

Healthcare systems face many challenges: populations across the world are growing older and patients are expecting more from their healthcare providers, many people are leading unhealthy lifestyles and the treatment of patients suffering from a number of medical issues is becoming more complex, thus costs are rising at a time when budgets are tightening. Effective allocation of limited resources is vital for healthcare systems, particularly as long-term market trends suggest that many of these challenges are likely to intensify.

Unmet medical need

Two-thirds of all diseases are either still not treated adequately or not treated at all. It is expected that age-related illnesses, such as cancer, Alzheimer's disease and cardiovascular problems, will increasingly be major challenges for healthcare systems. Effective diagnoses and medicines will be essential to reducing the overall burden of disease on society.

Value for money

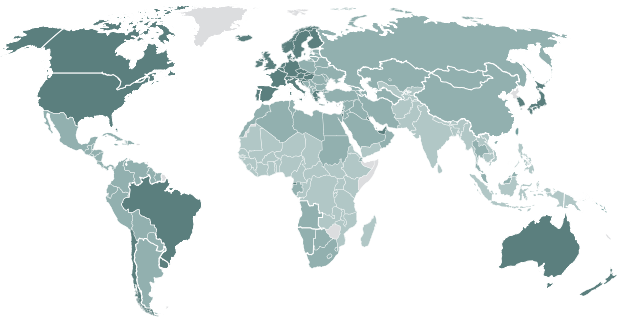
In response, governments are trying to adapt their healthcare systems to tackle these healthcare needs, as well as keep costs under control. Payers are playing a more central role in determining whether a medicine will make it to doctors and patients; they are using more stringent criteria when deciding whether to give a product the necessary financial support. Health Technology Assessments, assessments of the medical, social, ethical and economic implications of new medicines and tests, are becoming increasingly important, as healthcare providers try to determine which treatments should be available to patients and at what cost.

Access to healthcare

In parts of the developing world the lack of resources, infrastructure and education means that many people do not have even basic healthcare. Healthcare spending per capita varies significantly between countries and even within countries can also significantly influence access to healthcare.

Access to healthcare and the related cost has become an important issue in the United States as the implementation of major provisions of the Patient Protection and Affordable Care Act continues. In other developed countries, governments facing budget pressures have challenged the assumption of universal access to new medicines and this has been reflected in reimbursement approvals.

Access to healthcare remains a global challenge



USD 1 – USD 100
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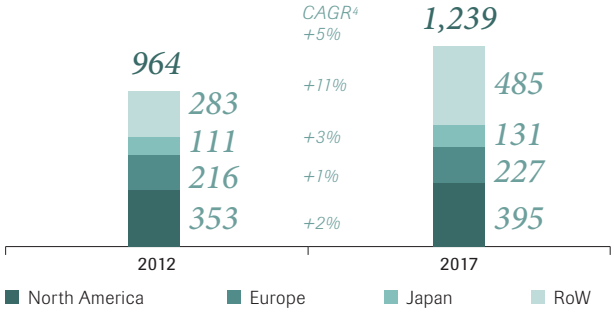
Total (private and public, *per capita)* expenditure on healthcare in 2011 in USD (at average exchange rates). Source: WHO.

Our markets

78% of Roche sales are pharmaceutical products. The pharmaceutical market, now USD 964 billion, is estimated to grow 5% annually between 2012 and 2017. Growth is expected to come from emerging markets (11% from 2012 to 2017); mature markets in North America, Europe and Japan are expected to grow between 1% and 3% in the same period. Our major product area, oncology, is expected to grow 9% annually worldwide over the next five years.

Pharmaceutical market, sales in USD billion

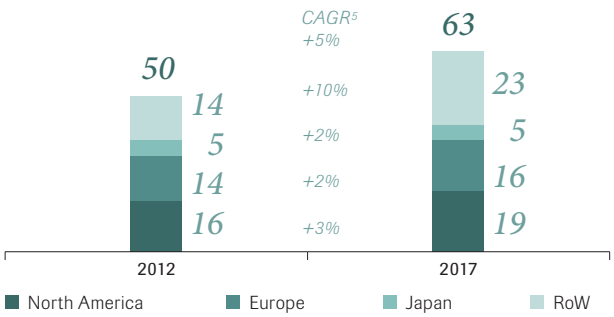


Source: IMS Health Prognosis Sep 2013, Roche analysis.

4 Compound Annual Growth Rate.

22% of Roche sales are diagnostic instruments and tests. The *in vitro* diagnostics market is valued at an estimated USD 50 billion in sales in 2012. The market is expected to grow at 5% in the coming five years, with developed markets between 2% and 3%, and emerging markets as the most important growth drivers, expanding 10% between 2012 and 2017. Within the diagnostics market, the professional diagnostics market is expected to grow at the overall market rate, while blood glucose monitoring is expected to grow by 1%.

Diagnostics market, sales in USD billion



Source: Roche estimates, validated by an independent IVD consultancy.

5 Compound Annual Growth Rate.

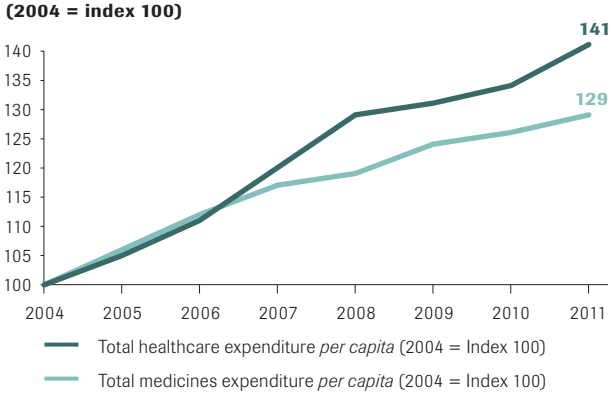
The role of the healthcare industry

Innovation

The global pharmaceutical and diagnostics industries are contributing to more efficient and effective healthcare solutions. Spending on medicines — which accounts for only one-tenth of the total healthcare bill in most developed countries — has risen at a slower pace than overall spending on healthcare in recent years.

Spending on healthcare and medicines

Total healthcare expenditure *per capita*
(2004 = index 100)



Source: WHO, IMS Health Prognosis Sep 2013, Roche analysis.

Innovative medicines enable diseases to be treated faster, more effectively and at lower cost. Newer treatments reduce the number of patients treated in hospitals and reduce the length of hospital stay. Moreover, diagnostic testing enables faster and more accurate diagnosis of disease, leading to lower costs, less delay and ultimately better medical outcomes. Diagnostic testing currently accounts for less than 2% of healthcare spending, yet over 60% of all medical decisions depend on *in vitro* diagnostic tests.

Strategy

At Roche, we strive to make a difference to the lives of millions of patients around the world with our medicines and *in vitro* diagnostic tests. We believe our products provide not only significant medical benefits for patients and doctors, but also efficiency gains for laboratories and health economic benefits for payers.

Focusing on the patient

We put the patient at the centre of our business model: in 2013, 21 million people received treatment with one of our top 25 products, 137 million people were treated with Roche products that are now off-patent, but which are on the WHO Essential Drug list. 339,350 patients received access to our innovative treatments through our clinical trials programmes. Our current products improve and prolong lives in the important disease areas of cancer, arthritis, hepatitis and diabetes.

Setting new standards of care

We currently invest almost 9 billion Swiss francs in research and development every year to create medically differentiated products. In our pursuit of 'excellence in science' our research is focused on the areas of oncology, immunology, ophthalmology, infectious diseases and neuroscience.

We are the leader in oncology treatment and in 2013, we further improved the standard of care in HER2-positive breast cancer with the launches of Kadcyla and Perjeta. We are now working towards improving the standard of care in hematology, moving from MabThera/Rituxan to developing new medicines like Gazyva.

Building on strength in biotechnology

We believe in the enormous potential of modern biological sciences. As our understanding of the underlying mechanisms grows, so does our ability to develop targeted treatments that can make an important contribution to managing the challenges currently confronting healthcare systems. Our strengths in biotechnology research, development and manufacturing mean that we are ideally equipped to translate insights in cell biology into new treatments and tests.

Roche is the world's biggest biotechnology company, with 14 biopharmaceutical medicines on the market and 39 investigational biopharmaceuticals in the pipeline; seven of our ten top-selling medicines are biopharmaceuticals. We are the leading diagnostics company and most of the diagnostic tests we supply are also based on biotechnology. We plan to vigorously continue our research and investments in this area. In 2013, we announced a major investment of 800 million Swiss francs into biotech production capacity.

Innovation: internal hubs and external networks

Roche was one of the first pharmaceutical companies to develop a global network of dedicated, specialised research centres, all operating with a high degree of autonomy to ensure a diversity of scientific approaches. This is how we combine the critical mass of a large research company with the flexibility of smaller research units. The Roche Group's four independent research organisations are Pharma Research and Early Development, Genentech Research and Early Development, Chugai in Japan and our Diagnostics Division. They form the hubs of our internal innovation network.

We complement these strong in-house capabilities with an extensive network of external partnerships with over 150 partners worldwide. This network gives our research activities breadth, diversity and flexibility. Roche was a pioneer in partnering, a third of our pipeline and a third of our marketed products originate from external partnerships.

Driving personalised healthcare

Personalised healthcare (PHC) is about providing the right therapy for the right group of patients at the right time. PHC has enormous potential for combating cancer and other diseases more effectively. By drawing on insights into patients' genetic and other biological differences, medicines can be increasingly tailored to specific patient populations. These populations can be identified with modern diagnostic tests. With our combined strength in pharmaceuticals and diagnostics and proven expertise in molecular biology, we are better equipped than any other company to further drive personalised healthcare, allowing doctors to pinpoint those patients most likely to benefit from a drug and thus enabling healthcare systems to allocate their resources more effectively.

Roche was one of the first companies to bring targeted treatments to patients with the launch of Herceptin in 1998 and more recently with Zelboraf (2011), Perjeta (2012) and Kadcyla (2013). At the heart of our approach is the use of biomarkers to predict therapy outcomes in the clinic, but also to refine the process of developing drugs and diagnostics. Two-thirds of our late-stage compounds are being developed with a companion diagnostic.

Making our innovation accessible

Despite remarkable breakthroughs in diagnosing and treating disease, ensuring that patients have access to these breakthroughs remains a significant challenge. Our main contribution to this challenge is to deliver innovation by developing medicines and diagnostics that prolong and improve people's lives. However, we also work with many different partners to reduce barriers that prevent people from being diagnosed or being treated with our products. As healthcare systems around the world are very different and complex, we do not have a single global approach, but provide tailored solutions to address the needs of each individual country: including innovative pricing models, personalised reimbursement models, patient access programmes, health infrastructure and health education programmes. Our aim is for every person who needs our products to be able to access them and benefit from them.

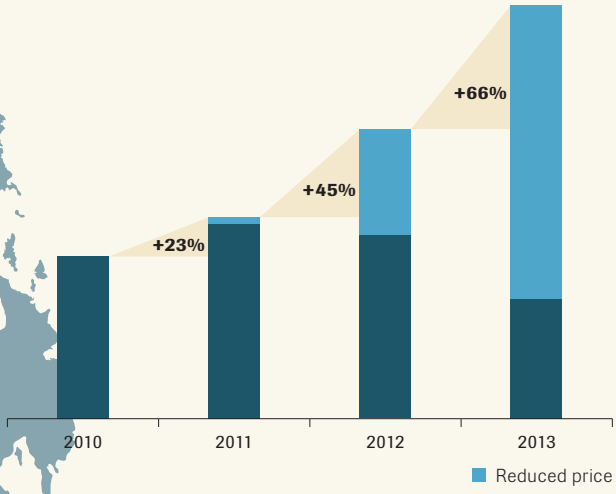
Addressing healthcare challenges

Healthcare challenge	Roche strategic response
Unmet medical need	Existing products in cancer, arthritis, hepatitis and diabetes improve patient care Future targeted treatments in cancer, immunology, infectious deseases, ophthalmology and neuroscience
Value for money	Truly innovative medicines and diagnostic tests with demonstrable medical and economic benefits Personalised healthcare to target treatments and optimise patient care
Access to healthcare	Innovative pricing models and patient access programmes Partner with public and private healthcare providers to improve access to our products

Striving to put healthcare in reach for all

Philippines

Increasing access to Roche's breast cancer medicine Herceptin



Working to make sure medicines are affordable

In the Philippines, the public healthcare system does not cover the cost of all medicines. Patients often have to pay out of their own pocket for treatment, especially for the most sophisticated medicines, and for the majority, this is unaffordable. To address this problem, Roche Philippines has developed a socialised pricing programme that considers the individual affordability level of a patient. When a doctor prescribes one of our cancer medicines, an external agency makes a financial assessment and a discount on the prescribed medicine may be granted based on the patient's capacity to pay.

250

collaborations between Pharmaceuticals and Diagnostics

RESEARCH AND DEVELOPMENT

Launched three new medicines to fight breast and blood cancer

Explored new ways of using the immune system to tackle cancer

Entered key partnership to take on a drug-resistant bacterial infection

Key figures

Core Research and Development expenditure in 2013

Roche Group	8,700 million CHF	+5% (CER)[1]	18.6% of sales
Pharmaceuticals	7,683 million CHF	+5% (CER)	21.2% of sales
Diagnostics	1,017 million CHF	+7% (CER)	9.7% of sales

1 CER: Constant exchange rates (average full-year 2012).

Highlights 2013

Pharmaceuticals

Milestone	Compound	Indication
Approvals – US	Gazyva[2]	Previously untreated chronic lymphocytic leukemia
	Kadcyla	HER2-positive metastatic breast cancer
	Perjeta	HER2-positive breast cancer (neoadjuvant)
Approvals – EU	Herceptin subcutaneous	HER2-positive breast cancer
	Kadcyla	HER2-positive metastatic breast cancer (second, later lines)
	Perjeta	HER2-positive metastatic breast cancer (first line)
Key phase III trial results	Avastin	Advanced cervical cancer (GOG-240)
	Avastin	Newly diagnosed glioblastoma multiforme (AVAglio)
	Gazyva	Chronic lymphocytic leukemia (CLL11)
	Kadcyla	HER2-positive metastatic breast cancer (TH3RESA)
Diagnostics		
Major product launches	cobas 8100	
	Accu-Chek Active	
	CAP/CTM HCV test	
Key clinical study results	PROGNOSIS – preeclampsia test (interim results)	
	ABACUS study – diabetes	

2 Approval of obinutuzumab (GA101) under the trade name Gazyva had only been granted in the United States at the time of publication.

Harnessing diversity to maximise our R&D activities

Each year, we invest heavily in researching and developing new medicines and diagnostic tests, with a focus on oncology, immunology, ophthalmology, infectious diseases and neuroscience. We draw on expertise from within and outside our company to maximise our output and ensure that our investment yields sustainable results.

Our research and early development is carried out by Genentech Research and Early Development (gRED) and by Roche Pharma Research and Early Development (pRED). These activities are further supported by Chugai, our Japanese subsidiary, as well as by our external partners. We currently have alliances with more than 150 companies and institutes outside our company. Compounds successfully developed by gRED, pRED, Chugai and our partners go into our global late-stage development unit.

We strive for excellence in science on the basis of a deep understanding of the underlying biology behind diseases. To this end we have built up extensive expertise in molecular and cellular biology over the past few decades. By truly understanding cells, how they behave, replicate and interact with each other, we are able to modulate the biochemical pathways that give cells the information and energy they need to grow. This knowledge and understanding is a vital part of the development of new medicines for a number of diseases, including cancer.

The entire process of our drug development is underpinned by our Diagnostics Division, which plays an invaluable role by developing companion diagnostics. These tests mean we can pinpoint those patients most likely to respond to our medicines early in the development process and allow us to design more effective and efficient trials as well as better and safer medicines. This approach is crucial for our personalised healthcare strategy.

We currently have 66 potential new medicines in our pipeline and 165 potential diagnostic instruments and tests in development. Around two-thirds of our late-stage compounds are being developed with a companion diagnostic.

In 2013, we were recognised as one of the most innovative companies worldwide by Thomson Reuters, while Genentech won the Corporate Award at *The Economist's Innovation Awards* in 2013.

Pharmaceuticals

In 2013, we further strengthened our HER2-positive breast cancer franchise as well as our hematology portfolio with three innovative products in these areas.

The launch of Kadcyla in the United States and Europe for advanced HER2-positive breast cancer, a particularly aggressive form of the disease affecting around 20% of people with breast cancer, brought a revolutionary new treatment option to physicians and patients.

Kadcyla is an antibody–drug conjugate (ADC) and is the first of its kind to be approved to treat this type of breast cancer. An ADC is a targeted cancer medicine that can attach to certain types of cancer cells and deliver chemotherapy directly to them, resulting in a highly potent medicine that also has fewer adverse side effects.

We also won accelerated approval of Perjeta in the United States for the treatment of HER2-positive breast cancer, prior to surgery (neoadjuvant). Perjeta, which is combined with our medicine Herceptin and chemotherapy, was first approved to treat advanced HER2-positive breast cancer in 2012. The speed of approval of Perjeta in the neoadjuvant setting was exceptional, as it can often take several years for a medicine to secure backing for earlier use after initial approval in a later-stage indication.

Perjeta was granted approval after the phase II NEOSPHERE trial showed nearly 40% of people receiving Perjeta, Herceptin and chemotherapy had no evidence of a tumour at the time of surgery. This is known as pathological complete response (PCR). Perjeta is the only approved neoadjuvant breast cancer treatment in the United States and is also the first to be approved based on PCR data.

We are currently investigating the combination of Perjeta and Kadcyla to treat advanced HER2-positive breast cancer and expect results of the phase III MARIANNE trial to read out in the second half of 2014.

Our hematology franchise was boosted by the US launch of Gazyva in chronic lymphocytic leukemia (CLL), one of the most common forms of blood cancer, after a phase III head-to-head study (CLL11) demonstrated a clear efficacy benefit of Gazyva over MabThera/Rituxan. We also reported encouraging data on our oral, small-molecule Bcl-2 inhibitor RG7601[3]. Late-stage development of the RG7601 Bcl-2 inhibitor is planned to start in early 2014 in CLL, while phase II trials in non-Hodgkins lymphoma are due to begin in the first half of 2014.

We made significant progress with our anti-PDL1 antibody, RG7446[4], a new type of cancer treatment designed to restore a patient's own immune system so that it is able to fight tumour cells. This molecule moved into late-stage development for non-small cell lung cancer after promising phase I efficacy data were presented in 2013. RG7446, which is being developed with an investigational companion diagnostic, could also be used to treat other cancer types, both alone and in combination with some of our existing cancer medicines, such as Avastin and Zelboraf.

We decided to stop development of aleglitazar after a regular safety review of the AleCardio phase III trial investigating the compound in type 2 diabetes detected safety signals and lack

3 RG7601 is listed as GDC-0199/ABT-199 on clinicaltrials.gov
4 RG7446 is listed as MPDL3280A on clinicaltrials.gov

of efficacy. This means we no longer have any compounds for cardiovascular disease in our late-stage pipeline. The assets in early development are being further evaluated.

Oncology

As the world's leading provider of cancer drugs, Roche has developed medicines to treat a number of different cancers, such as cancers of the breast, skin, colon, ovaries and lung. We hope the development of new medicines in this area will help patients to live longer and better lives.

Stepping up the fight against blood cancer

Around half of the blood cancers that occur each year are lymphomas, or cancers of the lymphatic system. The lymphatic system is made up of lymph nodes in the neck, armpits, groin, chest and abdomen, and is part of the immune system. Lymphomas are caused by the abnormal growth of lymphocytes, a type of white blood cell.

NHL is the most common cancer of the lymphatic system, while CLL is the most common type of leukemia in the Western world, causing around 75,000 deaths worldwide each year.

Both NHL and CLL are B-cell malignancies. High levels of a protein called CD20 are found on the surface of malignant B-cells, and it is this protein that MabThera/Rituxan and our newest blood cancer medicine Gazyva (obinutuzumab) are designed to target.

Launched in 1997, MabThera/Rituxan is currently the standard of care for NHL and CLL. It has been used to treat nearly 3 million cancer patients. But we hope that we will be able to further improve on MabThera/Rituxan with Gazyva and our Bcl-2 inhibitor RG7601.

So far the data on Gazyva have been very encouraging. Results of the phase III CLL11 trial showed that Gazyva in combination with chlorambucil, a type of chemotherapy, helped people with previously untreated CLL live nearly a year longer without their disease worsening than those treated with MabThera/Rituxan and the same type of chemotherapy. Other studies investigating the dose and safety of Gazyva with different chemotherapy regimens in CLL are ongoing.

Two further head-to-head phase III studies comparing Gazyva with MabThera/Rituxan are currently being conducted. They are investigating Gazyva in combination with chemotherapy as a first-line treatment for diffuse large B-cell lymphoma (GOYA) and newly diagnosed slow-growing NHL (GALLIUM). A third late-stage study is evaluating Gazyva in combination with bendamustine, a type of chemotherapy, versus bendamustine alone to treat patients with NHL that have not responded to previous treatment (GADOLIN). The GOYA trial is expected to read out in 2015, while results of the GALLIUM and GADOLIN studies are due in 2017.

Gazyva is the first type II anti-CD20 medicine that is glyco-engineered. This means that specific sugar molecules are modified in the drug to change the way it interacts with the body's immune cells. Gazyva attacks targeted cells both directly and together with the body's immune system.

We are also investigating Gazyva in combination with RG7601 (GDC-0199), a Bcl-2 inhibitor. Bcl-2 is a protein that is highly expressed in most CLL, indolent NHL, some aggressive lymphomas and a variety of solid tumours. This Bcl-2 inhibitor, which we are developing with AbbVie, is designed to promote apoptosis. Late-stage development of RG7601 is planned to start at the beginning of 2014 after phase I data showed a 53% overall response rate in patients with NHL that has either returned after initial treatment (relapsed) or that has failed to respond to a given treatment (refractory). The data also showed an 84% overall response rate in patients with relapsed or refractory CLL.

Our pipeline of potential hematology medicines also includes the antibody–drug conjugate (ADC) polatuzumab vedotin (anti-CD79b). A phase II trial is currently evaluating this compound in combination with MabThera/Rituxan.

Using the immune system to fight cancer

Immunotherapy is a new approach to fighting cancer, that works by overcoming certain mechanisms that interfere with the body's ability to destroy tumour cells. This type of treatment could result in long-term durable responses that could transform the way we treat cancer. Smart combinations with other targeted medicines could help us to further support the immune response to fight cancer. Success in this field may even result in more cancer cures or in cancer becoming a chronic disease.

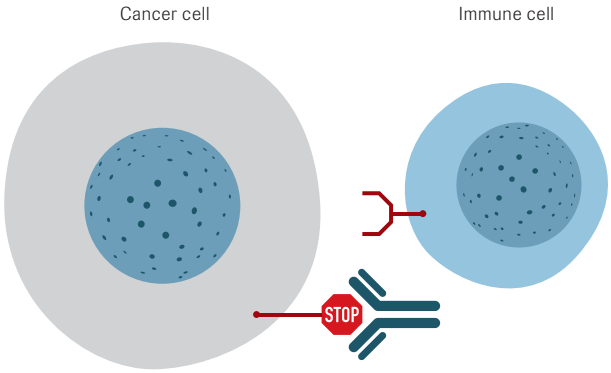
Our anti-PDL1 antibody, RG7446, has moved into late-stage development for non-small cell lung cancer after promising phase I data showed efficacy and durability of response in patients who had stopped responding to other therapies.

Combining therapies for optimal responses

The combination of different cancer therapies is likely to play a key role in the way we tackle cancer. At the moment, there is evidence that one drug blocks a particular disease pathway for a limited period of time before the cancer cells find new pathways that allow them to continue growing. We are aiming to cut off as many lifelines as possible for cancer cells by using a number of different medicines to combat the disease. We hope that this approach will reduce resistance and increase the length of time patients respond to treatment.

We are exploring this approach by investigating the combination of Tarceva and onartuzumab in lung cancer, Zelboraf and MEK-inhibitor cobimetinib in skin cancer, as well as our anti-PDL1 molecule with either Avastin or Zelboraf in a number of different types of cancer. We are also considering using both Gazyva and a Bcl-2 inhibitor to treat certain types of blood cancer.

Immunotherapy



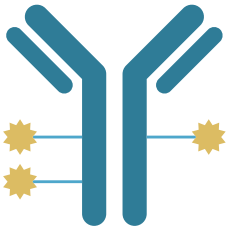
Certain kinds of immunotherapies are designed to help activate the immune system by blocking the 'stop sign' that prevents immune cells from destroying cancer cells

Boosting the power of antibodies

We are continuing with our development of antibody–drug conjugates (ADC) following the successful launch of Kadcyla in 2013. ADCs allow a more targeted delivery of chemotherapy to cancer cells because the chemotherapy is linked to an antibody. This can result in increased efficiency and fewer of the side effects traditionally associated with chemotherapy, such as hair loss, nausea and infection.

We currently have nine ADCs in clinical development in eleven different types of cancer. Encouraging early-stage clinical data were presented on RG7599 (anti-NaPi2b)[5] and RG7450 (anti-STEAP1)[6] in 2013, and we have seen promising phase I results of RG7458 (anti-MUC16)[7] in patients with advanced MUC16-expressing platinum-resistant ovarian cancer. RG7599 is being evaluated for patients with advanced non-squamous non-small cell lung cancer and ovarian cancer that is resistant to platinum-based chemotherapy. RG7450 is being investigated in patients with advanced castration-resistant prostate cancer, or prostate cancer that has not responded to medical castration.

Antibody–drug conjugates



Antibody–drug conjugates combine an antibody with chemotherapy to deliver medicine directly to cancer cells

5 RG7599 is listed as DNIB0600A on clinicaltrials.gov
6 RG7450 is listed as DSTP3086S on clinicaltrials.gov
7 RG7458 is listed as DMUC5754A on clinicaltrials.gov

Tackling women's health issues

At Roche, we are investing in medicines and diagnostic tests that will help to significantly improve the health of women. Demand for our breast cancer medicines is robust and we recently launched Avastin in Europe, Latin America and Asia to treat advanced ovarian cancer, a disease for which there are currently very few treatment options available.

We are now working on potential tests and treatment for cervical cancer, the third most common type of cancer in women. Approximately 275,000 women die from this illness each year, and around 85% of all cases occur in developing countries.

Almost all cervical cancer cases are caused by the human papilloma virus and it could be more effectively prevented through better screening and vaccination. If caught in the early stages, cervical cancer can be treated very successfully. Our Diagnostics Division is building on the success of its recently launched HPV test to further improve screening of cervical cancer with the CINtec PLUS Cytology test. This is designed to detect early changes in the cells of the cervix so that women can be treated before cancer develops. With the cobas HPV test, the CINtec Histology test and the CINtec PLUS Cytology test Roche has the most complete cervical cancer screening and diagnosis portfolio to help women and healthcare professionals tackle cervical cancer and avoid cases that could have been missed by screening with the Pap smear alone.

We are also developing Avastin to treat advanced cervical cancer. If approved, Avastin would be used to treat recurrent or persistent disease, which accounts for about 30% of all cases. There have been very few treatment advances in cervical cancer over the years, but late-stage data presented at the American Society of Clinical Oncology showed that Avastin plus chemotherapy improves median overall survival by nearly four months to 17 months.

The Diagnostics Division will also present key data on its pre-eclampsia test in 2014. This test is designed to make it easier for doctors to predict which women are at greatest risk of developing this serious complication in pregnancy. Preeclampsia occurs in about one in 20 pregnancies and can be life-threatening for mother and baby, especially if it is not diagnosed.

We are also developing antibody-targeted cytolytic fusion proteins (cFPs), to complement our ADCs. In contrast to ADCs, which only kill proliferating tumour cells, these proteins could also destroy cells that are not dividing. This could mean that even those tumours that are resistant to standard anti-proliferative agents could one day be treated.

A possible new treatment for lung cancer

The ALK inhibitor, alectinib, is a small-molecule compound from Chugai that we are developing for patients with anaplastic lymphoma kinase ALK-positive non-small cell lung cancer (NSCLC), which accounts for approximately 5% of NSCLC cases. This drug could deliver significant benefit to patients with ALK-positive lung cancer as it is active in tumours that are resistant to an existing treatment. It is also able to penetrate the brain, unlike some other therapies. This is important because many patients with advanced lung cancer die because their cancer has spread to the brain. Alectinib is now moving into late-stage development and it was granted Breakthrough Therapy Designation by the FDA in 2013 after very encouraging efficacy in early studies in patients whose cancers were ALK-positive. We are developing this compound with a companion diagnostic.

Immunology

By using our understanding of biology to characterise patient sub-groups for diseases that were once believed to be homogeneous, we are hoping to develop several new medicines for a range of diseases, including severe asthma and inflammatory bowel disease.

Working to provide relief for severe asthma

Over 300 million people suffer from asthma worldwide, and 250,000 die of asthma each year. The highest prevalence is in Europe, the United States and Australia, where it can affect over 10% of the population. Mild and moderate forms of the disease can be treated adequately with current medications, but around 3 million people in the United States and the European Union suffer from severe, uncontrolled asthma. For such asthmatics, the burden of disease can extensively limit their quality of life due to frequent shortness of breath, poor exercise tolerance, asthma attacks and side effects from systemic steroid treatments.

We are currently developing lebrikizumab, a new treatment for patients with severe, uncontrolled asthma. Lebrikizumab, now in late-stage trials, is a novel humanised monoclonal antibody designed to target the function of the interleukin-13 cytokine, which is increased in some patients with asthma and is thought to be a causal mechanism for airway inflammation.

Inhaled steroids are the current cornerstone of therapy for people with uncontrolled asthma, but not everyone responds to high doses of inhaled steroids and a second controller, such as a long-acting beta agonist. These patients could benefit from lebrikizumab.

A key part of the lebrikizumab development programme is the use of a companion diagnostic test to identify those people most likely to benefit from this medicine. It is difficult to measure interleukin-13 in the lung or blood, therefore it was necessary to find a surrogate of interleukin-13-driven inflammation in the lung. Researchers identified serum periostin as a suitable surrogate, and based on phase II trials, periostin appears to identify patients who are most likely to benefit from lebrikizumab.

Results of the phase III trials that started in 2013 are expected in 2016, and global filings are planned for the same year.

A new treatment for inflammatory bowel disease

Inflammatory bowel disease (IBD) is a chronic disease of the gastrointestinal tract that commonly presents as either Crohn's disease or ulcerative colitis. IBD affects people primarily between the ages of 20 and 30 years and onwards. It can also affect children and teenagers. This early age of onset means that the costs to the patient, healthcare systems and society are high. Prevalence is higher in industrialised countries, however, it is also emerging in the Asia–Pacific region, possibly because of a westernisation of diet. IBD is associated with significant morbidity, including surgical interventions, hospitalisations and increased risk of colon cancer.

We are developing etrolizumab to treat both Crohn's disease and ulcerative colitis. Symptoms of Crohn's disease, which can affect any part of the gastrointestinal tract, include significant abdominal pain, diarrhea, weight loss and lack of energy. It can go undetected for an extended period of time as symptoms are often vague. In some cases, people can become very malnourished because the body is no longer able to absorb key nutrients. The clinical presentation of ulcerative colitis, which affects the colon, is more acute and symptoms include frequent bloody diarrhea, abdominal pain and lack of energy. Both Crohn's disease and ulcerative colitis increase a patient's risk for development of colon cancer over time.

Current treatment options are only modestly effective and come with significant side effects. Etrolizumab is a gut-selective antibody to beta7 integrin that uniquely binds to both alpha4beta7 and alphaEbeta7. This gut selectivity and dual mode of action could result in important safety and efficacy advantages over other agents. Integrins play an important role in the migration of cells and how they interact with their environment. The etrolizumab programme is evaluating alphaE expression in the gut as a potential diagnostic biomarker. Etrolizumab is moving into late-stage development.

Ophthalmology

We are building up our ophthalmology portfolio with a potential new treatment for age-related macular degeneration (AMD) as we seek to develop medicines that will help prevent blindness.

Meeting an unmet medical need

AMD is a disease associated with ageing that can gradually destroy sharp, central vision. Central vision is needed to see objects clearly and for common daily tasks such as reading and driving. AMD is a leading cause of blindness in adults over 55 years of age in the developed world. There are two forms of late-stage AMD, neovascular (wet) AMD, and geographic atrophy (GA). GA is characterised by the irreversible loss of retinal tissue in the macula, resulting in permanent blind spots in a patient's central vision.

Geographic atrophy progression: patient's perspective

It is estimated that GA currently affects more than 8 million people worldwide. GA will become increasingly prevalent as the population ages and by 2020 more than 0.9% of the US population aged 40 years and older may be affected by this condition. Currently, there are no approved treatments for people with this illness.

Our researchers are developing lampalizumab to treat GA. In the MAHALO phase II study, lampalizumab showed a 20% reduction rate in GA area expansion from baseline to month 18 in the patient population treated monthly relative to control, meeting the primary endpoint of the trial. In a subpopulation of GA patients identified using exploratory biomarkers, monthly lampalizumab treatment demonstrated a 44% reduction in GA area expansion relative to control. This is the first study to show a positive treatment effect with a complement inhibitor in GA.

Infectious diseases

We are strengthening our infectious diseases portfolio, which already includes molecules for illnesses such as hepatitis B and C and influenza. Our development of mericitabine and danoprevir for hepatitis C is continuing, and we have decided to develop and commercialise danoprevir in China with Ascletis. We hope this partnership will help us to address a serious public health problem by providing Chinese patients with a new treatment option for hepatitis C.

New ways to treat bacterial infections

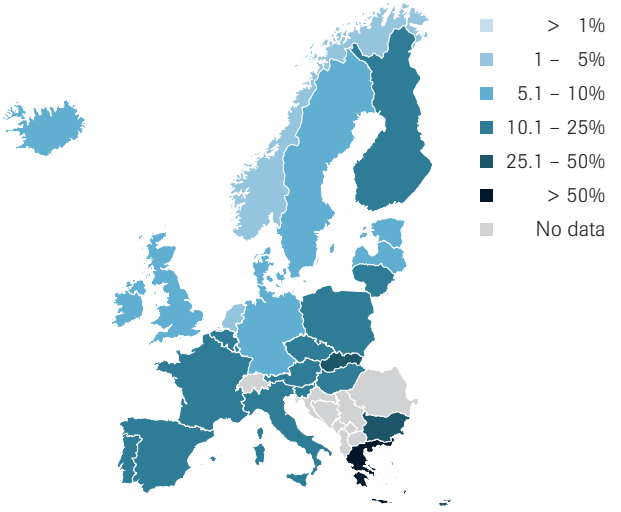
One area of particular interest is the development of medicines that could one day fight infections that are becoming resistant to existing antibiotics.

Resistance to antibiotics is a serious and growing problem in the treatment of infectious diseases and for some pathogens there are no longer any antibiotic options. Over 25,000 antimicrobial resistance-related deaths occur in the European Union every year, costing the European economy more than 1.5 billion euros annually,[8] while in the United States antibiotic-resistant infections are responsible for USD 20 billion in excess healthcare costs, USD 35 billion in societal costs and USD 8 million additional hospital days.[9]

In 2013, we entered into a partnership deal with Swiss-based Polyphor to develop POL7080, a new class of antibiotic designed to treat severe hospital-acquired bacterial infections caused by *Pseudomonas aeruginosa*. *Pseudomonas aeruginosa* accounts for one in every ten hospital-acquired infections in the United States and is listed as one of the six most dangerous drug-resistant microbes. POL7080, which is in phase II studies, kills *Pseudomonas aeruginosa* by a novel mode of action, overcoming the resistance seen with other antibiotics. It therefore has the potential to offer new treatment options for a number of serious and life-threatening infections.

Pseudomonas aeruginosa causes urinary tract infections, respiratory system infections, dermatitis, soft-tissue infections, gastrointestinal infections and a variety of systemic infections. Any Pseudomonas infection is a serious problem in patients with a weakened immune system, such as those with cancer, AIDS and severe burns, or in patients suffering from chronic diseases like cystic fibrosis. The fatality rate in some of these patient groups is almost 50%.

High rate of multi-drug resistant Pseudonomas



Carabapenem-resistant *P. aeruginosa* 2011

8 EFPIA 2012 review.

9 http://www.cdc.gov/media/releases/2011/f0407_antimicrobialresistance.html

Our scientists are also exploring the use of antibody-based therapies to attach antibiotics to antibodies so that antibiotics are delivered directly to the sites of infection. Our first investigational therapy using this concept is expected to enter the clinic in late 2014. We are looking at new mechanisms to treat antibiotic-resistant *Staphylococcus aureus* and other Gram-positive and Gram-negative pathogens that show increasing resistance to currently available antibiotics.

Neuroscience

Our understanding of the brain and how it works has significantly improved over the last decade. We are working on a number of compounds that could mark a shift in the way diseases like schizophrenia, multiple sclerosis (MS), Alzheimer's disease and neurodevelopmental disorders are treated in the future.

Taking on schizophrenia

Schizophrenia is a serious public health problem affecting approximately 1% of the world's population and is a leading cause of disability. Schizophrenia is characterised by three broad categories of symptoms: negative symptoms, which include social withdrawal and lack of motivation; positive symptoms, such as hallucinations and delusions; and cognitive deficits, which can involve memory problems and difficulty concentrating. Our schizophrenia molecule, bitopertin, is a first-in-class oral glycine reuptake inhibitor designed to improve N-methyl-D aspartate (NMDA) receptor function, which is thought to be diminished in people with schizophrenia. We have a clinical trial programme for bitopertin called SearchLyte, comprised of six phase III studies, three for sub-optimally controlled symptoms and three for negative symptoms. It was announced in January 2014, that two phase III studies of bitopertin in adults with persistent, predominant negative symptoms of schizophrenia did not meet their primary endpoints. The remaining four studies are ongoing and we expect data later in 2014.

A potential new medicine for multiple sclerosis

Ocrelizumab is now in late-stage development for MS, a debilitating neurological illness. Ocrelizumab is a first-in-class humanised, monoclonal antibody designed to selectively target CD20-positive B-cells, which are thought to play an important role in MS. Results of the phase II trial in relapsing-remitting MS showed that ocrelizumab significantly reduced disease activity as measured by brain lesions and relapse rates. The phase III clinical programme consists of two studies in patients with relapsing MS and one study in patients with primary progressive MS. The trials are now fully recruited and we anticipate phase III data in 2015.

Tackling Alzheimer's disease

Gantenerumab is being developed to treat patients with prodromal and mild Alzheimer's disease who are showing signs of mild cognitive impairment and who have evidence of amyloid plaques in the brain. The goal of this early treatment is to slow the progression of the disease and prevent further damage to the brain. The phase III SCarlet RoAD trial is on-going and the development of a diagnostic test is helping us to identify the patients most likely to respond to gantenerumab. We expect first results of the trial in 2016.

We are also working on crenezumab for Alzheimer's, which would be used in patients with mild to moderate Alzheimer's. This antibody targets both the solid particles of beta amyloid that make up plaques in the brain and the free-floating, soluble forms of the Abeta protein. Crenezumab is in phase II development. It is also being investigated in the API Prevention trial, known as the Colombian study. This study is led by Banner Alzheimer's Institute in collaboration with the National Institutes of Health.

In addition to gantenerumab and crenezumab, two anti-Abeta antibodies, we are developing a monoamine oxidase inhibitor (MAO-B) for Alzheimer's. MAO-B, a small molecule, is currently in phase II development. This MAO-B inhibitor aims to improve the cognitive function and the behavioural problems of Alzheimer patients in the mild to moderate dementia stage.

Researching treatment options for neurodevelopmental disorders

We are also one of the few pharmaceutical companies committed to finding new treatment options for individuals with neurodevelopmental disorders such as autism, fragile X, and Down's syndrome. We currently have three compounds in clinical trials: V1A (RG7314) for autism, mGlu5 (RG7090) for fragile X, which are both in phase II development, and GABA-A a5 (RG1662) for Down's syndrome, which is in phase I trials.

Diagnostics

Our Diagnostics Division is developing a number of instruments and solutions to improve medical outcomes and make testing more efficient as we strive to further strengthen our position as the world's leading supplier of *in vitro* diagnostics (IVDs). IVDs play a key role in helping doctors to detect and diagnose diseases, select appropriate treatments and monitor patient response to care. These tests are either performed in a laboratory or at the point of care on blood, tissue or other patient samples.

Providing medical value

By offering tests that enable patients and physicians to obtain medically relevant information, we are able to improve outcomes for patients. One area in which we have recently made a lot of progress is the development of tests to help doctors treat patients suffering from heart disease more effectively.

Heart failure can often result in reduced quality of life, frequent hospitalisation, complex treatment approaches, high costs and high mortality. But recent clinical trials have shown that the management of heart failure can be improved with the help of the Elecsys NT-proBNP test that measures the level of NT-proBNP in the blood of people suffering from heart failure. By measuring this biomarker, doctors can determine the best course of treatment for individual patients. The GUIDE-IT study, an example of collaboration between industry, academia and the National Institutes of Health in the United States, is designed to show that NT-proBNP can be used to guide heart failure treatments. It is believed that by maintaining NT-proBNP at a certain level, healthcare professionals can improve the quality of life and lower mortality rates of heart failure patients. This trial will end in 2016.

Our high-sensitive Troponin test is designed to improve outcomes for people suspected of having, or at risk of, a heart attack. Thanks to the high sensitivity of this test, patients with ischemic symptoms and those at risk of future cardiac events can be identified earlier. A clinical study has shown that this test improved the earlier diagnosis of a heart attack by 21%.

The field of molecular diagnostics is also opening up a number of new treatment options for a range of diseases. Molecular analysis of human DNA can confirm the presence of disease genes, detect which altered genes and proteins are disturbing normal cell function, and together with a genetic profile of the patient, also predict whether a person will respond well to a specific treatment. We have already seen the value of such tests for certain types of cancer and our pipeline is rich with drugs that are being developed with a companion diagnostic.

Our key companion diagnostics projects

Compound	Disease	Biomarker
alectinib	ALK-positive non-small cell lung cancer	ALK
anti-PDL1 (RG7446)	solid tumours	PDL1
gantenerumab	Alzheimer's disease	amyloid beta
lampalizumab	geographic atrophy	Complement Factor I (CFI)
lebrikizumab	asthma	periostin
MEK inhibitor (RG7421)	solid tumours	BRAF, KRAS, NRAS mutations
onartuzumab (MetMAb)	lung cancer	Met expression

Improving lab efficiency and patient safety

Laboratories are under increasing pressure to generate reliable results faster than ever, and this at a time when resources are becoming more and more scarce.

We are developing fully automated instruments, like the cobas 8100, to help laboratories become more efficient in processing ever increasing amounts of information. The cobas 8100 provides short, predictable turnaround times for blood samples, helping physicians make fast treatment decisions for patients, while urgent cases can be prioritised and processed at more than twice the speed of the earlier version of this system. Importantly, the automation of much of the process significantly improves patient safety by reducing the risk of sample mix-ups or contamination that can occur with manual handling. The cobas 8100 was launched in 2013.

We are also developing the cobas 6800 and cobas 8800 for laboratories that have high demand for blood screening and virology tests. The cobas 6800 is designed to process 300 samples for diagnosis in an eight-hour shift, while the cobas 8800 can handle 1,000 samples over the same time period. These systems could allow laboratories to consolidate assays onto a single platform, improving both workflow and efficiency. We are aiming to launch these instruments in 2014.

We are also working on new IT programmes, such as the cobas infinity IT solution, to further help laboratories boost output. This new IT solution, which was launched at the end of 2013, gives our customers the flexibility they need thanks to its fully web-based and modular functionality.

Accessing external innovation

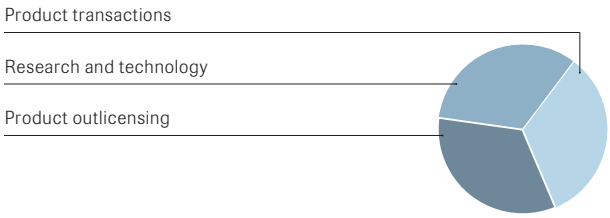
We put great importance on accessing external innovation, and collaborations are a key part of our R&D strategy. Roche Partnering focuses on strengthening our portfolio through external innovation and ensuring we are the partner of choice for biotechnology companies and research institutes worldwide.

There are nearly 6 million science and engineering researchers worldwide, and 56% of innovative drugs come from the labs of academia and small biotech companies.[10] It is therefore vital for our future that we continue to tap into the ideas that are being generated outside Roche. Our long history of successful partnerships has already resulted in the development of leading drugs like Zelboraf for skin cancer, MabThera/Rituxan for certain types of blood cancer and rheumatoid arthritis, Tamiflu for influenza, Xolair for asthma and Actemra/RoActemra for rheumatoid arthritis.

Roche Partnering signed 73 new agreements in 2013, including eight product transactions, 54 research and technology collaborations and 11 product outlicensing agreements, main-

10 Analysis of 252 new drugs approved by the US FDA from 1998 to 2007; Source: Kneller, R. Nature Reviews Drug Discovery 9 867-882 (Nov 2010) 'The importance of new companies for drug discovery'.

Breakdown of types of partnering deals in 2013



Key transactions in 2013

January	Genentech and Afraxis enter global licensing agreement to develop compounds for an undisclosed novel target
February	Genentech and RQX enter drug discovery collaboration for the discovery and development of novel drug compounds for an undisclosed target
April	Roche and Ascletis enter collaboration to advance treatment options for Chinese patients with hepatitis C
May	Roche and the California Institute for Quantitative Biosciences (qb3) partner to identify, fund and support early-stage life science start-up companies in the San Francisco Bay Area
June	Genentech and Immunocore enter collaboration for the discovery and development of multiple novel cancer targets using Immunocore's ImmTAC technology
September	Roche and Inovio Pharmaceuticals enter partnership to research, develop and commercialise Inovio's multi-antigen DNA immunotherapies targeting prostate cancer and hepatitis B
November	Roche and Polyphor enter partnership to develop and commercialise Polyphor's novel antibiotic POL7080 for patients suffering from bacterial infections caused by the multi-drug resistant *Pseudomonas aeruginosa* bacterium
November	Roche and Immatics sign collaboration to develop and commercialise cancer vaccines and other cancer immunotherapies in gastric, lung and prostate cancer
December	Roche and Prothena enter into worldwide collaboration to co-develop and co-promote antibodies for treatment of Parkinson's disease

taining our record as one of the industry's leading dealmakers and partners.

We are also involved in the Innovative Medicines Initiative, which joins the pharmaceutical industry with universities, hospitals, small and medium-sized enterprises, patient organisations and public authorities. It is jointly funded by the European Commission and the pharmaceutical industry. Current projects cover early to late stages of medicine development and address a range of topics from chronic back pain to anti-tuberculosis drug combinations.

Roche Diagnostics signed new collaboration agreements with external pharmaceutical companies in 2013 to develop companion tests for their drugs, adding to the existing agreements.

We also entered into a deal with Pacific Biosciences of California to develop diagnostic products, including sequencing systems and consumables, based on Pacific Biosciences' Single Molecule, Real-Time technology.

Improving R&D productivity

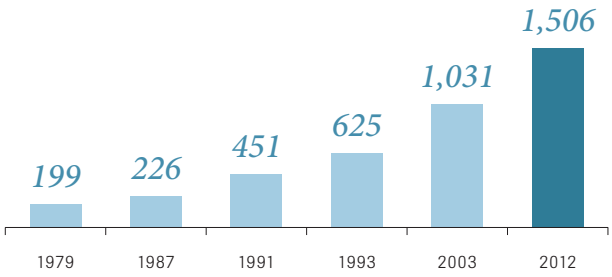
Each year we look for smart new ways to improve our R&D efficiency as the costs of developing a molecule and bringing it to market continue to rise. This is due, in part, to the need to screen more molecules before being able to identify a potential new candidate as well as the need for more complex clinical trials as regulatory requirements become more stringent.

Our RETHINK D programme is a multi-year initiative that encompasses every aspect of how we develop medicines so that we always have the resources to develop new medicines for patients.

Several other approaches also help us contain our spending by reducing the time it takes to turn a compound into a medicine. They include the use of new technologies, creation of innovative trial designs, accessing cross-pharma knowledge through external collaboration, and collecting only the data we need to help us to manage the entire R&D process more effectively.

We are exploring ways to leverage new technologies, such as telemedicine, mobile apps and social media, to improve the efficiency of our clinical trials. One example is the use of social networks to gather key scientific insights from physicians that will help us to design our trials more effectively. Another example we are exploring is the use of smart phones to broaden the geographical reach of trials in the future. We are also making use of new technologies to develop smarter ways of managing our vast amounts of data across our different systems.

Estimated cost of bringing a new chemical or biological entity to market in USD million[11]



11 Source: J. Mestre-Ferrandiz, J. Sussex and A. Towse. The R&D cost of a new medicine, Office of Health Economics, December 2012 (Hansen, 1979; Wiggins, 1987; DiMasi et al, 1991; OTA, 1993; DiMasi et al, 2003; Mestre-Ferrandiz et al, 2012).

We are also looking at innovative ways to design clinical studies so that we can potentially determine answers earlier. We are breaking new ground by using novel surrogate endpoints, such as pathological complete response in early breast cancer, minimal residual disease in lymphomas, geographic atrophy lesion size in dry age-related macular degeneration and magnetic resonance enterography in Crohn's disease.

Through an industry collaboration called TransCelerate BioPharma we are working with 17 other companies to simplify processes related to clinical trial operations and monitoring.

Conducting responsible R&D

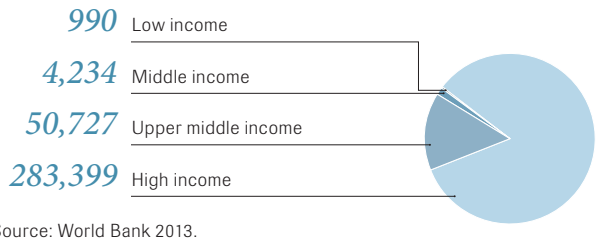
All of our R&D activities are conducted to the highest ethical standards. We have published several position papers on its R&D activities in areas such as genetics, stem cells and animal research. We routinely review and update these positions and our policies for research involving either humans or animals, taking into account scientific developments and public concerns.

Clinical trials

Clinical trials are critical for determining the safety and efficacy of new medicines. All of our clinical trials are compliant with Good Clinical Practice guidelines, an international quality standard. The information from our trials is shared with regulatory authorities and payers. In 2013, 339,350 patients were involved

Roche clinical trial statistics 2013

Number of patients in clinical trials by country classification [12]



Source: World Bank 2013.

12 Based on Gross National Income per Capita:

Low income: USD 1,035 or less
Lower middle income: USD 1,036 to USD 4,085
Upper middle income: USD 4,086 to USD 12,615
High income: USD 12,616 or more

in our clinical trials. All trials are carried out to the same high standards regardless of where in the world they are run.

Clinical trials

	2013	2012	2011
Number of clinical trials	2,184	2,280	2,336
Number of healthcare centres involved	34,852	35,720	35,647
Number of patients in phase I–IV clinical trials	339,350	326,642	295,994

Data-sharing policy

In 2013, we introduced a new data sharing policy to promote broad sharing of clinical trial data in the interest of scientific progress, to benefit patients. Our policy includes provision of clinical study reports, summary safety reports and access to analysable patient-level data in a way that protects patient confidentiality, respects the role of health authorities in the assessment and approval of drugs and does not compromise our commercial interests. We are working with other companies to develop a common approach for the sharing of patient level data.

Animal welfare

We take public concern about animal research seriously and throughout 2013 we have worked to maintain our already high standards of animal welfare. Wherever possible, we seek alternatives to the use of animals, such as computer simulation or *in vitro* testing using differentiated cells or stem cells.

In 2013, we used 356,394 animals in our internal research, a 13% decrease from 2012. The number of animals used by contract research organisations working on Roche's behalf decreased to 62,636 compared with 64,314 in 2012. Approximately 97.6% of the animals used were mice and rats.

The overall decrease in 2013 animal usage reflects the impact of the closure of the Nutley research site in New Jersey, USA. All major research sites were awarded continued full reaccreditation status by the Association for Assessment and Accreditation of Laboratory Animal Care International (AAALAC), underscoring our commitment to ensuring animal welfare.

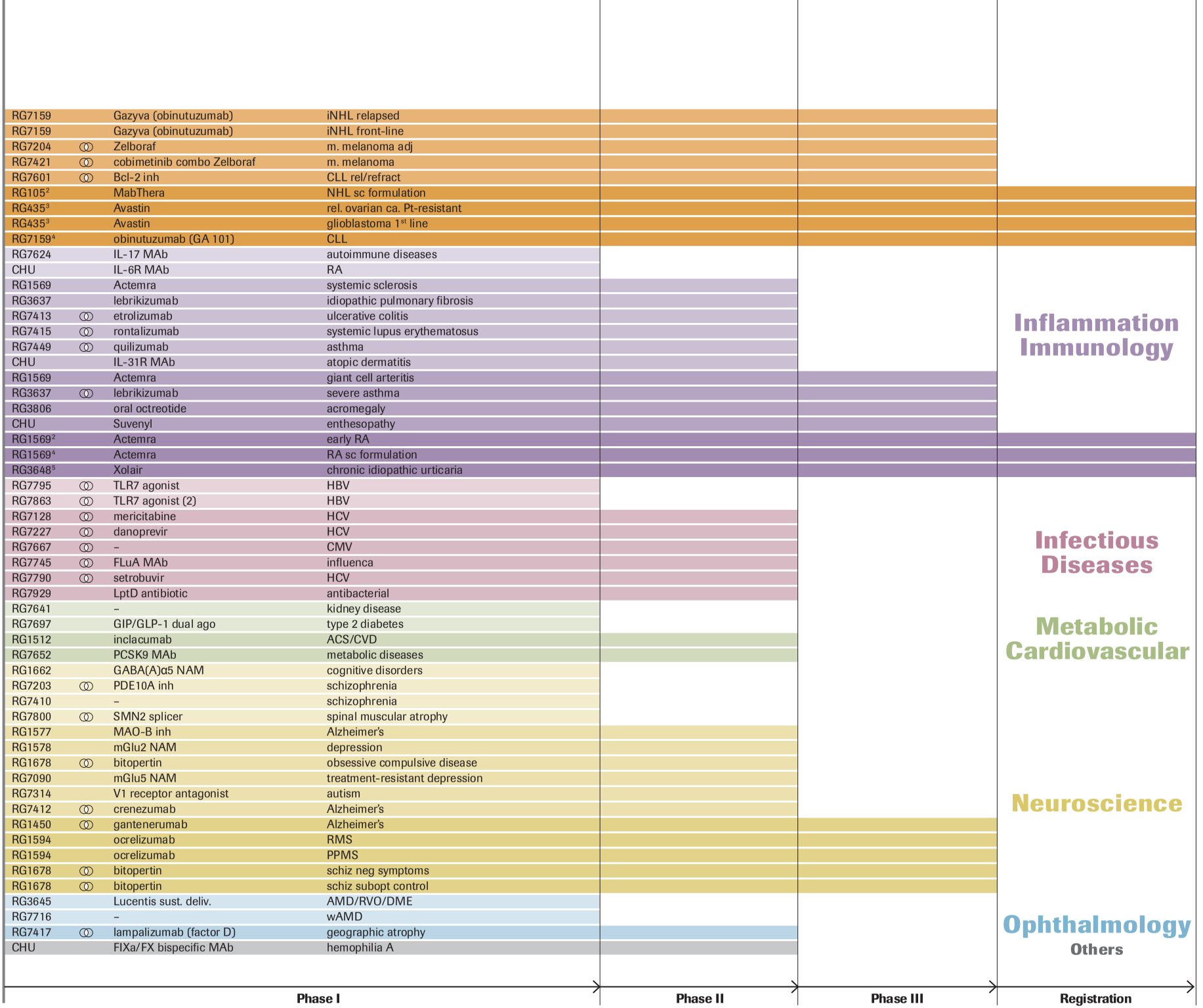
Pharmaceuticals pipeline

1	US only: FDA submission pending	RG-No	Roche Genentech managed
2	Submitted in EU	CHU	Chugai managed
3	Submitted in EU, US filing pending	RG105	MabThera is branded as Rituxan in US and Japan
4	Approved in US, submitted in EU		
5	Submitted in US	RG1569	Actemra is branded as RoActemra in EU
ⓟ	Personalised Healthcare project		

ACS	acute coronary syndrome	MAb	monoclonal antibody
AMD	age-related macular degeneration	mBC	metastatic breast cancer
BCC	basal cell carcinoma	NHL	non-Hodgkin's lymphoma
CLL	chronic lymphocytic leukemia	NSCLC	non-small cell lung cancer
CMV	cytomegalovirus	PPMS	primary progressive multiple sclerosis
CRC	colorectal cancer	RA	rheumatoid arthritis
CVD	cardiovascular disease	RMS	relapsing multiple sclerosis
DLBCL	diffuse large B-cell lymphoma	RVO	retinal vein occlusion
DME	diabetic macular edema	sc	subcutaneous
HBV	hepatitis B virus	T2D	type 2 diabetes
HCV	hepatitis C virus		

Oncology

Project ID		Project/Product	Indication
RG3638	ⓟ	onartuzumab	liver cancer
RG7116	ⓟ	HER3 MAb	solid tumours
RG7155	ⓟ	CSF-1R MAb	solid tumours
RG7167		MEK inh	solid tumours
RG7221	ⓟ	Ang2-VEGF MAb	oncology
RG7304		Raf & MEK dual inh	solid tumours
RG7388	ⓟ	MDM2 ant	solid & hem tumours
RG7446	ⓟ	PDL1 MAb + Zelboraf	m. melanoma
RG7446	ⓟ	PDL1 MAb + Avastin	solid tumours
RG7446	ⓟ	PDL1 MAb + cobimetinib	solid tumours
RG7446	ⓟ	PDL1 MAb	solid tumours
RG7450	ⓟ	Steap 1 ADC	prostate cancer
RG7458	ⓟ	MUC16 ADC	ovarian cancer + pancreatic
RG7598	ⓟ	ADC	multiple myeloma
RG7599	ⓟ	NaPi2b ADC	oncology
RG7600	ⓟ	ADC	oncology
RG7601		Bcl-2 inh + Gazyva	CLL
RG7601		Bcl-2 inh	hem indications
RG7602	ⓟ	ChK1 inh	solid tumours & lymphoma
RG7604	ⓟ	PI3K inh	solid tumours
RG7636	ⓟ	ETBR ADC	metastatic melanoma
RG7666	ⓟ	PI3k inh	glioblastoma 2nd line
RG7813		CEA IL2V IC	solid tumours
RG7842	ⓟ	–	solid tumours
RG7845		–	hem tumours
CHU		PI3K inh	solid tumours
RG1273	ⓟ	Perjeta	HER2+ mBC 2nd line
RG3616		Erivedge	AML
RG3616		Erivedge	operable BCC
RG3638	ⓟ	onartuzumab	mCRC 1st line
RG3638	ⓟ	onartuzumab	NSCLC non squamous 1st line
RG3638	ⓟ	onartuzumab	NSCLC squamous 1st line
RG7321	ⓟ	pictilisib (PI3K inh)	solid tumours
RG7440	ⓟ	ipatasertib (AKT inh)	solid tumours
RG7446	ⓟ	PDL1 MAb	NSCLC 2nd/3rd line
RG7446	ⓟ	PDL1 MAb + Avastin	RCC
RG7593		pinatuzumab vedotin (CD22 ADC)	hem tumours
RG7596		polatuzumab vedotin (CD79bADC)	hem tumours
RG7597	ⓟ	HER3/EGFR MAb	m. epithelial tumours
RG7601	ⓟ	Bcl-2 inh	CLL rel/refract 17pdel
RG7853	ⓟ	alectinib (ALK inhibitor)	NSCLC
RG7686	ⓟ	glypican-3 MAb	liver cancer
RG435		Avastin	HER2-neg. BC adj
RG435		Avastin	NSCLC adj
RG435		Avastin	high-risk carcinoid
RG435[1]		Avastin	ovarian cancer 1st line
RG435[1]		Avastin	relapsed ovarian cancer, platinum-sensitive
RG435		Avastin	cervical cancer recurrent
RG1273	ⓟ	Perjeta	HER2+ early BC
RG1273	ⓟ	Perjeta	HER2+ gastric cancer
RG3502	ⓟ	Kadcyla	HER2+ gastric cancer
RG3502	ⓟ	Kadcyla +/– Perjeta	HER2+ mBC 1st line
RG3502	ⓟ	Kadcyla	HER2+ early BC
RG3638	ⓟ	onartuzumab	NSCLC 2nd/3rd line
RG3638	ⓟ	onartuzumab	gastric cancer
RG3638	ⓟ	onartuzumab	NSCLC 1L EGFR mut+
RG7159		Gazyva (obinutuzumab)	DLBCL


RG7159 Gazyva (obinutuzumab) iNHL relapsed
RG7159 Gazyva (obinutuzumab) iNHL front-line
RG7204 Zelboraf m. melanoma adj
RG7421 cobimetinib combo Zelboraf m. melanoma
RG7601 Bcl-2 inh CLL rel/refract
RG105[2] MabThera NHL sc formulation
RG435[3] Avastin rel. ovarian ca. Pt-resistant
RG435[3] Avastin glioblastoma 1st line
RG7159[4] obinutuzumab (GA 101) CLL
RG7624 IL-17 MAb autoimmune diseases
CHU IL-6R MAb RA
RG1569 Actemra systemic sclerosis
RG3637 lebrikizumab idiopathic pulmonary fibrosis
RG7413 etrolizumab ulcerative colitis
RG7415 rontalizumab systemic lupus erythematosus
RG7449 quilizumab asthma
CHU IL-31R MAb atopic dermatitis
RG1569 Actemra giant cell arteritis
RG3637 lebrikizumab severe asthma
RG3806 oral octreotide acromegaly
CHU Suvenyl enthesopathy
RG1569[2] Actemra early RA
RG1569[4] Actemra RA sc formulation
RG3648[5] Xolair chronic idiopathic urticaria
RG7795 TLR7 agonist HBV
RG7863 TLR7 agonist (2) HBV
RG7128 mericitabine HCV
RG7227 danoprevir HCV
RG7667 – CMV
RG7745 FLuA MAb influenca
RG7790 setrobuvir HCV
RG7929 LptD antibiotic antibacterial
RG7641 – kidney disease
RG7697 GIP/GLP-1 dual ago type 2 diabetes
RG1512 inclacumab ACS/CVD
RG7652 PCSK9 MAb metabolic diseases
RG1662 GABA(A)α5 NAM cognitive disorders
RG7203 PDE10A inh schizophrenia
RG7410 – schizophrenia
RG7800 SMN2 splicer spinal muscular atrophy
RG1577 MAO-B inh Alzheimer's
RG1578 mGlu2 NAM depression
RG1678 bitopertin obsessive compulsive disease
RG7090 mGlu5 NAM treatment-resistant depression
RG7314 V1 receptor antagonist autism
RG7412 crenezumab Alzheimer's
RG1450 gantenerumab Alzheimer's
RG1594 ocrelizumab RMS
RG1594 ocrelizumab PPMS
RG1678 bitopertin schiz neg symptoms
RG1678 bitopertin schiz subopt control
RG3645 Lucentis sust. deliv. AMD/RVO/DME
RG7716 – wAMD
RG7417 lampalizumab (factor D) geographic atrophy
CHU FIXa/FX bispecific MAb hemophilia A
Inflammation Immunology
Infectious Diseases
Metabolic Cardiovascular
Neuroscience
Ophthalmology
Others
Phase I
Phase II
Phase III
Registration

Pharmaceuticals Division – major clinical trials in 2013

Product	Indication	Trial (phase)	Outcome
aleglitazar	metabolic diseases	AleCardio (phase III)	The independent Data and Safety Monitoring Board (DSMB) recommended the trial be halted due to safety signals and lack of efficacy.
Avastin	advanced cervical cancer	GOG240 (phase III)	The study met its primary endpoint of improving overall survival with a statistically significant 29% reduction in the risk of death for women who received Avastin plus chemotherapy compared to those who received chemotherapy alone.
Avastin	metastatic non-small cell lung cancer (first line)	BEYOND (phase III) China	People who received Avastin plus chemotherapy benefited from a significant 60% improvement in progression-free survival compared to those who received placebo plus chemotherapy.
etrolizumab	moderate-to-severely active ulcerative colitis	EUCALYPTUS (phase II)	The study met its primary endpoint of clinical remission and showed it was well tolerated with no clinically significant safety concerns.
Gazyva	chronic lymphocytic leukemia	CLL11 (phase III)	Stage 1a: Gazyva plus chlorambucil improved overall survival compared to chlorambucil alone. Stage 2: Gazyva plus chlorambucil significantly reduced the risk of disease worsening or death by 61% compared to MabThera/ Rituxan plus chlorambucil for people with previously untreated chronic lymphocytic leukemia.
Kadcyla	HER2-positive metastatic breast cancer	TH3RESA (phase III)	Kadcyla significantly extended the time people with advanced HER2-positive breast cancer lived without their disease worsening compared to people who received a treatment of their physician's choice in an open-label study.
lampalizumab	advanced dry macular degeneration of the eye (geographic atrophy)	MAHALO (phase II)	The study met the primary endpoint of change in the area of geographic atrophy in patients with this advanced form of dry age-related macular degeneration (AMD). The strongest treatment effect was observed in patients positive for the Complement Factor I (CFI) genetic biomarker.
Tarceva	non-small cell lung cancer	RADIANT (phase III)	The study did not meet its primary endpoint of improved disease-free survival (DFS). Tarceva did not show improvement in DFS in the adjuvant treatment of patients with surgically-resected NSCLC when compared to placebo.
Xolair	chronic idiopathic urticaria	ASTERIA I & II (phase III) GLACIAL (phase III)	Xolair met its primary endpoint in patients with moderate to severe chronic idiopathic urticaria, who remained symptomatic despite treatment with approved H1 antihistamine doses.

Pharmaceuticals Division – major regulatory filings in 2013

Product	Clinical data supporting filing	Indication or dosage form	Country
Actemra	FUNCTION (phase III)	early rheumatoid arthritis	EU
alectinib	Japanese phase I/II study (JapicCTI-101264)	ALK-fusion gene-positive, unresectable, recurrent/ advanced non-small cell lung cancer	Japan
Avastin	AURELIA (phase III)	platinum-resistant ovarian cancer	EU
Avastin	AVAglio (phase III)	glioblastoma	EU
Avastin	BEYOND	metastatic non-small cell lung cancer (first line)	China
Gazyva	CLL11 (phase III)	chronic lymphocytic leukemia	US
obinutuzumab	CLL11 (phase III)	chronic lymphocytic leukemia	EU
Xolair	ASTERIA I & II (phase III)	chronic idiopathic urticaria	US

Pharmaceuticals Division – major regulatory approvals in 2013

Product	Clinical data supporting filing	Indication or dosage form	Country
Actemra subcutaneous	SUMMACTA (phase III), BREVACTA (phase III)	rheumatoid arthritis	US
Actemra subcutaneous	SUMMACTA (phase III), BREVACTA (phase III), MUSASHI (phase III) and MATSURI (phase I/II)	rheumatoid arthritis	Japan
Actemra/ RoActemra	CHERISH (phase III)	polyarticular juvenile idiopathic arthritis	US, EU
Avastin	ML18147 (phase III)	metastatic colorectal cancer TML (treatment across multiple lines)	US
Avastin	BRAIN (phase II), JO22506 (phase II), AVAglio (phase III)	newly diagnosed and relapsed glioblastoma	Japan
Avastin	GOG218 (phase III), ICON7 (phase III)	ovarian cancer	Japan
Erivedge	ERIVANCE BCC (phase II)	advanced basal cell carcinoma	EU (conditional approval)
Herceptin subcutaneous	HannaH (phase III), PrefHer (phase II)	HER2-positive breast cancer	EU
Gazyva	CLL11 (phase III)	chronic lymphocytic leukemia (front line)	US
Kadcyla	EMILIA (phase III)	HER2-positive metastatic breast cancer (second and later lines)	US, EU and Japan
Lucentis	HARBOR (phase III)	inclusion of less frequent dosing regimen for wet age-related macular degeneration	US
MabThera/ Rituxan	RAVE (phase III)	active GPA and MPA (two types of ANCA-associated vasculitis)	EU
Pegasys	PEDS C (phase III)	chronic hepatitis C in children five years of age and older	EU
Perjeta	CLEOPATRA (phase III)	HER2-positive metastatic breast cancer (first line)	EU, Japan
Perjeta	NEOSPHERE (phase II)	HER2-positive breast cancer (neoadjuvant)	US (accelerated approval)
Tarceva	EURTAC (phase III)	EGFR-mutation-positive non-small cell lung cancer (first line)	US

Roche diagnostic tests for personalised treatments on the market or in late development*

Disease area	Disease	Drug	Diagnostic test**	Technology	Application
Virology	CMV	Valcyte	CMV viral load	PCR	monitoring
	HBV	Pegasys and other antivirals	HBV viral load	PCR	monitoring
	HBV	Pegasys, peginterferon alfa-2b (Merck/SP)	HBsAg levels	immunoassay	monitoring
	HCV	Pegasys, peginterferon alfa-2b (Merck/SP)	HCV viral load	PCR	monitoring
	HCV	mericitabine (R7128)	HCV viral load	PCR	monitoring
	HCV	danoprevir (RG7227)	HCV viral load	PCR	monitoring
	HIV	antivirals	HIV viral load	PCR	monitoring
	HIV	abacavir (GlaxoSmithKline)	HLA-B genotype	PCR	screening
Oncology	breast cancer	Herceptin, Kadcyla, Perjeta	HER2 expression/ gene amplification	IHC, ISH	selection
	breast cancer	tamoxifen and other hormonal therapies	ER/PR expression	IHC	selection
	cancer	compound (Merck)	p53 mutations	microarray	selection
	colon cancer	cetuximab (Merck), panitumumab (Amgen)	KRAS mutations	PCR	selection
	gastric cancer	Herceptin	HER2 expression/ gene amplification	IHC, ISH	selection
	lymphoma	brentuximab vedotin (Seattle Genetics/Millennium)	CD30 expression	IHC	selection
	melanoma	Zelboraf, cobimetinib (RG7421)	BRAF mutation	PCR	selection
	NSCLC	Tarceva***, gefitinib (AstraZeneca)	EGFR mutations	PCR	selection
	NSCLC	onartuzumab (MetMAb, RG3638)	Met expression	IHC	selection
	NSCLC	anti-PDL1 (RG7446)	PDL1 expression	IHC	selection
	NSCLC	TG4010 (Transgene)	MUC1 expression	IHC	selection
Inflammation	asthma	lebrikizumab (RG3637)	serum periostin levels	immunoassay	selection
	rheumatoid arthritis	MabThera/Rituxan	RF, anti-CCP Ab	immunoassay	selection
Ophthalmology	geographic atrophy	lampalizumab	CFI-expression	PCR	selection
Neuroscience	Alzheimer's disease	gantenerumab(RG1450)	Aβ42 levels	immunoassay	selection

* We have further projects with other pharmaceutical companies which are not disclosed for confidentiality reasons.
** Not available in all markets.
*** Selection of patients eligible for first-line treatment.
black type = on the market; grey type = in development; monitoring = monitoring of a patient's response to a particular treatment; screening = screening of patients for a particular genetic variation of HLA-associated with hypersensitivity to abacavir; selection = selection of patients eligible for a particular treatment; anti-CCP Ab = antibodies against cyclic citrullinated peptide; BRAF = B-isoform of the rapidly growing fibrosarcoma oncogene; CFI = Complement Factor I; CMV = cytomegalovirus; EGFR = epidermal growth factor receptor; ER/PR = estrogen receptor/progesterone receptor; HBV = hepatitis B virus; HBsAg = HBV surface antigen; HCV = hepatitis C virus; HER2 = human epidermal growth factor receptor 2; HIV = human immunodeficiency virus; HLA = human leucocyte antigen; IHC = immunohistochemistry; ISH = in situ hybridisation; KRAS = member of the Ras family of oncogenes; Met = Methioin; MUC1: a member of the mucin glycoprotein family; PCR = polymerase chain reaction; RF = rheumatoid factor; SP = Schering-Plough.

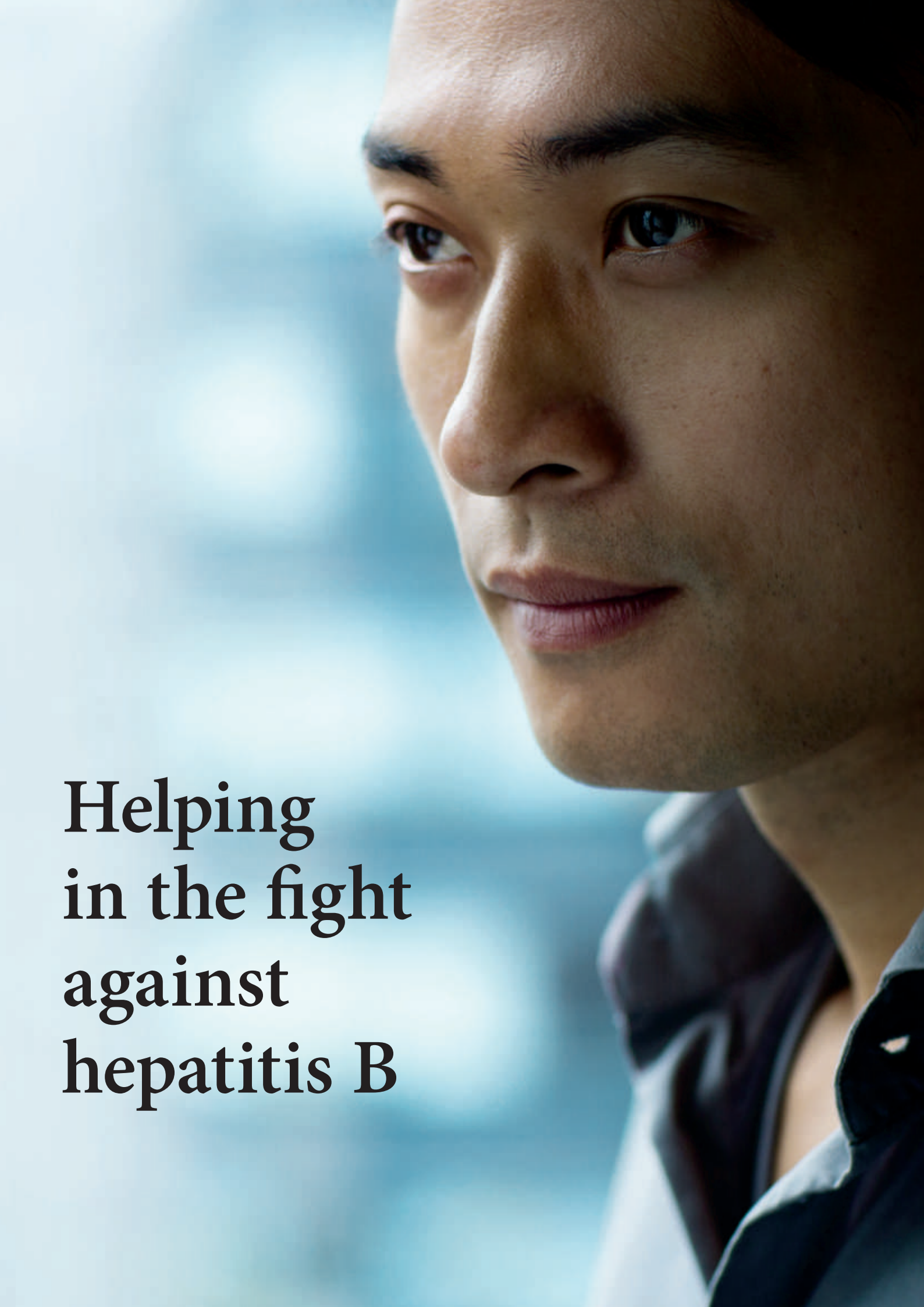
Diagnostics Division – major product launches in 2013

Area	Product name	Description	Market
Instruments/devices			
Laboratories	cobas 8100	next-generation modular pre-analytics	EU
Diabetes Care	Accu-Chek Active test strips	Accu-Chek Active test strips with maltose-independent chemistry	WW (excluding NA)
Life Sciences	GS FLX+ long amplicons	software for long-read targeted sequencing	WW
Tests/assays			
Oncology	Calcitonin test	medullary thyroid cancer	EU
	proGRP test	small cell lung cancer	EU
	cobas 4800 EGFR test	non-small cell lung cancer stratification	US
	ER – primary antibody	IVD immunohistochemistry test for determining the state of hormone receptor in breast cancer tissue	US
	CINtec PLUS Cytology	cervical pre-cancer test	EU
Infectious diseases	CAP/CTM HCV 2.0	next-generation HCV viral load test	US
Transplantation	Elecsys Cyclosporine and Tacrolimus tests	immunosuppressive drug monitoring	EU
Sequencing	SeqCap EZ reagent kits	single-source reagent kit	WW

Diagnostics Division – key product launches planned for 2014

Area	Product name	Description	Market
Instruments/devices			
Laboratories	cobas 6800/8800	next generation molecular (PCR) system	WW*
	cobas m511	fully integrated and automated hematology system	EU
	cobas 6500	automated urinalysis work area	EU
	Connect-V	middleware providing connectivity to LIS[13]	WW*
Diabetes Care	Accu-Chek Insight	next generation insulin pump and bGm[14] system	EU
	Accu-Chek Connect	bg meter with connectivity to smartphones, mobile app and cloud	EU
Tests/assays			
Blood screening/ Infectious diseases	MPX 2.0	next generation blood screening multiplex test	US
	MPX (HIV, HCV, HBV), HEV, DPX[15], WNV[16]	full NAT blood screening menu for cobas 6800/8800	WW*
	HIV, HCV, HBV	virology tests for cobas 6800/8800	WW*
	HSV	detection of herpes simplex virus on cobas 4800	EU
	Syphillis	immunoassay for the detection of *Treponema pallidum*	EU
Microbiology	MRSA/SA	next generation test on cobas 4800	EU
	C-difficile	diagnosis of clostridium infections	EU
Women's Health	AMH	assessment of ovarian reserve for fertility	EU
	PE Prognosis	claim extension for short-term prediction of preeclampsia in pregnancy	EU

* Excluding US.
13 Hospital information systems.
14 Blood glucose monitoring.
15 Parvovirus B19 and hepatitis A virus.
16 West nile virus.

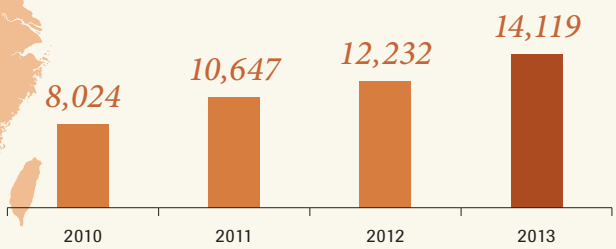


Helping in the fight against hepatitis B

China

Of the 350 million people chronically infected with the hepatitis B virus (HBV) worldwide, around 100 million live in China. HBV is a main cause of chronic liver disease, cirrhosis, and primary liver cancer.

Number of patients with chronic HBV infection treated with Pegasys



Bringing state-of-the-art therapy to patients

People with hepatitis are often unaware of their infection or simply do not have access to treatment in China. In order to help this situation, Roche has established diagnostic capacity and medical training to improve know-how for wider access to correct treatment regimes. Both our Pharmaceuticals and Diagnostics Divisions work closely together to ensure the right treatment is offered to the right patient. Given the prevalence of hepatitis B in China, it is vital to identify those patient sub-groups most likely to benefit from a targeted therapy. As a result, more and more patients see improved outcomes. This integrated approach means the patient's quality of life is enormously improved and resources are used optimally.

26

manufacturing sites

MANUFACTURING AND PROCUREMENT

Approved 800 million Swiss francs investment in biologic production capacity

Enabled rapid launches of Kadcyla and Gazyva

Conducted 164 sustainability audits at suppliers with high level of compliance confirmed

Key figures

Manufacturing sites	*26* 17 Pharmaceuticals, 7 Diagnostics and 2 joint sites		
Portfolio	*over 100* medicines	*over 4,000* reagent kits	*196* instruments

Our manufacturing, procurement and supply functions continued to support the rapid development of new Roche medicines and diagnostic tests. Priority review status and breakthrough therapy designations for new products like Kadcyla and Gazyva in 2013 represented important recognition for these breakthrough medicines, but they also resulted in shortened timelines to launch. Similarly, we set ourselves ambitious timelines for the launches of our new diagnostic products such as the cobas 8100 system. Internally, this has meant continuously shortening timespans to launch and bringing products to patients and customers, particularly in manufacturing and supply.

Launching new products, maintaining quality supply to patients and meeting demand for underlying growth in the business are the key priorities for manufacturing, procurement and supply operations. Throughout 2013, these functions supported strong sales growth of both new and existing products, enabling Roche to further strengthen its leadership in oncology, biotechnology and *in vitro* diagnostics. Our continued focus was on supply of our existing products, meeting stringent health authority requirements, and maintaining reliable delivery to customers. Support for other areas, including the R&D pipeline, also remained a priority in 2013, as did further streamlining of the network and capital investment to support business priorities.

Investments for the future

During the year, the Board approved 800 million Swiss francs for investments in our global Pharmaceuticals manufacturing network. These investments will span over the next five years and increase production capabilities for our biologic medicines, providing a strong foundation to deliver 39 investigational biologic medicines in our pipeline. We will invest in:

- Penzberg, Germany – approximately 350 million Swiss francs to support the delivery of investigational biologic medicines in the Roche pipeline and for equipment refurbishment.
- Basel, Switzerland – more than 190 million Swiss francs to build an antibody–drug conjugate (ADC) production facility that will provide additional capacity and flexibility.
- Vacaville and Oceanside, United States – around 260 million Swiss francs to increase biologic manufacturing capacities including the commissioning of a previously idled second bulk drug production unit at Genentech's Vacaville facility.

We expect to create approximately 500 new jobs with the investments.

Our biologics manufacturing strategy includes both an internal and external network to help ensure agility and flexibility to address demand uncertainty and supply resiliency. In addition to the investments in our own internal network, our biologics manufacturing strategy includes establishing strategic partnerships with select targeted reliable external manufacturing organisations.

Pharmaceuticals

Our network

Our pharmaceutical manufacturing network produces more than 100 medicines for clinical trials and commercial supplies. With some of the world's most sophisticated biopharmaceutical production plants, our network hosts approximately 25% of global biologic production capacity[1], making Roche the largest manufacturer in the biotech sector.

1 Worldwide mammalian cell culture capacity including contract manufacturing organisations. BioPlan Associates, Inc. Annual Report and internal analyses.

Manufacturing sites – Roche Group

Performance

The growing number of projects in our pipeline requires diligent planning across our manufacturing network to ensure successful commercialisation. Our innovative approaches to technical development have not only increased our rate of success, but also facilitated the launch of Kadcyla on the day of approval and Gazyva one working day after approval. All while maintaining the highest standards of quality for patients.

Recognising the opportunities and challenges posed by our Pharmaceuticals pipeline, we launched a project in 2013 to increase our capability and capacity to commercialise new products. This project is currently investigating a range of aspects including resource planning and deployment; launch site strategy and the speeding up of processes involved in commercialising a new molecule.

We also took the decision to phase out production at our operations in Toluca, Mexico, after a regular assessment of the worldwide manufacturing network revealed a significant continued under-utilisation of these facilities. Over the next four years, we will reduce production and close the manufacturing site.

Pipeline to patient faster than ever

An accelerated FDA approval process of Gazyva (GA101 or obinutuzumab), a new medicine to treat chronic lymphocytic leukemia, underlines the importance of this new treatment for patients. However, the speed of the approval came with significant operational challenges. After many years of research and development, phase III data for Gazyva became available in Spring 2013, showing significant medical benefits. This positive data accelerated the approval timeline, beginning with our submission to the FDA in April 2013, and by May the FDA had given Gazyva both Breakthrough Therapy Designation and Priority Review. Originally the Gazyva launch was scheduled for June 2014, but it received FDA approval eight months earlier than originally expected on Friday, 1 November 2013. Pharma overcame the ensuing challenges, working throughout the year to manage this continuously shortening time period to launch day. Gazyva was available to patients one working day after approval was granted by the US authorities.

12 months

Originally scheduled lead-time from application filing to US regulatory approval: 12 months

6 months

Gazyva: 6 months from US FDA filing in April 2013 to US FDA approval on 1 November 2013

Diagnostics

Our network

The manufacturing network for Roche Diagnostics handles production and logistics for an industry-leading portfolio of *in vitro* diagnostic products. This includes 196 state-of-the-art instruments, 4,046 different reagent kits and 170 different types of consumables such as pipettes and cuvettes. In 2013, Roche Diagnostics offered more than five billion of these consumables.

We manufacture the majority of our instruments and tests in-house, which allows us to maintain cost and quality advantages, and leverage proprietary technologies and special expertise. We use external manufacturers as needed, to access unique technologies and control costs, for example in the production of hand-held blood glucose meters, large work stations, consumables, and for an increasing number of subassemblies.

Performance

In 2013, we achieved our goals for saving costs and maintaining the supply of products to meet the division's above-market sales growth.

We delivered over 12 million test kits for our Elecsys immunoassay product line to run on our automated testing systems; more than 1.3 billion tests can be conducted with these kits. We also supported the launch of 11 major diagnostic products in key markets, including the cobas 8100 and four new cancer tests.

We completed the transfer of chemical operations at Mannheim, Germany, to our site in Penzberg, Germany and to contract manufacturers. Additionally, we closed our Burgdorf, Switzerland, site in January 2013, transferring its operations to Mannheim.

Local projects to increase access to healthcare

Our manufacturing experts are working in a number of countries on second brand initiatives, where some of our products are packaged and distributed locally. These products are rebranded versions of the original brand; they are manufactured in the same production sites as the original, and are subject to the same quality control procedures.

Partnering with local manufacturers on end-stage manufacturing of our second brands helps strengthen local manufacturing capabilities, increases local skills and provides employment. These programmes range from training healthcare professionals and helping to establish clinics and laboratories, to strengthening local manufacturing capabilities and supply chains.

Our focus is on increasing local capabilities as we believe this provides a more sustainable way to address health needs and develop healthcare systems for the future. Working with the Egyptian government for example, Roche is producing Pegasys, Herceptin and MabThera locally with different trade names and packaging.

We also continued the restructuring of Roche Diabetes Care during the year to sustain its long-term profitability. The diabetes care market remains challenging, however, we see tremendous growth opportunities. We believe that we are well positioned to remain a leading provider in this space, with our mass production capacity of more than seven billion strips per year, high-level quality and a favourable cost structure, based on both in-house and outsourced manufacturing.

During 2013, we also made progress on several long-term initiatives including the Supply Chain Excellence and Direct Procurement Excellence projects aimed at sustainable high performance. These included maintaining a continuous improvement culture, with supporting metrics in manufacturing quality performance, as well as the introduction of methodologies and tools to ensure more robust production processes. We also initiated activities to adapt our distribution processes, planning and network to further improve customer satisfaction, distribution expenses and inventory levels. Quality compliance has been verified by more than 150 internal audits within the Diagnostics Division in total.

In 2013, our manufacturing sites successfully managed 21 inspections by Regulatory Authorities, Notified Bodies and Registrars with no critical issues identified.

Capital investment

Throughout 2013, we focused on expanding capacity and improving the efficiency of our manufacturing network.

- Penzberg, Germany – we are increasing raw material production for Elecsys immunoassays and building a Diagnostics production complex. The project, which represents an investment of approximately 240 million Swiss francs started in March 2013 and is expected to be completed in 2014.
- Mannheim, Germany – we are investing 110 million Swiss francs in additional production capacity supporting our clinical chemistry and immunochemistry product lines including a new production facility.

Supplier Day in China

Our second Supplier Day in China in 2013 brought together more than 150 participants to learn about sustainability and Roche supplier audits. Following the event, many suppliers have improved their sustainability standards and committed to complying with the Roche Supplier Code of Conduct, as well as working more closely with Roche on innovation, anti-corruption, risk management, recycling and other priority areas. This increased focus on sustainability has yielded more than one million Swiss francs in direct benefits. During the past three years more than 60 Chinese suppliers were audited and completed the agreed follow-up.

Procurement

Our procurement teams continue to pursue a variety of approaches for strengthening business units and generating cost savings that can be re-invested in the business. We are also improving our capabilities to meet the demands of the growing number of projects in our Pharmaceuticals pipeline.

Aligning and building capabilities

Procurement at Roche is organised by division, mirroring the structure of our business to facilitate the highest level of support. We also closely coordinate procurement policies, processes, systems and large-volume spend across the Group and are strengthening this alignment with the development of a Group-wide procurement policy, which will be implemented in 2014. In 2013, we started to harmonise payment terms across the Group to reduce trade working capital. These activities will be completed in 2014.

In both divisions, we continued to improve value and efficiencies during the year with a number of key activities:

- Improving organisational structures and capabilities to manage spend.
- Developing category roadmaps and strategies for spend by joint Diagnostics and Pharmaceuticals category management teams.
- Developing a long-term category strategy and category roadmap to better match Pharma business requirements and suppliers' capabilities.
- Continuing a direct procurement excellence programme in Diagnostics to improve management of the supplier network and risk management, which is already delivering results now.

Engaging with suppliers

We believe supplier engagement is critical for a number of reasons: managing performance and risk effectively; ensuring quality and compliance; reducing our combined environmental footprint; and fostering innovation. To this end we have a number of initiatives in place to strengthen relationships with suppliers. One example is the Roche Supplier Relationship Center in South San Francisco, United States, which opened in 2012, bringing together Roche procurement staff and five strategic suppliers to seek opportunities for innovation, be they in product development, new processes, recycling or risk reduction.

Supplier Relationship Center delivers results

In 2013, the Supplier Relationship Center completed its pilot phase, with 18 manufacturing improvement initiatives which will deliver significant savings for Roche. The selected partners provide packaging components, single-use technology, production filters and chromatography resins, as well as undertake contract manufacturing for some Roche products. We also collaborated with a supplier to introduce an external pharmaceutical sector programme that increases environmental compliance, whilst reducing audit workload. The centre will be expanded in 2014 to include suppliers for product development and other areas.

By establishing a formal supplier relationship management process, Roche is achieving a systematic classification of suppliers that enables a focus on critical and strategic suppliers, resulting in closer relationships and improved performance and risk management.

Monitoring compliance

In 2013, we also updated the supplier e-learning module of the Roche Supplier Code of Conduct, making it available in five languages. It has been completed by more than 3,000 supplier representatives to date.

Our close collaboration with suppliers is also reflected in the findings of our supplier audits: high levels of compliance with Roche and industry codes and standards.

In 2013, we conducted 164 sustainability audits of suppliers worldwide compared to 115 in 2012 (+42%). Of these, 89 are suppliers that are directly involved in the supply chain and 75 are providers of goods and services. The majority of the audited suppliers were located in Latin America, Asia–Pacific and Eastern Europe/Middle East. We terminated our business with two suppliers that did not meet our minimum standards and were not prepared to improve.

We also further intensified our collaboration with the Pharmaceutical Supply Chain Initiative (PSCI) and were able to access 20 supplier audit reports via PSCI. In addition, we started the global rollout of an anti-corruption compliance questionnaire.

Quality and compliance

Our overriding goal is to ensure that every person receives safe Roche medicines and reliable diagnostic test results. To achieve this, we apply the same rigorous standards wherever a Roche product is manufactured or sourced. Additionally, we ensure that our quality management systems conform to all laws and regulations, as well as to current norms and standards such as cGMP and those of ICH and ISO[2].

In 2013, Roche continued the global harmonisation and enhancement of its quality management systems. In the Pharmaceuticals Division, we established a new system of global standards for areas such as quality management, risk management and preventive and corrective actions, with local implementation ongoing. The Diagnostics Division's efforts to harmonise its multiple quality systems by 2016 were 60% complete at year-end. This harmonisation is expected to drive compliance and efficiency by enhancing the manufacturing organisations' ability to manage quality performance and exchange best practices across the networks.

Supply chain management

Our commitment to quality, innovation and sustainability extends throughout the supply chain. From responding quickly to market developments and ensuring reliable end-to-end product supplies to reducing our environmental footprint, we maintain highly integrated and responsive global supply chains for both divisions. We also continue to investigate and implement enhancements to our processes.

We have a dedicated project involving our whole planning community which will deliver improved and streamlined processes. This is a major project aimed at improving work processes and focusing on stabilising and delivering reliability to our operations. A new focus on establishing technical product management is taking shape and has progressed significantly.

60,000 suppliers

Provide:	– raw materials – logistic services – packaging – research and IT services – marketing services – and more
Across:	– 6 continents – 80 countries – many cultures
Help us manufacture and deliver to our customers and patients:	> 100 medicines > 196 diagnostic tools > 4,046 different reagent kits

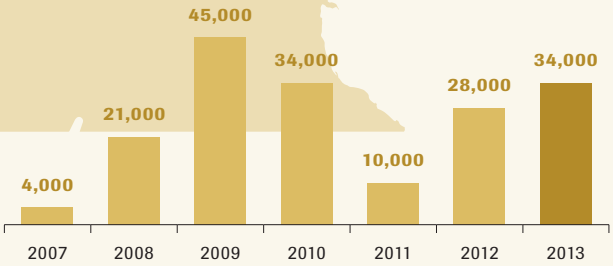
2 Current Good Manufacturing Practices (cGMP); International Conference on Harmonisation of Technical Requirements for Registration of Pharmaceuticals for Human Use (ICH); International Organization for Standardization (ISO).

Overcoming the hurdles to improve access to treatment

Egypt

Of the 84 million people in Egypt around 15% are infected with the hepatitis C virus and with an additional 165,000 new infections per year, this represents a major threat to public health.

The second brand Pegferon allows broader access to treatment in Egypt



The option to target medical care to the right patients enables healthcare providers to optimise the use of resources available.

A second brand to increase access to care and medical benefit

Affordability of treatment is a significant problem in Egypt, so in order to address this in 2007 Roche introduced Pegferon, a second brand of its hepatitis treatment, Pegasys. This is the same medicine as the first brand, but is packaged locally in vial form. This allows Roche to sell the medicine at a lower price to the Government and as a result has increased access to treatment all over the country. Roche completes this offer with products for diagnosis and treatment monitoring, helping to maximise medical service and patient benefit.

21,00

patients treated with one of Roche's top 25 selling products

0,000

MARKETS

Piloted innovative pricing models in Europe

Hosted 200 top oncologists in Japan to discuss advanced cancer therapies

Supported an in-depth study into the state of cancer care in 26 countries

Key figures

Sales in 2013 main markets[1]

USA	17,428 million CHF	+9%
Europe	13,299 million CHF	+1%
Japan	3,897 million CHF	+2%
E7 (Brazil, China, India, Mexico, Russia, South Korea, Turkey)	5,740 million CHF	+13%

1 Growth rates at constant exchange rates (average full-year 2012).

Roche supplies medicines and diagnostic tests in over 150 countries worldwide. However, healthcare systems vary significantly from country to country, and even within countries. In some countries, sophisticated medicines and diagnostic tests are readily available, whilst in others healthcare infrastructure is so limited that basic medical care is still a luxury.

Recognising these disparities, we have different approaches to help break down the barriers to good healthcare. We take a long-term view of our markets, working closely with local health authorities and other healthcare providers to develop ways to bring our medicines and tests to as many patients as possible. Our aim is for every person who needs our products to be able to access and benefit from them.

Medical value

Developing products that significantly improve people's lives is the central premise of our business. We believe that bringing innovative products to our markets and demonstrating clear medical value to healthcare providers is fundamental to sustainable success. To this end, we are actively involved in contributing to health technology assessments (HTAs), where healthcare authorities systematically evaluate the medical benefit of our medicines and diagnostic tests in relation to the investment.

HTA and personalised healthcare

HTA continues to become increasingly sophisticated and widespread, with more and more countries adopting systems to better assess medical and economic value of medicines. Targeted medicines, which treat sub-groups of patients who have been tested to confirm their likelihood of response, therefore have significant advantages for payers. Personalised healthcare, as it is known at Roche, is core to our innovation strategy. For a number of diseases, we have medicines with companion diagnostic tests that can identify these sub-groups, bringing greater precision to treatment and better value to healthcare payers. In 2013, we added to the personalised healthcare portfolio, with the launch of our personalised breast cancer medicines Kadcyla and Perjeta, as well as with the US approval of Tarceva with a companion diagnostic test for first-line therapy in lung cancer.

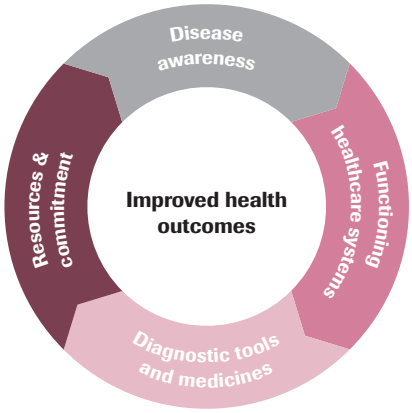
Post-authorisation assessment

A further development in many of our markets is the increased adoption of post-launch assessments, where emphasis is now being put on 'real life' evidence of the comparative effectiveness, safety, and economic impact of our medicines. Frequently, these assessments are linked to a re-evaluation of pricing and reimbursement conditions.

Roche is a member of the Tapestry Networks Working Group on Post-Launch Value Assessments, an international group comprising patients, clinical experts, healthcare providers, reimbursement agencies, payers and other healthcare policy makers to propose guidelines on these assessments. In 2013, the group published recommendations for a more effective decision framework for guiding evidence generation once a new medicine is registered and launched.

In parallel, we are also aligning our organisations internally to improve our ability to engage with healthcare policy decision

makers and other stakeholders in the evaluation of the 'real world' impact of our products.



Customised solutions

Tackling a diverse set of challenges and dynamics in different healthcare systems requires significant long-term commitment to fully understanding the needs and issues in any given country. We have a decentralised business model which empowers local management to work closely with local healthcare providers to determine how best to customise solutions appropriate for market conditions.

Fundamental to all markets is our premise that we must bring real medical value to patients and healthcare providers, and help ensure that as many people as possible can access our medicines and tests. This requires the tailoring of our strategy in each market to develop models that are effective within individual healthcare systems; and often involves providing a comprehensive array of solutions. These can range from affordability programmes, to strengthening local infrastructure, through to working with groups to provide effective patient education and support programmes.

Innovative pricing models

We believe that pricing models of the future will move away from a volume-based approach towards a value-based one, where the price is determined by the effectiveness of the medicine in treatment. Progress in science has brought us products that can treat a variety of indications, but the response to treatment in these different indications can vary considerably. We also often have more than one approach to tackling a disease, which can mean a patient needing a combination of medicines. This has led us to rethink our pricing models and develop what we call personalised reimbursement models. These models allow us to differentiate the value of a medicine for any given indication, through either multiple indication pricing or value-based pricing, where there is additional clinical or economic value from the treatment.

Personalised reimbursement models

Personalised reimbursement models have the potential to be of significant value for all stakeholders, speeding up access to innovative treatments for patients, reducing the financial pressure clinicians have on prescribing options and enabling pricing to better reflect the value of the treatment. However, to implement this kind of model, we need to be able to track the use of our products, which requires close collaboration between healthcare providers, as well as a supporting infrastructure to share data without impacting patient confidentiality.

New pricing models will move from volume-to value-based pricing

Today	Future
Unit-based pricing Reimbursement driven by **volume** of therapy used	**Personalised reimbursement models** Reimbursement driven by **value** therapy delivers to the patient
 **Undifferentiated** price per vial	Price differentiated by **indication**
	Price differentiated by **combination**
	Price differentiated by **treatment course**

In 2013, Roche began piloting a number of projects with external healthcare providers in Europe to assess these pricing models in practice. In Italy, a similar system has already been successfully in place since 2006, where multiple indication pricing has been introduced for a number of our products. We are expecting more countries to move in this direction and anticipate that we should be able to expand access to our medicines by focusing on their value and effectiveness for patients.

Differential pricing

Access to good healthcare, particularly in emerging markets, can vary considerably. Those who can afford it may have access to state-of-the-art private care, but often the majority are reliant on a poorly funded public healthcare system. To address this disparity, we are piloting a number of differential pricing models, which can involve reducing prices to patients who have to pay themselves and/or to governments for medicines prescribed in public healthcare systems.

Another way we differentiate prices is through the introduction of second brands of some of our products. Second brands are the same as the original product but are commercialised under different names and can come in slightly different forms, for example in vials rather than syringes. An example of this is India, where Roche has developed second brands for cancer drugs Herceptin and MabThera/Rituxan, as well as hepatitis medicine Pegasys.

Patient assistance programmes

We also recognise that many patients, even in developed countries, still cannot afford treatment. Even those with insurance may not be able to pay for treatment if it is not fully covered by individual insurance plans. For this reason, Roche provides patient assistance programmes that help both the underinsured and the uninsured to access our medicines. In the United States, for example, Genentech Access Solutions helped more than 100,000 underinsured and uninsured patients access appropriate medicines in 2013. Other programmes

Making innovation accessible – a selection of projects

Action	Area	Progress
Strengthening diagnostics capabilities	Africa	956 technicians trained from 19 countries at the Roche Scientific Campus in Johannesburg, South Africa
Patent not filed or enforced	Low-income and least developed countries	54 countries where Roche does not file or enforce patents on any of its medicines
Support for children with type 1 diabetes	Tanzania, Cameroon, Uganda, Guinea, DRC, Ethiopia, Kenya, India	3,920 healthcare professionals trained and 9,329 children enrolled in the Changing Diabetes in Children programme, a partnership with Novo Nordisk, the World Diabetes Foundation and the International Society for Pediatric and Adolescent Diabetes
Patient assistance programme for treating HER2-positive breast cancer	China	16,456 patients accessing Herceptin through a programme where Roche donates half of the treatment
Training for lab technicians on HER2 testing	Asia	13,475 healthcare professionals trained in 11 countries
Awareness campaign for hepatitis C testing to promote early diagnosis	Brazil	500 tests administered in 2013, and 260 patients now receiving treatment as a result
Second brands of key medicines made available at a lower cost	Egypt, Ukraine, India, Pakistan	48,358 patients treated with second brands in 2013
Collaboration with insurance providers to develop health policies that cover cancer	China	20,000,000 policies sold since project began in 2011
Helping uninsured and underinsured patients to access Roche products	US	100,000 patients supported through Genentech Access Solutions
Mobile mammography units to screen women in rural areas of North Africa for breast cancer	Algeria, Morocco, Tunisia	350,000 screened since the programme began in 2010 100,000 in 2013 alone
Team of medical educators to travel across remote areas to raise awareness of cancer and improve screening	Saudi Arabia	Project Outreach screened 3,185 women for breast cancer, as well as organised a symposium in 2013 for doctors in cancer diagnosis

Understanding the challenges for cancer care

Over the last 25 years, the global cancer burden has doubled and it is set to double again before 2030. 70% of the increase is expected to come from low- and middle-income countries, where access to care can be severely limited. Comprehensive public-private partnerships are needed in order to make the progress necessary to address the situation.

This was the conclusion of 'The State of Oncology 2013', a report by Professor Peter Boyle, an epidemiologist and the president of the International Prevention and Research Institute, and a multidisciplinary group of experts. The report, which took nearly two years of research to complete, was funded by Roche through an unrestricted educational grant, ensuring that the findings were completely independent. It looks in detail at oncology care in 26 countries across eight regions and calls for urgent action from governments, the pharmaceutical industry and society to come together to improve oncology care.

Roche is integrating insights from the report through dialogue with cancer experts, policy makers, and potential partners to find solutions to the oncology care challenges it highlights, both in the developing world and in higher income countries. One such international forum was held at the 2013 UICC World Cancer Leaders' Summit in Cape Town, South Africa, which facilitated discussion with a wide range of stakeholders on how to work to affect change. These discussions are helping to formulate ideas and strategies to improve access to cancer care around the world.

involve working in collaboration with payers or non-profit organisations to deliver free medicines to patients not only to access treatment, but also to continue treatment to complete the full course.

Strengthening infrastructure

In many areas of the world, healthcare infrastructure is rudimentary, and significant challenges exist that are not just limited to fiscal constraints. At the most basic level, there are critical shortages of medical professionals and health facilities; low awareness of the causes of symptoms or of the prevention and treatment of disease; and even poor electricity supplies to keep hospital equipment running. To help resolve these issues, Roche collaborates with local stakeholders, governments and international health organisations, to support education and development of healthcare infrastructure as well as improve availability of medicines and provide diagnostic tests.

Education for healthcare professionals

Another key area of activity in our markets is the support of education for healthcare professionals. We believe that the more understanding medical practitioners have of our products and the current thinking on the way they are used to treat disease, the better the treatment will be for patients. To facilitate this, we produce a broad range of educational and training materials, as well as host or support medical congresses and events. Roche is also committed to providing medical education in new therapeutic areas, where there is significant unmet need. One example is schizophrenia, where we have been particularly active in supporting education and bringing together expertise on this disease.

Education for healthcare professionals – a selection of examples

Area	Activities 2013
Improving understanding of new and emerging clinical data	European Cancer Congress American Society of Clinical Oncology
Improving understanding of advances in treatment and diagnosis	7th International Transplant Infectious Disease Conference, Austria Summer School on Parkinson's Disease, United Kingdom European Restless Legs Syndrome Study Group Annual Meeting, Germany HER2 Innovations Meeting, Portugal
Training for doctors, nurses, healthcare providers on treatment options, safety concerns, product use, quality control	Online and classroom training sessions Pediatric cystic fibrosis

Supporting patients and their families

For Roche it is not just about selling our medicines and tests, we believe it is critically important to provide as much support as we can to patients and their families. We work very closely with patient groups, even in the clinical trial phase to deepen our understanding of the impact of our medicines on patients. We also support patient groups in their efforts to change public policy. In 2013, we provided a grant to bring together key opinion leaders, policy makers, psychiatrists, patient groups and healthcare providers to make six key recommendations for public policy on schizophrenia. During the year, we also hosted a roundtable summit in South America, bringing together patient groups, government and clinicians to address the challenges to accessing cancer care in the region and to develop a roadmap for policy changes for the next 25 years to improve the situation.

Another key Roche initiative in 2013 was to bring together 27 patient groups from 7 countries in Asia to Singapore for a two-day training workshop, the first Roche event of its kind in the region. The aim of the event was to educate the groups on how to be more effective in the public policy arena, as well as to provide best practice examples from other parts of the world as the basis for developing ideas relevant for their region.

In all our interactions with patients, we believe that transparency is essential and we publicly declare all patient group relationships and activities on roche.com. We also disclose financial and non-financial support, as recommended by the European Federation of Pharmaceutical Industries and Associations (EFPIA).

We also believe that healthcare education and awareness can be as important to a patient's well-being as proper medical diagnosis and treatment. To this end, we run many programmes to support patients including counselling services, screening

Supporting patients and their families – a selection of examples

Patient support initiative examples	Purpose
We take cancer personally – oncology innovation initiative for public policy	International series of roundtable events and publications with key stakeholders, including patient groups, policy makers, patient advocates, doctors and payers to broaden access to cancer care
International working group on social inclusion for schizophrenia patients	Roundtable event in New York, USA, for patient advocates, groups, policy makers, academia and medical professionals to look at ways to improve social inclusion of people affected by schizophrenia
www.accu-chekconnect.com	Tools and other resources for those living with diabetes, as well as clinical evidence and case studies for healthcare professionals
www.kadcyla.com	Support for patients taking Kadcyla for breast cancer

programmes, website medication reminding, telephone helplines and access to medical professionals to advise on living with a disease and handling side effects of treatment.

Improving cancer treatment in Japan

To help improve cancer treatment in Japan, Chugai, a member of the Roche Group, established the Chugai Academy for Advanced Oncology (CHAAO) in 2009. The fully independent, non-profit organisation improves access to best practices in oncology for doctors and researchers as well as patient groups.

For doctors and researchers, the academy organises an annual conference to exchange the latest developments in cancer therapy. In 2013, around 200 of Japan's top oncologists attended to hear from world-class experts on advanced cancer therapies and research. The academy publishes conference proceedings at no cost and supports or organises symposia in local communities for those unable to attend the annual conference.

For patient groups, the academy sends several patient group leaders to the annual meeting of International Experience Exchange for Patient Organizations, which is sponsored by Roche. At the request of attendees at the 2013 meeting, the academy established the Japan Experience Exchange for Patient Organization, which will develop its own support projects.

Working together to make healthcare budgets go further

Europe

Personalised reimbursement models for the future

Developing personalised reimbursement models for Europe

Roche is working to develop personalised reimbursement models that reflect the value our treatments bring to patients. Pilot projects are running in a number of countries to move pricing from volume- to value-based pricing, where reimbursement can vary depending on the indication or the combination of medicines. This approach is in its early stages, with the data systems and analytics systems still being developed, but we believe it has enormous potential for patients, as well as the healthcare industry as a whole.

33,00

Swiss francs to support patient organisations

0,000

RESPONSIBLE BUSINESS

Strengthened compliance with a new working model for Pharmaceuticals

Increased transparency with a new clinical trials data sharing policy

Defined a new materiality process

Key figures

Contributions to healthcare institutions	175 million CHF
Contributions to patient organisations	33 million CHF

At Roche, we demand high standards of ethics and integrity from all our employees and business partners. Our commitment to responsible business behaviour goes beyond strict legal compliance. It forms the basis of our sustainable business and ability to create long-term value for our stakeholders.

Strengthening compliance

In 2013, we focused heavily on strengthening compliance, in particular in external relations with our stakeholders. Open dialogue and discussion is very important for us and it is critical that we ensure all dealings with external stakeholders are conducted with high standards of integrity.

There has also been increasing regulatory focus on professional and compliant conduct for scientific collaboration and interaction with medical practitioners in particular. In response to this, we have taken the decision to implement a new working model across our Pharmaceuticals organisation which redefines medical and commercial accountabilities. This model clearly differentiates between non-promotional activities of a medical or scientific nature and intent, led under the accountability of Medical Affairs; from promotional activities with commercial or marketing intent, conducted under the leadership of the commercial teams. The new model was implemented in 2013 across all countries, with activities, personnel and budgets reallocated as either medical or commercial. The implementation was completed by end of 2013, with all affiliates operating under the new model in 2014.

In addition in 2013, we also strengthened our global oversight of medical compliance across global functions and all affiliates in the Roche Group to ensure uniform standards worldwide. We established the Medical Compliance Committee, chaired by the Chief Medical Officer, as the governance and oversight body for medical compliance (Good Clinical Practice and Good Pharmacovigilance Practice) across the Pharmaceuticals Division. It is supported by the Medical Compliance Office, which ensures an integrated, aligned and coordinated medical compliance strategy. Furthermore we reinforced our system that monitors and provides global oversight on Medical Affairs Standards and Medical Compliance across all affiliates in the Roche Group. Known as the Affiliate Passport, it will provide metrics to evaluated activities in local safety, regulatory and medical affairs, as well as act as a high-level issue identification and benchmarking tool.

We are confident these measures will reinforce our internal structures and support our aim to ensure that our products are used for the best possible result for patients.

Code of Conduct

In 2013, we issued a new directive on integrity, to further specify and clarify the expectations outlined in our Roche Group Code of Conduct. It focuses on four areas:

- Bribery and granting of advantages
- Gifts and entertainment
- Dealing with business partners
- Conflict of interest

The aim is to make sure there is no ambiguity and that guidelines are clear for all employees on these topics. We recognise that this could lead to a loss of business in some cases; however, we are convinced that integrity is fundamental to the sustainability and success of our business. All employees will be required to complete training on the new directive by the middle of 2014. This is in addition to the training all employees already receive on the Code of Conduct.

In 2013, we also launched a new Roche Group Code of Conduct Help & Advice Line for employees to call or email to seek help and advice on areas where there could be uncertainty as to how to interpret the Code. The aim is to foster a culture of openness to ask questions in order to help prevent behaviour that could breach the Code. It also serves as a platform for ideas and suggestions. Externally, we have an advice service

for business partners, who can contact Roche for help and advice or report a non-compliant situation.

The Code of Conduct is adhered to everywhere we operate, including those places where local laws are less stringent. We also expect our business partners to comply with the integrity standards of our Supplier Code of Conduct in any Roche-related business transactions, with the Roche Chief Compliance Officer as the primary contact for external stakeholders.

Once there is a perceived or actual breach of the Code of Conduct, line management, local compliance officers and the Chief Compliance Officer serve as contacts to handle the issue. Alternatively, our employees can report non-compliance issues anonymously to the Roche SpeakUp Line, which is accessible in 100 countries and 50 languages. We do not tolerate any retaliation against employees who have raised a compliance concern in good faith. In 2013, we received 71 notifications of alleged violations of our Code of Conduct via the SpeakUp Line.

The Chief Compliance Officer also received through established channels, 136 business ethics reports in areas such as fraud, theft, violation of good marketing practices, conflict of interest, discrimination and harassment. Each allegation was carefully investigated, resulting in the termination of 109 employment contracts on account of unethical behaviour and 2 agreements with business partners for the same reason.

Increasing transparency

At Roche, we believe that transparency is critical to a productive and responsible business environment. In 2013, we focused on clinical trial data sharing, where we aim to be at the forefront of industry standards. Clinical trial results were already reported on roche-trials.com and ClinicalTrials.gov, as well as published in journals and at congresses; however, the new policy will expand this further. Under the new policy we are providing access to global clinical study reports on request, and from 1 January 2014, researchers will also receive access to patient level data from our global clinical trials after their requests have been reviewed by an independent panel of experts. Access will be given by the independent panel on the basis of good scientific merit. Patient level data will be anonymised to respect the privacy of patients participating in our trials, in line with relevant laws and regulations.

The expansion of our policy is a global commitment to increasing transparency for clinical trial information, while ensuring that patient confidentiality and commercially sensitive information are protected. Our view is that high-quality analysis of clinical trial data by scientific researchers can broaden knowledge about our medicines and benefit patients and public health.

Healthcare institutions and patient groups

Another area where we are committed to providing greater transparency is in donations to healthcare professionals and institutions, as well as patient organisations. We believe it is important to work closely with healthcare professionals and patient groups in areas where we have particular expertise and can provide support and education. We fund many kinds of activities, ranging from seminars for professionals for better understanding of new medical data, to sponsoring workshops and educational seminars for patient groups. In 2013, we also started to consolidate all funds that go directly to healthcare professionals for such events as medical congresses. This is in line with our commitment to the Sunshine Act and we expect to report on this by the end of March 2014.

Public policy

Roche is active in consulting with governments, industry bodies, regulatory authorities and other stakeholders such as think tanks and academic institutions to help shape debate and develop effective laws, regulations and policies for public health. Key areas for discussion in 2013 in the EU were over new laws and policies related to clinical trials, personalised healthcare and the regulation of medical devices and *in vitro* diagnostic tests, which is a critical part of Roche's business. The EU is also in consultation with the pharmaceutical industry on a number of other issues including data protection, falsified medicines and pharmaceuticals in the environment. We also influence policy through our membership of industry bodies on national, regional and international level.

In the United States, Genentech is actively monitoring, shaping and reacting to public policy debates affecting the industry, at both state and federal levels. The government landscape in 2013 was heavily influenced by the implementation of healthcare reform and the continued debate around it, as well as the US debt crisis. Genentech worked closely with various stakeholders, industry bodies and other allies in 2013 to influence the debates on such key issues as insurance coverage expansion, biosimilars, drug safety and security, corporate tax, and payment and delivery reform.

All employees working with government officials are expected to follow our good practice guidelines and act in an appropriate ethical and professional manner.

Associations and political institutions

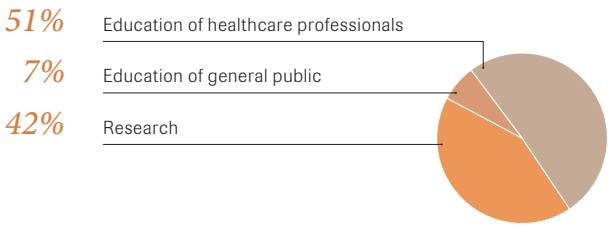
Roche remains independent of any political affiliation.

In Switzerland for 2013, we spend around 8.2 million Swiss francs, which includes payments to Interpharma, economiesuisse, scienceindustries, SwissHoldings and various chambers of commerce, financial assistance to trade unions and donations to political parties at the cantonal and federal level. Donations to political parties are each in low-double-digit thousand franc sums and overall less than 3% of total contributions and donations.

Our employees in the United States can make personal political contributions through Roche's Good Government Committee and Genentech's Political Action Committee (GenenPAC). Both are voluntary political action committees. In 2013, employees donated 360,932 US dollars to political campaigns through these committees.

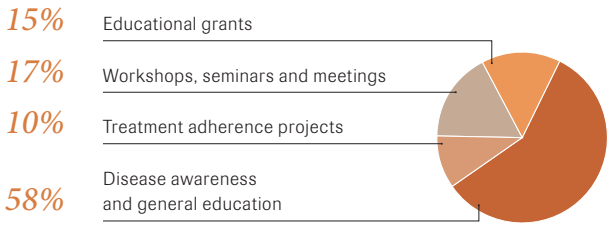
Contributions to healthcare institutions

Total amount: 175 million Swiss francs



Contributions to patient organisations

Total amount: 33 million Swiss francs



Non-financial reporting

At Roche, we are committed to the Triple Bottom Line principle and to driving our social and environmental performance with the same diligence as our financial performance. From a reporting perspective, guidelines are evolving towards integrated reporting and we are fully committed to this kind of integrated thinking. Internally, we have been assessing the best approach and the most appropriate communications channels for Roche and its stakeholders. Based on this assessment, we have decided to move to the voluntary Global Reporting Initiative G4 standard from 2014, in order to further enhance our social reporting engagement.

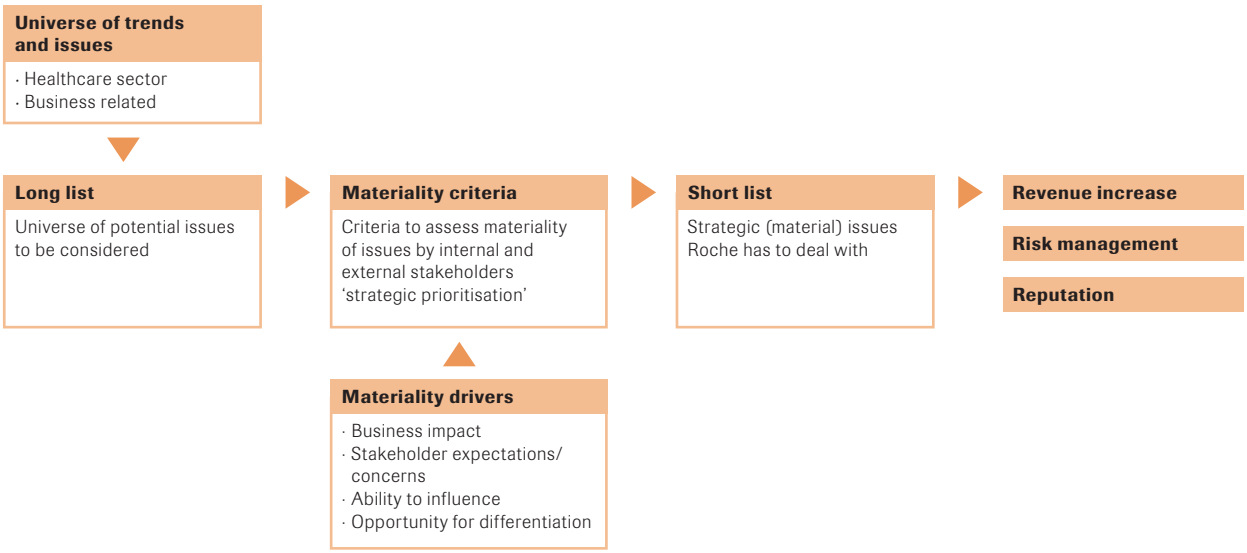
A particular aspect of the new guidelines is materiality assessment; an analysis of areas of relevance and potential opportunity or risk which have the ability to preserve and create value in the short, medium and long term. We already apply a materiality framework in our Safety, Security, Health and Environment (SHE) management, where we actively assess the impact (including financial) our sustainability initiatives have, or could have on our business (see more in SHE chapter of this report). For the company as a whole, we are in the process of implementing a broader materiality assessment process to more effectively systemise our existing analysis of opportunities, stakeholder feedback and risks that we believe to be the most material for Roche.

The formal materiality exercise began internally in 2013, through the Roche Corporate Sustainability Committee and network, where six key corporate responsibility material topics were identified and which will provide a basis for beginning a fuller materiality assessment with our stakeholders:

- Access to healthcare
- Compliance and corporate governance
- Eco-efficiency
- Leadership and employee engagement
- Safety (product, plant)
- Supply chain and partners

Further information on all these areas can be found in the relevant sections of this report, Markets, Corporate Governance, SHE and People.

The Roche materiality process



Managing risk and crisis

We have in place a full Risk Management Policy, which sets out our approach for identifying, managing and reporting internal and external risks. We also use stakeholder feedback to help manage social, environmental and economic risks.

Using consistent methodologies and processes, we routinely perform risk assessments at all levels of our organisation. A Group Risk Report, which covers all material risks, is annually discussed with the Corporate Executive Committee and the Audit Committee of the Board of Directors. We regularly update our risk management processes to raise awareness and understanding of risk throughout the Roche Group.

The Group Risk Management team provides advisory services to sites, affiliates, project and product teams. It monitors risk patterns in specialist areas such as social media, IT security, compliance and sustainability. E-learning programmes, classroom training and workshops are in place to improve the understanding of risk and help employees manage them appropriately.

Additionally, we have established incident management teams throughout the Roche Group to ensure that we act quickly in an emergency. These teams regularly rehearse different crisis scenarios, alerts and escalation procedures. We continue to strengthen our business continuity management (BCM) to ensure that all our sites respond effectively to catastrophic events and deliver a minimum, acceptable level of key products and services. A Group BCM policy and guideline is in place, facilitating a consistent and aligned local implementation. We are currently rolling out the new BCM framework across the Group to make sure Roche's operations are resilient and capable of effectively responding to major disruptions.

Sustainability risk

In 2013, Roche adopted a new Business Sustainability Risk Assessment approach in order to ensure that emerging social, environmental and economic risks are not overlooked. Business sustainability risks include risks affecting multiple parts of the company, as well as risks that may have longer-term impact.

This approach allows us to assess emerging risks on an annual basis and to integrate these into our existing Group Risk Management Process. Using this approach, potential business sustainability risks were identified from literature review, risk intelligence sources and workshops with the Corporate Sustainability Committee. Each of these risks were then assessed by an expert cross-functional team resulting in a short list of five business sustainability risks that have now been integrated into our 2014 Group Risk Management Process.

The five business sustainability risks identified are:

- Earthquake (Basel, Tokyo, South San Francisco)
- Inadequate strategies for Cloud, mHealth (mobile devices), eHealth (electronic devices) and social media
- Cyber attacks
- Issue response not yet optimised
- Severe income disparity

Safeguarding patient safety

To ensure that every Roche product is both effective and safe, we have established a systematic process designed to optimise patient safety throughout the lifecycle of a medicine.

We collaborate with regulatory agencies, monitor reports of adverse events experienced by patients and communicate on our product safety activities, as appropriate to the audience. Any medicine may cause side effects in some patients. Our priority is to make sure that the therapeutic benefits of the medicine outweigh the risks. The quality of our processes and systems is regularly audited internally and inspected by regulatory authorities.

Our employees are required to immediately report any issue relating to the safety or quality of our medicines. A new learning solution was put in place in 2013 for training on reporting of adverse events. By the end of the year, 96% of the required employees had completed this training.

All adverse events are stored in a global database, reviewed by a qualified physician and reported promptly to appropriate regulatory authorities, as required. If there is a link to a Roche product, we evaluate whether the benefits of the medicine still outweigh the risks. We also maintain strict product recall procedures to ensure that we can withdraw products rapidly should quality or safety problems arise.

Despite these safeguards, following an internal quality review at the end of 2011, Roche identified some unreported potential missed adverse events from its Patient Assistance Program in the United States. In collaboration with the relevant health authorities, a retrospective global search was conducted to identify any unreported adverse event reports and we completed a safety assessment for each impacted product.

In November 2013, the European Medicines Agency (EMA) announced that the PRAC (Pharmacovigilance Risk Assessment Committee) had confirmed the Roche assessment of the medicines. Based on all available safety information they confirmed that the benefit-risk balance of our medicines was not impacted and that all medicines remain authorised without changes to the treatment advice for patients and healthcare professionals. All corrective and preventative actions resulting from the health authority inspections that took place in early 2012 are being implemented.

In parallel, a re-inspection by authorities in November 2013 resulted in some additional findings which Roche is now addressing. EMA has also initiated a procedure to investigate whether Roche had infringed some legal obligations relating to the reporting of these adverse events. This infringement procedure is ongoing and the EMA is expected to issue its report to the EU Commission by April 2014.

Drug counterfeiting

Counterfeit medicines and diagnostic products are a serious and growing global problem. Counterfeits have been found in every disease category and in every region of the world. They often look identical to authentic versions and are difficult to detect, particularly for patients. The main concern is patient health and safety: substandard and falsified drugs medicines can mean the difference between life and death for a patient.

We work closely with all relevant stakeholders, including professional investigators, international associations and national authorities to help identify and withdraw counterfeit medical products from the market and to support prosecution of criminals involved. In addition, we train local officials and are involved in public education on counterfeit medicine.

In 2013, along with other pharmaceutical companies, we entered into an agreement with INTERPOL's Pharmaceutical Crime Programme to further build on the work of its Medical Product Counterfeiting and Pharmaceutical Crime unit. The programme will include training, capacity building and targeted enforcement actions to build awareness of the issue, as well as to disrupt and dismantle the organised crime networks involved.

In order to be effective, a comprehensive series of anti-counterfeit measures needs to be in place, including harmonised product serialisation and a universal use of safety features. The goal is to prevent people being harmed by counterfeit medicinal products. Internally, we have implemented internal technical anti-counterfeiting measures for the design, packaging and labelling of our products. We also continue to work with authorities on a system to track and trace products from distribution to dispensary.

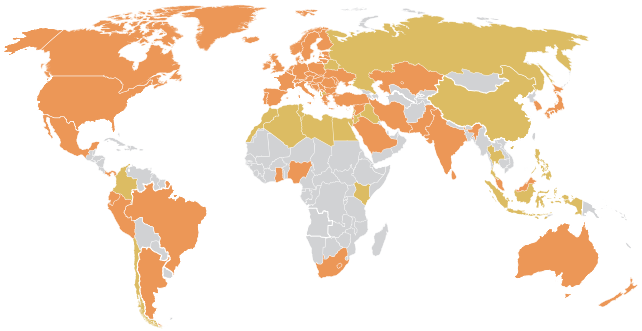
In addition to these initiatives, in 2013, we strengthened our internal structure, which has a network of experts worldwide to share knowledge and coordinate our response to counterfeit cases involving Roche products. This allows us to immediately inform the relevant health authorities when potentially counterfeit products are brought to our attention. Our action plan ensures rapid detection and analysis of suspect products and timely coordination with and reporting to authorities.

Biosimilars

Biosimilars are not exact copies of the innovator biological product. Unlike generics of chemically synthesised medicines, the structural complexity of these products, as well as the uniqueness of the biological production process means that these biosimilars can never be identical to the original medicines. This presents new challenges for both the regulators and the pharmaceutical industry. In 2013, the first ever biosimilar monoclonal antibody was approved in Europe, a non-Roche medicine, and discussions are underway at the World Health Organization to agree on a new convention for naming, which reflects the non-identical nature of the active substances produced by independently developed manufacturing processes.

Our view is that biosimilars must meet rigorous regulatory and quality standards comparable to original medicines. To this end, Roche is working with regulators providing knowledge in order that approval standards are appropriately set.

As the regulatory environment develops globally for bio similars, we have raised concerns over differing standards for regulation. In some emerging markets for example, approval processes are not following guidance issued by World Health Organization, and this could have safety and efficacy implications for patients.



- Biosimilar regulation in place
- Biosimilar regulation in development
- No data

Overall, we are confident that our strategy to innovate, expand and protect will ensure we stay ahead of biosimilars competition. In 2013 for example, we launched a number of new standards of care in cancer, including a subcutaneous version of Herceptin, as well as Kadcyla and Perjeta and Gazyva.

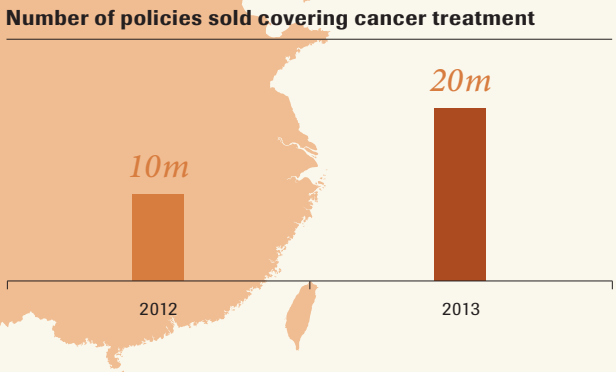
Human rights

Roche fully supports and implements the 'Protect, Respect, Remedy' approach from the UN Human Rights Council's Ruggie Framework. We are equally committed to complying with the 10 UN Global Compact Principles; the Universal Declaration of Human Rights; and the Fundamental Labour Rights stipulated by the International Labour Organization's Declaration on Fundamental Principles and Rights at Work.

We have consistent global standards across all areas of the company and support and respect all human rights within the sphere of our influence. Human rights are embedded in our Code of Conduct and we actively ensure that Roche is not complicit in any human rights abuses. Our commitments are detailed in the Code of Conduct and the Supplier Code of Conduct, as well as in the Roche Group Employment Policy and the Policy on Safety, Security, Health and Environmental Protection. These policies are rigorously enforced both internally and externally.

Helping establish private health insurance for cancer

China



- Cancer is the No.1 killer in urban areas in China and the second leading cause of death in China as a whole.
- A full course of some cancer medicines can cost 10 times the average Chinese worker's annual income.

Working with insurers to develop coverage for cancer

Only 6% of the Chinese population has a health insurance policy that covers the cost of cancer treatment. Roche has teamed up with ten local insurance companies, including the three largest, to help them develop additional policies that will cover cancer treatment and care. Seminars, client forums and cancer awareness campaigns run by Roche are helping to educate insurers and the wider population about how cancer can be treated.

85,6

employees worldwide

OUR PEOPLE

Reached top quartile of best employers with 67% employees engaged

Launched global well-being week with activities at 110 Roche sites

Reached goal of 20% of women in key positions a year ahead of schedule

Key figures

Women in key positions[1] *20.7%* or *+59%* since 2009 reaching 2014 goal of 20% a year early

Roche employees worldwide (full-time equivalents/FTE*)

	2013	2012	2011
Europe	37,518	36,511	35,509
North America	21,711	21,640	22,429
Asia	19,906	17,976	16,251
Latin America	4,564	4,563	4,506
Australia	700	737	755
Africa	681	662	679
Total	**85,080**	**82,089**	**80,129**

Employees (FTE) by function

	2013	2012	2011
Marketing and distribution	29,371	28,381	27,748
Research and development	18,762	18,279	18,449
Manufacturing and logistics	17,137	16,700	14,786
Servicing	15,355	14,442	15,041
General and administration	4,455	4,287	4,105
Total	**85,080**	**82,089**	**80,129**

Employees (FTE) by operating unit

	2013	2012	2011
Roche Pharmaceuticals	48,184	45,087	44,397
Chugai	6,999	6,965	6,908
Diagnostics Division	28,961	28,517	27,380
Other	936	1,520	1,444
Total	**85,080**	**82,089**	**80,129**

Employees by contract type

	2013	2012	2011
Regular (FTE)	82,631	79,923	78,013
Fixed term (FTE)	2,450	2,166	2,116
Full time (headcount)	81,769	79,132	76,911
Part time (headcount)	5,089	5,015	4,824

* Full-Time Equivalent (FTE) is used to reflect the actual working time of full and part-time employees. For example, two part-time employees working 50% would result in the equivalent of one FTE versus two employees (headcount). The number of FTEs in 2013 increased by 2,991 to 85,080, primarily as a result of growth in our Pharmaceuticals business in Asia–Pacific.

Introduction

At Roche, we believe that every employee can make their mark and make a difference. We hire outstanding people, help them manage their careers, and recognise and reward excellent work. We also aim to provide our people with managers who are great leaders. And we do all these things whilst embracing diversity and inclusion, and living by our values of integrity, courage and passion.

Together, these activities create a great place to work, where every person feels valued and respected and can grow to his or her full potential. Our people are fundamental to our innovation-driven culture and to our purpose of doing now what patients need next.

2013 priorities and performance

Our strategic priorities are focused on five key areas:

- Engagement
- Diversity and inclusion
- Leadership
- Talent attraction and retention
- Performance

1 Roche defines key positions as the top positions at corporate and operating group level. In 2013, there were 435 key positions.

Priority	Our aim	2013 Performance
Engagement		
Global employee survey	– Achieve 80% employee engagement levels globally by end 2014	– 67% employee engagement score, up 5 percentage points from 2011, exceeding industry benchmark of 60% and reaching top quartile of best employers[2]
Health and well-being	– Foster a culture of health and well-being	– Launched Global Well-being Week with activities at 110 sites worldwide
Diversity and inclusion		
A diverse and inclusive workplace	– 20% of key positions by the end of 2014 to be held by women – Promote diversity and inclusion with no tolerance for discriminative behaviour – Offer flexible benefits and working arrangements to meet the diverse needs of employees	– 20.7% of key positions held by women – 33.5% of succession pipelines for key positions are now women – 60 nationalities are represented in international assignments; 32% of international assignees are women – 35% of attendees at global leadership programmes are women – 70% of Roche employees satisfied with benefits, exceeding the industry benchmark for benefits of 51% and close to the 71% best employer benchmark[3] – 24% of Roche affiliates offered flexible benefits;[4] Elder care and other new benefit programmes piloted in Basel and other sites – 75% of Roche affiliates offered flexible working hours; 50% offered part-time working arrangements and 54% offered working from home[4]
Leadership		
Great leaders	– Shape a common global leadership culture, unique to Roche	– Roche Leadership Commitments and performance expectations communicated across the organisation and integrated into relevant HR practices, such as development planning, programmes and tools, including 360-degree feedback, talent management and performance management
Talent attraction and retention		
Attracting and retaining the best talent	– Ensure robust pool of qualified internal candidates for all critical positions – Build a pipeline of key external talent aligned with business needs using latest technology and methods – Develop employees at all levels	– 88% of all key position vacancies filled internally – 91 international assignments in emerging markets – Career development portal and job boards launched globally – 7% increase in training hours per employee compared to 2012
Performance-driven culture		
Creating a performance-driven culture	– Foster a culture of continuous performance feedback and dialogue – Embed new globally aligned compensation and performance management principles by 2014 – Respond to GEOS 2011 survey that indicated employee recognition could be improved	– 76 % of employees reported that performance feedback from line managers had improved since the new compensation and performance management principles were introduced – 83% of employees and 93% of managers felt that changing the principles was the right thing to do – 88% of employees are managed by measurable targets based on multidimensional performance appraisals – Pilots and rollout plans for Applause global recognition programme completed in 2013 and will be in place globally from January 2014

2 The range for optimal employee engagement levels in a corporation begins at 65%, with the benchmark for best employer at 79%, according to the methodology of Aon Hewitt, a global HR consultancy.
3 Source: Aon Hewitt.
4 Source: HR Benefits (HB) Diversity internal survey 2013: a total of 80 Roche affiliates participated in the survey.

Engagement

People drive our business. Understanding what matters to our people and what makes working at Roche a rewarding, engaging experience is critical to our success and the well-being of our people.

We measure employee engagement primarily through our Global Employee Opinion Survey (GEOS). Our objective by the end of 2014 is to reach an employee engagement level of 80%, the global benchmark for best employers across all industries[5]. We have made good progress towards this goal since our first survey in 2011.

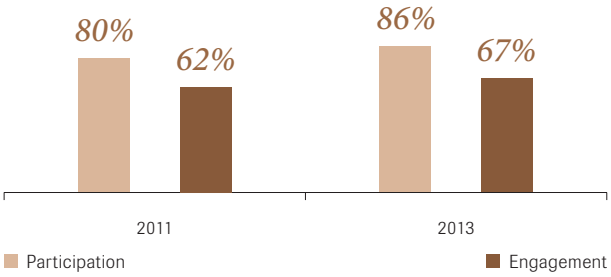
The most recent survey in 2013 placed employee engagement at 67%, up from 62% in 2011. This is a significant increase, putting us ahead of industry and other global benchmarks for optimal employee engagement[5].

Since the first survey in 2011, we have taken the feedback seriously, initiating activities to either address shortcomings or to ensure we maintain the positive features. For example, there was a Group-wide improvement from 2011 to 2013 in the percentage of employees who felt valued and listened to by senior leaders. We have also seen a 10 percentage point improvement in employee perception of career opportunities. Another clear indication of progress was the 86% rate of employee participation in 2013, compared with 80% in 2011. This continues to give us a clear understanding of what employees think and how they feel about working at Roche.

We will conduct the next engagement survey in September 2014.

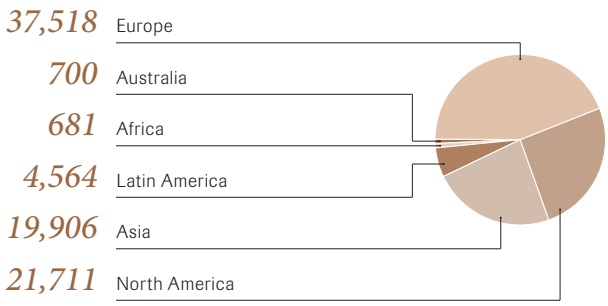
Global Employee Opinion Survey (GEOS)

Results



5 The range for optimal employee engagement levels in a corporation begins at 65%, with the benchmark for best employer at 79%, according to the methodology of AonHewitt, a global HR consultancy.

Employees by geographic region



An employer of choice

Roche has been consistently recognised as an employer of choice by its employees and by external institutions and publications. This recognition reflects our efforts to create a strong employer brand that differentiates Roche from the competition and attests to our commitment to help employees build careers in a collaborative work environment.

Health and well-being at work

Our global initiative 'Live well. Find your balance' was launched in September 2013, with our first well-being week. 110 sites worldwide participated in this programme, which aims to foster a culture of health and well-being amongst Roche employees and promote work-life balance.

The programme focuses on four themes: healthy lifestyles, prevention practices, emotional well-being and resources available at Roche. At many sites, we also offer a range of health and well-being information, activities and services throughout the year. These include employee assistance programmes, health checks (including vaccinations and immunisations), fitness and nutrition programmes, stress management and international SOS assistance.

Diversity

By embracing diversity, we can enrich every decision and discussion at Roche and bring more innovative solutions for our business. All facets of diversity are important to us, not just gender, race or culture, but also diversity of thought and experience.

We believe that creativity, decision-making and problem-solving are driven – and ultimately made better – by different and sometimes conflicting approaches, perspectives and experi-

Worldwide recognition for Roche in 2013

Award	Roche Site
Fortune 100: Best companies to work for	Roche Diagnostics Indianapolis
Fortune 100: Best companies to work for	Genentech
CRF Institute: Top employer for China	Roche Diagnostics China
CRF Institute: Top employer for Switzerland	Roche Switzerland
CRF Institute: Top employer for UK	Roche UK
'Star' Employer Germany (Praktikantenspiegel 2013)	Roche Pharma Germany
Great place to work Greece	Roche Hellas
Great place to work Denmark	Roche Denmark
Great place to work Colombia	Roche Colombia
Most Desired Employers	Roche Diagnostics Poland
Science Top Employer	Genentech and Roche
Russia 2012 Best Employer (Aon Hewitt)	Roche Russia
Lithuania 2012 Best Employer (Aon Hewitt)	Roche Lithuania
Slovakia 2012 Best Employer (Aon Hewitt)	Roche Slovakia
Romania 2013 Best Employer (Aon Hewitt)	Roche Romania

ences. We promote an inclusive environment, where individuals can exchange ideas and opinions openly and respectfully.

Today, 48% of our employees are women and worldwide, our employees represent more than 139 different nationalities, of which 88 are represented at our headquarters site in Basel.

Gender diversity

	2013	2012	2011
Women in total workforce	48%	46%	46%
Women in line management	39%	38%	35%
Women in key positions	20.7%	18.5%	18%

Gender diversity

Gender diversity continues to be a top priority. The goal was to have women in at least 20% of our key positions by 2014. By 2013, we had already reached this goal, with 20.7% women in key positions compared with 18.5% in 2012.

We are working to ensure that women are fully represented in our pipeline of internal candidates for key positions. In 2013, we increased the percentage of women in these pipelines to 33.5%. We also increased the number of women identified as high potentials in our internal talent pools to 41.6% and 32% of international assignees are also now women. Overall, from 2010 to 2013, the percentage of women hired by Roche at a managerial level increased by 8%. At the end of 2013, women held 39% of our management roles.

We also provide targeted development opportunities, including mentoring and sponsorship programmes and participation in leadership networks. For example, we regularly sponsor Women in Science and Women in Leadership Forums at our larger sites, such as Basel, South San Francisco, Indianapolis and Mannheim.

Supporting diversity

To encourage diversity at work, we take a flexible approach to benefits, matching local programmes to the varied needs of employees across the world. Benefits can include sabbaticals, parental leave, family-friendly services, e.g., child care and sick child leave.

Flexible working arrangements also have the support of the Executive Committee in an effort to help employees balance their work and personal commitments in line with country or site-specific regulations. To accommodate this, the company offers, where possible, flexible working hours, including part-time or job sharing opportunities, and flexible work location arrangements, such as working from home, shared desk or open plan offices.

Our global employee survey showed that 70% of our employees were satisfied with their benefits, 19 percentage points above the benchmark for Pharma companies and in line with best employers.

We continued in 2013 to improve our benefit programmes. Our sites in Basel and the United States initiated pilot programmes

and policies to address the needs of a growing number of employees who now have elder-care responsibilities.

Equal opportunity for all

Roche is an equal opportunity employer. We do not tolerate workplace discrimination of any kind and take action in case of misconduct. Additionally, we respect our employees' right to freedom of association and collective bargaining.

Leadership

We believe that every Roche employee deserves a great leader, someone who inspires and engages the team with every interaction and who provides her or his employees with opportunities to continuously discover, learn, develop and contribute.

This sentiment is captured in our leadership commitments, which were developed in 2012 with input from 1,500 of our senior leaders in response to GEOS 2011. The commitments provide a baseline for our leadership development programmes and capture a promise to our employees about what they should expect from our leaders.

Development

In 2013, leadership development remained a top priority at Roche, with an emphasis on people leadership and the embedding of our leadership commitments within the organisation. The commitments were introduced to all sites and integrated into all relevant HR and development practices globally.

Senior leadership programmes, such as Catalyst, also support the embedding of these commitments. The programme aims to improve the individual and collective leadership skills of our senior leaders within the context of adapting to business and organisational change. By the end of 2013, 60% of the target audience of senior leaders had participated in this programme, with Corporate Executive Committee members helping to facilitate each session.

We also launched the Leading Leaders at Roche programme globally in 2013. The programme targets about 3,000 mid-level leaders, helping them apply our leadership commitments authentically. In 2013, we conducted two pilots and five programmes, with the full-scale roll-out planned for 2014.

Challenging conventional thinking

The Horizons Programme gives leaders with high potential the opportunity to challenge conventional thinking and to experience the excitement of launching a new concept. Participants learn to take personal responsibility for innovation and change, to inspire others as a leader and to create an environment where innovation can flourish.

Working in teams, leaders are challenged to expand their horizons beyond their immediate area of responsibility by developing and testing hypotheses in response to a critical business challenge. The programme aims to improve the expertise of leaders over six months in areas of strategy, management, innovation and change.

Participants receive candid feedback from a London Business School adviser and Roche executives in attendance at each course module.

In 2013, 66 employees participated in the Horizons Programme.

360-degree feedback

Another important element of our leadership development programmes is the global 360-degree feedback tool. It encompasses the behaviours and core competencies associated with our leadership commitments and helps leaders assess their individual strengths and development targets against global norms.

Talent attraction and retention

Our talent strategy is to pursue recruitment excellence. We implement the strategy by attracting outstanding, highly skilled, motivated people and helping them perform at consistently high levels. We then focus on retaining employees through a cycle of regular development, recognition and rewards tied to performance. Additionally, we seek a continuous supply of diverse talent, qualified to help us innovate and deliver on our business objectives.

Recruitment

In 2013, 48% of our job vacancies were filled internally and we work continuously to identify and develop our pipeline of employee candidates for key positions. We also focus on building external talent pipelines to fill gaps in our internal talent pool and to meet succession management needs. Having a strong employer brand improves our ability to attract quality external candidates, whilst reducing time to hire and the cost for external recruiting agencies.

We face stiff competition for top talent in science and medicine, especially in emerging markets, such as India and China, and developed markets, like the San Francisco Bay area in the United States. We are responding to this challenge with a global approach that includes in-house recruiting teams and talent scouts to search for potential candidates for key positions that cannot be filled internally. In 2013, we recruited 10 senior employees from external sources into key positions.

We continue to attract and hire top talent using traditional recruitment practices, such as job postings, referral programmes and recruitment at university and business schools. Our career websites in 91 countries drew 4.4 million visits in 2013, compared with 3.6 million in 2012. We received 652,000 applications for posted vacancies and registered 284,000 new candidates to our database of job seekers interested in becoming Roche employees. We also expanded our use of social media, such as LinkedIn, Twitter, Facebook and YouTube, to generate interest in careers and working at Roche.

Attracting employees

	2013	2012	2011
New hires	11,117	10,043	8,463
Internal staffing rate	48%	46%	43%
External staffing rate	52%	54%	57%

Retaining employees: turnover

	2013	2012	2011
Total	**8.3%**	**8.1%**	**10.1%**
Europe	5.3%	4.9%	6.8%
North America	11.2%	11.5%	15.1%
Asia	9.1%	9.3%	8.9%
Latin America	14.2%	11.5%	14.8%
Australia	11.9%	14.7%	18.2%
Africa	13%	14.2%	18.4%

Reasons for leaving

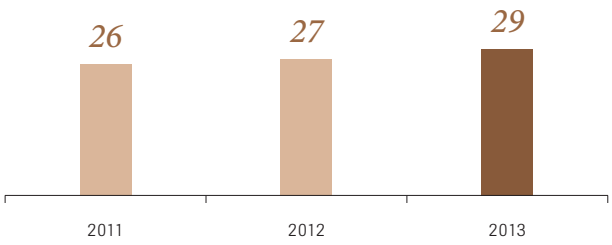
	2013	2012	2011
Employee-initiated	52%	57%	50%
Employer-initiated	42%	36%	41%
Neutral	6%	7%	10%

Career development

At Roche, we aim to provide a work environment where our employees are encouraged to build their careers and pursue their passions. We believe career development is a partnership between our employees and their managers, with employees driving their careers. Our role is to provide the right resources, including a broad range of activities, experiences and roles that promote learning and growth opportunities.

In 2013, we communicated this career development philosophy and launched career development websites globally and specifically for Pharmaceuticals. These sites, along with other development activities, provide employees with the resources to manage their careers. These resources can also help employees assess their personal interests and strengths as well as identify development needs. Specific career options are outlined on the websites. We encourage employees to think through potential moves, including lateral and cross-functional opportunities, as well as stretch assignments with the aim of continuous learning.

Training hours per employee



Additionally in 2013, 95,348 employees and contractors worldwide used our online learning solution tool (LSO) and completed courses or training, including those specifically related to compliance. As a daily average, 177 employees attend an instructor-led event and 2,545 web-based courses are completed.

Learning and development

	2013	2012	2011
Total training investment (million CHF)	129	129	116
Training spend per employee (CHF)	1,487	1,538	1,417
Total number of training hours (million)	2.48	2.25	2.08
Average training hours per employee	29	27	26
Number of postgraduates and interns*	1,305	1,122	1,050

* Excluding Chugai

We believe all these activities were contributing factors to our 10-percentage point increase in employee engagement scores for career opportunities.

Succession management

We maintain specific succession plans for each of our key positions. We monitor these plans continuously to ensure that we have a strong and diverse pipeline of talented candidates.

As a result, in 2013, 88% of key position vacancies were filled with internal candidates, and of these, close to 90% came from our succession plans.

By the end of 2013, we also maintained succession plans within the broader organisation for a further 2,871 positions, representing a 51% increase over the number of plans maintained in 2012, as we continue to strengthen this as a strategic priority.

All these achievements are due to the commitment of our senior leaders to regular talent reviews, supported by the global roll-out of succession modules in CHRIS, our global HR information solution in 2013.

Leadership pipeline

	2013	2012	2011
Number of high-potentials	6,143	4,137	4,690
Percentage of women high-potentials	42%	38%	39%
Percentage of women in global leadership programmes	35%	36%	33%

Performance

At Roche, we strive for a performance-driven culture. Through our performance management process, we support continuous dialogue and feedback that aims to develop our people, rewarding their performance and maximising business results.

Since 2012, we have maintained globally aligned performance management principles that are also reflected in our approach to compensation. No matter where our employees work, they are recognised and rewarded for innovation, performance, teamwork and demonstration of Roche values and core competencies.

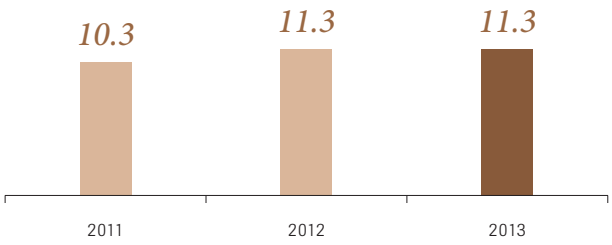
The benefits of this approach were evident in the pulse check survey we completed in May: 76% of employees reported that performance feedback from line managers had improved since the new compensation and performance management principles were introduced. In addition, 83% of employees and 93% of managers felt the change was the right thing to do. The multi-dimensional performance appraisal process includes access to our online multi-input feedback tool, which helps collect feedback about performance from a variety of sources.

Recognition

Recognising employees for their time and effort helps us to retain and engage people and ensure that our people feel valued.

Many Roche sites have recognition programmes in place, however, these do not fully support the increasing number of our global or cross-functional project teams. To address this gap, we piloted the Applause recognition programme in 2013 with employees in South San Francisco, United States, and in our

Remuneration
CHF billions



global product development function. We plan to launch Applause across all sites in January 2014. This online programme better supports our geographically diverse teams, improves the consistency and transparency of recognition, and encourages frequent feedback by any employee to any other employee anywhere within Roche.

Compensation

Compensation reinforces our culture of performance and plays a key role in attracting, motivating and retaining top talent. Our compensation principles focus on value creation, success sharing, fairness and transparency, while balancing long- and short-term remuneration with affordability and market competitiveness.

We spent 11.3 billion Swiss francs on remuneration (compensation and benefits) in 2013. We also saw greater differentiation in reward payments, reflecting our efforts to integrate pay-for-performance principles and differentiated rewards throughout the organisation. These efforts helped to establish a common language and tools for performance appraisals and compensation reviews across the organisation.

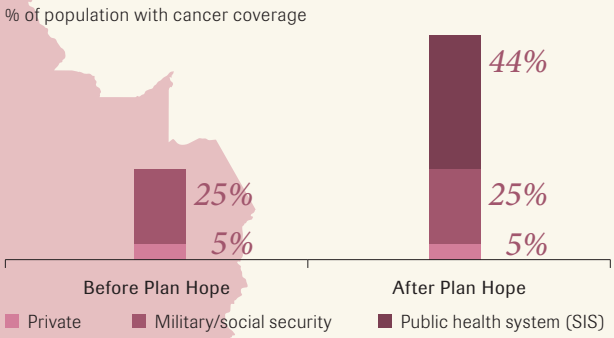
Improvements to compensation and performance management were also facilitated by our online platform CHRIS, which is now used by 196 affiliates. In 2013, Le Cercle SIRH, a French association of HR and information system professionals, granted the CHRIS team its HR Information System Strategy award for a collaborative solution that harmonises HR processes and improves HR management worldwide.

Roche Connect, our employee programme to purchase Roche securities at a discount, showed steady progress in its eleventh year, with 17,612 participants in 2013. Additionally, more than 16,000 managers and employees received an award through the Roche Long Term incentive (LTI) plan. As of 2013, the LTI plan is provided partially in the form of Restricted Stock Units (RSUs) with a 3-year vesting period, thereby offering LTI recipients a competitive package that is better aligned in value with the equity held by Roche shareholders.

Supporting the healthcare system to treat cancer

Peru

Increase in cancer coverage through Plan Esperanza (Plan Hope)



Working with the government on the first public cancer coverage for the poor

Until recently, public healthcare funding for cancer treatment was unattainable for the majority of Peruvians. In 2012, a new government National Oncology Plan known as Plan Esperanza or Plan Hope, was set up to address this and provide access for treatment of most common cancers. For the first time, cancer care is now available for the general population. Since then, Roche Peru has been supporting the plan with educational cancer awareness campaigns and by strengthening diagnostic testing, as well as helping establish healthcare facilities and assisting with medicine pricing.

132,

employees have walked the Children's Walk since 2003

COMMUNITY INVOLVEMENT

Marked 10 years of supporting children in need

Donated supplies for victims of Typhoon Haiyan

Launched Roche Young Commissions for young composers

Key figures

Breakdown of contributions by area, 2013	Humanitarian and social projects	94%	Science and education	2%
	Arts and culture	3%	Community involvement	1%

Roche and its employees engage in a variety of community and philanthropic projects. The enthusiasm and idealism we bring to the discovery and development of new medicines and diagnostic products carries over to our involvement in social, educational, humanitarian and cultural causes. We aim to be an active, long-term partner by entering into projects at an early stage and sharing project investments and risks.

We focus our resources on a few selected projects that make a lasting impact. Our contributions are directed to four distinct areas: humanitarian and social projects, community and environment, science and education, and arts and culture. Emphasis is placed on projects that reflect the following criteria:

- Innovation – provide creative and effective solutions to the targeted problem
- Sustainability – deliver enduring results in a dynamic resource-constrained world
- Collaboration – complement the work of partner organisations with our resources and skills
- Outcomes – generate tangible long-term benefits for the people and communities involved

Our global activities are guided by Roche's Philanthropic Donations and non-commercial Sponsorship Policy. Philanthropic donations may only be made to registered or accredited independent non-governmental organisations, multilateral organisations or not-for-profit charities.

Employee involvement

In 2013, Roche continued to enable its employees to contribute their skills and expertise to health-related challenges in some of the world's poorest countries. With Roche support, employees can spend from three to twelve months working in a developing country with a partner organisation that has expertise in the area. Since 2007, Roche employees have been temporarily assigned to projects in countries such as India, Haiti, Kenya, Tanzania, Ghana, Ethiopia, Niger, Swaziland and Togo.

A decade of dedication

In 2013, the Children's Walk celebrated its 10th anniversary. Since 2003, when about 1,000 employees from our Basel, Nutley and Palo Alto sites joined the walk, the number of participants has grown steadily, reaching 18,000 employees from 123 sites in 2013. All funds raised are matched by Roche.

Humanitarian and social projects

We believe that improving services and support systems is one of the most effective ways to build stronger and healthier communities. In developing countries, investment in education and basic health awareness plays a major role in building the foundation of community sustainably.

In South Africa, Roche sponsors Transnet-Phelophepa[1], a service that brings healthcare and education to remote communities throughout the country. In collaboration with the Transnet Foundation, the philanthropic arm of South Africa's largest state-owned transportation company, Roche funds a mobile healthcare clinic, known by the locals as a miracle train. This service is actually two 18-car trains which deliver medical services and healthcare education to more than 550,000 people annually, including more than 90,000 patients in need of care. Transnet-Phelophepa staff also visit schools, providing primary health checks, medicines and education.

Engagement in Malawi

2013 marks the 10th year of our involvement in Malawi; at the start we collaborated with the European Coalition of Positive People to provide HIV/AIDS orphans with food, education and skills training. Our participation quickly expanded to include Roche employees worldwide, with the annual Roche Children's Walk. This fundraising event helps vulnerable children everywhere, however, the majority of funds are directed to long-term projects in Malawi. It is held on 16 June to coincide with the Day of the African Child.

In addition, Roche is partnering with UNICEF to build a teacher's training college in Malawi to train as many teachers as possible to help reduce the number of students per teacher. This includes building classrooms and providing learning materials. This adds to previous projects conducted with UNICEF in Malawi to support schools in a more systematic way.

1 Phelophepa means good, clean health in local dialects.

A good neighbour programme in Brazil

In Brazil, Roche further expanded its efforts to support the Programa Vizinho Legal (Good Neighbour Programme) in the community of Jaguaré, São Paulo, which started in 2001. Jaguaré, a shanty town close to the Roche affiliate in São Paolo, is characterised by high unemployment and its related social problems, including a high rate of teenage pregnancy.

Initially, Roche employees offered music and sports courses to the children after school hours. The activities included violin, guitar and drum lessons, English courses, theatre and dance groups as well as a soccer programme.

In 2003, Vizinho Legal became an official Roche-sponsored programme, it has subsequently expanded to include schools, companies and healthcare institutions. A religious school congregation has joined also and provides rooms used for classes, parent meetings, presentations and events. Apart from the activities described, children can participate in an educational programme to promote the integration of young people in the working environment. There are regular prevention campaigns on topics such as hepatitis, breast cancer and diabetes. More than 300 children and 100 families have taken part in the programmes and 17 teenagers have become members of a theatre group which performs in many cities across the country.

Recognising young scientists

In 2013, Roche Hong Kong launched the Young Scientist Award to encourage students aged 13 to 16 to demonstrate their curiosity and passion for science by developing innovative approaches to improving people's quality of life. The winning proposal, submitted by three talented 13-year-old Hong Kong students, was a tactile handwriting and word learning kit for dyslexic students. The kit is a removable sandpaper mesh sheet that can be placed on a smart phone, tablet or computer screen to enable dyslexic students to 'feel' and see the letters.

Natural disaster support

The Roche Disaster Response model guides our contributions to communities that have experienced unprecedented natural disasters. While our local offices are able to offer immediate response during the emergency phase of a disaster, any long-term support reflects our global focus on providing sustainable assistance to help affected communities get back on their feet.

Typhoon Haiyan, one of the strongest storms on record, resulted in an unprecedented natural disaster and a medical crisis for the Philippines. In response, Roche donated supplies of its two highly effective antibiotics, Bactrim and Rocephin, using local stock to speed up delivery to those in need. The medicines were provided through the PHAPCares Foundation. In parallel, Roche Philippines consulted with local authorities to assess and identify short- and long-term needs, including ways for Roche to contribute to the Philippines' recovery. Employees of our local affiliate also contributed, starting a fundraising campaign and liaising with the local Red Cross. From the money raised, they bought blankets and personal hygiene objects, packed them and delivered them to the Red Cross for distribution. Roche made separate financial donations, as did several of its employees.

Community and environment

Responsibility for the majority of our philanthropic activities lies with Roche local affiliates which operate in over 150 countries. Every Roche affiliate has their own projects that support local communities.

With this approach we aim to tailor our activities more effectively to local needs. In the United States for example, during Genentech Gives Back Week in 2013, thousands of employees donated money and food and their time to 129 non-profit organisations. The result: real and positive change in their communities from participation in 250 volunteer projects and donations of educational supplies, clothing and food for these activities.

Science and education

As a business founded on excellence and innovation in science, we seek to increase public understanding of life sciences and to inspire future scientists. To this end, we support programmes that enhance science education, draw talented students to science careers and engage outstanding young scientists and their teachers.

Roche is an active supporter of Swiss Youth in Science, a foundation that raises awareness and appreciation of science among young people through national competitions and study weeks. We also support the Swiss Talent Forum, a politically independent think tank for young adults who get together with experts and high-profile personalities from business, science, society and politics to discuss potential solutions to the global challenges of our time.

Arts and culture

Roche supports contemporary art and cultural projects and actively cultivates artistic talent. Our focus is on innovative art, music and creative activities that express science artistically and explore the interaction between art and science.

Roche launched Roche Continents in partnership with the Salzburg Festival and each year Roche offers 100 students from across Europe the opportunity to participate in a programme of activities that explore themes of creativity, innovation and synergies between arts and science. The students spend a week in Salzburg, Austria, participating in creative workshops and attending selected contemporary classical concerts featured in the Salzburg Festival programme.

Supporting composers

In 2013, Samy Moussa, from Montreal, Canada, and Piotr Peszat, from Krakow, Poland, were the first composers to receive the Roche Young Commissions to compose orchestral works under the guidance of Pierre Boulez and the Lucerne Festival Academy.

This programme is an extension of Roche Commissions, a pioneering collaboration established in 2003 between Roche and the Lucerne Festival to support contemporary composers and innovation in arts and culture.

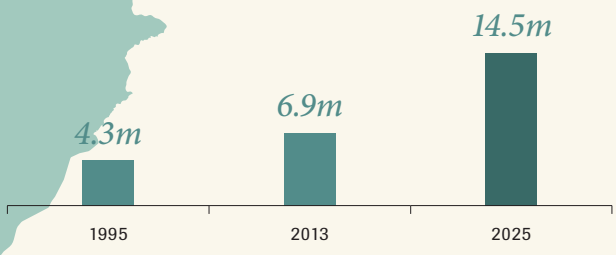
Roche Commissions offers contemporary music artists the challenge and opportunity to forge new frontiers in their field.

Started in 2003, every second year a recognised contemporary composer is selected on the recommendation of the artistic director of the Lucerne Festival, our partner in Roche Commissions. The commissioned work is then premiered at the Lucerne Festival in the summer.

Supporting people with diabetes

Pakistan

Cases of diabetes in Pakistan are growing dramatically



Increased awareness of changes in lifestyle, exercise and nutrition can help people to better manage diabetes and its complications.

Broader access to information and monitoring tools for healthier lives

Roche provides awareness and guidance locally about how best to manage diabetes and avoid its complications through a country-wide education programme. With the support of doctors, paramedic staff and nurses, experts advise people on how to live with this condition at sessions in clinics and on hospital wards. More than 12 of these programmes have run every month since their inception in 2009.

5.4

percent reduction in Roche accident rate

SAFETY, SECURITY, HEALTH AND ENVIRONMENT

Decreased greenhouse gas emissions per employee by 7.3%

Reduced heavy metals discharged to water ways by 52.4%

Increased share of sustainable energy by 10.9%

Key figures

Energy intensity	147 GJ/employee	–7.0%
CO_2 intensity	10.94 t/employee	–7.3%
Total environmental impact	6.44 million impact points/employee[1]	–0.2%
Roche accident rate (RAR)	0.068 days/employee	–5.4%

1 This includes first-time phosphorus reporting or phosphorus emissions based on the amount of phosphoric acid used on site (Genentech production sites).

At Roche, safety, security, health and environmental protection (SHE) is an integral part of our operations and as such we approach it with the same level of commitment as we do with any business-related activities. We strive for continuous improvement wherever possible and economically viable, monitoring our performance[2] regularly to ensure compliance with our standards and objectives, as well as ensuring our behaviour, processes and equipment are state-of-the-art. Prevention, however, is the key to effective SHE management to which we devote special attention. Our main tool is a professional risk management.

Improving and monitoring performance

We employ 612 people worldwide in SHE where expert teams at each Roche site identify risks and develop mitigation plans. They communicate policy and guidelines to employees and other stakeholders and motivate them to implement the necessary measures.

The effectiveness of our SHE management system is reviewed frequently, with employees encouraged to identify areas for improvement and recommend changes as required. Using a database of SHE best practices, our employees frequently share knowledge and exchange new ideas on SHE topics. During 2013, 34 proposals from this database were adopted by other areas within our organisation.

We believe that education, awareness and training are the best ways to foster employee engagement in, and responsibility for SHE. With this in mind, we conduct regular training sessions, regional conferences and workshops and provide online tools in local languages to employees. In 2013, our employees participated in approximately 265,000 hours of SHE training.

Audits and assessments

Our policy is to internally audit critical sites, such as chemical, pharmaceutical and diagnostic manufacturing facilities, every three years and other relevant sites periodically according to risk. These audits assess SHE performance against internal standards and stipulate future improvements. Plant management and local SHE officers conduct more frequent checks and inspections to assess compliance with SHE standards.

We expect contract manufacturers, suppliers and service providers to meet the same SHE standards as we do. To ensure compliance, we or third-party auditors retained by us, periodically inspect the operations of our suppliers and issue recommendations for improvement. In the event of non-compliance, we may either terminate a contract or refuse to renew it.

SHE audits

	2013	2012	2011	2010
Internal audits				
Follow-up	20	17	23	24
First time	10	9	3	4
External audit				
Follow-up	9	10	5	5
First time	21	48	42	31

2 Coverage for each key figure is aimed to be at least 95%.

In 2013, we followed up on 20 earlier audits and confirmed that improvements had been made in the interim period. Recommended SHE improvements following these audits included increasing the involvement of line management, the training level of SHE managers and improving risk analysis.

Materiality

At Roche, we assess all material issues that can have a significant positive or negative impact on our company. The materiality of an issue can be influenced by external and internal factors. For example, external regulations and laws may affect strategy, as will stakeholder expectations and industry reporting conventions. We have considered these factors, including our ability to influence an issue, when identifying the importance and relevance of matters to be included in our SHE reporting and managed actively through our SHE goals. Within the SHE areas at Roche, this analysis has indicated that the most important areas are:

- Employee health and safety
- Resource efficiency and the environment
- Protection of technical assets

We have looked at each of the main material issues and have considered potential future developments, analysed the need and feasibility to act, defined performance indicators, initiated projects and set goals. Based on this strategy, the following indicators have been set as priority SHE material issues, and are covered in this chapter:

- Occupational accidents and occupational diseases
- Energy management and air emissions
- Water management and use
- Security
- Pharmaceuticals in the environment

Occupational accidents and occupational diseases

Employee absenteeism due to occupational accidents and occupational diseases (including unhealthy stress) has a negative impact on the company. Providing a safe and healthy workplace for our employees is therefore a priority. Our primary objectives are to keep the Roche accident rate (RAR) below 0.07, reducing it to below 0.06 by 2020, and to reduce the Roche illness rate (RIR) to less than 0.01 by 2020. (RAR corresponds to the number of working days lost due to occupational accidents per employee per year. RIR corresponds to the number of working days lost due to occupational diseases per employee per year.)

Our approach

Our aim is to minimise employee working days lost due to occupational accidents and illnesses. We actively support employee health and safety and we set realistic goals and projects aimed at keeping accidents to a minimum. We have therefore established health and safety committees at virtually all Roche sites engaged in technical activities, such as production, laboratories, workshops and warehouses, and at many other sites according to risk levels.

We maintain an integrated programme of employee consultation, workplace inspections and training across all business areas. Our approach is to promote a strong safety culture that empowers all of our employees to report and address safety

Don’t be a dummy!

Under the slogan ‘Don’t be a dummy!’ the Basel site initiated a local information campaign to raise awareness of the Group occupational accident goal and the subject of accidents in general. It featured a yellow crash-test dummy as a symbolic figure and potential accident victim. Over a six-month period, team members highlighted typical situations where the dummy’s behaviour could lead to an avoidable accident. The team’s message: ‘We can all consciously avoid accidents by modifying our behaviour.’ The campaign was targeted at all employees, including supervisors who ensure that employees are able to work under optimal health and safe conditions.

issues. We expect similarly rigorous policies from our contractors. The safety of our employees outside of business hours is also important. We therefore sell discounted protective equipment for recreational activities as well as sport equipment.

Our performance

Due to a negative trend in occupational accidents over the past two years, we intensified our accident prevention activities. In 2013, the Roche accident rate (RAR) showed a significant decrease, with 352 work-related accidents, a 20% decrease in frequency compared with 2012. The resultant number of days lost, however, increased by 4.8% from 6,036 in 2012. Overall, due to a 10.7% increase in worked hours, the RAR went down by 5.4% to 0.068. The RAR is at a very low level and therefore single accidents resulting in a longer absence can result in fluctuations.

The number of reported cases of occupational illnesses decreased to 129 in 2013. Furthermore, the related working days lost declined to 1,268 from 1,494, which reduced the overall Roche illness rate to 0.014 or 22% lower.

Our occupational accident and illness profile remains consistent; with slips, falls and repetitive strains representing the majority of work-related incidents in 2013. We sincerely regret that an employee died in a road traffic accident in Italy while carrying out his duties.

Employee safety and health

	2013	2012	2011	2010 Basis
Roche accident rate	0.068	0.072	0.067	0.065
Roche illness rate	0.014	0.018	0.025	0.014
Number of work-related accidents	352	440	390	432
Cases of work-related illnesses	129	147	141	182
Work-related fatalities	1	1	0	0
Work-related accidents per million working hours	2.11	2.92	2.67	2.97

Roche Turkey – reducing burden on the environment

In 2013, Roche Turkey was certified under the World Wildlife Fund's Green Office programme after employees actively took steps to reduce their workplace environmental footprint. It was the first certification of a pharmaceutical company in Turkey.

A total of 59 actions were taken to achieve Green Office certification, including the following:

- Optimising staff shuttle bus routes to reduce driving distance by 19.8% and avoid over 170,000 kilogrammes of carbon emissions each year
- Reducing office paper use by 10%, saving 80,000 sheets each year
- Eliminating the use of 60,000 paper cups annually by purchasing 300 mugs
- Removing 13 water dispensers
- Installing 27 light switches to prevent unnecessary lighting
- Planting 4,500 seedlings in the Roche Forest in Çeşme

Resource efficiency and the environment

Our commitment

Using natural resources in a sustainable manner is fundamental to Roche's environmental strategy. The research and manufacture of pharmaceutical and diagnostic products is dependent on natural resources, such as raw materials, fuel and water. Consequently, Roche is fully aware of its corporate responsibility to a sustainable future and is committed to using natural resources more efficiently. In doing so, the company decreases its environmental footprint, which, in turn, benefits its stake-

holders and society by reducing greenhouse gas emissions and other environmental and health problems. Roche also benefits economically. By using green technologies and services, transitioning to sustainable energy and recycling, it reduces costs, e.g. for energy and raw materials, improves growth and competitiveness and creates employment opportunities, thus aiding society. Additionally, the less Roche depends on non-renewable resources, the less vulnerable it is to supply constraints and volatile market prices.

At Roche, we generate high-value products with relatively low levels of energy used for our operations. In 2013, the total energy use per million Swiss francs of products sold was 0.288 terajoules, which compares well with other pharmaceutical companies and chemical industries. This also applies for our relatively low CO_2 emissions.

As part of our commitment to sustainable development, we proactively seek to employ new, more sustainable technologies and processes which minimise our environmental impact.

Eco-balance

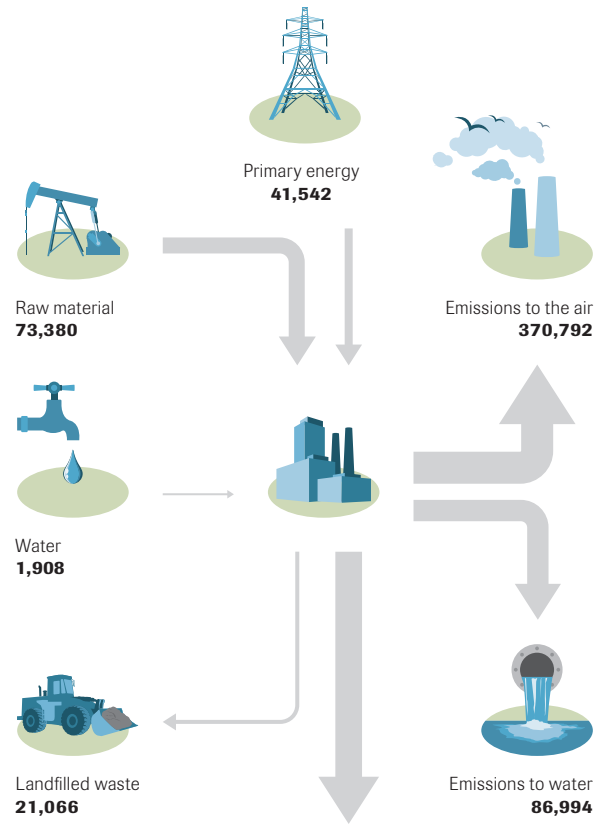
We have established a Group-wide goal for eco-balance (15% from 2010 levels by 2020), which allows local site management the freedom to develop locally appropriate strategies and objectives for reducing environmental impact.

Eco-balance refers to the consumption of energy and resources and the emissions and waste from our business activities. It describes the total environmental impact of our operations. By allocating environmental impact points to ecologically relevant parameters, such as the consumption of natural resources and emissions to air, water and soil, we obtain a view of the demand we place on the Earth's ecosystems. These points are added up and then related to the total number of employees, which enables us to monitor our environmental impact per employee (million impact points).

Our total environmental impact per employee slightly decreased from 6.45 to 6.44 in 2013. This decrease might have been greater but our two big biotech production sites (Vacaville and Oceanside, both United States) were reporting full phosphorus emissions either for the first time or based on the total amount of phosphoric acid used on site following a period of shutdown.

Our improvements in decreasing the amount of landfilled-waste, a slight decrease in the volume of withdrawn water and an increase in head count had a positive effect on our environmental impact. While the total use of raw material increased, the raw material efficiency (kg of raw materials used per kg of products produced) improved by 11.1%.

Eco-balance
all numbers are in impact points (see text)



Eco-efficiency rate

Eco-efficiency aims to minimise ecological damage, whilst maximising production efficiency, by using less energy, materials and water, decreasing hazardous emissions or by-products and increasing recycling. We use the eco-efficiency rate (EER) to measure and monitor our performance. EER is the ratio of sales to expenditure on environmental protection and environmental impact points (using the formula: sales ÷ [expenditures × impact points]), calculated in accordance with the Swiss Federal Office for the Environment. For example, EER improves (increases) when sales increase, expenditures on environmental protection remain constant and environmental harm is reduced.

Efficient cooling and emission-free heating

How can a data centre be efficiently cooled at the same time as nearby buildings being resource-efficiently heated? At the end of 2012, a heat pump with 600 kW heat output was installed at Roche's Kaiseraugst, Switzerland, site. It removes the waste heat from the computer centre and uses it to heat water to a temperature up to 55 °C and thus providing heating for eight office buildings and a laboratory building. This technology provides 80% of the necessary heating for buildings housing approximately 1,000 employees. This represents a saving of approximately 300,000 litres of fuel oil equivalents and a carbon dioxide reduction of around 820 tonnes per year.

Eco-efficiency rate (EER)

	2013	2012	2011	2010
Sales (million CHF)	46,780	45,499	42,531	47,473
Environmental expenditure (million CHF)	232	148	140	194
Environmental impact (10^6 environmental impact points)	595,683	545,022	563,742	591,592
EER (x 1000)	0.339	0.565	0.539	0.414

We seek to improve our EER primarily by reducing material and energy consumption as well as waste, and by using renewable resources. In 2013, our EER decreased by 40% primarily due to a 57% increase in environmental spending and a 9.3% increase in environmental impact points.

In addition to spending 231.9 million Swiss francs for environmental purposes, our investments and operating cost for safety and security amounted to 405.9 million Swiss francs. Hence, the total spending for SHE measures in 2013 were approximately 637.8 million Swiss francs, compared with 413.2 million Swiss francs in 2012. Included in this increase is a 0.6% increase in SHE personnel, as well as an increase in security measures, medical services and a replacement of a wastewater treatment plant.

Energy management

Roche is committed to minimising its environmental footprint in meaningful ways and to contributing to a sustainable energy future. To transform this vision into reality, we set up energy-saving action plans at our sites. They include the implementation of innovative technologies and continuous upgrading of infrastructure to improve energy efficiency. We purchase energy-efficient equipment, including hybrid and diesel-efficient cars and we review employees' travel needs. We also change work processes which is a complex task in highly regulated and approved facilities and we are focusing our effects on a steady transition to the use of sustainable energy.

Today, approximately 90% of the energy used by Roche comes from fossil fuels: non-renewable and depleting sources such as coal, oil and natural gas. As a result, we produce greenhouse gases, mainly carbon dioxide, and other waste products that contribute to climate change and air pollution.

Our aim is to use energy as efficiently as possible reducing energy consumption where possible and increasing the use of sustainable energy, while continuing to expand our global business.

Energy intensity and consumption

Roche is actively reducing energy intensity (measured at Roche by energy per employee), as well as increasingly using energy from sustainable sources to meet its energy requirements. Energy conservation benefits the environment by avoiding air pollution and reducing greenhouse gas emissions, and bene-

fits Roche by lowering costs and increasing reputational value. The efficient use of energy also ensures business continuity and a sustainable future for generations to come. Our goal is twofold. First, we aim to reduce energy intensity in gigajoules (GJ) per employee by 20% by 2020, from 2010 levels. By about 2050, we expect to reduce energy consumption per employee by approximately 50% from 2005 baseline levels. Second, we plan to increase the proportion of sustainable energy used to 20% of total energy consumed by 2020.

In 2013, despite strong sales growth, we managed to ensure our use of resources was as low as possible:

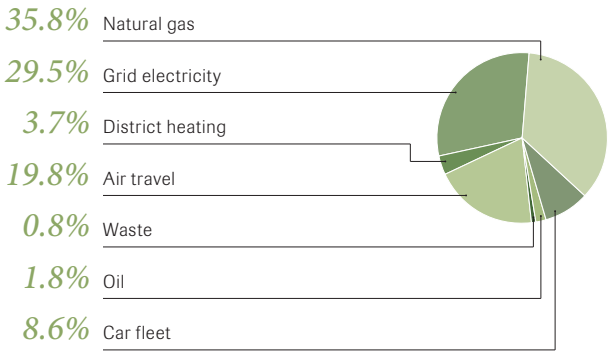
- 0.3% increase in energy used in buildings and stationary equipment (gas, fuel oil, waste, electricity)
- 0.1% increase in car fuel consumption
- 10.9% increase in sustainable energy use, bringing total sustainable energy to 9.8% of consumption.

Our reduction efforts in business travel were less successful in 2013, as energy consumption from air travel increased 6.3%, now comprising 19.8% of the total energy. A number of initiatives in this field did not compensate for the negative impact of globalisation.

Together with an increase in the number of employees, this resulted in an overall improvement of our energy intensity (GJ per employee) of 7% in 2013. While the absolute energy consumption increased by 1.4%, our energy consumption was 147 GJ per employee, which surpassed our 2013 goal target of 156 GJ per employee.

The way in which resource management can be improved is being demonstrated by our Genentech site in San Francisco, USA. The site is participating in the US Green Building Council's Best Buildings Challenge, committing to reduce energy, water and waste by 20% per employee in each of 5 buildings in just 2 years. Taking all 5 buildings together, the site had already all of this at the half-way point of the challenge.

Energy use by type

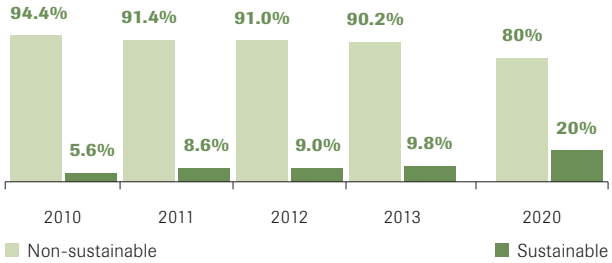


Energy use terajoules

	2013	2012	2011	2010
Total energy	13,470	13,280	13,372	14,495
Total energy per million CHF of sales	0.288	0.292	0.314	0.305
Total energy per employee	0.147	0.158	0.164	0.176

Share of sustainable energy

Actual data and goal for 2020



Air emissions

Our priorities are to avoid air pollutants, reduce quantities of pollutants and control remaining pollutant air emissions in line with our eco-balance goals. Our overall objective is to keep emissions to the air at the low levels we have achieved in recent years.

Our emissions strategy prescribes continuous improvement at our manufacturing sites. This includes using flue gas scrubbers to reduce nitrogen oxides and sulphur dioxide, and various incineration and freezing processes to reduce the release of volatile organic compounds (VOCs), which may also reduce energy use.

Emissions to air from Roche sites are at very low levels, which means that new processes or activities, as well as the timing of sampling can result in fluctuations as seen in 2013.

Emissions to air tonnes

	2013	2012	2011	2010
VOCs	114	122	124	164
Particulates	31	20	20	33
Nitrogen oxides	277	254	222	262
Sulphur dioxide	7	5	8	7

Greenhouse gas emissions

Greenhouse gas (GHG) emissions at Roche originate from the transformation and use of energy. Our goal for improving energy efficiency therefore also applies to GHG emissions: a 20% reduction, measured in tonnes per employee by 2020 from 2010 levels. We expect to achieve further reductions by substituting fossil fuels with energy from sustainable sources.

In 2013, we cut GHG emissions by 7.3% to 10.94 tonnes per employee by implementing energy-saving measures that reduced the amount of fuel we use to heat, cool and operate our sites.

Greenhouse gas emissions CO_2 equivalent

	2013	2012	2011	2010
Total emissions (million tonnes)	1.010	1.004	1.031	1.077
Total emissions per million CHF of sales (tonnes)	21.60	22.06	24.23	22.69

Transportation is also a contributor to emissions, through our logistics service providers (LSPs). To reduce our CO_2 footprint in transportation we need to know our overall emissions in terms of our carbon accounting system. To provide the data basis required to manage emissions, we developed a software-based IT tool in 2013 to calculate our intercompany and direct delivery shipments that uses one standard for all of our LSPs. It is certified by Bureau Veritas as being compliant with EU (ISO Standard 16258) requirements.

Shipments for all modes of transportation are assessed on a single shipment basis, which allows us to identify emissions drivers and focus on methods for emission reduction.

Another initiative to reduce greenhouse gas emissions at Roche is to reduce our use of halogenated refrigerants, which are used in cooling equipment and can remain in the atmosphere for a long period of time. Since 2004, we have made significant progress reducing emissions of halogenated hydrocarbons, eliminating all halons and reducing fully halogenated compounds by 90%, except at the US Genentech and Ventana sites, which came later into the reduction programmes and have later target dates.

Recent acquisitions and the lack of alternatives in some countries make complete elimination of halogenated refrigerants by 2015 unrealistic. We nevertheless continue to examine alternatives and work with refrigeration suppliers to make further reductions. Our aim is to reduce all halogenated refrigerants by 90% by 2015 for all legacy Roche sites and by 2022 for all recently acquired companies (Genentech, Ventana).

Halogenated hydrocarbons tonnes

	2013	2012	2011	2010
Inventory	176.4	172.1	181.9	205.2
Emissions	3.7	2.6	3.8	3.8

Water management

Our business is dependent on reliable supplies of high-quality water. Almost all chemical, biotech, pharmaceutical and diagnostics manufacturing processes involve water as a reagent, solvent, cleaning and cooling agent. For the pharmaceutical industry globally, poor quality water is resulting in higher costs for purification and greater risk of product contamination. We also use water as an energy carrier in refrigeration and heating installations.

Our approach

To ensure effective water management, Roche sites are either working on or implementing programmes to reduce water consumption and recycle or reuse water. In our view, water supply and use is best managed and monitored locally. For that reason, our sites set local targets and we do not set Group-wide water quantity targets.

We do, however, support global efforts to promote water protection and conservation and to improve access to clean drinking water. Our long-term commitment to reduce water consumption is reflected in our goal to improve total eco-balance by 15% by 2020, compared to a 2010 baseline. Furthermore, we aim to reduce total waste water toxicity by 10% by 2020 from a 2015 baseline. In the meantime, we continue to investigate reliable performance indicators and measurement methods for establishing a waste water toxicity baseline.

More than half of the water we draw is used in cooling circuits. Even though this water is not chemically contaminated, we analyse it before it is discharged. The rest is purified in treatment plants before it is released to waterways.

Water traps

At our Hillsboro site, in Oregon, USA, we estimate that a planned water project will save approximately 19,000 cubic metres of water annually. We will reduce water consumption by landscaping with soil containing crystals that consist of a super-absorbent polymer. The 'water crystals' trap moisture, releasing it into the soil when required. The crystals, which are planted with new vegetation or tilled into planting beds, reduce run-off from irrigation and rainfall and, in turn, the overall cost of irrigation.

Our performance

We record organic emissions into water as total organic carbon after processing in a waste water treatment plant. We only discharge waste waters and pollutants if they comply fully with relevant regulations, including pre-treatment requirements.

At approximately 90%, the elimination rates in our waste water treatment plants are already high. We seek to further minimise contamination of water by:

- Reducing discharges of toxic and poorly biodegradable substances and heavy metals
- Reducing the generation of waste water
- Treating or pre-treating waste water, with ozone in some cases, for non- or poorly degradable contaminants

Water use and discharge

	2013	2012	2011	2010
Water withdrawn (million m³)	19.7	19.8	20.4	19.6
Water used (million m³)	3.5	3.0	3.3	3.6
Waste water discharged to treatment plant (million m³)	5.4	5.6	5.7	6.3
Organic matter discharged to waterways after treatment (tonnes)	144	140	228	242
Heavy metals discharged to waterways after treatment (kilogrammes)	178	374	288	463

In 2013, we transferred 5.4 million cubic metres of waste water to treatment plants, resulting in the discharge of 144 tonnes of organic matter. This small increase compares favourably to the growth seen in 2013. In addition, we discharged 178 kilogrammes of heavy metals, of which most were leaching from metal pipes, from our operations into waterways.

Water, water everywhere

Roche is committed to doing its part to help protect and conserve water. Roche has offices in many parts of the world where the quality of water could still be an issue. It therefore becomes important to ensure that all employees are provided with access to clean drinking water.

In 2013, Roche became a signatory to the WASH Pledge (Access to Safe Water, Sanitation and Hygiene Implementation at the Workplace). This is a movement which was started to ensure appropriate access to safe water, sanitation and hygiene for all employees in all its premises under the signatory company's control.

The pledge was started by the Geneva-based World Business Council for Sustainable Development. Providing such facilities leads to healthier and more productive employees.

Waste management

We accept responsibility for all waste generated at our operations, including that previously deposited at our sites or landfills. We permit landfilling only as a last resort and, even then, only for inert materials such as slag or incineration ash. Depending on the availability of suitable local waste treatment plants, we may dispose of non-hazardous general waste in authorised landfills.

Our performance

Waste is a parameter of our eco-balance and, as such, our waste reduction targets are reflected in our goal to improve the Group's eco-balance by 15% by 2020 compared to 2010. We establish waste reduction goals for individual sites; however, we do not set a Group-wide goal, primarily because of large year-to-year fluctuations in waste from construction and demolition activities.

In 2013, production of pharmaceutical and diagnostic products supported the strong growth of Roche while chemical waste increased by 20% and general waste decreased by 16.3%.

As a former user of the Kesslergrube landfill in Grenzach-Wyhlen, Germany, Roche has started a remediation project. We are also evaluating various remedial options at our former production site in Belleville, New Jersey, USA. An extensive four-phase remediation project is underway at our site in Nutley, New Jersey, USA, which is scheduled for completion by the end of 2015.

Waste produced tonnes

	2013	2012	2011	2010
General waste	22,063	26,346	24,121	27,249
General waste per million CHF sales	0.47	0.58	0.57	0.57
Chemical waste	30,843	25,703	30,170	29,020
Chemical waste per million CHF sales	0.66	0.56	0.70	0.61

Security

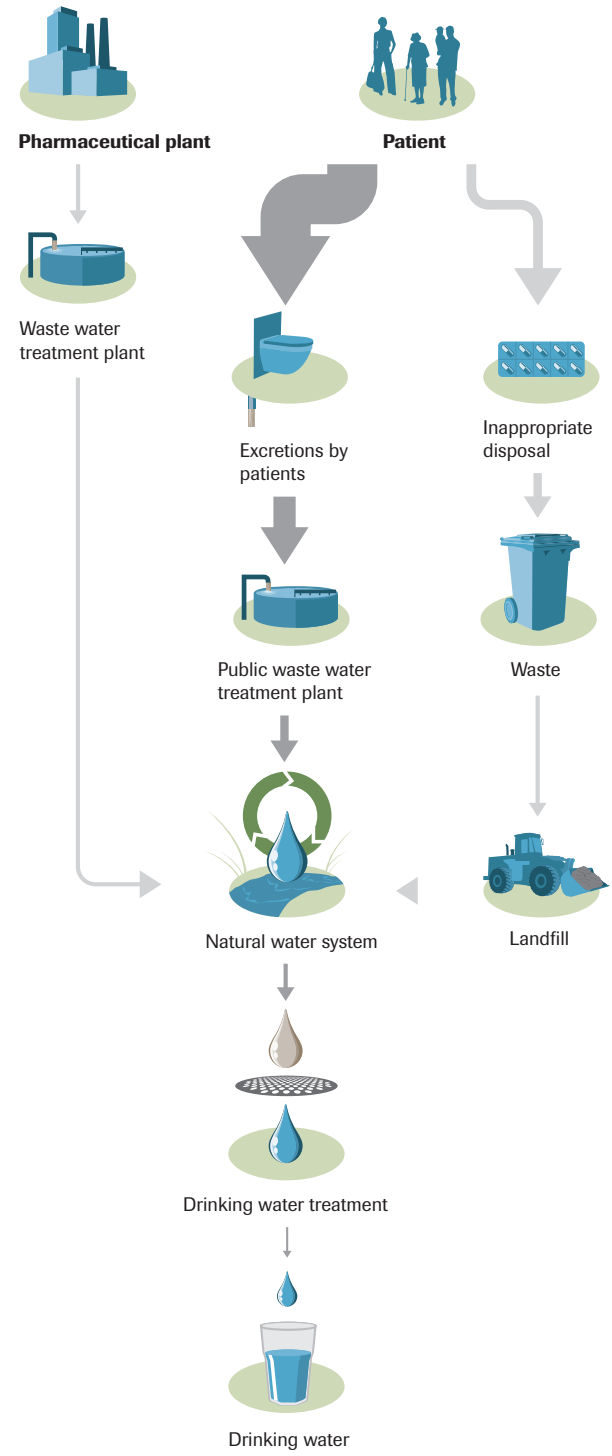
Protecting our employees, physical assets and critical information and the integrity of our brands and products are principal concerns of Roche. Preventative measures are a priority in all aspects of security.

The information security awareness campaign for R&D employees, which started in 2012, was completed in our R&D departments in the Roche Group. A specialist team consisting of members from the global departments, security, competitive intelligence, legal and IT briefed a total of 1,500 employees at eight different Roche sites on how each individual can significantly mitigate the risk of theft or loss of business-critical information.

A further security activity included the launch of a Global Logistics Security Programme in the Pharmaceuticals Division with the goal to systematically improve the protection of our products from theft or manipulation during transportation or storage in own or third-party warehouses. A small team led by Global Pharma Supply Chain and comprising security experts from different sites elaborated a global guideline and tools to evaluate and mitigate risks as well as report any incidents in this respect. The programme will be rolled out at Roche sites in 2014. Roche is affected by criminal attacks on product transports as well. Hot spots include Latin American countries and Italy.

A third security focus in 2013 was set out by the North American Security Workshop held in South San Francisco, United States. Site security officers from all US and Canadian sites discussed challenges and good practice on three key topics for the region: workplace violence, logistics security and physical site protection.

Pharmaceuticals in the environment



Pharmaceutical residues in the environment come from three sources: to a very minor extent (estimated at about 2%) from emissions at the production site, for a slightly larger part (3 to 8%) from the inadequate disposal of unused medicines and about 90% through excretion by patients (http://enviroadvisory.com/pdf/Pharmaceuticals_in_the_Environment_AESGP.pdf).

Pharmaceuticals in the environment

Roche is acting on concerns about the impact of pharmaceuticals on the environment by considering the entire lifecycle of its drugs. We have two goals: to safeguard the eco-system; and to protect our business against potential long-term financial and reputational risks.

Traces of pharmaceutical products can enter the environment in a variety of ways, including the manufacturing process; improper disposal of unused medicines; and through natural process following normal patient use. Patient use, however, is generally recognised as the primary contributor.

Evidence suggests that the exposure to the resulting trace concentrations in surface, ground and drinking water does not pose harm to human health. The risks to aquatic life are thought to be greater. Scientific studies have not identified any short-term effects from exposure to low-level concentrations of pharmaceuticals, but more research is being conducted to evaluate potential long-term impacts.

During production, we minimise the release of pharmaceuticals into the environment by designing our manufacturing sites to reduce the risk of active ingredients entering waste water. For products that have been distributed, we support programmes to collect expired medicines and employ proactive measures to prevent the release of our products into the environment.

These include:

- Offering financial incentives to ensure that unused or outdated products are returned by retailers and others in the supply chain
- Establishing policies that require returned or waste pharmaceutical products to be incinerated rather than disposed in landfills
- Providing environmental risk assessments to authorities for all new medicines

Making sure everyone has access to medicines

United States

Key facts:

- The United States does not have a universal healthcare system
- In 2016, we estimate that 26 million people in the United States will be uninsured
- Since its first product was approved in 1985, Genentech has donated over USD 3.5 billion worth of free medicine to patients who are uninsured or denied coverage

Giving the uninsured access to the medicines they need

The Genentech Access to Care Foundation (GATCF) was established to help patients who are uninsured or denied coverage to receive their Genentech medicines free of charge. Patients must meet certain financial and medical criteria. Each year, GATCF provides support to around 40,000 patients in the United States.

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After its foundation 117 years ago, Roche over the years specialised as a leader in research-focused healthcare with combined strengths in pharmaceuticals and diagnostics

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CORPORATE GOVERNANCE

Roche is committed to serving all its stakeholders. As a basis for the successful implementation of this commitment to all stakeholders our Corporate Governance principles accordingly put the focus of our business activities on sustainable value creation and innovation and prescribe a management culture conforming to recognised standards of corporate governance and a policy of transparent communication.

REMUNERATION REPORT

Roche's success depends on the abilities and dedication of all its people. Recognition of this forms the basis of our performance-oriented remuneration policy and system.

Corporate Governance

Roche is committed to serving all its stakeholders. As a basis for the successful implementation of this commitment our Corporate Governance principles accordingly put the focus of our business activities on sustainable value creation and innovation and prescribe a management culture conforming to recognised standards of corporate governance and a policy of transparent communication.

A strong Board of Directors, which represents the interests of the shareholders and all other stakeholders, and highly skilled managers that act with integrity are extremely important.

In 2013 and for the fifth consecutive year, Roche has been recognised by the Dow Jones Sustainability Indexes (DJSI) as the Group Leader in sustainability within the Pharmaceuticals, Biotechnology & Life Sciences Industry. Sustainability is at the core of our business practices and this award reflects our commitment to running our business in a way that is ethical, responsible and creates long-term value for stakeholders.

This Corporate Governance Report sets out the structures, processes and rules which Roche takes as the basis for well-functioning corporate governance. In doing so, Roche complies with all relevant corporate governance requirements, in particular with all applicable laws, the Swiss Stock Exchange (SIX Swiss Exchange) directives (including the commentaries thereto) and the Swiss Code of Best Practice for Corporate Governance promulgated by the Swiss business federation 'economiesuisse'. The company's internal governance framework, particularly its Articles of Incorporation and Bylaws, embodies all the principles needed to ensure that the company's businesses are managed and supervised in a manner consistent with good corporate governance, including the necessary checks and balances.[1]

The printed Annual Report contains selected links to the Roche website (www.roche.com). Readers are thus provided not only with a 'snapshot' of our company at the reporting date but are also directed to sources which they can consult at any time for up-to-date information about corporate governance at Roche. Whereas each annual report covers a single financial year ending 31 December, our website contains information of a more permanent nature, as well as the latest Roche news.

1 http://www.roche.com/about_roche/corporate_governance.htm

The company's Articles of Incorporation, Bylaws and the curricula vitae of the members of the Board of Directors and the Corporate Executive Committee are published on our website.

For further details please refer to the following report.

Board of Directors

At the 95th Annual General Meeting (AGM) of Roche Holding Ltd, on 5 March 2013, shareholders re-elected Pius Baschera, Paul Bulcke, William M. Burns, Christoph Franz, DeAnne Julius, Arthur D. Levinson, Andreas Oeri, Peter R. Voser and Beatrice Weder di Mauro as members of the Board of Directors for the term of two years as provided by the Articles of Incorporation. Severin Schwan was elected as a new member of the Board of Directors for a term of two years as provided by the Articles of Incorporation.

At its organising meeting immediately following the AGM, the Board of Directors has determined the structure and composition of its committees as shown on page 13.

At the forthcoming Annual General Meeting on 4 March 2014, the Roche Board of Directors will propose Christoph Franz to be elected as Chairman of the Board. Christoph Franz is thus nominated to succeed Franz B. Humer, who announced at the Annual General Meeting in March 2013 that he would not be standing for re-election in 2014. In addition, William M. Burns has decided to retire as a member of the Board of Directors.

The Board of Directors thanks both members for their long and valuable contribution to the successful continuing development of Roche.

In implementing the 'Ordinance against excessive compensation in listed corporations' (Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften [VegüV]), the Board of Directors shall propose to the Annual General Meeting scheduled for 4 March 2014 that it re-elect for a one-year term all members of the Board of Directors standing for election. The Annual General Meeting has also to elect the Chairman of the Board of Directors, the members of the Remuneration Committee and the independent proxy.

The Board of Directors also resolved to introduce and execute for the first time, on the occasion of the Annual General Meeting on 4 March 2014, the votes on remuneration, as well as the remote electronic ballot by means of authorisations and instructions to the independent proxy, which do not become mandatory until 2015, and to submit to the Annual General Meeting for its resolution in 2014 the amendments to the Articles of Incorporation required under the VegüV.

Corporate Executive Committee

Effective 2 April 2013, John C. Reed has been appointed Head of Roche Pharma Research and Early Development (pRED) and member of the Enlarged Corporate Executive Committee and is reporting to Severin Schwan.

Information on each member of the Board of Directors (including the years of their first election) and on each member of the Corporate Executive Committee is listed on pages 12 to 15 and page 124 'Board of Directors and Corporate Executive Committee'.

Information relating to Corporate Governance

1 Group structure and shareholders

- Roche's operating businesses are organised into two divisions: Pharmaceuticals and Diagnostics. The Pharmaceuticals Division comprises the two business segments Roche Pharmaceuticals and Chugai, whereas Genentech as the former third segment has been integrated into Roche Pharmaceuticals. The Diagnostics Division consists of the following four business areas: Diabetes Care, Molecular Diagnostics, Professional Diagnostics and Tissue Diagnostics. The Applied Science business area was dissolved at the end of 2013 and its portfolio of products integrated within Diagnostics' other business areas.
  Business activities are carried out through Group subsidiaries and associated companies. Detailed information on Roche Holding Ltd and on significant subsidiaries and associated companies (including company name, listing information, domicile, share capital, and equity interest) are listed in the Finance Report, Note 31 to the Roche Group Consolidated Financial Statements ('Subsidiaries and associates', page 119).
- Major shareholders are listed in the Finance Report, Notes 21 and 30 to the Roche Group Consolidated Financial Statements ('Equity attributable to Roche shareholders' and 'Related parties', pages 87 and 117) and in Note 4 to the Financial Statements of Roche Holding Ltd ('Significant shareholders', page 157).
- André Hoffmann, Vice-Chairman of the Board of Directors, and Andreas Oeri, member of the Board of Directors and Chairman of the Board's Corporate Governance and Sustainability Committee, serve in their respective capacities on the Board and its committees as representatives of the shareholders group with pooled voting rights and receive the remuneration set forth in the Remuneration Report on page 135 and in the Finance Report, Note 30 to the Roche Group Consolidated Financial Statements ('Related parties', page 117) and Note 6 to the Financial Statements of Roche Holding Ltd ('Board and Executive remuneration', page 158). No other relationships exist with the shareholders with pooled voting rights.
- There are no cross-shareholdings.

2 Capital structure

- Information on Roche's capital structure is provided in the Finance Report, Notes to the Financial Statements of Roche Holding Ltd (page 156). Additional details are contained in the Articles of Incorporation of Roche Holding Ltd.[2]
- Changes in equity are detailed in the Finance Report, Notes to the Financial Statements of Roche Holding Ltd (page 157).
- The company has a share capital of 160,000,000 Swiss francs, divided into 160,000,000 fully paid bearer shares with a nominal value of 1 Swiss franc each. There are no restrictions on the exercise of the voting rights of these shares. Upon deposit, shares can be voted without any restrictions.
- There is no authorised or conditional capital.
- In addition, 702,562,700 non-voting equity securities (NES) have been issued in bearer form. They do not form part of the share capital and confer no voting rights. Each NES confers the same rights as one share to participate in available earnings and in any liquidation proceeds following repayment of the share capital. Roche's NES and the rights pertaining thereto (including the provisions protecting the interests of NES holders) are described in §4 of the Articles of Incorporation of Roche Holding Ltd.
- Information on debt instruments which have been issued and on outstanding bonds is provided in the Finance Report, Note 20 to the Roche Group Consolidated Financial Statements ('Debt', page 83).
- Information on employee stock options is provided in the Finance Report, Note 26 to the Roche Group Consolidated Financial Statements ('Equity compensation plans', page 101), including detailed information on the 'Stock-settled Stock Appreciation Rights (S-SARs) Plan', the 'Roche Restricted Stock Unit Plan', the 'Roche Performance Share Plan', 'Roche Connect' and the 'Roche Option Plan'.
- Roche has issued no options apart from employee stock options as provided in the Finance Report, Note 26 to the Roche Group Consolidated Financial Statements ('Equity compensation plans', page 101) and options issued in connection with debt instruments.
- Neither the options awarded to employees nor the debt instruments which have been issued have any effect on Roche's share capital.

2 http://www.roche.com/about_roche/corporate_governance/article_of_incorporation.htm

3 Board of Directors and Corporate Executive Committee

- Information on each member of the Board of Directors (including the years in which they were elected and the years in which their terms end) and on each member of the Corporate Executive Committee is listed on pages 12 to 15. Curricula vitae of all current and of former members (of the last five years) of both bodies and other information (including information on board memberships) are available and continuously updated on the Internet.[3]
- The Annual General Meeting elects the members of the Board of Directors in staggered elections in which each nominee is voted on separately (see §18 of the Articles of Incorporation of Roche Holding Ltd[4] and the Minutes of the 95th Annual General Meeting of Roche Holding Ltd, held 5 March 2013[5]). Starting in 2014 all members of the Board of Directors, the Chairman and the members of the Remuneration Committee will be elected by the Annual General Meeting on an annual basis.
- With the exception of Franz B. Humer, William M. Burns, Arthur D. Levinson and Severin Schwan none of the members of the Board of Directors has been a member of Roche's Corporate Executive Committee or served in an executive capacity at any Group subsidiary during the three financial years preceding the current reporting period.
- The internal organisation of the Board of Directors and the division of authority and responsibilities between the Board and management, the remits of the Board committees, and the information and control mechanisms available to the Board in its dealings with corporate management, are governed by the Bylaws.[6]
- The Board of Directors of Roche Holding Ltd is organised so as to ensure that the Group conducts its businesses responsibly and with a focus on long-term value creation. To this end, the Roche Board has delegated certain responsibilities to several committees[7]. Their composition and chairpersons per 31 December 2013 are described on page 13. Each committee's authorities and responsibilities are defined in detail in the Bylaws of the Board of Directors.[8]

3 http://www.roche.com/about_roche/management/board_of_directors.htm and http://www.roche.com/about_roche/management/executive_committee.htm
4 http://www.roche.com/about_roche/corporate_governance/article_of_incorporation.htm
5 http://www.roche.com/about_roche/corporate_governance/annual_general_meetings.htm
6 http://www.roche.com/about_roche/corporate_governance/article_of_incorporation.htm
7 http://www.roche.com/about_roche/corporate_governance/committees.htm
8 http://www.roche.com/about_roche/corporate_governance/article_of_incorporation.htm

- All the committees except the Presidium are chaired by independent directors.
- According to the Bylaws of the Board of Directors, a Board meeting may be convened without the Chairman present at the request of any of its members. The Roche Board meets once a year to assess the Chairman's performance. This meeting, which is not attended by the Chairman, is chaired by one of the Vice-Chairmen.
- As part of the Management Information System, the Board of Directors is informed about the most important issues, sales performance etc. on a monthly basis. The Board has access to an electronic information platform which provides timely information to the Board of Directors and the Board's committees as does the system of controls as set forth below.
- The Board of Directors has established a system of controls which is continuously monitored by the Audit Committee and by the Corporate Governance and Sustainability Committee and consists of the following elements:
  - Report on operating and financial risks (risk management system)
    Roche has a system in place to identify and manage all type of risks potentially affecting its business. Roche's Risk Management Charter sets out the approach and accompanying responsibilities. The Pharmaceuticals and Diagnostics Divisions and global functions conduct a formal risk assessment process at least once a year and must develop risk plans for their most material risks. These are monitored and deviations reviewed in regular performance dialogues. The consolidated Group Risk Report including target risk profile is discussed by the Corporate Executive Committee and approved together with the Group Business Plan. It is also presented to the Audit Committee. The process is subject to regular reviews, with findings presented to the Audit Committee or the full Board.
    For details on risk management, including risk factors and the Risk Management Charter see 'Risk Management & Compliance' on our website.[9] Financial risk management is specifically described in the Finance Report.[10]
  - System of internal controls over financial reporting (see pages 135 and 138 of the Finance Report)
  - Internal audit
    Group Audit reports to the General Counsel, has direct access and gives regular briefings to the Audit Committee about ongoing activities and audit reports. The Chief Audit & Risk Advisory Executive attends the Audit Committee meetings, as do the external auditors.
    Group Audit is an independent appraisal function, which evaluates and reviews the Group's activities as a service to management. The annual audit plan with yearly defined focus areas (e.g. emerging markets, third-party management) is validated by Senior Management and presented to the Audit Committee. The Roche Group is committed to maintaining a high standard of internal control throughout its worldwide operations. Management is responsible for assessing the business risks in all aspects of its operation and for implementing effective and efficient processes and controls whilst ensuring compliance with internal and external rules and regulations.
    By conducting operational audits, Group Audit determines management's response to the risks surrounding business processes and systems, and evaluates the appropriateness, completeness and efficiency of the processes and controls. Action plans to implement necessary changes and enhancements are developed together with the business/auditee and are tracked to completion.
  - Statutory auditors, see page 127
  - Chief Compliance Officer and Compliance Officers in subsidiaries, see page 128
  - Safety, Health and Environmental Protection Department[11]
  - Corporate Sustainability Committee[12]
  - Science and Ethics Advisory Group (SEAG), for issues relating to genetics and genetic engineering (established in 1999)[13]
- The members of the Corporate Executive Committee are invited to attend meetings of the Board of Directors for, and report in person on, those agenda items concerning them. When the situation warrants, members of the Enlarged Corporate Executive Committee may also be invited to attend. The Board committees invite the Chairman of the Board and Corporate Executive Committee members to deliver reports at committee meetings and may elect to commission independent expert reports and call on the services of consultants.

9 http://www.roche.com/corporate_responsibility/business_ethics/risk_management_and_compliance.htm
10 Additional information is provided in the Finance Report, Note 29 to the Roche Group Consolidated Financial Statements, 'Risk management', page 107.
11 http://www.roche.com/corporate_responsibility/environment.htm
12 http://www.roche.com/corporate_responsibility.htm
13 http://www.roche.com/research_and_development/who_we_are_how_we_work/ethics_in_rd/ethical_conflicts.htm

Board and Board committees attendance 2013

	Board	Presidium/ Nomination Committee	Remuneration Committee	Audit Committee	Corporate Governance and Sustainability Committee
Number of meetings	**6**	**2**	**3**	**4**	**3**
F.B. Humer	6	2	–	*	*
A. Hoffmann	6	2	3	–	3
P. Baschera	6	–	–	–	3
J.I. Bell	5	–	–	3	–
P. Bulcke	6	–	–	3	–
W.M. Burns	5	–	–	–	3
Ch. Franz	5	–	3	–	–
D. Julius	6	–	–	4	–
A.D. Levinson	6	–	3	–	–
S. Schwan	6	–	–	*	–
A. Oeri	6	–	–	–	3
P.R. Voser	5	–	2	–	–
B. Weder di Mauro	6	–	–	4	–

– Not a member of that committee.
* Invited as a guest to these Board committee meetings.

- Each year several black-out periods are imposed during which senior employees are prohibited from trading in company stock. The following black-out periods are in effect for 2014:
  26 December 2013 to 30 January 2014
  1 April to 15 April 2014
  26 June to 24 July 2014
  1 October to 16 October 2014
  Black-out periods can be changed by the Chairman of the Board of Directors if circumstances warrant.
- In 2013 the Board of Directors met for six meetings, generally each from 3 to 6 hours in length**; in addition once for a full-day meeting** and once for a three-day visit to a major subsidiary**. The Board committees met as follows in 2013:
  – Presidium of the Board of Directors/Nomination Committee: two meetings (approx. 2 hours each**)
  – Remuneration Committee: three meetings[14] (approx. 2 to 3 hours each**)
  – Audit Committee: four meetings (approx. 3 to 4 hours each**)
  – Corporate Governance and Sustainability Committee: three meetings (approx. 3 hours each**).

  The composition of the Board's committees has remained unchanged since 1 March 2011 (with the exception of members of the Board of Directors who retired).
- The Board of Directors regularly conducts an assessment of its performance.
- Members of the Corporate Executive Committee have a maximum ordinary notice period of twelve months.
- There are no management contracts which fall within the scope of Subsection 4.3 (annex) of the SIX Directive on Information relating to Corporate Governance.

4 Remuneration, shareholdings and loans

All details regarding remuneration, shareholdings and loans are set forth in the separate Remuneration Report on pages 130 to 146 and in the Finance Report, Notes 21 and 30 to the Roche Group Consolidated Financial Statements ('Equity attributable to Roche shareholders' and 'Related parties', pages 87 and 117), and are listed in the Notes 6 and 7 to the Financial Statements of Roche Holding Ltd ('Board and Executive remuneration' and 'Board and Executive shareholdings', pages 158 and 161).

** These figures indicate the actual length of meetings and do not include the directors' extensive pre-meeting preparations and post-meeting follow-up activities.
14 Remuneration Committee members recuse themselves from deliberations and decisions on matters that affect their interests.

5 Participatory rights of shareholders

- The participatory rights of shareholders are defined in Roche's Articles of Incorporation.[15] As Roche shares are issued to bearer, there are no restrictions on admission to Annual General Meetings, with the exception that shares must be deposited within a specified period before the date of a meeting and an admittance card must be issued in the shareholder's name, as provided in §12 of the Articles of Incorporation. Any shareholder can elect to be represented by a third party at an Annual General Meeting. The Articles of Incorporation contain no restrictions on the exercise of voting rights, and the only quorum requirements are those stipulated in §16, in conformity with the Swiss Code of Obligations.
- Under §10.2 of the Articles of Incorporation, shareholders representing shares with a nominal value of at least 1 million Swiss francs can request the placement of items on the agenda of an Annual General Meeting. This must be done no later than 60 days before the date of the meeting.

6 Change of control and defensive measures

- The Articles of Incorporation contain no provisions on the mandatory bid rule. Swiss law applies.
- There are no change-of-control clauses. Those components of remuneration based on Roche NES would be terminated in the event of an acquisition, and vesting period restrictions on pre-existing awards would be removed, so that all such options could be exercised immediately.

7 Relationship to statutory auditors and to the independent proxy

At the Annual General Meeting of Roche Holding Ltd on 5 March 2013, the shareholders voted to appoint KPMG AG (KPMG) as statutory auditors. Based on the existing legal requirements of the Swiss Code of Obligations (Article 730a) concerning the maximum term of office of seven years of the auditor in charge, Ian Starkey replaced his predecessor John Morris as auditor-in-charge starting with the business year 2011 (information on how long the auditors and auditor-in-charge have been serving in these capacities is provided on page 15). The statutory auditors participate in Audit Committee meetings. They prepare written and oral reports on the results of their audits. The Audit Committee oversees and assesses the auditors and makes recommendations to the Board (for information on the authorities and responsibilities of the Audit Committee, see Article 8.1 of the Bylaws[16]). The statutory auditors participated in four meetings of the Audit Committee in 2013.

The reports of statutory auditor on the Consolidated Financial Statements and on the Financial Statements can be found on pages 136 and 165, respectively, of this year's Finance Report.

KPMG received the following remuneration for their services as statutory auditors of Roche Holding Ltd and as the auditors of other Roche companies (including Chugai):

	2013	2012 (millions of CHF)
Auditing services	19.5	19.2
Audit-related services	1.9	2.1
(accounting services,	0.4	0.3
assurance services)	1.5	1.8
Tax consultancy services	1.3	1.4
Total	**22.7**	**22.7**

The statutory auditors are elected each year by the Annual General Meeting.

In recent years, BDO AG served as the independent proxy and was paid in 2013 for its services according to expenditure totalling 12,506 Swiss francs. At the Annual General Meeting on 4 March 2014, the Board of Directors proposes the election of BDO AG as the independent proxy for the period from 2014 until the conclusion of the 2015 ordinary Annual General Meeting of Shareholders.

8 Information policy

- As provided by §33 of the Articles of Incorporation[17], corporate notices are published in the *Swiss Official Gazette of Commerce* and in other daily newspapers designated by the Board of Directors *(Basler Zeitung, Finanz und Wirtschaft, L'Agefi, Le Temps, Neue Zürcher Zeitung).*
- Roche reports its half-year and full-year results in business reports (published in print and online formats) and at media events. In addition, detailed first- and third-quarter sales figures are published each year in April and October. The most current list of publication dates is available in English and German on the Internet.[18]

15 http://www.roche.com/about_roche/corporate_governance/article_of_incorporation.htm
16 http://www.roche.com/about_roche/corporate_governance/article_of_incorporation.htm
17 http://www.roche.com/about_roche/corporate_governance/article_of_incorporation.htm
18 http://www.roche.com/media.htm

- All relevant information and documents, including all media releases, investor updates[19] and presentations to analyst and investor conferences are available on the Internet. Further publications can be ordered by e-mail, fax or telephone: basel.webmaster@roche.com,
  tel. +41 (0)61 688 30 61,
  fax +41 (0)61 688 41 96.
- The contact address for Investor Relations is: F. Hoffmann-La Roche Ltd, Investor Relations, Group Finance, 4070 Basel, Switzerland;
  tel. +41 (0)61 688 88 80,
  fax +41 (0)61 691 00 14.

Additional information, including details on specific contact persons, is available on the Internet.[20]

9 Chief Compliance Officer and Compliance Officers network

The Chief Compliance Officer with his Compliance Officers network is committed to ensuring that the Roche Group Code of Conduct[21] is consistently complied with throughout the Roche Group. He also serves as a contact person for shareholders, employees, customers, suppliers and the general public on issues relating to the implementation of and compliance with this Code. Employees and other parties who become aware of violations of the Roche Group Code of Conduct can bring them to the attention of their managers or supervisors or report them to the Chief Compliance Officer (Urs Jaisli, direct phone number: +41 (0)61 688 40 18, e-mail: urs.jaisli@roche.com). Such disclosures will be treated confidentially. In addition, as of the end of 2009, employees may anonymously report irregularities or complaints in their mother tongue via a 'Speak-Up hotline'. Starting in December 2013 a new compliance tool on Group Level, the so called Roche Group Code of Conduct Help and Advice Line was introduced which strives to provide guidance in case of questions or uncertainties about the interpretation of the Roche Group Code of Conduct and its reference documents. It furthermore will serve as a platform for ideas and suggestions concerning those documents.

In addition, Roche has established a Business Ethics Incident Reporting (BEIR) system which enables the Chief Compliance Officer to capture, track and monitor alleged violations, from initial reports by local Compliance Officers through to resolution. Business ethics incidents are recorded in the system when the local Compliance Officer receives specific and concrete information about a material alleged violation of the Roche Group Code of Conduct in one of certain pre-defined categories.[22] The Corporate Governance and Sustainability Committee and the Audit Committee of the Board of Directors are informed of substantial violations.

The Chief Compliance Officer reports to the General Counsel and also submits regular reports to the Corporate Governance and Sustainability Committee and to the Audit Committee of the Board of Directors.

10 Non-applicability/negative disclosure

It is expressly noted that any information not contained or mentioned herein is either non-applicable or its omission is to be construed as a negative declaration (as provided in the SIX Swiss Exchange Corporate Governance Directive and the Commentary thereto).

19 http://www.roche.com/investors.htm
20 http://www.roche.com/investors/contacts.htm
21 http://www.roche.com/about_roche/corporate_governance/code_of_conduct.htm
22 http://www.roche.com/corporate_responsibility/business_ethics/risk_management_and_compliance.htm

Remuneration Report

1. Principles

Roche's success depends on the abilities and dedication of its entire people. Recognition of this forms the basis of our performance-oriented remuneration policy and system.

At Roche we strive to create innovative products of benefit to patients. This requires outstanding performance by all our employees. It takes continuous innovation to help patients, sustain revenues and create long-term value. Innovation enables us to pay competitive compensation to all our employees and distribute rising dividends to our shareholders (until 2013: dividend increase for the 26th year in a row). One of the primary aims of our remuneration policy is thus to encourage a long-term focus and align management's interests with the interests of Roche's shareholders and holders of Roche's non-voting equity securities (NES).

Each year the Remuneration Committee of Roche's Board of Directors meets at least twice and decides the remuneration of Board members and the members of the Group's Corporate Executive Committee (base pay, bonuses, Stock-settled Stock Appreciation Rights [S-SARs] Restricted Stock Units [RSUs] and policy decisions on pension benefits). The terms of Performance Share Plan (PSP) awards are decided annually by the Board of Directors, acting upon recommendations from the Remuneration Committee.

Starting in 2014, total aggregate amounts which are based on these decisions will be 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.).

The Remuneration Committee tracks market data on salaries at other leading global pharmaceuticals companies[1] and reports its findings to the full Board. The external consulting firm Towers Watson assists Roche in performing market comparisons. 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 Directors[2] and are also outlined in the sections below on the principles governing specific remuneration components.

2. Summary of main activities in 2013 and outlook for 2014

The following were the key developments and decisions in 2013:

- Roche shares rose from 186.90 Swiss francs to 247.40 Swiss francs over the past year and its non-voting equity securities from 184.00 Swiss francs to 249.20 Swiss francs. Roche's market value rose in line by 55.5 billion Swiss francs, from 159.2 billion Swiss francs to 214.7 billion Swiss francs, over 2013.
- The market value achieved by end-2013 makes Roche at that time the world's ninth largest and Europe's most valuable enterprise.
- Dividends rose every year steadily over the past 26 years, and a dividend of 6.340 billion Swiss francs was distributed in 2013.
- Over the past three years — which have proven decisive for the Performance Share Plan — the price of non-voting equity securities increased by 82% and the value of shares by 73%. This has led to a 95.6 billion Swiss francs rise in the price of our company, from 119.1 billion Swiss francs to 214.7 billion Swiss francs, which represents an 80% increase.
- The Remuneration Committee (assisted by the consultancy Towers Watson) regularly tracked the base pay of Roche directors against market data on directors' pay at other leading global pharmaceuticals companies[1] and at other major Swiss companies[3]. The base remuneration of Roche directors has remained unchanged for 13 years and remains unchanged in 2014 too.

1 Peer set for 2013: Abbott Laboratories, AbbVie, Amgen, Astellas, AstraZeneca, Bayer, Becton Dickinson, Bristol-Myers Squibb, Eli Lilly, GlaxoSmithKline, Johnson & Johnson, Merck & Co., Novartis, Pfizer, Sanofi-Aventis, Takeda.

2 http://www.roche.com/about_roche/corporate_governance/article_of_incorporation.htm

3 ABB, Credit Suisse, Holcim, Nestlé, Swiss Re, UBS, Zurich Insurance Group, Actelion, Nobel Biocare, Sonova, Straumann, Synthes.

- The base salaries (fixed) paid to Corporate Executive Committee (CEC) members remained unchanged in 2013.
- The bonus (variable) paid to CEC members for the 2013 financial year will consist entirely of cash payments (except in the case of CEO Severin Schwan) and is reflecting the sales growth, the strong growth of Earnings per Share and non-voting equity security, and the development of the pipeline.
- Stock-settled Stock Appreciation Rights (S-SARs) (variable): As of 2012 S-SARs granted to CEC members all vest together after three years and then have to be exercised within seven years of the grant date. Unexercised S-SARs lapse without compensation. Since 2012, the fair value of S-SARs has been calculated at the grant date using the trinomial model for American options (for details see page 139).
- In 2013, Restricted Stock Units (RSUs) – rights to receive non-voting equity securities 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 for which an individual award has been granted) – were introduced as a new remuneration component partially replacing S-SARs and options. The value of S-SAR awards is reduced to 65% and the 35% balance will be awarded in the form of RSUs. The company incurs no additional costs as a result of this change. The aim is to further strengthen the alignment of management's interests with the interests of Roche's shareholders for the Group's long-term success.
- Performance Share Plan (PSP) awards (variable): For the PSP cycle 2011–2013 175% of the targeted NES will be awarded. In the case of the PSP 2007–2009, PSP 2008–2010 and PSP 2009–2011 and PSP 2010–2012 cycles, there were no payout or award of targeted NES. The plan's key performance metric, Total Shareholder Return (TSR), is calculated as a three-month moving average at constant CHF exchange rates.
- In 2012 the Remuneration Committee decided that the Chief Executive Officer (CEO) and other CEC members must acquire Roche shares and/or NES equivalent to two annual base salaries (CEO) and one annual base salary (other CEC members), respectively, by the end of 2016 and retain these holdings for as long as they serve on the CEC.
- 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) (for details see page 143).

For all further details please refer to the following sections of this Remuneration Report[4].

3. Remuneration policy

Roche regularly reviews its policy and principles on remuneration. They are part of a framework of employee policies aimed at motivating and retaining current employees, attracting talented new ones and helping all Roche employees to perform at consistently high levels. Our remuneration policy is designed to foster value creation and reinforce a culture of performance and innovation. It applies both to non-managerial employees and to managers.

The S-SARs, RSUs and PSP remuneration components are intended to align management's interests with those of shareholders and holders of non-voting equity securities and to give participating managers an additional incentive to achieve continued value growth in the form of long-term total shareholder returns. By creating value for Roche investors, management benefits as well. When no added value is created for investors, management is 'penalised' by receiving less.

The key principles underpinning this policy are:
- Focus on value creation
- Pay for performance
- Enabling employees to share in the company's success
- Fairness and transparency in remuneration decisions
- A balanced mix of long- and short-term remuneration components
- Market competitiveness

4 See also in the Finance Report, Note 30 to the Roche Group Consolidated Financial Statements ('Related parties', page 117) and Notes 6 and 7 to the Financial Statements of Roche Holding Ltd ('Board and Executive remuneration' and 'Board and Executive shareholdings', pages 158 and 161).

4. Remuneration components

Base pay, bonuses, blocked non-voting equity securities (NES), awards of Stock-settled Stock Appreciation Rights (S-SARs), Restricted Stock Units (RSUs) and a Performance Share Plan (PSP) support the fundamental aims of Roche's remuneration policy. These remuneration components are linked to our company's financial performance and commercial success and thus align the interests of Roche employees with those of shareholders.

After explaining the principles that govern the various remuneration components, this report details the amounts paid to each member of the Board of Directors, the components of the Chairman of the Board's remuneration and the amount of each remuneration component paid to each member of the Corporate Executive Committee for the 2013 financial year.

This Annual Report 2013 will be submitted for approval at the 2014 ordinary Annual General Meeting.

Starting in 2014, the Board of Directors shall submit separately to the General Meeting for binding approval the total aggregate bonuses of the Chairman of the Board of Directors and of the Corporate Executive Committee retrospectively for the 2013 financial year.

The maximum amounts of the total aggregate remuneration (excluding bonuses) of the Board of Directors and of the Corporate Executive Committee for the period between the ordinary General Meeting 2014 and the ordinary General Meeting 2015 will be tabled for the first time in 2014 for the General Meeting's prospectively binding approval (see 5 B).

A. Base pay

Base pay (cash payment) is determined for each position based on salary market data on other leading global pharmaceuticals companies (see footnote 1) and reflects individuals' abilities, experience and performance over time. Pay increases are likewise linked to individual performance and take into account prevailing market conditions (see footnote 1) 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.

B. Bonuses

Bonuses are awarded for individual contributions to value creation 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 profits, sales growth, Operating Profit After Capital Charge (OPAC), Earnings per Share and NES growth, pipeline 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.

In January following a reporting year the Remuneration Committee decides the bonuses 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 (cash payments and/or blocked non-voting equity securities and/or blocked shares).

C. Stock-settled Stock Appreciation Rights (S-SARs)

A Stock-settled Stock Appreciation Rights (S-SARs) plan was introduced on 1 January 2005 establishing a uniform system of remuneration throughout Roche. 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.

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

D. Restricted Stock Units (RSUs)

Starting at the beginning of 2013, Restricted Stock Units (RSUs) – rights to receive non-voting equity securities 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 for which an individual award has been granted) – were introduced as a new remuneration component partially replacing S-SARs. The value of S-SAR awards is reduced to 65% and the 35% balance will be awarded in the form of RSUs.

RSU awards are allocated individually at the Remuneration Committee's discretion and will be vested to the recipient after three years only. Thereafter, resulting non-voting equity securities may remain blocked for up to ten years.

E. Performance Share Plan

The members of the Corporate Executive Committee and other members of senior management (currently some 140 individuals worldwide) participate in the Performance Share Plan. 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 16 peer companies (see footnote 1).

In 2013 there were three overlapping performance cycles (PSP 2011–2013, PSP 2012–2014 and PSP 2013–2015), of which PSP 2011–2013 closed on 31 December 2013.

The payment of the Performance Share Plan is determined by the Board of Directors on an annual basis, acting upon recommendations from the Remuneration Committee.

F. Ratio of Corporate Executive Committee variable remuneration elements (bonuses, S-SARs/RSUs and PSP) relative to fixed base pay

Criteria	Bonus	S-SARs/RSUs	PSP
Individual target value, assessed in consideration of the performance of competitors[1] and the macro-economic development (in % relation to value of base pay)	Max. 100%	65% S-SARs 35% RSUs	33.33% (Based on annual base pay measured at 1 January of first year of cycle)
Minimum Maximum (in % relation to value of base pay)	0% 200% (Cash payment/ blocked NES)	0% 150% (Value development determined by performance [plus a value adjustment for dividends] of NES after grant)	0% 66.66% (Value development determined by performance [starting with PSP 2013–2015 cycle plus a value adjustment for dividends] of NES after grant)
Performance criteria	Group objectives (Group and divisional business performance) and individual objectives considering profit, sales growth, OPAC (Operating Profit After Capital Charge), Earnings per Share and NES growth, pipeline	Individual contributions upon the Remuneration Committee's decision at its own discretion	Group performance of TSR in relation to TSR performance of peer set
Split in % a) Group objectives b) Individual objectives	 70% 30%	 n.a. n.a.	 100% –

5. Remuneration of the Board of Directors and the Corporate Executive Committee

A. Resolution

Each year the Remuneration Committee of Roche's Board of Directors decides the remuneration of Board members and members of Roche's Corporate Executive Committee (base pay, bonuses, S-SARs, RSUs and policy decisions on pension benefits). The terms of the Performance Share Plan are decided annually by the Board of Directors, acting upon recommendations from the Remuneration Committee. The Remuneration Committee tracks market data on salaries at other leading global pharmaceuticals companies (see footnote 1) and reports its findings to the full Board. Information on the Committee's remit, powers and procedures for making remuneration decisions can be found in the Bylaws of the Roche Board of Directors and Articles of Incorporation after the approval of changes by the General Meeting on 4 March 2014[5] and are also outlined in the preceding sections of this report on the principles governing specific remuneration components.

The bonuses and salaries of the Chairman of the Board of Directors and members of the Corporate Executive Committee were decided by the Remuneration Committee, taking into account revisions to Roche's remuneration policy, market comparisons with other leading pharmaceuticals companies[1] and management changes.

The remuneration of the Vice-Chairman of the Board and all other Board members consists of fixed cash payments set by and at the discretion of the Remuneration Committee. The Remuneration Committee (assisted by the consultancy Towers Watson) tracked these cash payments of Roche directors against market data on directors' pay at other leading global pharmaceuticals companies[1] and other major Swiss companies (see footnote 3).

B. Policy on and 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 decided by the Board of Directors' Remuneration Committee for the Board of Directors and the Corporate Executive Committee.

Pursuant to Switzerland's new 'Ordinance against excessive compensations in listed corporations' *(Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften [VegüV])* 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 described below (starting at the 2014 AGM). An amendment to Roche's Articles of Incorporation to this effect will be put to a vote at the 2014 ordinary AGM.

a) 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.

b) Prospective approval

All other Board and Executive aggregate remuneration covered by the VegüV will be submitted *prospectively* by the Board of Directors for separate and binding approval for the period between two ordinary AGMs.

The following pages provide detailed information on the remuneration paid to each member of the Board of Directors and each member of the Corporate Executive Committee for the 2013 financial year and include comparisons with the remuneration paid in the previous years.

5.1 Remuneration of members of the Board of Directors. In 2013 the members of the Board of Directors[6] received the fixed remuneration in cash payments shown in the 'Remuneration of members of the Board of Directors' table on page 135 for their Board activities. The basic remuneration of the Board of Directors has remained unchanged since 2001 and remuneration of all members of the Board of Directors will again remain unchanged for 2014.

With the exception of Severin Schwan members of the Board of Directors were not awarded any shares, non-voting equity securities, Stock-settled Stock Appreciation Rights (S-SARs) or RSUs in 2013.

William M. Burns received honoraria amounting to a total of 25,000 US dollars (23,171 Swiss francs) for serving as a member of the Board of Directors of Chugai Pharmaceutical Co., Ltd. Arthur D. Levinson received payments for his consulting work and for serving on the Board at Genentech amounting to 298,500 US dollars (276,656 Swiss francs).

5 http://www.roche.com/about_roche/corporate_governance/article_of_incorporation.htm

6 For a list of members, their positions and their committee memberships and chairmanships see page 13.

A. Remuneration of members of the Board of Directors

	2013			2012		
	Remuneration 2013 (in CHF)	Additional compensation 2013 for committee members/chairs[7] (in CHF)	Additional special compensation 2013 (in CHF)	Remuneration 2012 (in CHF)	Additional compensation 2012 for committee members/chairs[7] (in CHF)	Additional special compensation 2012 (in CHF)
F.B. Humer	(see 'B. Highest total remuneration paid to a member of the Board of Directors')			(see 'B. Highest total remuneration paid to a member of the Board of Directors')		
A. Hoffmann	400,000[8]	–		400,000[8]	–	
P. Baschera	300,000	30,000		300,000	30,000	
J.I. Bell	300,000	30,000		300,000	30,000	
P. Bulcke	300,000	30,000		300,000	30,000	
W.M. Burns	300,000	30,000	23,171 (see page 134)	300,000	30,000	23,441
Ch. Franz	300,000	30,000		300,000	30,000	
D. Julius	300,000	60,000		300,000	60,000	
A.D. Levinson	300,000	30,000	276,656 (see page 134)	300,000	30,000	350,514
A. Oeri	300,000	60,000		300,000	60,000	
S. Schwan	(see '5.2 Highest total remuneration paid to a member of the Corporate Executive Committee', remuneration received in his primary function as CEO and reflected in total remuneration for the Corporate Executive Committee)			–	–	–
P.R. Voser	300,000	30,000		300,000	30,000	
B. Weder di Mauro	300,000	30,000		300,000	30,000	
Remuneration of members of the Board of Directors retired in 2013						
B. Gehrig	72,220[9]	–		400,000[8]	–	
L.J.R. de Vink	54,200[10]	–		300,000	30,000	
Total	**3,526,420**	**360,000**		**4,100,000**	**390,000**	

7 With the exception of members of the Presidium and the Vice-Chairmen, 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 Prorated remuneration for serving as Vice-Chairman of the Board for the period January to March 2013.
10 Prorated remuneration for the period January to March 2013.

B. Highest total remuneration paid to a member of the Board of Directors

As Chairman, Franz B. Humer was the member of the Board with the highest total remuneration for 2013. The Chairman's remuneration consists of base salary and bonus awards. As Chairman of the Board since the handover of his executive function as CEO at the Annual General Meeting on 4 March 2008, he did not receive any additional S-SARs or NES from other programmes (PSP, RSUs) and was no longer enrolled in any Roche S-SARs programme.

Severin Schwan, executive member of the Board of Directors, received his remuneration in his primary function as CEO. It is reflected as the highest total remuneration paid to a member of the Corporate Executive Committee and included in the total amount paid to the Corporate Executive Committee.

Highest total remuneration paid to a member of the Board of Directors

	2013 (in CHF)	2012[11] (in CHF)	2011[11] (in CHF)
Salary	4,000,000	4,000,000	4,000,000
Bonus			
— Cash payment/blocked shares* (for 2013: proposal to 2014 ordinary AGM)	2,791,950*	2,500,000	1,600,000
Total	6,791,950	6,500,000	5,600,000
Pension funds/MGB[12]	1,808,642	1,808,487	2,983,549
Roche Connect	75,000	75,000	75,000
Total (value)	**8,778,814[13]**	**8,661,876**	**8,884,687**

* 20,406 shares (transfer end of April 2014), calculation of value based on three months average price of 245.02 Swiss francs (October to December 2013) and in consideration of reduction of value due to blocking period of 10 years (reduced market value: 55.839%).

11 For detailed calculation of the remuneration for 2012 and 2011 see Annual Report 2012, page 137.

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

13 Includes annual expense allowance (CHF 50,000) and payments for tax consulting services (CHF 53,222), not including employer contribution to AHV/IV/ALV (CHF 379,434).

C. Stock-settled Stock Appreciation Rights (S-SARs)

On 31 December 2013 William M. Burns (being the only member of the Board of Directors holding S-SARs due to his former position) and the members of the Corporate Executive Committee held Stock-settled Stock Appreciation Rights (S-SARs) as shown in the 'S-SARs' table on page 146.

D. Total remuneration paid to the Board of Directors

For 2013 the members of the Board of Directors received remuneration totalling 12,965,060 Swiss francs (2012: 13,525,830 Swiss francs).

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

In 2013 Horst Teltschik, a former member of the Board of Directors, received honoraria amounting to 6,215 euros (7,648 Swiss francs) for serving on the boards of several Roche subsidiaries in Germany (2012: 19,635 euros i.e. 23,665 Swiss francs). In 2013, Horst Teltschik decided not to stand for re-election as board member.

No additional remuneration was paid.

E. Board remuneration subject to approval at the Annual General Meeting

a. Submission of the Chairman's total aggregate bonus for a binding vote at the Annual General Meeting

The Board of Directors proposes awarding the Chairman of the Board a bonus of 20,406 Roche shares blocked for a period of ten years (valued at 2,791,950 Swiss francs) in respect of the 2013 financial year and will submit this proposal to the 2014 ordinary Annual General Meeting (AGM) for a binding vote in anticipation of enactment of Switzerland's new 'Ordinance against excessive compensation in listed corporations' (Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften [VegüV]).

The Chairman of the Board will receive an additional bonus in respect of the 2014 financial year, payable in April 2015. The Remuneration Committee will adopt a bonus proposal in late 2014 and submit its proposal for shareholder approval at the 2015 ordinary AGM.

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

The Board of Directors proposes that the 2014 ordinary AGM approve Board remuneration totalling not more than 11,000,000 Swiss francs for the period ending at the 2015 ordinary AGM (2012 ordinary AGM to ordinary 2013 AGM: rounded sum 11,100,000 Swiss francs, excluding bonuses). This amount includes an annual salary of 4,000,000 Swiss francs for the new Chairman of the Board.

In 2014, Franz B. Humer as the Chairman of the Board of Directors will receive a remuneration of 1,000,000 Swiss francs in cash for his work until end of March 2014 (prorated) which will be paid before the ordinary AGM 2014 and which therefore will not be included in the Board's aggregate future remuneration.

Thereafter, as the former Chairman of the Board of Directors Franz B. Humer will serve for five years in an advisory capacity to the Presidium, which during the phase of handover of the mandate will be very intensive and afterwards being reduced considerably. His total remuneration will be set by the Board of Directors and published in Roche's 2014 Annual Report. Said remuneration of maximum 3,000,000 Swiss francs in total will be included in the figure given on page 136 for future total remuneration of the Board of Directors, which is subject to shareholder approval and will be paid until the ordinary General Meeting in 2015.

5.2 Remuneration of 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 pages 130 to 134 of this Remuneration Report.

Severin Schwan, executive member of the Board of Directors, received his remuneration in his primary function as CEO. It is reflected as the highest total remuneration paid to a member of the Corporate Executive Committee (see below) and included in the total amount paid to the Corporate Executive Committee (see H., page 142).

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

	2013 (in CHF)	2012[14] (in CHF)	2011[14] (in CHF)
Salary	4,000,000	4,000,000	4,000,000
S-SARs (Grant value according to trinomial model for American call options[15])	2,600,151	4,000,000	3,560,209
RSUs (Restricted Stock Units)	781,687[16]**		
Pension funds/MGB[17]/insurances	545,416	747,229	459,527
Roche Connect	100,008	100,008	100,008
Subtotal	8,027,262		
Bonus			
— Cash payment	–	–	1,500,000
— Blocked non-voting equity securities/shares	1,116,780[18]**	2,512,755**	837,585**
PSP	2,736,881[19]	1,137,058	819,933
Total (value)	**11,916,938[20]**	**12,537,385**	**11,311,916**

** 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%).
14 For detailed calculation of the remuneration for 2012 and 2011 see Annual Report 2012, page 142.
15 Number of S-SARs 2013: 71,472, Grant value according to the trinomial model for American call options: CHF 36.38. Trinomial model for American call options value as described in 'Remuneration of members of the Corporate Executive Committee, C. Stock-settled Stock Appreciation Rights (S-SARs)', page 139.
16 Number of RSUs 2013: 7,023, Grant value CHF 199.33 (NES average market price over a 90 days period prior to the grant date on 7 March 2013) per RSU, Calculation of value in consideration of reduction of value due to an additional blocking period of 10 years (reduced market value: 55.839%).
17 MGB: Stiftung der F. Hoffmann-La Roche AG für Mitarbeiter-Gewinnbeteiligung (employee profit-sharing foundation supplementing occupational pension benefits).
18 8,162 shares (transfer in April 2014), calculation of value based on three months average price of 245.02 Swiss francs (October to December 2013) and in consideration of reduction of value due to blocking period of 10 years (reduced market value: 55.839%).
19 Total estimated value for 2013: PSP 2011–2013: Award of 175% of the originally targeted NES awarded for 2011–2013 (16,555 NES in total), spread over the relevant period of time i.e. $^1/_3$ for the year 2013, value calculated using the year-end price as at 31 December 2013, CHF 249.20 per non-voting equity security (NES). PSP 2012–2014 and 2013–2015: Estimated value calculated using the year-end price as at 31 December 2013, CHF 249.20 per non-voting equity security (NES), based on the number of NES originally targeted (9,079 NES and 7,314 NES, respectively) subject to changes in the number and value of NES awardable under the plan on 31 December 2014 and 31 December 2015, respectively, and spread over the relevant period of time, i.e. $^1/_3$ for the year 2013. The Board of Directors will vote on the actual allocation of originally targeted NES on 31 December 2014 and 31 December 2015, respectively, according to the TSR achieved.
20 Includes an annual expense allowance (CHF 30,000), payments for tax consulting services (CHF 6,015), excluding employer contribution to AHV/IV/ALV payments (CHF 1,284,456).

Remuneration of the remaining members of the Corporate Executive Committee

A. Base pay (in CHF)

	Annual salary 2013	Annual salary 2012	Annual salary 2011
S. Ayyoubi	1,200,000	1,200,000	1,200,000
R. Diggelmann	1,000,000	647,750	*
A. Hippe	2,100,000***	2,100,000***	1,200,000**
G.A. Keller	1,500,000	1,500,000	1,500,000
D. O'Day	2,000,000	1,575,000	1,225,000
Total	**7,800,000**	**7,022,750**	

* Not a member of the Corporate Executive Committee.
** Prorated remuneration for the period from April to December 2011.
*** Including CHF 500,000 for loss of pension rights granted by former employer (contractual agreement, each for 2012 to 2014).

B. Bonus

The Remuneration Committee of the Board of Directors determined the Corporate Executive Committee members' bonuses in January 2014 based on the performance 2013 against the agreed objectives. The total aggregate amount of bonuses will be brought forward for a binding vote by the Annual General Meeting 2014.

Except for Severin Schwan, all members of the Corporate Executive Committee will receive the bonus 2013 as a 100% cash payment which is due at the end of April 2014. Severin Schwan will receive the bonus 2013 in form of Roche shares which are blocked for ten years. Bonus payment is due at the end of April 2014 (see page 137).

Bonus

	Bonus for 2013 Total (in CHF)	Bonus for 2012 Total (in CHF)	Bonus for 2011 Total (in CHF)
S. Ayyoubi			
Cash payment	1,400,000	1,700,000	500,000
Blocked non-voting equity securities	–	–	419,810
Total bonus	1,400,000	1,700,000	919,810
R. Diggelmann			
Cash payment	1,200,000	600,000	*
Blocked non-voting equity securities	–	–	*
Total bonus	1,200,000	600,000	*
A. Hippe			
Cash payment	1,900,000	2,200,000	600,000**
Blocked non-voting equity securities	–	–	335,034
Total bonus	1,900,000	2,200,000	935,034
G.A. Keller			
Cash payment	1,200,000	1,500,000	500,000
Blocked non-voting equity securities	–	–	279,195
Total bonus	1,200,000	1,500,000	779,195
D. O'Day			
Cash payment	2,500,000	2,300,000	650,000
Blocked non-voting equity securities	–	–	545,753
Total bonus	2,500,000	2,300,000	1,195,753
Total	**8,200,000**	**8,300,000**	

* Not a member of the Corporate Executive Committee.
** Prorated remuneration for the period from April to December 2011.

C. Stock-settled Stock Appreciation Rights (S-SARs)

The S-SARs shown in the 'S-SARs' table on page 146 were introduced by Roche on 1 January 2005 in place of stock options. S-SARs 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 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).[21]

The numbers of S-SARs, the strike prices, expiry dates and grant values for S-SARs are shown in the '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 below and on page 137.[22]

21 For further information on the trinomial model for American 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, www.roche.com/trinomial_model.pdf

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

Stock-settled Stock Appreciation Rights (S-SARs)

	S-SARs 2013 (value in CHF)	S-SARs 2012 (value in CHF)	S-SARs 2011 (value in CHF)
S. Ayyoubi	780,024	1,200,000	1,068,095
R. Diggelmann	650,256	366,150	*
A. Hippe	1,040,104	1,600,000	178,086
G.A. Keller	975,166	1,500,000	1,335,107
D. O'Day	1,300,185	1,300,000	890,087
Total	**4,745,735**	**5,966,150**	

* Not a member of the Corporate Executive Committee.

D. Restricted Stock Units (RSUs)

Starting at the beginning of 2013, Restricted Stock Units (RSUs) – rights to receive non-voting equity securities 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 for which an individual award has been granted) – were introduced as a new remuneration component partially replacing S-SARs. The value of S-SAR awards is reduced to 65% and the 35% balance will be awarded in the form of RSUs.

RSU awards are allocated individually at the Remuneration Committee's discretion and will be vested to the recipient after three years only. Thereafter, resulting non-voting equity securities may remain blocked for up to ten years.

Restricted Stock Units (RSUs)

	RSUs 2013 (number)	RSUs 2013 (value in CHF)
S. Ayyoubi	2,107*	332,668*
R. Diggelmann	1,755	349,824
A. Hippe	2,809	559,918
G.A. Keller	2,633	524,836
D. O'Day	3,511	699,848
Total	**12,815**	**2,467,094**

Calculation of value: Number of RSUs 2013 multiplied by grant value of CHF 199.33 (NES average market price over a 90 days period prior grant date on 7 March 2013) per RSU.

* Calculation of value in consideration of reduction of value due to an additional blocking period of 4 years (reduced market value: 79.209%).

E. Performance Share Plan (PSP)

The members of the Corporate Executive Committee and other members of senior management (currently some 140 individuals worldwide) participate in the Performance Share Plan (PSP).

In 2006 the PSP moved to overlapping three-year performance cycles, with a new cycle beginning each year. In 2013 there were thus three cycles in progress (PSP 2011–2013, PSP 2012–2014 and PSP 2013–2015), whereas PSP 2011–2013 closed on 31 December 2013 with 175% of the targeted NES awarded.

In the previous years PSP 2007–2009, PSP 2008–2010, PSP 2009–2011 and PSP 2010–2012 closed without any awards of targeted NES.

Under the provisions of this plan, a number of non-voting equity securities (NES) 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 peer set of comparator companies[23]. Comparisons are based on the securities' market prices and dividend yields, i.e. on Total Shareholder Return (TSR), which is calculated at CHF constant exchange rates. 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 and Roche's TSR increases at least 10% during a cycle, the Board of Directors can elect to increase the NES award. The maximum award is double the original level reserved target number of NES according to the PSP plan (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 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 will be awarded.

23 See footnote 1, page 130.

Performance Share Plan (PSP)

	Target number of NES for PSP 2013–2015	Target number of NES for PSP 2012–2014	Awards of 175% of targeted number of NES for PSP 2011–2013	2013[24] Total estimated value of PSP awards (2011–2013, 2012–2014 and 2013–2015) (value in CHF)	2013 NES awarded in 2013 for PSP 2011–2013 (value in CHF)	2012 No NES awarded in 2012 for PSP 2010–2012 (value in CHF)	2011 No NES awarded in 2011 for PSP 2009–2011 (value in CHF)
S. Ayyoubi	2,194	2,723	4,967	821,031	412,592	–	–
R. Diggelmann	1,828	1,038	1,820	389,250	151,181	–	–
A. Hippe	2,925	3,631	4,967	957,177	412,592	*	*
G.A. Keller	2,742	3,404	6,207	1,026,123	515,595	–	–
D. O'Day	3,657	2,950	4,139	892,634	343,813	–	–
Total	**13,346**	**13,746**	**22,100**	**4,086,215**	**1,835,773**	**–**	**–**

* Not a member of the Corporate Executive Committee.

24 Total estimated value for 2013: PSP 2011–2013: Award of 175% of the originally targeted NES awarded for 2011–2013, spread over the relevant period of time i.e. 1/3 for the year 2013, value calculated using the year-end price as at 31 December 2013, CHF 249.20 per non-voting equity security (NES). PSP 2012–2014 and 2013–2015: Estimated value calculated using the year-end price as at 31 December 2013, CHF 249.20 per non-voting equity security (NES), based on the number of NES originally targeted subject to changes in the number and value of NES awardable under the plan on 31 December 2014 and 31 December 2015, respectively, and spread over the relevant period of time, i.e. 1/3 for the year 2013. The Board of Directors will vote on the actual allocation of originally targeted NES on 31 December 2014 and 31 December 2015, respectively, according to the TSR achieved.

In 2013 NES were reserved under the plan for members of the Corporate Executive Committee as shown in the table above and on page 137. The Board of Directors will decide on the actual level of NES or cash equivalent awards for the cycles 2012–2014 and 2013–2015 after the close of the 2014 and 2015 financial years, respectively. The aim of the PSP is to provide an incentive to participants to achieve steady value growth.

At the end of the PSP 2011–2013 cycle (based on a three-month moving average) with distributed dividends totalling 17.898 billion Swiss francs (2013: 6.340 billion Swiss francs; 2012: 5.865 billion Swiss francs; 2011: 5.693 billion Swiss francs), the TSR of the Roche securities (NES and shares) ranked 5th, compared with its peer set of companies operating in the same industry. Therefore, according to the terms of the plan, the participants received 175% of the originally targeted NES (see table above and on page 137 for details).

F. Indirect benefits

Employer contributions made in 2013 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' table on pages 142 and 137.

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.

Indirect benefits

	2013				2012			
	Pension funds/ MGB[25]/ insurances (in CHF)	AHV/IV/ ALV[26] (in CHF)	Roche Connect (in CHF)	Payments for tax consulting services (in CHF)	Pension funds/ MGB[25]/ insurances (in CHF)	AHV/IV/ ALV[26] (in CHF)	Roche Connect (in CHF)	Payments for tax consulting services (in CHF)
S. Ayyoubi	433,257	524,925	10,000	1,620	479,823	174,023	3,000	2,305
R. Diggelmann	303,256	84,764	–	1,538	144,917	49,774	7,500	–
A. Hippe	298,471	255,820	39,996	23,607	389,553	163,550	39,996	21,148
G.A. Keller	585,795	437,362	37,500	–	570,867	219,846	37,500	–
D. O'Day	297,320	405,781	34,372	21,800	382,657	214,768	12,504	15,817
Total	**1,918,099**	**1,708,652**	**121,868**	**48,565**	**1,967,817**	**821,961**	**100,500**	**39,270**

25 MGB: Stiftung der F. Hoffmann-La Roche AG für Mitarbeiter-Gewinnbeteiligung (employee profit-sharing foundation supplementing occupational pension benefits).
26 AHV/IV/ALV: Swiss social security programmes providing retirement, disability and unemployment benefits.

G. Other remuneration, emoluments and loans

Members of the Corporate Executive Committee additionally receive annual expense allowances of 30,000 Swiss francs, totalling 180,000 Swiss francs.

Based on contractual obligations, in 2013, Roche paid to individual members of the Corporate Executive Committee for their children's schooling costs, foreign tax obligation and relocation costs totalling 344,487 Swiss francs.

In 2013, there are no loans or credits granted to the members of the Corporate Executive Committee.

In 2013 pensions totalling 2,099,180 Swiss francs were paid to former Corporate Executive Committee members.

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.

H. Total remuneration paid to the members of the Corporate Executive Committee

For 2013 the members of the Corporate Executive Committee received remuneration totalling 44,792,108 Swiss francs (2012: 44,732,958 Swiss francs) including AHV/IV/ALV.

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

I. Executive remuneration subject to approval at the Annual General Meeting

a. 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 totalling 9,316,780 Swiss francs in respect of the 2013 financial year (2012: 10,812,755 Swiss francs) and will submit this proposed total amount to the ordinary Annual General Meeting (AGM) 2014 for a binding vote in anticipation of enactment of Switzerland's new 'Ordinance against excessive compensation in listed corporations' (Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften [VegüV]).

b. Submission of Executive total aggregate remuneration for a binding shareholder vote

The Board of Directors proposes that the 2014 ordinary AGM approve remuneration for the Corporate Executive Committee totalling not more than 36,000,000 Swiss francs (2012 ordinary AGM to 2013 ordinary AGM: rounded sum 36,000,000 Swiss francs, excluding bonuses) for the period ending at the 2015 ordinary AGM.

The amount is composed of base pay, long-term incentives (S-SARs and RSUs, calculated at grant value without considering reductions off value due to blocking periods if applicable) and PSP (calculated at the time of reservation of non-voting equity securities and taking into account their potential to double) as well as contributions to pension benefits.

6. Alignment of interests between managers and shareholders/holders of non-voting equity securities

The S-SARs and PSP remuneration components are intended to 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 continued value growth in the form of long-term total shareholder returns. By creating value for Roche investors, management benefits as well. When no added value is created for investors, management is 'penalised' by receiving less.

7. 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 and RSUs 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 shall lapse without any compensation upon notice of termination of employment being given for any reason other than redundancy, disability or retirement.

8. Guidelines for security holdings

In 2012 the Board of Directors decided that the CEO and other CEC members must acquire shares and/or NES equivalent to two annual base salaries (CEO) and one annual base salary, respectively, by the end of 2016 and retain these holdings for as long as they serve on the CEC.

	Type of security	Value
CEO	Shares and/or NES	2 x annual base salary
Members of the Corporate Executive Committee	Shares and/or NES	1 x annual base salary

9. Security holdings

Directors André Hoffmann and Andreas Oeri and members of the founders' families who are closely associated with them belong to a shareholder group with pooled voting rights. At the end of 2013 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 30 to the Roche Group Consolidated Financial Statements ('Related parties', page 117) and in Note 4 to the Financial Statements of Roche Holding Ltd ('Significant shareholders', page 157). In addition, as at 31 December 2013 (as at 31 December 2012, respectively) the members of the Board of Directors and persons closely associated with them and the members of the CEC and persons closely associated with them held shares and NES as shown in the table 'Security holdings' on page 144.

Security holdings

	(as at 31 December 2013)				(as at 31 December 2012)			
	Shares (number)	NES (number)	Close relatives' security holdings (number/ type)	Others (number)	Shares (number)	NES (number)	Close relatives' security holdings (number/ type)	Others (number)
Board of Directors								
F.B. Humer	7,492	67,725	–	–	7,492	85,216	–	S-SARs see 10
A. Hoffmann	–*	200	–	–	–*	200	–	250,000 UBS Long/Short Certificates linked to Roche Bearer Shares/ Roche Non-Voting Equity securities (Valor: 10 690 162, ISIN: CH0106901629), Expiry date: 28 March 2013
P. Baschera	1	4,600	–	–	1	4,600	–	–
J.I. Bell	300	1,647	–	–	300	1,647	–	–
P. Bulcke	–	1,350	–	–	–	1,350	–	–
W.M. Burns	3	84,735	–	S-SARs see 10	3	83,990	–	S-SARs see 10
Ch. Franz	–	350	–	–	–	350	–	–
D. Julius	350	2,050	–	–	350	1,550	–	–
A.D. Levinson	–	–	–	–	–	–	–	–
A. Oeri	–*	187,793	–	–	–*	187,793	–	250,000 UBS Long/Short Certificates linked to Roche Bearer Shares/ Roche Non-Voting Equity securities (Valor: 10 690 162, ISIN: CH0106901629), Expiry date: 28 March 2013
S. Schwan	See 'Security holdings' Corporate Executive Committee on page 145				n.a.	n.a.	n.a.	n.a.
P.R. Voser	–	3,600	–	–	–	3,600	–	–
B. Weder di Mauro	200	800	–	–	200	800	–	–
In 2013 retired Directors of the Board								
B. Gehrig	n.a.	n.a.	n.a.	n.a.	50	300	–	–
L.J.R. de Vink	n.a.	n.a.	n.a.	n.a.	–	–	–	31,600 American Depository Receipts (ADR), RHHBY, US ISIN: US7711951043
Total	**8,346**	**354,850**	**–**		**8,396**	**371,396**	**–**	

Security holdings

	(as at 31 December 2013)				(as at 31 December 2012)			
	Shares (number)	NES (number)	Close relatives' security holdings (number/ type)	Others (number)	Shares (number)	NES (number)	Close relatives' security holdings (number/ type)	Others (number)
Corporate Executive Committee								
S. Schwan	10,000	68,518	–	S-SARs see 10	7,000	47,813	–	S-SARs see 10
S. Ayyoubi	3	16,032	–	S-SARs see 10	3	15,832	–	S-SARs see 10
R. Diggelmann	–	836	–	S-SARs/options see 10	–	802	–	S-SARs/options see 10
A. Hippe	2,885	6,851	–	S-SARs see 10	–	8,892	–	S-SARs see 10
G.A. Keller	2,153	21,413	1,100 shares	S-SARs see 10	2,153	25,783	1,100 shares	S-SARs see 10
D. O'Day	3	6,177	–	S-SARs see 10	3	5,492	–	S-SARs see 10
Total	**15,044**	**119,827**	**1,100 shares**		**9,159**	**104,614**	**1,100 shares**	

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

10. S-SARs

Number of S-SARs held by current and former members of the Corporate Executive Committee on 31 December 2013

	2013	2012	2011	2010	2009	2008	2007	Total
Corporate Executive Committee								
S. Schwan	71,472	163,869	77,161	57,013	–	–	–	369,515
S. Ayyoubi	21,441	49,161	46,298	–	–	–	–	116,900
R. Diggelmann	17,874	15,000	12,732	6,489[27]	4,263[27]	*5,295*[27]	–	61,653
A. Hippe	28,590	65,547	*3,589*	–	–	–	–	97,726
G.A. Keller	26,805	61,452	28,936	–	–	–	7,000	124,193
D. O'Day	35,739	53,259	19,291	25,742	–	–	–	134,031
Total	**201,921**	**408,288**	**188,007**	**89,244**	**4,263**	**5,295**	**7,000**	**904,018**
Former Corporate Executive Committee members								
W.M. Burns	None[28]	None[28]	None[28]	None[28]	109,602	105,576	–	215,178
Strike price (CHF)	214.00	157.50	140.10 *140.30*	175.50	145.40	195.80 *188.90*	229.60	
Market price per NES on 31 December 2013 (CHF)	249.20							
Expiry date	7.3.2020	8.3.2019	28.2.2018 *29.4.2018*	4.2.2017	5.2.2016	31.1.2015 *25.7.2015*	8.2.2014	
Grant value per S-SAR (CHF)	36.38	24.41*	15.38* *16.54**	23.05*	20.30*	21.08* *23.61**	36.59*	
Since 1.1.2012:								
– Trinomial model for American call options								
* Values according to corresponding annual reports								

27 In his former position options held: All of the options shown in the table were issued by Roche as employee stock options. Each option entitles the holder to purchase one Roche non-voting equity security (NES). Under the terms of this multi-year option plan, the strike price for options shown was the closing price for Roche NES at grant date. All of the options shown are non-tradable. One-third of the options are subject to a vesting period of one year, one-third have a vesting period of two years, and one-third a vesting period of three years. Unvested options lapse without compensation if employment is terminated voluntarily (for reasons other than retirement), while vested options must be exercised within a limited period of time.

28 As of 2010 William M. Burns does not receive any additional S-SARs. William M. Burns received S-SARs as a member of the Corporate Executive Committee until 2009.

More on the web

Research and Development

- Roche's Pharmaceuticals and Diagnostics pipelines:
  www.roche.com/pipeline
- Personalised Healthcare:
  www.roche.com/personalised_healthcare
- Group policies, positions and guidelines:
  www.roche.com/responsibility/sustainability/positions_policies_downloads.htm#guidelines
- Clinical trials and safety:
  www.roche.com/clinical_trials
  www.roche.com/managing_medication_safety
- Global standards:
  http://www.roche.com/research_and_development/who_we_are_how_we_work/clinical_trials/global_standards.htm
- Animal welfare:
  www.roche.com/animal_welfare

Manufacturing and Procurement

- Pharmaceutical Supply Chain Initiative:
  www.pharmaceuticalsupplychain.org
- Stakeholder engagement:
  www.roche.com/stakeholder_engagement
- Supplier Code of Conduct:
  www.roche.com/roche_supplier_code_of_conduct.pdf

Markets

- Our products:
  www.roche.com/products
- Access to healthcare overview:
  www.roche.com/access_to_healthcare
- Genentech Access Solutions:
  www.GenentechAccessSolutions.com
- List of patient groups supported:
  www.roche.com/patient-groups
- Integrity and responsible marketing:
  www.roche.com/business_integrity_and_responsible_marketing
- Roche's policies, guidelines and positions:
  www.roche.com/positions_policies_downloads.htm

Responsible Business

- Roche Group Code of Conduct:
  www.roche.com/code_of_conduct
- Roche Supplier Code of Conduct:
  www.roche.com/roche_supplier_code_of_conduct.pdf
- Positions, policies and guidelines:
  www.roche.com/positions_policies_downloads.htm
- Roche position on respecting human rights:
  www.roche.com/responsibility/employees/human_rights.htm
- Risk management and compliance:
  www.roche.com/risk_management_and_compliance
- Integrity and responsible marketing:
  www.roche.com/business_integrity_and_responsible_marketing
- List of patient groups supported:
  www.roche.com/patient-groups
- Roche clinical trials and patient safety:
  www.roche.com/clinical_trials
  www.roche.com/managing_medication_safety
- Counterfeiting:
  www.roche.com/counterfeiting
- Patents and intellectual property:
  www.roche.com/patents
- Stakeholder engagement:
  www.roche.com/stakeholder_engagement

Our People

- Employees:
  www.roche.com/employees
- Global careers portal:
  http://careers.roche.com
- Employment policy:
  www.roche.com/employment_policy.pdf
- Group policies, positions and guidelines:
  www.roche.com/positions_policies_downloads.htm
- Commitments:
  www.roche.com/commitments
- Health and safety:
  www.roche.com/environment

Community Involvement

- Roche Commissions:
  http://www.roche.com/roche_commissions.htm
- Roche Continents:
  http://www.roche-continents.net/roche-continents.html
- The Roche Children's Walk:
  http://www.roche.com/childrenswalk.htm

Safety, Security, Health and Environment

- Environmental protection:
  www.roche.com/environment
- SHE policies, guidelines and position papers:
  http://www.roche.com/responsibility/environment/our_she_policies_guidelines_and_position_papers.htm
- SHE Goals and Performance:
  http://www.roche.com/responsibility/environment/our_she_goals_and_performance.htm

Corporate Governance, Remuneration Report

- http://www.roche.com/about_roche/corporate_governance.htm
- http://www.roche.com/about_roche/corporate_governance/article_of_incorporation.htm
- http://www.roche.com/about_roche/management/board_of_directors.htm
  http://www.roche.com/about_roche/management/executive_committee.htm
- http://www.roche.com/about_roche/corporate_governance/annual_general_meetings.htm
- http://www.roche.com/about_roche/corporate_governance/committees.htm
- http://www.roche.com/corporate_responsibility/business_ethics/risk_management_and_compliance.htm
- http://www.roche.com/corporate_responsibility/environment.htm
- http://www.roche.com/corporate_responsibility.htm
- http://www.roche.com/research_and_development/who_we_are_how_we_work/ethics_in_rd/ethical_conflicts.htm
- http://www.roche.com/media.htm
- http://www.roche.com/investors.htm
- http://www.roche.com/investors/contacts.htm
- http://www.roche.com/about_roche/corporate_governance/code_of_conduct.htm
- www.roche.com/trinomial_model.pdf

Independent Assurance Report on the Roche Corporate Responsibility Reporting

To the Corporate Governance and Sustainability Committee of Roche Holding AG, Basel ('Roche').

We have been engaged to perform assurance procedures to provide limited assurance on the aspects of the 2013 corporate responsibility ('CR') reporting of Roche included in the Annual Report 2013 ('Report').

Scope and subject matter

Our limited assurance engagement focused on the following data and information disclosed in the CR reporting of Roche and its consolidated subsidiaries for the year ended on December 31, 2013:

- The management of reporting processes with respect to the CR reporting in all material aspects and the preparation of Safety, Security, Health and Environmental protection ('SHE'), people and donations & sponsorships key figures as well as the related control environment in relation to the data aggregation of these key figures;
- the SHE key figures (including Scope 1 & 2 greenhouse gas emissions and business travel) in the tables and graphs on pages 108 to 116 and people key figures disclosed on pages 88 to 94 of the Report; and
- the consolidated data and information on the Roche Group level in relation to the donations & sponsorships breakdown, disclosed on page 100.

Criteria

The management reporting processes with respect to the CR reporting and key figures were assessed against the internal policies and procedures as set forth in the following:

- The Roche Group internal CR reporting guidelines based on the Responsible Care, Health, Safety and Environmental Protection reporting guidelines published by the European Chemical Industry Council CEFIC and the 'Sustainability Reporting Guidelines G3.1' published in 2011 by the Global Reporting Initiative (GRI);
- the Roche Group internal Corporate Reporting Manual, Version 2012 'Sustainability Reporting – Economic Performance Data';
- the defined guidelines, by which SHE, people and donations & sponsorships key figures are internally gathered, collated and aggregated; and
- the principles summarised on pages 80 and 81 of the Report which define the scope of the reporting.

The accuracy and completeness of CR indicators are subject to inherent limitations given their nature and methods for determining, calculating and estimating such data. Our assurance report should therefore be read in connection with Roche's internal guidelines, definitions and procedures on the reporting of its CR performance.

Responsibility and methodology

The Roche Corporate Governance and Sustainability Committee is responsible for both the subject matter and the criteria as well as for selection, preparation and presentation of the selected information in accordance with the criteria. Our responsibility is to form an independent opinion, based on our limited assurance procedures, on whether anything has come to our attention to indicate that the identified CR information selected and contained in this report is not stated, in all material respects, in accordance with the reporting criteria.

We planned and performed our procedures in accordance with the International Standard on Assurance Engagements (ISAE 3000) 'Assurance engagements other than audits or reviews of historical financial information'. This standard requires that we comply with ethical requirements, plan and perform the assurance engagement to obtain limited assurance on the identified SHE and CR information.

For the subject matter for which we provide limited assurance, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for

Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

During 2013 we have not performed any tasks or services to Roche that would conflict with our independence, nor have we been responsible for the preparation of any part of the report; and therefore qualify as independent as defined by the Code of Ethics and applicable legal and regulatory requirements.

Summary of work performed

Our assurance procedures included, amongst others, the following work:

- **Evaluation of the application of Roche Group guidelines**
  Reviewing the application of the Roche Group internal corporate CR and donations & sponsorships guidelines;
- **Site visits and management inquiry**
  Visiting selected sites of Roche's Pharmaceuticals and Diagnostics Divisions in Argentina, Belgium, the Netherlands, South Korea and Taiwan. The selection was based on quantitative and qualitative criteria;
  Interviewing personnel responsible for internal CR reporting and data collection at the sites we visited and at the Roche Group level to determine the understanding and application of Roche's internal CR guidelines;
- **Assessment of the key figures**
  Performing tests on a sample basis of evidence supporting selected SHE, people and donations & sponsorships key figures (Roche accident rate, energy consumption, greenhouse gas emissions related to energy consumption, halogenated hydrocarbons, waste, headcount/FTE data, staff statistics and labor practices information, contributions to philanthropic organizations, patient organisations, health institutions, public policy bodies) concerning completeness, accuracy, adequacy and consistency;
- **Inspection of documentation and analysis of relevant policies and principles**
  Inspecting relevant documentation on a sample basis, including Roche Group CR policies, management of reporting structures and documentation;
  Inspecting the principles of the Roche Materiality Process providing the definition for the development of its adherence to GRI's social and environmental reporting requirements; and
- **Assessment of the processes and data consolidation**
  Reviewing the management of/and CR reporting processes for SHE, people and donations & sponsorships key figures; and
  Assessing the consolidation process of data at Roche Group level.

We have not carried out any work on data reported for prior reporting periods, nor have we performed work in respect of projections and targets. We have not conducted any work on data other than outlined in the subject matter as defined above.

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

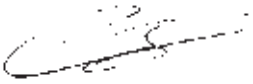
Limited assurance conclusion

Based on our work described in this report:

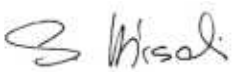
- Nothing has come to our attention causing us to believe that the Roche Group internal CR reporting guidelines based on the GRI G3.1 Sustainability Reporting Guidelines as well as the CEFIC Guidelines are not applied in all material respects;
- Nothing has come to our attention causing us to believe that the internal reporting processes to collect and aggregate SHE, people and donations & sponsorships data are not functioning as designed and provide an appropriate basis for its disclosure, in all material respects; and
- Nothing has come to our attention that causes us to believe that the CR information mentioned in the subject matter and disclosed within the CR reporting in the Roche Annual Report 2013 is not stated, in all material respects, in accordance with the reporting criteria.

Zurich, 27 January 2014

PricewaterhouseCoopers AG



Christophe Bourgoin



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Next Annual General Meeting:
4 March 2014

Cautionary statement regarding forward-looking statements

This Annual Report contains certain forward-looking statements. These forward-looking statements may be identified by words such as 'believes', 'expects', 'anticipates', 'projects', 'intends', 'should', 'seeks', 'estimates', 'future' or similar expressions or by discussion of, among other things, strategy, goals, plans or intentions. Various factors may cause actual results to differ materially in the future from those reflected in forward-looking statements contained in this Annual Report, among others: (1) pricing and product initiatives of competitors; (2) legislative and regulatory developments and economic conditions; (3) delay or inability in obtaining regulatory approvals or bringing products to market; (4) fluctuations in currency exchange rates and general financial market conditions; (5) uncertainties in the discovery, development or marketing of new products or new uses of existing products, including without limitation negative results of clinical trials or research projects, unexpected side effects of pipeline or marketed products; (6) increased government pricing pressures; (7) interruptions in production; (8) loss of or inability to obtain adequate protection for intellectual property rights; (9) litigation; (10) loss of key executives or other employees; and (11) adverse publicity and news coverage.

The statement regarding earnings per share growth is not a profit forecast and should not be interpreted to mean that Roche's earnings or earnings per share for 2013 or any subsequent period will necessarily match or exceed the historical published earnings or earnings per share of Roche.

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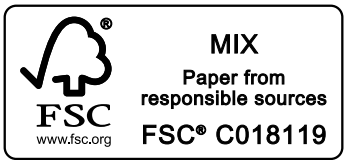

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