Corporate Responsibility | *As a leading healthcare company, our goal is to develop and make available products and services that address unmet medical needs and are of real value to society. We aim to provide tangible improvements in patients' health, quality and length of life – this is our core contribution. We do this in a responsible and sustainable manner that respects the needs of the individual, the society and the environment. To make this possible, we are committed to finding and retaining talented people and developing their skills.*

In brief

Our approach

Roche is viewed as one of the most sustainable and highly responsible companies in our industry. Our approach to corporate responsibility is to provide value for all our stakeholders — the millions of people around the world who have an influence on, or interest in, our business. We engage with key groups and benchmark our achievements against the industry and best practice. We are convinced that constructive dialogue improves the way we formulate and implement our business strategy and helps us better understand the needs of the communities in which we operate. Our Corporate Sustainability Committee (CSC) has identified six areas of high importance to our business and our stakeholders, as well as key performance indicators (KPIs) for measuring progress in each area. We began to collect data for these KPIs in 2008. The CSC and Corporate Executive Committee use these data to monitor and manage topics that are key to our long-term sustainability and success. The table shows some of the progress made in 2008.

Management responsibilities

Corporate responsibility is an integral part of our business. The CSC, together with line management, identifies and assesses significant social, ethical and environmental risks and opportunities to our long-term business and reputation as a responsible company. For the fourth consecutive year, the CSC held a two-day workshop with around 60 employees from a variety of functions to discuss emerging sustainability-related issues and ensure we continue to progress our strategy and performance. In 2008 the CSC proposed new or updated positions and guidelines on several important topics, which were implemented throughout the Group (see table).

Progress and achievements in 2008

Responsible practices	Established ‘Excellence in Innovation’ Awards
	Included in DJSI World Index for fifth consecutive year, and FTSE4Good
	Introduced new guidelines for working with government officials
	Revised position paper and guidelines for working with patient groups and established online database
	Introduced several compliance initiatives, including a web-based system to report Business Ethics Incidents
	Developed an influenza preparedness plan for Roche employees worldwide and established a website for US businesses in collaboration with WHO and the European Centre for Disease Prevention
	Launched ‘3R Awards’ for animal welfare
Patients and access to healthcare	Began a partnership with OneWorld Health
	Ran CARE programme information exchange to share best practices in Africa
	Developed and rolled out three new position papers on Access to medicines and diagnostics, Pricing, and R&D into neglected diseases
	Developed 12 new principles on Health Technology Assessment
	Five drugs in eight indications approved, twelve major phase III projects initiated
People	Roche named sixth and Genentech first in the *Science* magazine ranking of best employers in the healthcare industry
	Launched new ‘Make your Mark’ employer branding campaign
Society	Launched Chocos project for people affected by the earthquake in Peru
	Continued projects in Malawi in collaboration with ECPP & UNICEF
	Launched international postdoctoral fellowship programme
Safety, security, health and environmental protection	Developed position paper on pharmaceuticals in the environment
	Achieved greenhouse gas and VOC emission reduction target
	Achieved energy-efficiency target

Responsible practices

A healthcare company like Roche – one based on research and innovation – has many responsibilities, risks and opportunities. Innovation based on science and technology will support our product pipeline over the next decade, and emerging technologies will support product development from 2015 onward. This long-term focus requires sustainable business practices. In this section we describe how we manage related responsibilities.

Customer relationship management

We consider customer needs and expectations to help improve customer satisfaction and commercial effectiveness. We highly value customer feedback and use a range of initiatives to respond to their questions and requests. We use customer input to develop local and regional action plans that build on our strengths and identify potential weaknesses.

We set quantitative and qualitative targets and regularly measure our progress. We also carry out comprehensive market research and analysis, often at a divisional or local level to best meet specific market needs. In the UK, for example, our oncology division runs an annual satisfaction survey with leading oncologists. We analyse their feedback on individual products and our overall portfolio to see how we can better meet theirs' and their patients' needs. Working with leading clinicians and other opinion leaders is an important part of our business. They provide input into:

- Target product profiles to improve their attractiveness to relevant stakeholders, including payers
- Clinical development plans, e.g. by designing and participating in trials
- The publication of trial results
- Our regulatory filing strategy
- The development of health outcome studies
- Disease awareness plans and product messages
- Initial treatment guidelines.

We also engage with customers through:

- Medical liaisons, who gather information from clinicians and patients to share internally
- Education and development programmes for opinion leaders
- Clinical research associates, who collect input from the field and feed back into new clinical development
- Advisory boards with opinion leaders for feedback on our development programmes and publication plans
- Disease management programmes with managed care agencies
- Health awareness programmes with government departments
- Support and education for care-givers.

Customer satisfaction is integral to our Diagnostics division. Between a third and half of Diagnostics employees work in customer service and support. In consumer businesses such as diabetes care, customer satisfaction is directly linked to customer loyalty. For this reason, local sales offices carry out market analyses to assess how satisfied customers are with our products. Results are fed back to customer service and support for implementation.

Public and private healthcare payers are also important. Their decisions to grant or deny access to health technologies have profound implications for patients, their families and society. We engage with payers throughout a product's lifecycle. This includes guidance on assessing the value of our products and services (Health Technology Assessment – HTA) prior to deciding reimbursement and funding conditions.

Business integrity and compliance

Our corporate principles, directives, guidelines and policies form our Code of Conduct. This guides all employees on acting with integrity at all times, and how to voice concerns. Employees complete mandatory training to ensure they understand our Code of Conduct. In 2008 we made available on our intranet a video to raise awareness of the legal and business risks of carelessly written e-mails.

We took several steps to further strengthen our integrity in 2008. We introduced an online business

ethics incident reporting system (BEIR) that enables the Group Compliance Officer to capture, track and monitor alleged violations from initial reports by local compliance officers through to resolution. The BEIR system led to an increase in ethical incidents reported from 43 in 2007 to 123 in 2008. We took corrective measures where necessary. In 2008 59 employment contracts were terminated due to unethical behaviour, compared with 17 in 2007.

Risk and crisis management

Our Risk Management Charter defines our risk management approach and responsibilities. Typical risks to our business include investment in research that does not yield results and product safety issues. There is an extensive list of risks on our website.

Every business unit and global function conducts a risk assessment at least once a year, and develops plans to address the most serious risks. These are managed locally where expertise is available. Line managers are responsible for taking any required action. The Corporate Risk Management team coordinates this process, and reports results to the Corporate Executive Committee and the Audit Committee of the Board. In 2008 we reviewed the effectiveness of our risk management system.

The Corporate Sustainability Committee holds regular meetings and workshops to identify and assess social, environmental and ethical risks and opportunities based on our own expertise and experience, as well as stakeholder feedback. Material risks identified are included in the Group risk management process.

We introduced a risk management section on our intranet in 2008 to raise awareness among employees. The site contains risk management guidelines, frameworks and tools as well as a calendar of risk-related lectures and discussions, and enables employees to share best practices.

We also help others to manage risks or potential crises such as an influenza pandemic. For example, we work with governments, corporations and health organisations to help them establish preparedness plans. We increased our capacity to manufacture Tamiflu (oseltamivir), an antiviral used to prevent and treat influenza, so governments and others could stockpile the drug in case of a pandemic. Over 80 governments and 300 corporations have done so. While our manufacturing capacity outstrips current demand, this could quickly change in a pandemic. We therefore continue to stress the importance of stockpiling Tamiflu and work with Governments to ensure preparedness.

Responsible marketing

Roche is committed to high standards in all marketing activities. There are strict regulations on the sale and marketing of pharmaceutical and diagnostic products, to help make sure that healthcare professionals prescribe and administer medicines correctly, and that patients understand the associated benefits and risks.

A list of the external guidelines and codes of practice we follow when marketing our products is available on our website.

The European Federation of Pharmaceutical Industries and Associations (EFPIA) issued the latest revision to its code of practice in late 2007, and its member associations in each country updated their own codes accordingly during 2008. The Pharmaceutical Research and Manufacturers of America (PhRMA) also revised its code on Interactions with Healthcare Professionals in 2008. We have adapted our internal guidelines and standard operating procedures globally to align with these revisions and introduced additional employee training to ensure compliance.

In July 2008 our UK affiliate accepted the Prescription Medicines Code of Practice Authority's decision to suspend it from the Association of the British Pharmaceutical Industry for six months for breaching the Code, by unintentionally selling our slimming drug Xenical to an unlicensed clinic. Roche UK responded immediately by implementing broad and intensive training based on updated compliance policies and procedures.

Advertising directly to patients can allow the provision of accurate, balanced and easily digestible information. It also motivates patients to learn more about their disease and discuss it with their healthcare provider. Public advertising for diagnostics is legal in most markets and can be very educational. For example, millions of diabetes patients worldwide benefit from information provided by our Accu-Chek brand, such as patient brochures, diabetes diaries, and regular newsletters covering topics such as diabetes management, recipes, lifestyle and behaviour tips.

Unlike most countries, the USA permits the advertisement of prescription medicines directly to consumers. We endorse the laws that regulate pharmaceutical advertising in the USA. As a member company of the Pharmaceutical Research and Manufacturers of America (PhRMA), we also fully endorse its strengthened direct-to-consumer (DTC) guiding principles announced in December 2008, and effective from March 2009. We are confident that all our DTC advertising complies with these principles, as well as applicable laws and Food and Drug Administration regulations, including those of the Division for Drug Marketing Advertising and Communications. In addition, we welcome the EU Commission's proposal for a directive on information to patients. We see this as an opportunity to improve all EU citizens' access to high-quality information on health and prescription medicines.

Sustainable procurement

Our pharmaceutical and diagnostics divisions spend roughly 13 billion Swiss francs annually on products and services from suppliers — ranging from items such as raw materials and active pharmaceutical ingredients to equipment, laboratory and office supplies, computer equipment, and services like consultancy, travel and marketing. Our Global Strategic Procurement organisation helps us to select reliable suppliers and secure supplies, increase supplier performance and financial control, improve procurement expertise and apply best practices worldwide.

Our suppliers must meet our safety, health and environmental protection standards, which are included in our procurement contracts. We have a new program for labour standards and human rights for suppliers in regions where problems in these areas are common. We plan to extend our sustainable procurement activities to suppliers of non-production materials and services.

Our Pharmaceuticals Division carries out audits to identify and correct problems with business-critical suppliers, and to assess new ones. We support suppliers to implement any required improvements by sharing our expertise and documentation, running workshops and providing training. In 2008 we audited safety, health and environmental standards at 18 key suppliers. Nine were existing suppliers, seven were potential suppliers and two were following up on previous audits.

We have carried out 99 such audits in total over the last five years. More than half produced good or very good results, and less than 10% of suppliers barely met or did not meet acceptable standards. We rejected or stopped doing business with six suppliers that we were unable to help improve. The main areas for improvement identified by our audits were lack of knowledge and insufficient industrial hygiene and worker protection, especially when handling hazardous substances.

The Diagnostics Division plans to incorporate sustainability elements into its regular suppliers auditing in 2009, starting with the 290 most important suppliers based on spending and business criticality. We will roll out the process to more suppliers if necessary.

In 2008 Roche hosted a World Environment Center roundtable discussion on effectively integrating sustainability into procurement. Forty sustainability representatives from industry, government, science and consultancies concluded that even advanced companies still struggle to successfully integrate the concept of sustainability into procurement,

but that the risks of not doing so are significant. The group also reviewed best practice examples.

Public policy

Honest and transparent dialogue between governments and the private sector is fundamental to the development of public policy in general, and public health policy in particular. The private sector has a vital role to play in developing laws, regulations and policies that enable the best possible patient care. We take part in such dialogue in an appropriate and professional manner.

In 2008 we introduced good practice guidelines for working with government officials. These were distributed to all general, country and site managers for implementation in their area of responsibility and are available on our website.

We carry out much of our public policy work through our membership of industry bodies such as the EFPIA, the European Diagnostics Manufacturers Association (EDMA) and the International Federation of Pharmaceutical Manufacturers and Associations (IFPMA), as well as their national members. We also meet directly with policymakers including members of the European Parliament, health bodies such as the European Centre for Disease Control, the World Health Organization, policy think tanks and health policy academics. Examples of our public policy engagement in 2008 include:

- Response to the European Commission (EC) consultation on information for patients about prescription medicines
- Contribution to the UK House of Lords inquiry on the impact of genomics on clinical practice and on personalised healthcare
- Response to the EC consultation on the medical devices legislation, which includes 'in vitro' diagnostics
- Comments on the Japanese draft guidelines on follow-on biologics
- Participation in meetings about the World Health Organization guidelines for abbreviated licensing pathways for certain biological therapeutics
- Participation in the Organisation for Economic Cooperation and Development's (OECD) working group on guidelines for human biobanks and genetic research databases
- Participation in projects related to the future of Health Technology Assessment (HTA) in Europe, sponsored by the EU Commission.

Combating counterfeits | Counterfeit pharmaceutical and diagnostic products are illegal and pose a significant global public health problem. They endanger patients, undermine confidence in healthcare systems and companies, infringe on intellectual property rights and waste valuable healthcare budgets.

We continuously monitor and improve product security using technology to quickly identify counterfeits. We participate in national and international industry and governmental efforts to develop stronger laws and improve enforcement, educate the public and train local officials.

In 2008 the European Commission held a public consultation on combating counterfeit medicines and developed proposed legislation. We support legislative reform and believe it should focus on the integrity of original packaging throughout the pharmaceutical supply chain. Along with EFPIA, we call for more stringent controls during the manufacture, trade and distribution of active pharmaceutical ingredients and medicines.

Generic and biosimilar products | The patent periods for the first innovative biological products such as proteins and antibodies are starting to come to an end. While it is relatively easy for other manufacturers to copy chemical products, biological products have complex molecular structures and are obtained from living systems using extremely complex processes. We support the development of a well-defined and transparent regulatory framework for the development, approval and post-authorisation procedures for biosimilars that are based on those for the original products.

We have held over 20 meetings with opinion leaders, health authority representatives and parliamentarians from many different countries to discuss this issue and exchange information. They have welcomed our feedback, as issues relating to the safety, efficacy and quality of biosimilars are complex to understand and manage.

We keep our employees up to date through a dedicated section on our intranet. A recently updated version of our position statement is available on our website.

Political contributions | US federal law prohibits us from making political contributions to federal candidates, although employees may make personal contributions to the Hoffmann-La Roche Good Government Committee (GGC), a voluntary political action committee, or participate in the Roche Action Programme. Employees contributed 416,680 US dollars through these mechanisms in 2008.

Research practices

We cannot develop innovative medicines and diagnostics without pushing scientific boundaries and exploring new technologies. Ethical concerns can arise as a result, and we must explore and manage these effectively as we capture the opportunities our research brings.

Ethics in R&D | Our global position on clinical research commits us to high ethical standards and makes clear our position on specific areas of concern.

We have a clear procedure for resolving any ethical dilemmas employees encounter during their work. If an issue cannot be resolved within the affected team, employees can contact our Global Ethics Liaison Office, which will consult peers and internal experts to find a solution. Any remaining concerns can be elevated to an internal committee, and finally to our independent advisors, the Clinical Research Ethics Advisory Group (CREAG). We also provide continual online ethics training for employees. In 2008 the Global Ethics Liaison Office received 38 queries. All were resolved without escalation.

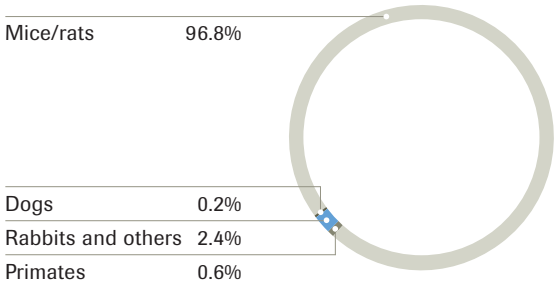
The CREAG meets annually to review the concerns raised with the Global Ethics Liaison Office, and to discuss other relevant ethical topics. At the 2008 meeting, the CREAG was briefed on the recent work of the Global Ethics Liaison office. It also reviewed current topics including revisions to the Declaration of Helsinki by the World Medical Association and the conduct of clinical trials in developing countries.

Another panel of independent advisors, the Science and Ethics Advisory Group (SEAG), advises and guides us on genetics, genomics and proteomics. Following discussions with the SEAG, in 2008 we published a revised Group policy and standardised procedures on human specimen repositories. Repositories of biological materials such as tissue, organs, blood and other bodily fluids are invaluable for exploring aspects of disease that might eventually lead to better treatments. They also contain sensitive information of the person to whom that sample belongs. We are dedicated to protecting the rights and privacy of our donors, and to providing information on all aspects of specimen donation before they agree to give a sample.

Animal welfare | We recognise and take seriously public concerns about animal research. It is important to explain ongoing needs for animal research in our industry, our efforts to develop alternative methods, and the scientific limits of those alternatives.

At this time, using animals in the development of drugs and technologies is necessary for scientific and legal reasons. We would not be able to develop life-saving medicines such as cancer drugs without animal testing. We are committed to using animals appropriately and responsibly, to complying with all applicable laws, and to meeting or exceeding industry standards. This commitment applies to all employees and external contractors who perform animal testing for us.

Breakdown of animals used in research | in 2008



The total number of animals used in our research dropped by more than 4% in 2008. Of the animals our researchers and contractors use in experiments, 97% are mice and rats.

We introduced a 3Rs Award for Innovation and Continual Improvement in Animal Welfare within Roche in 2008. The 3Rs concept means replacing animal tests where possible, reducing the number of animals required and refining existing scientific practices, animal welfare and husbandry. Twenty-four teams of scientists and animal care specialists from our research sites entered for awards in two categories.

In the scientific category, first place went to a project for predicting bone marrow toxicity using artificial environments and mathematical modelling, reducing the number of animals needed. The winning project in the lab care and animal management category involved special behavioural training for primates which allows researchers to interact with the animals and help them get used to new environments, people and procedures, such as taking blood samples. We will implement these and other projects into our operations wherever possible. We will run the 3Rs award again in 2009.

Innovation and new technologies | We closely monitor the development of evolving technologies, such as nanotechnology, stem-cell research and systems biology, to identify those with potential benefits in pharmaceuticals or diagnostics. This will allow us to enter new fields at a point when they are already well enough developed for us to apply them in our work, but soon enough for us to develop a leading position.

Nanotechnology is the manipulation of materials on a scale 80,000 times smaller than the diameter of a human hair. It has potential in many areas, particularly innovative drug delivery. In 2008, we updated our internal position on nanotechnology.

We also explore other technologies that could change the way drugs work or are administered. In 2008 we bought the American company Mirus LLC to build on our work in ribonucleic acid interference (RNAi) technology. RNAi has the potential to provide a new type of treatment for difficult-to-treat diseases.

We have begun trials, in partnership with Halozyme Therapeutics, of drug formulations that allow medicines previously administered by intravenous injection to be injected just under the skin. Recently, we also made exciting progress in the development of a new treatment for non-Hodgkin's lymphoma. Following the acquisition of GlycArt Biotechnology, we have developed a compound with enhanced abilities to kill targeted cells.

We consider stem cell biology an important opportunity, both as a research tool and as a potential novel therapeutic approach, particularly in the field of regenerative medicine. While we do not currently use human embryonic stem cells for either purpose, our stem cell taskforce actively monitors and assesses innovation in this area, particularly in the production of stem cells from alternative sources. For example, we recently signed a cooperative research agreement to develop new technology using adult cells from fatty tissue with the Zerbini Foundation at the São Paulo University Hospital Heart Institute.

In 2008 Roche joined a consortium of pharmaceutical companies, biotechnology firms, and the UK government that aims to advance the application of

stem cell technology to toxicology testing. This work is taking place through an independent, not-for-profit company called Stem Cells for Safer Medicines (www.sc4sm.org), which provides guidance and funding for research on stem cells suitable for toxicology testing. We hope this initiative will help us gain further insight into the role stem cells could play in drug development, especially in assessing the safety of new medicines, further reducing the need for animal testing.

More on the web

- Sustainability principles, strategy and management:
  www.roche.com/principles
- Stakeholder engagement:
  www.roche.com/stakeholder_dialogue
- Responsible marketing, risk management and compliance:
  www.roche.com/business_integrity_and_marketing_practices
  www.roche.com/risk_management_and_compliance
- Patents, counterfeiting and biosimilars:
  www.roche.com/medical_value_patents_and_pricing
  www.roche.com/patents
- Innovation, new products and technologies:
  www.roche.com/csr_research_and_development
  www.roche.com/innovation_and_technologies
- List of all positions:
  www.roche.com/policies._guidelines_and_positions
- Website for US businesses for pandemic planning:
  www.pandemictoolkit.com