Roche's Approach to Tax – General Description and Principles

1. Strategy - Alignment of operational and Tax Structures

Roche's operating business requires a smooth and robust supply chain for cross-border transactions with prices and documentation in accordance with local laws and regulations for income tax, value-added tax and customs purposes.

Ongoing alignment of the Group's tax strategy, legal structures and transfer pricing with the functional strategies of the business and the requirements imposed by the different countries and their tax authorities builds the framework for legal structures, contracts and transactions between Roche group companies. Roche's structures and transactions which are documented in the Group's business processes are based on economic substance and on the principle that taxes should be paid where economic value is generated. Roche does not engage in artificial arrangements involving tax havens or secrecy jurisdictions. Roche's structures are aligned with the business purpose and are not set up with the sole intention of avoiding taxes. This approach is in line with the goals of the OECD/G20 Base Erosion and Profit Shifting project.

2. Governance – Tax Management and Reporting to Audit Committee

The tax function is centrally managed and controlled by Group Tax, part of Group Finance, led by the global Head of Group Tax, who is reporting to the CFO of the Roche Group, and is a member of the Group's Finance Leadership Team. The CFO and the Head of Group Tax report annually to the Audit Committee of the Board of Directors. The Audit Committee of the Board of Directors approves the Group's tax strategy and transfer pricing policy.

Roche is committed to complying with the local tax laws in the various countries where the Group operates. In complying with these laws, the Group also considers the spirit in which these laws are intended. Group Tax follows the Group's Code of Conduct (see for tax p. 37 and customs p. 38) and regularly considers the OECD/G20 developments and action points as well as potential reputational risks arising from tax planning and structuring. Group Tax contemplates the time gap between the execution of transactions and future tax audits. Such a forward looking approach reduces the risk that a transaction might be legally acceptable today but will no longer be tolerated by tax authorities in the future when the transactions are audited by the competent authorities. Application for advance pricing agreements is considered where appropriate to reduce the risk of conflicts with tax authorities.

3. Transfer Pricing - In line with OECD Guidelines

One of the basic principles for sustainable tax management is that taxes should be paid where economic value is generated. This is in line with the "OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations", first issued in 1995. In order to prevent or at least reduce the probability of double taxation, Roche group companies apply the OECD transfer pricing guidelines as an overarching guiding principle.

Tax authorities primarily apply local, country specific, law. Cross-border transactions and related party product prices (so-called transfer prices) may be accepted by one country but not by the other. As a consequence, additional taxable income may be imposed on one party. If the tax authority of the other country does not adjust such income correspondingly, income adjustment leads to double taxation. We minimize potential taxation conflicts by applying transfer prices in line with the economic substance of the transaction. Transfer prices take into account functions performed, assets used and risks assumed as well as documentation of the arm's length nature of the prices. Arm's length prices are prices an independent party would pay to a non-related company under similar circumstances. Transfer pricing decisions are taken in a balanced manner considering the basic principle for sustainable tax management that taxes should be paid where economic value is generated.

4. Intellectual Property

Intellectual property (IP) protecting our products is the key element to secure our investment into the complex and highly expensive R&D process. Profits derived from the use of such IP belong to the respective owner or its licensee who will remunerate the original owner of the IP in line with the arm's length principle. The owner is the company taking the entrepreneurial risk of investing in R&D, which generates the IP. The main entrepreneurs and intellectual property owners or licensees in Roche are Group companies in the United States, Switzerland and Japan (Chugai) for Pharma products and companies in the United States, Switzerland and Germany for Diagnostics.

5. Dispute Resolution

As described in the code of conduct, taxation conflicts may arise between different national tax authorities defending their national interests with the result that two authorities try to tax the same profit. Roche reduces the probability of such conflicts and taxation risks by balanced pricing decisions for cross-border transactions. Such decisions are documented, in many cases by economic studies confirming the pricing and thus minimizing the exposure of reassessments by tax authorities.

In some cases Roche and the respective tax authority may disagree on the correct application of local tax law. The national tax authority of one country may have a different opinion from a national tax authority of another country with regard to transfer prices applied on cross-border transactions. In some cases there may even be inconsistencies between national authorities within the same country as e.g. customs and tax laws are not always aligned and consistent. In the event of disputes, Roche collaborates with the respective authorities in a positive spirit to find balanced solutions in accordance with the applicable laws.

6. Transparency – Country-by-Country Reporting (BEPS Action Point 13)

As a minimum standard the OECD/G20 requires countries to request multinational enterprises to prepare and file a Country-by-Country Report containing aggregate tax information per country relating to the global allocation of the income, the taxed paid, and certain other indicators. The

OECD/G20 emphasizes that such new reporting will be helpful for high-level transfer pricing risk assessment purposes by tax administrations.

For the Roche Group the Country-by-Country Report is filed with the Swiss Tax Administration. The Swiss Tax Administration shares the reports under tax secrecy with other participating countries where we operate. The Roche Group has established all the necessary processes and requests additional information from its affiliates to fulfill the country-by-country reporting in line with the national and international requirements.

A comprehensive list of all our financially and operationally relevant Group companies is updated annually and published in the Group's annual report in line with the IFRS rules.

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