

1. Purpose

This policy describes **Group Risk Management** as the collective set of **Risk Management** processes in the Roche group, which ensure that material **Risks** - the possibility that an event will occur and adversely affect the achievement of objectives - are identified, managed and if need be reported. It defines the respective basic principles, process, roles and authorities.

2. Group Risk Management

2.1 Framework

Group Risk Management is compliant with applicable law, SWX directives, the Swiss Code of Best Practice for Corporate Governance and compatible with best practice. Roche uses the COSO framework¹ and ISO 31000² as references and adopts compatible processes and terminology.

2.2 Scope

Group Risk Management encompasses the Pharmaceuticals and Diagnostics businesses, as well as the Roche Group Functions. It includes all types of Risks in terms of their nature, their source or their consequences. Chugai manages its Risks independently.

2.3 Principles

Roche evaluates Risks in an unbiased way. It consciously takes the appropriate amount of risks and manages these Risks competently to seize related opportunities. Risk taking is core to our innovation capacity and ultimately our entrepreneurial success.

Risk Management is an integral part of the group's business practice on all levels of the Roche group. Risk Management includes identification, analysis and evaluation of Risks, the appropriate response, tracking and reporting of Risks to provide assurance regarding the achievement of objectives.

Roche takes a pragmatic approach to Risk Management. It builds on existing management processes and structures and concentrates formalisation of process to the most relevant Risks identified.

2.4 The Group Risk Management Process

At Roche group level, Risk Management is an integral part of the business planning and controlling process (performance dialogues).

1. Roche Divisions (ODGs), Divisional- and Group functions and business areas assess Risks and develop the business plans, including plans for the most material Risks identified. The consolidated group risk plan and hence a target risk profile is discussed at the CEC and approved together with the group business plan.
2. The priorities from the group business plan and -risk plan are input to the agenda of the organisational units involved in the process

¹ COSO: Committee of Sponsoring Organizations to the Treadway Commission (COSO II, 2004).

² Risk Management – Principles and Guidelines, International Organization for Standardization (ISO 31000, 2009).

3. In the quarterly performance dialogues the most material risk and related plans are tracked and where significant, developments discussed.

Periodically, the reasonable effectiveness of Group Risk Management is reviewed and the findings reported to management. Conclusively plans for further improvement are developed where appropriate and approved by management.

2.5 Responsibilities

Risk Management is a line management responsibility. Line management at all levels of the Roche group decide and take accountability for the material completeness of the risk identification, the material correctness of their risk analysis, as well as for the timeliness and appropriateness of their risk decisions at individual or aggregate level. Line management is also responsible for the implementation of their decisions as well as tracking of Risks and their reporting where appropriate.

The Group Risk Advisory Function is responsible for the necessary alignment, co-ordination and development of Group Risk Management. It maintains guidelines to ensure common terminology, aligned processes and minimal standards. Group Audit oversees the Group Risk Management reviews.

2.6 Reporting and Disclosures

Risk Information goes to management and includes information on Material Risks and assessment of the Risk Management environment, along with proposed or taken action. The Chairman and the CEO ensure that the Board/Audit Committee is regularly informed.

Relevant findings from Group Audit's review of Group Risk Management effectiveness are reported to the Board/Audit Committee.

Roche discloses the main aspects of its risk management system in the annual report.

2.7 Auditors

Auditors opine on the disclosures in the annual report and on the existence of a Group Risk Management Process as described in this policy. They report their findings to the Board/Audit Committee.

This policy was approved by the CEC on 20 March 2012.