

GENENTECH INC
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March 16, 2007

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x
Filed by a Party other than the Registrant o

Check the appropriate box:

- o Preliminary Proxy Statement
- o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to §240.14a-12

Genentech, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- x No fee required.
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

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o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

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*1 DNA Way
South San Francisco, California 94080-4990*

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

- DATE** Friday, April 20, 2007
- TIME** 10:00 a.m., Pacific Daylight Time
- PLACE** Clarion Hotel
401 East Millbrae Avenue
Millbrae, CA 94030
- ITEMS OF BUSINESS**
1. To elect seven members of the Board of Directors, each to serve until the 2008 Annual Meeting of Stockholders or until his or her successor is duly elected and qualified.
 2. To ratify Ernst & Young LLP as our independent registered public accounting firm for 2007.
 3. To consider any other matters properly brought before the stockholders at the 2007 Annual Meeting of Stockholders or at any adjournment or postponement of the annual meeting.
- RECORD DATE** You are entitled to vote at the 2007 Annual Meeting of Stockholders if you were a stockholder at the close of business on Tuesday, February 20, 2007.
- ADMISSION** If you are a stockholder of record, you may be asked to present proof of identification for admission to the annual meeting. If your shares are held in the name of a broker, bank or other nominee, you may be asked to present proof of identification and a statement from your broker, bank or other nominee, reflecting your beneficial ownership of Genentech, Inc. common stock as of February 20, 2007, as well as a proxy from the record-holder to you, for admission to the annual meeting. Please be prepared to provide this documentation if requested.
- VOTING BY PROXY** Please submit a proxy as soon as possible so that your shares can be voted at the annual meeting in accordance with your instructions. For specific instructions regarding voting, please refer to the *Questions and Answers* beginning on page 1 of the Proxy Statement and the instructions on your proxy card.

By Order of the Board of Directors,

STEPHEN G. JUELSGAARD
*Executive Vice President, Chief
Compliance Officer and Secretary*

This Notice of Annual Meeting of Stockholders, Proxy Statement and accompanying proxy card

are being distributed on or about March 16, 2007

ELECTRONIC DELIVERY OF STOCKHOLDER COMMUNICATIONS

Genentech, Inc. offers electronic delivery of materials for its 2007 Annual Meeting of Stockholders. As an alternative to receiving printed copies of these materials in future years, you can elect to receive an e-mail which will provide an electronic link to these documents as well as allow you the opportunity to conduct your voting online. By registering for electronic delivery, you can conveniently receive stockholder communications as soon as they are available without waiting for them to arrive via postal mail. You can also reduce the number of documents in your personal files, eliminate duplicate mailings, help us reduce our printing and mailing expenses and conserve natural resources.

HOW TO ENROLL

Stockholders of Record

You are a stockholder of record if you hold your shares in certificate form. If you vote on the Internet at www.computershare.com/expressvote, simply follow the directions for enrolling in the electronic delivery service. You also may enroll in the electronic delivery service at any time in the future by going directly to www.econsent.com/dna and following the instructions.

Beneficial Stockholders

You are a beneficial stockholder if your shares are held by a brokerage firm, bank or other nominee. Please check with your bank, broker or relevant nominee regarding the availability of this service.

If you have any questions about electronic delivery, please contact our Investor Relations Department by phone at (650) 225-4150 or by e-mail at investor.relations@gene.com.

PROXY STATEMENT

**QUESTIONS AND ANSWERS ABOUT
THE PROXY MATERIALS AND THE ANNUAL MEETING**

Q: Why am I receiving these materials?

A: The enclosed Proxy Statement is being solicited on behalf of the Board of Directors (the Board of Directors or Board) of Genentech, Inc., a Delaware corporation (the Company or Genentech), and are for use at the 2007 Annual Meeting of Stockholders (Annual Meeting). The Annual Meeting will take place at 10:00 a.m. Pacific Daylight Time on April 20, 2007. You are invited to attend the Annual Meeting and requested to vote on the proposals described in this Proxy Statement.

Q: Who can vote at the Annual Meeting?

A: Stockholders who owned our common stock (Common Stock) of record on February 20, 2007 may vote at the Annual Meeting. As of February 20, 2007, there were 1,053,087,194 shares of Common Stock outstanding, each entitled to one vote.

Q: What is the proxy card?

A: The proxy card enables you to appoint Arthur D. Levinson and Stephen G. Juelsgaard as your representatives at the Annual Meeting. By completing and returning the proxy card, you are authorizing Dr. Levinson and Mr. Juelsgaard to vote your shares at the meeting as you have instructed them on the proxy card. This way, you can vote your shares whether or not you attend the meeting.

Q: What am I voting on?

A: We are asking you to vote on the following items:

the election of directors to serve until the 2008 Annual Meeting of Stockholders; and

the ratification of Ernst & Young LLP as our independent registered public accounting firm for 2007.

Q: How do I vote?

A: BY MAIL: Please complete and sign your proxy card and mail it in the enclosed pre-addressed envelope. If you mark your voting instructions on the proxy card, your shares will be voted as you instruct. If an additional proposal is properly presented for a vote at the Annual Meeting that is not on the proxy card, your shares will be voted in the best judgment of Dr. Levinson and Mr. Juelsgaard. If you submit your proxy card but do not mark your voting instructions on the proxy card, your shares will be voted as follows:

FOR the named nominees as directors;

FOR ratification of Ernst & Young LLP as our independent registered public accounting firm for 2007; and

according to the best judgment of Dr. Levinson and Mr. Juelsgaard if a proposal that is not on the proxy card comes up for a vote at the meeting.

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BY TELEPHONE: Please follow the To vote using the Telephone instructions that accompanied your proxy card. If you vote by telephone, you do not have to mail in your proxy card.

BY INTERNET: Please follow the To vote using the Internet instructions that accompanied your proxy card. If you vote by Internet, you do not have to mail in your proxy card.

IN PERSON: We will pass out written ballots to anyone who wants to vote in person at the Annual Meeting. However, if you hold your shares in street name, you must request a proxy card from your broker in order to vote at the meeting. Holding shares in street name means that you hold them through a brokerage firm, bank, or other nominee, and, therefore, the shares are not held in your individual name in the records maintained by our transfer agent, Computershare Trust Company, N.A. (Computershare).

Q: *What does it mean if I receive more than one proxy card?*

A: It means that you hold your shares in multiple accounts at the transfer agent or with brokers or other custodians of your shares. Please complete and return all the proxy cards you receive to ensure that all your shares are voted.

Q: *Can I change my vote?*

A: You may revoke your proxy and change your vote by:

signing another proxy card with a later date and returning it before the polls close at the Annual Meeting;

voting on a later date over the Internet or by telephone (only your latest Internet or telephone proxy submitted by the deadlines printed on your proxy card and prior to the Annual Meeting will be counted); or

voting in person at the Annual Meeting.

Q: *How many shares must be present to hold the Annual Meeting?*

A: To hold the Annual Meeting and conduct business, a majority of the Company's outstanding shares as of February 20, 2007 must be present in person or by proxy at the meeting. This is called a quorum.

Shares are counted as present at the meeting if the stockholder either:

is present and votes in person at the meeting; or

has properly submitted a proxy or voted by telephone or Internet.

Both abstentions and broker non-votes are counted as present for the purposes of determining the presence of a quorum. Broker non-votes occur when shares held by a stockholder in street name are not voted with respect to a proposal because the broker has not received voting instructions from the stockholder, and the broker lacks discretionary voting power to vote the shares.

Q: *How many votes must nominees for director receive to be elected?*

A: Because seven (7) directors are to be elected at the Annual Meeting, the seven nominees receiving the highest number of votes FOR election will be elected, even if that does not represent a majority.

Q: *How many votes must the ratification of Ernst & Young LLP as the Company's independent registered public accounting firm for 2007 receive to be approved?*

A: The ratification of Ernst & Young LLP as our independent registered public accounting firm for 2007 will be approved if a majority of the shares present at the meeting in person or by proxy vote FOR approval.

Q: How are votes counted?

A: You may vote either FOR each director nominee or WITHHOLD your vote from any one or more of the nominees. You may vote FOR or AGAINST or ABSTAIN from voting on the proposal to ratify Ernst & Young LLP as our independent registered public accounting firm for 2007. If you abstain from voting on these proposals, it will have the same effect as a vote AGAINST the proposal.

Broker non-votes, although counted toward the quorum, will not count as votes cast with respect to the matter as to which the broker has expressly not voted.

Voting results are tabulated and certified by our transfer agent, Computershare.

Q: Who will bear the cost of soliciting votes for the meeting?

A: We are paying for the distribution and solicitation of the proxies. As a part of this process, we reimburse brokers, nominees, fiduciaries and other custodians for reasonable fees and expenses in forwarding proxy materials to our stockholders. Our employees may also solicit proxies through mail, telephone, the Internet or other means, but they do not receive additional compensation for providing those services.

RELATIONSHIP WITH ROCHE

Arrangements between Genentech and Roche

In June 1999, we redeemed all of our callable putable common stock (Special Common Stock) held by stockholders other than Roche Holdings, Inc. (Roche) for cash pursuant to a contractual obligation with Roche that gave Roche the right to require such a redemption. Upon completion of the redemption, Roche's ownership percentage of our Special Common Stock was 100%. In July and October of 1999 and March 2000, Roche completed public offerings of our Common Stock and in January 2000, Roche completed an offering of its zero-coupon notes exchangeable for our Common Stock held by Roche. At the conclusion of these public offerings in March 2000, Roche's ownership of our Common Stock was 58.9%. On December 31, 2006, Roche's ownership of our Common Stock was 55.8%.

During the period that Roche owned all of our outstanding equity, we amended our Certificate of Incorporation and entered into an affiliation agreement with Roche that enabled our current management to conduct our business and operations as we had done in the past while at the same time reflecting Roche's ownership in us. The affiliation agreement is for the exclusive benefit of Roche and can be amended at any time by Roche and us. We also amended our bylaws to provide Roche with certain proportional representation rights with respect to membership on our Board of Directors and committees.

Our Amended and Restated Certificate of Incorporation provides that the provisions of our bylaws described under Composition of Board of Directors, Roche's Right to Proportional Representation, Membership of Committees and Nomination of Directors, may be repealed or amended only by a 60% vote of our stockholders. However, Roche's right to nominate a number of directors proportional to Roche's ownership interest until Roche's ownership interest is less than 5%, may be repealed or amended only by a 90% vote of our stockholders.

The provisions of the affiliation agreements described below under Roche Approval Required for Certain Actions and Licensing and Marketing Agreements will terminate if Roche owns less than 40% of our stock.

Under our bylaws and for the purposes of the discussion below in this section, unless otherwise noted, an independent director is a director who is not:

one of our officers;

an employee, director, principal stockholder or partner of Roche or any Roche affiliate; or

an employee, director, principal stockholder or partner of an entity (other than Genentech) that depended on Roche for more than 10% of his, her or its revenues or earnings in its most recent fiscal year.

Composition of Board of Directors

As prescribed by our bylaws, our Board currently consists of seven members: three nominees of Roche, one of our executive officers and three independent directors. All of our directors other than those designated by Roche are nominated by the Nominations Committee of the Board. See Board Committees and Meetings Director Nomination. The Board has the authority to further increase the size of the board from time to time. Directors are elected to serve until the next annual meeting of stockholders or until their successors are elected and qualified.

Roche's Right to Proportional Representation

Under our bylaws, Roche is entitled to representation on our Board proportional to its ownership interest in our Common Stock. Roche is entitled to have a number of directors equal to its percentage ownership of our Common Stock times the total number of directors, rounded up to the next whole

number if Roche's ownership interest is greater than 50% and rounded down if it is less than or equal to 50%. Upon Roche's request, we will immediately take action to increase the size of our Board or to fill the vacancies by electing Roche nominees in order to achieve Roche's proportional representation.

If Roche's ownership interest of our Common Stock falls below 40%, the Roche directors will resign to the extent Roche's representation exceeds its proportional ownership interest. The number of directors required to resign shall be rounded up to the next whole number. Roche shall thereafter be entitled to nominate a number of directors proportional to Roche's ownership interest rounded down to the next whole number, until Roche's ownership interest is less than 5%.

Membership of Committees

We have five committees of the Board:

Audit Committee (the Audit Committee);

Compensation Committee (the Compensation Committee);

Corporate Governance Committee (the Corporate Governance Committee);

Executive Committee (the Executive Committee); and

Nominations Committee (the Nominations Committee).

Roche is entitled to designate at least one member of each committee and, upon providing notice to the Company, is entitled to proportional representation on each committee. However, under the Sarbanes Oxley Act of 2002 (the Sarbanes Oxley Act) and rules of the Securities and Exchange Commission (the SEC) promulgated thereunder as well as New York Stock Exchange (NYSE) rules relating to corporate governance, no Roche director may be a member of the Audit Committee. Roche's committee members may designate another Roche director to serve as their alternates on any committee.

Under our bylaws, the Nominations Committee is required to have three members. Any time that Roche's ownership percentage of our stock is equal to or greater than 80%, the Nominations Committee is to be comprised of two Roche nominees and one independent director. Any time that Roche's ownership percentage of our stock is less than 80%, the Nominations Committee is to be comprised of a number of Roche nominees equal to Roche's ownership percentage times three, rounded up to the next whole number if Roche's total voting power is greater than 50% and rounded down if Roche's total voting power is less than or equal to 50%. However, Roche may not have more than two nominees at any time. Roche currently has two nominees on the Nominations Committee.

Nomination of Directors

A majority of the members of the Nominations Committee must approve the nomination of any person for director not designated by Roche.

Roche Approval Required for Certain Actions

Without the prior approval of the Roche directors, we may not approve:

any acquisition constituting a substantial portion of our business or assets;

any sale, lease, license, transfer or other disposal of all or a substantial portion of our business or assets not in the ordinary course of our business;

any issuance of capital stock other than (1) issuances pursuant to employee incentive plans not exceeding 5% of our voting stock, (2) issuances upon the exercise, conversion or exchange of any of our outstanding capital stock, and (3) other issuances not exceeding 5% of our voting stock in any 24 month period; and

any repurchase or redemption of our capital stock other than (1) a redemption required by the terms of a security and (2) purchases made at fair market value in connection with any of our deferred compensation plans.

For purposes of the first and second bullet points of the previous paragraph, unless a majority of the Board of Directors has made a contrary determination in good faith, a substantial portion of our business or assets shall mean a portion of our business or assets accounting for 10% or more of our consolidated total assets, contribution to net income or revenues. If Roche makes a request for proportional representation on the Board, until the Roche designees take office as directors, we may not take any action not in the ordinary course of business without Roche's consent.

Registration Rights

We have agreed to use our best efforts to file one or more registration statements under the Securities Act of 1933, as amended (the Securities Act) in order to permit Roche to offer and sell shares of our Common Stock.

Generally, we will pay all expenses incident to the performance of our obligations with respect to the registration of Roche's shares of our Common Stock except that Roche has agreed to pay certain expenses to be directly incurred by Roche, including underwriting fees, discounts and commissions and counsel fees. In addition, we are only required to pay for two registrations within a 12-month period. Roche and we have each agreed to customary indemnification and contribution provisions with respect to liability incurred in connection with these registrations.

Dispositions by Roche

If Roche and its affiliates sell their majority ownership in our Common Stock to a successor, Roche will cause the successor to purchase all shares of our Common Stock not held by Roche:

if the consideration is entirely in either cash or equity traded on a U.S. national securities exchange, with consideration in the same form and amounts per share as received by Roche and its affiliates; or

in any other case, with consideration either in the same form and amounts per share as received by Roche and its affiliates or with consideration that has a value per share not less than the weighted average value per share received by Roche and its affiliates as determined by an investment bank of nationally recognized standing appointed by a committee of independent directors.

Roche has agreed to cause the buyer of our Common Stock to agree to be bound by the obligations described in the preceding paragraph as well as the obligations described under Business Combinations with Roche and Compulsory Acquisitions below. We have agreed that the buyer shall be entitled to succeed to Roche's rights described under Roche's Ability to Maintain its Percentage Ownership Interest in Our Stock below.

Business Combinations with Roche

Roche has agreed that, as a condition to any merger of the Company with Roche or its affiliates or the sale of substantially all of our assets to Roche or its affiliates, either:

the merger or sale must be authorized by a favorable vote at any meeting of a majority of the shares of Common Stock not owned by Roche, provided that no person or group shall be entitled to cast more than 5% of the votes cast at the meeting; or

in the event a favorable vote is not obtained, the value of the consideration to be received by the holders of our Common Stock, other than Roche, shall be equal to or greater than the average of the means of the ranges of fair values for the Common Stock as determined by two investment banks of nationally recognized standing appointed by a committee of independent directors.

Roche has agreed that it will not sell any shares of our Common Stock in the 90 days immediately preceding any proposal by Roche for a merger with us. Roche also agreed that in the event of any merger of the Company with Roche or its affiliates or sale of substantially all of our assets to Roche or its affiliates, each unvested option outstanding under our stock option plans will:

be accelerated and become exercisable immediately prior to the consummation of the transaction for the total number of shares of Common Stock covered by the option;

become exchangeable upon the consummation of the transaction for deferred cash compensation, which vests on the same schedule as the shares of the Common Stock covered by the option, having a value equal to the product of (A) the number of shares covered by the option and (B) the amount which Roche, in its reasonable judgment, considers to be equivalent in value to the consideration per share received by Common Stock holders in the transaction other than Roche, minus the exercise price per share of the option; or

be canceled in exchange for a replacement option to purchase stock of the surviving corporation in the transaction with the terms of the option to provide value equivalent, as determined by Roche in its reasonable discretion, to that of the canceled option.

Compulsory Acquisitions

If Roche owns more than 90% of our Common Stock for more than two months, Roche has agreed to, as soon as reasonably practicable, effect a merger of the Company with Roche or an affiliate of Roche.

The merger shall be conditioned on the vote or the valuation described under the first two bullets of Business Combinations with Roche above.

Roche's Ability to Maintain its Percentage Ownership Interest in Our Stock

Our affiliation agreement with Roche provides, among other things, that with respect to any issuance of Common Stock by us in the future, we will repurchase a sufficient number of shares so that immediately after such issuance the percentage of our Common Stock owned by Roche will be no lower than 2% below the Minimum Percentage (as defined below); provided however, as long as Roche's percentage ownership is greater than 50%, prior to issuing any shares, we will repurchase a sufficient number of shares of our Common Stock such that, immediately after our issuance of shares, Roche's percentage ownership will be greater than 50%. The Minimum Percentage equals the lowest number of shares of our Common Stock owned by Roche since the July 1999 offering (to be adjusted for dispositions of shares of our Common Stock by Roche as well as for stock splits or stock combinations) divided by 1,018,388,704, the number of shares of our Common Stock outstanding at the time of the July 1999 offering, as adjusted for stock splits. The affiliation agreement also provides that, upon Roche's request, we will repurchase shares of our Common Stock to increase Roche's ownership to the Minimum Percentage. In addition, Roche will have a continuing option to buy stock from us at prevailing market prices to maintain its percentage ownership interest.

Licensing and Marketing Agreements

We have a July 1999 Amended and Restated Licensing and Marketing Agreement with F. Hoffmann-La Roche Ltd (Hoffmann-La Roche) and its affiliates granting Hoffmann-La Roche an option to license, use and sell our products in non-U.S. markets. The major provisions of that agreement include the following:

Hoffmann-La Roche's option expires in 2015;

Hoffmann-La Roche may exercise its option to license our products upon the occurrence of any of the following: (1) our decision to file an Investigational New Drug Application (or IND) for a product, (2) completion of the first Phase II trial for a product or (3) if Hoffmann-

La Roche previously paid us a fee of \$10 million to extend its option on a product, or completion of a Phase III trial for that product;

if Hoffmann-La Roche exercises its option to license a product, it has agreed to reimburse Genentech for development costs as follows: (1) if exercise occurs at the time of Genentech's decision to file an IND is filed, Hoffmann-La Roche will pay 50% of development costs incurred prior to the filing and 50% of development costs subsequently incurred, (2) if exercise occurs at the completion of the first Phase II trial, Hoffmann-La Roche will pay 50% of development costs incurred through completion of the trial, 75% of development costs subsequently incurred for the initial indications, and 50% of subsequent development costs for new indications, formulations or dosing schedules, (3) if the exercise occurs at the completion of a Phase III trial, Hoffmann-La Roche will pay 50% of development costs incurred through completion of Phase II, 75% of development costs incurred through completion of Phase III, and 75% of development costs subsequently incurred, and \$5 million of the option extension fee paid by Hoffmann-La Roche to preserve its right to exercise its option at the completion of a Phase III trial will be credited against the total development costs payable to Genentech upon the exercise of the option, and (4) each of Genentech and Hoffmann-La Roche have the right to opt-out of developing an additional indication for a product for which Hoffmann-La Roche exercised its option, and would not share the costs or benefits of the additional indication, but could opt-back-in within 30 days of decision to file for approval of the indication by paying twice what they would have owed for development of the indication if they had not opted out;

we agreed, in general, to manufacture for and supply to Hoffmann-La Roche its clinical requirements of our products at cost, and its commercial requirements at cost plus a margin of 20%; however, Hoffmann-La Roche will have the right to manufacture our products under certain circumstances;

Hoffmann-La Roche has agreed to pay, for each product for which Hoffmann-La Roche exercises its option upon either a decision to file an IND with the U.S. Food and Drug Administration (FDA) or completion of the first Phase II trial, a royalty of 12.5% on the first \$100 million on its aggregate sales of that product and thereafter a royalty of 15% on its aggregate sales of that product in excess of \$100 million until the later in each country of the expiration of our last relevant patent or 25 years from the first commercial introduction of that product; and

Hoffmann-La Roche will pay, for each product for which Hoffmann-La Roche exercises its option after completion of a Phase III trial, a royalty of 15% on its sales of that product until the later in each country of the expiration of our last relevant patent or 25 years from the first commercial introduction of that product; however, \$5 million of any option extension fee paid by Hoffmann-La Roche will be credited against royalties payable to us in the first calendar year of sales by Hoffmann-La Roche in which aggregate sales of that product exceed \$100 million.

We have further amended this licensing and marketing agreement with Hoffmann-La Roche to delete or add certain Genentech products under Hoffman-La Roche's commercialization and marketing rights for Canada.

We also have a July 1998 licensing and marketing agreement relating to anti-HER2 antibodies (Herceptin and Omnitarg) with Hoffmann-La Roche, providing them with exclusive marketing rights outside of the U.S. Under the agreement, Hoffmann-La Roche funds one-half the global development costs incurred in connection with developing anti-HER2 antibody products under the agreement. Either Genentech or Hoffmann-La Roche has the right to opt-out of developing an additional indication for a product and would not share the costs or benefits of the additional indication, but could opt-back-in before approval of the indication by paying twice what would have been owed for development of the indication if no opt-out had occurred. Hoffmann-La Roche has also agreed to make royalty payments

of 20% on aggregate net product sales outside the U.S. up to \$500 million in each calendar year and 22.5% on such sales in excess of \$500 million in each calendar year.

Research Collaboration Agreement

In April 2004, we entered into a research collaboration agreement with Hoffmann-La Roche that outlines the process by which Hoffmann-La Roche and Genentech will conduct and share in the costs of joint research on certain molecules in areas of mutual interest. The agreement further outlines how development and commercialization efforts will be coordinated with respect to select molecules, including the financial provisions for a number of different development and commercialization scenarios undertaken by either or both parties.

See Certain Relationships and Related Person Transactions on page 33 for a discussion of transactions under other agreements between Hoffmann-La Roche and us.

Tax Sharing Agreement

We have a tax sharing agreement with Roche. If we and Roche elect to file a combined state and local tax return in certain states where we may be eligible, our tax liability or refund with Roche for such jurisdictions will be calculated on a stand alone basis.

PROPOSAL 1 ELECTION OF DIRECTORS

NOMINEES FOR DIRECTOR

Our Board of Directors is elected each year at the Annual Meeting. Our Board is currently comprised of the following seven directors as provided for in our bylaws:

three independent directors: Herbert W. Boyer, Debra L. Reed and Charles A. Sanders;

one of our executive officers: Arthur D. Levinson, who is also the Chairman of the Board; and

three Roche directors: William M. Burns, Erich Hunziker and Jonathan K. C. Knowles.

Each of the incumbent directors is a current nominee for director on our Board. All of these nominees for director, if elected, will serve until the 2008 Annual Meeting of Stockholders or until a successor is elected or appointed, and we expect each of these nominees to be able to serve if elected. If a director nominee is not able to serve, proxies will be voted in favor of the remainder of those nominated and may be voted for any other person the Board of Directors may select or who may be properly nominated by a Genentech stockholder.

The persons named in the enclosed proxy card will vote your proxy for the election of each of these nominees unless you indicate otherwise. Proxies may not be voted for a greater number of persons than the nominees named below.

The following information outlines the name and age of each nominee for director (as of December 31, 2006), his or her current principal occupation, any other position held with the Company, and the period during which he or she has served as a director of the Company:

Name	Age	Principal Occupation/Position Held	Director since
Herbert W. Boyer, Ph.D.	70	Retired co-founder of Genentech and Professor Emeritus of Biochemistry and Biophysics at University of California at San Francisco	1976
William M. Burns	59	Chief Executive Officer of the Pharmaceuticals Division and Member of the Corporate Executive Committee, The Roche Group	2004
Erich Hunziker, Ph.D.	53	Chief Financial Officer and Deputy Head of the Corporate Executive Committee, The Roche Group	2004
Jonathan K. C. Knowles, Ph.D.	59	Head of Global Research and Member of the Corporate Executive Committee, The Roche Group	1998
Arthur D. Levinson, Ph.D.	56	Chairman and Chief Executive Officer of Genentech, Inc.	1995
Debra L. Reed	50	President and Chief Executive Officer of San Diego Gas & Electric and Southern California Gas Co.	2005

Charles A. Sanders, M.D.

74

Retired Chairman and Chief Executive
Officer of Glaxo, Inc.; Lead Director of
Genentech

1999

***THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS
A VOTE FOR EACH NOMINEE***

Dr. Boyer, a founder of Genentech who is currently retired, had been a director of Genentech since 1976 when he resigned from the Board in June 1999 in connection with the redemption of our Special Common Stock. He was reelected to the Board in September 1999. He served as a Vice President of Genentech from 1976 to 1991. Dr. Boyer, a Professor of Biochemistry at the University of California at San Francisco from 1976 to 1991, demonstrated the usefulness of recombinant DNA technology to produce medicines economically, which laid the groundwork for Genentech's development. Dr. Boyer has received numerous awards for his research, including the BayBio Pantheon Lifetime Achievement Award in 2005, National Medal of Science from President George Bush in 1990, the National Medal of Technology in 1989 and the Albert Lasker Basic Medical Research Award in 1980. He is an elected member of the National Academy of Sciences and a Fellow in the American Academy of Arts and Sciences. In 2001, Dr. Boyer was elected to the National Inventors Hall of Fame. In addition, Dr. Boyer serves as Vice-Chairman of the Board of Directors of Allergan, Inc.

Mr. Burns was elected a director of Genentech in April 2004. He was appointed Chief Executive Officer of the Pharmaceuticals Division of The Roche Group, an international healthcare company, in January 2005 and was elected to the Corporate Executive Committee of The Roche Group in 2000. From 2001 to December 2004, Mr. Burns served as Head of the Pharmaceuticals Division of The Roche Group. From 1998 to 2001, Mr. Burns served as Head of Europe and International Business of Roche Pharmaceuticals. From 1991 to 1998, Mr. Burns served as Global Head of Strategic Marketing and Business Development for Roche Pharmaceuticals. Mr. Burns is a member of the Board of Directors of Chugai Pharmaceutical Co., Ltd., a subsidiary of Roche. Pursuant to the affiliation agreement, Mr. Burns is a designee of Roche.

Dr. Hunziker was elected a Director of Genentech in April 2004. He joined the Roche Group as Chief Financial Officer in 2001 and was elected to the Executive Committee of The Roche Group at that time. In January 2005 he was appointed Deputy Head of the Executive Committee. Prior to joining The Roche Group, from 1998 until 2001, Dr. Hunziker was Chief Executive Officer of the Diethelm Group and Diethelm Keller Holding Ltd. Dr. Hunziker joined Corange Ltd (holding company of Boehringer Mannheim Group) where he was appointed Chief Financial Officer in 1997. Dr. Hunziker is a member of the Boards of Directors of Holcim Ltd. and Chugai Pharmaceutical Co., Ltd., a subsidiary of Roche. Pursuant to the affiliation agreement, Dr. Hunziker is a designee of Roche.

Dr. Knowles was elected a director of Genentech in February 1998. He joined The Roche Group as Head of Global Research in September 1997. In January 1998, he became a member of the Corporate Executive Committee of The Roche Group. Dr. Knowles also serves as a member of the Board of Directors of Chugai Pharmaceutical Co., Ltd., a subsidiary of Roche. Pursuant to the affiliation agreement, Dr. Knowles is a designee of Roche.

Dr. Levinson was appointed Chairman of the Board of Directors of Genentech in September 1999 and was elected its Chief Executive Officer and a director of the Company in July 1995. Since joining the Company in 1980, Dr. Levinson has been a Senior Scientist, Staff Scientist and the Director of the Company's Cell Genetics Department. He was appointed Vice President of Research Technology in April 1989, Vice President of Research in May 1990, Senior Vice President of Research in December 1992, Senior Vice President of Research and Development in March 1993 and President in July 1995. Dr. Levinson also serves as a member of the Boards of Directors of Apple Computer, Inc. and Google, Inc.

Ms. Reed was elected a director of Genentech in August 2005. She is President and Chief Executive Officer of San Diego Gas & Electric (SDG&E) and Southern California Gas Co. (SoCalGas), Sempra Energy's California regulated utilities. Previously Ms. Reed served as President and Chief Operating Officer of SDG&E and SoCalGas from 2004 until 2006; President and Chief Financial Officer of SDG&E and SoCalGas from 2002 until 2004; and President of SDG&E from 2000 to 2002. Ms. Reed has also served as President of Energy Distribution Services at SoCalGas, and has held other leadership positions at SoCalGas. Ms. Reed serves on the Boards of Directors of Halliburton Company, SDG&E and SoCalGas.

Dr. Sanders, who is currently retired, was elected a director of Genentech in August 1999 and the lead director of the Board in February 2003. He served as Chief Executive Officer of Glaxo Inc., a pharmaceutical company, from 1989 to 1994, and was the Chairman of the Board of Glaxo Inc. from 1992 to 1995. He also has served on the Board of Directors of Glaxo plc. Dr. Sanders is a member of the Boards of Directors of Vertex Pharmaceuticals, Biopure Corporation (retiring from the Biopure Board as of April 4, 2007), Cephalon, Inc., and Icagen, Inc.

BOARD COMMITTEES AND MEETINGS

During 2006, the Board of Directors held five (5) meetings. Each of our incumbent directors attended at least 75% of the aggregate number of meetings of the Board and the committees on which the directors served. None of the members of the Audit, Compensation, Corporate Governance or Nominations Committee was an officer or employee of the Company. We show below information on our standing committees of the Board of Directors including the membership, functions and number of meetings of each Board committee held in 2006.

Name of Committee and Members	Functions of the Committee	Number of Meetings
AUDIT	<p>Monitors the integrity of the Company's financial statements and financial reporting process.</p> <p>Reviews management's programs to (i) maintain adequate systems of internal financial controls, (ii) safeguard the Company's assets, (iii) provide appropriate reserves for any legal or regulatory issues and (iv) assess and manage risk.</p> <p>Monitors the independence and performance of the Company's independent registered public accountants. Responsible for the selection, compensation, evaluation and replacement of the independent registered public accountants.</p> <p>Reviews the overall scope and plans for the annual general audit, and the integrated audit of the independent registered public accountants.</p> <p>Pre-approves all audit services and all other permitted services to be performed by the independent registered public accountants.</p> <p>Engages, monitors the performance of, and replaces the general auditor and reviews the scope and results of the Company's general audit program.</p> <p>Establishes and reviews procedures for the receipt, retention, and treatment of complaints regarding the accounting, internal accounting controls or auditing matters.</p> <p>Reviews and discusses the annual audited financial statements with management and the independent registered public accountants.</p>	12
Herbert W. Boyer Debra L. Reed Charles A. Sanders		
COMPENSATION	<p>Administers the Company's equity incentive plans, the Company's bonus program and certain other corporate benefits programs.</p> <p>Reviews and approves the Company's annual bonus pool, annual stock option grants and executive officer compensation, including that of the Chief Executive Officer.</p> <p>Elects executive officers of the Company.</p>	4
Herbert W. Boyer William M. Burns Erich Hunziker Jonathan K. C. Knowles Debra L. Reed Charles A. Sanders		

**CORPORATE
GOVERNANCE**

Herbert W. Boyer
William M. Burns
Erich Hunziker
Jonathan K. C. Knowles
Debra L. Reed
Charles A. Sanders

Reviews the Company's policies relating to sales and marketing activities, investor relations, corporate relations, government affairs, equal employment opportunity, legal and regulatory affairs, and the Company's compliance with laws and regulations in the foregoing and other areas as well as the Company's code of ethics, and unless reviewed by the entire Board, the effectiveness of the Board of Directors and Board committees.

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EXECUTIVE

Herbert W. Boyer
William M. Burns
Arthur D. Levinson

Established to act when the full Board of Directors is unavailable.

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Has the authority of the Board in the management of the business and affairs of the Company, except those powers that cannot be delegated by the Board of Directors by law.

NOMINATIONS

Herbert W. Boyer
William M. Burns
Erich Hunziker

Identifies, reviews and recommends potential nominees to the Board and reviews potential nominees recommended by the stockholders.

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Director Independence

Drs. Sanders and Boyer and Ms. Reed are independent directors in accordance with NYSE corporate governance listing standards. As Roche holds more than 50% of the voting power of Genentech, we have elected to rely on the NYSE controlled company exemption from compliance with NYSE corporate governance listing standards requiring that a majority of the directors on our Board and on the Compensation, Corporate Governance and Nominations Committees of our Board be independent. As a result, the majority of the directors on our Board and these committees are not independent under the criteria for independence established under the NYSE corporate governance listing standards. However, each member of the Audit Committee is an independent director in accordance with SEC rules and NYSE corporate governance listing standards.

Director Attendance at Annual Meeting

We have no policy requiring directors to attend the Annual Meeting; however, directors are encouraged to attend the annual meetings at which they will stand for election or re-election. All directors serving on the Board as of our 2006 Annual Meeting attended that meeting.

Communication with the Board of Directors

Dr. Sanders has been appointed the lead director of the Board and in that role, chairs non-management executive sessions of the Board. Ms. Reed has been appointed the chair of the Audit Committee. As discussed in the Company's Principles of Corporate Governance, our employees, stockholders or other third parties who wish to communicate with the Board of Directors other than through the Chairman may communicate directly to the lead director or to the chair of the Audit Committee of the Board. Communications to Dr. Sanders and Ms. Reed, respectively, may be addressed to Dr. Sanders at *c/o Genentech, Inc., 1 DNA Way, South San Francisco, CA 94080-4990* or via e-mail at *csanders@gene.com*, and to Ms. Reed at *c/o Genentech, Inc., 1 DNA Way, South San Francisco, CA 94080-4990* or via e-mail at *reed.debra@gene.com*.

Director Nomination

Under our bylaws, our Nominations Committee is composed of three members of which two are Roche directors (Mr. Burns and Dr. Hunziker) and one is an independent director (Dr. Boyer). Roche's representation on this committee is subject to its ownership percentage of our stock as described in greater detail in Membership of Committees under Relationship with Roche. The Nominations Committee does not have a formal written charter.

The Nominations Committee will consider director candidates for the Board of Directors recommended by our stockholders. Under our bylaws, to be considered, stockholders who wish to recommend a candidate for the Board should send a letter to our Corporate Secretary, *c/o Genentech, Inc., 1 DNA Way, South San Francisco, CA 94080-4990*, with the following information: (A) the name, age, business address and residence address of such person, (B) the principal occupation or employment of such person, (C) the class and number of shares of our stock that are beneficially owned by such person, (D) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nominations are to be made by the stockholder, and (E) any additional information relating to such person that is required to be disclosed in solicitations of proxies for elections of directors, or is otherwise required, in each case pursuant to SEC rules. Our bylaws require that any director nominee not designated by Roche be approved by a majority of the members of the Nominations Committee.

Pursuant to our Bylaws, the Board's process for identifying and evaluating potential directors depends on whether such an individual is (i) a nominee of Roche, (ii) a management director or (iii) an independent director as defined in our

bylaws. Roche identifies all of its director nominees to our Board without input from the Company or the other non-Roche Board members. If the Board wishes to identify a management director, such individual may be identified as a director nominee by existing

Board member(s) or executive management at the Company. If the Board of Directors wishes to identify new independent director candidates for Board membership, it may retain a third party executive search firm to help identify prospective director nominees. At the request of the Company, the search firm may also screen candidates, conduct reference checks, prepare a biography of each candidate for Board or Nominations Committee review, and if appropriate, schedule interviews with the Board or Nominations Committee. The evaluation of management and independent director candidates will take place on the same basis regardless of whether the candidate was recommended by a search firm, a stockholder or identified through any other source.

The Board's desired minimum qualifications for a director nominee depend on whether such individual is a Roche or non-Roche designee. The Board has not established any minimum criteria for Roche designees as such individuals are identified for nomination by Roche. For any independent director nominees, the nominee must meet the Company's bylaw requirements for being considered an independent director, and if such nominee will serve on the Audit Committee, also the SEC and NYSE criteria for independence. In addition, with respect to management or independent director nominees, the Board assesses character, judgment, business acumen and experience.

Any other minimum qualifications will be determined by the Board on a case-by-case basis as any such qualifications may vary, depending on whether the Board desires to fill a vacant seat or increase the size of the Board to add new directors. In addition, the Nominations Committee may also evaluate whether a potential director nominee's skills are complementary to existing Board members' skills or meet the Board's need for operations, management, commercial, financial, international or other expertise. We believe that all director nominees should possess the highest personal and professional ethics and be committed to representing both the short-term and long-term interests of our stockholders.

CORPORATE GOVERNANCE

Our Board of Directors has formally adopted Principles of Corporate Governance that guide its actions with respect to the composition of the Board, Board functions and responsibilities, the Board's standing committees, and Board involvement in compliance and ethics matters affecting the Company.

The Board expects all directors, as well as officers and employees, to act ethically at all times and to adhere to the policies comprising our code of ethics known as the Genentech Good Operating Principles. The Board also expects the Chief Executive Officer (CEO), the Chief Financial Officer, Chief Accounting Officer, Controller and all other senior financial officials to adhere to the Company's Code of Ethics for the CEO and Senior Financial Officials.

The Principles of Corporate Governance, the Genentech Good Operating Principles and the Code of Ethics for the CEO and Senior Financial Officials can be accessed on our website at www.gene.com. These documents are also available in print to any stockholder who requests them by contacting our Investor Relations department at (650) 225-4150 or by sending an e-mail to investor.relations@gene.com.

