What science can do

AstraZeneca Annual Report and Form 20-F Information 2015

Chairman's Statement

"…we are integrating sustainability into how we measure the success with which we are delivering our strategic priorities."

The Board of Directors has sought to ensure that AstraZeneca's achievements in 2015 were underpinned by strong corporate governance. Our efforts were also focused on ensuring that the Group's future success is supported by corporate governance best practice.

Governance in support of our strategy

In his introduction to the Strategic Report, our Chief Executive Officer, Pascal Soriot, outlined a successful year for AstraZeneca in implementing our strategy. The chart overleaf summarises the governance structure we have in place to ensure that the Board is able properly to discharge its responsibilities in setting that strategy, as well as monitoring and reviewing its progress, and ensuring that we manage our risks and carry out business responsibly.

Another important part of our work is listening to the views of external stakeholders, whether they are medical practitioners and clinical researchers, or representatives of investors and financial institutions. We also maintain an active dialogue with shareholders about executive remuneration. Looking ahead, we will be spending more time considering succession planning to ensure we have the leaders we need to deliver our goal of sustainable growth over the longer term.

Committees of the Board

The Board's work is supported by four principal Committees and I am grateful to their members, and especially their Chairmen, for the role they play in the robust governance of AstraZeneca.

I would like to thank Graham Chipchase for assuming the role of Chairman of the Remuneration Committee after John Varley stood down at last year's AGM, having spent nine years as a Non-Executive Director. The Directors' Remuneration Report can be found from page 103 and Graham's Committee plays an essential role in ensuring that the interests of the Executive Directors and other senior leaders are aligned with the interests of shareholders over the short, medium and longer term.

Thanks are also due to Bruce Burlington who became Chairman of the Science Committee during the year, in succession to Nancy Rothwell, who also stood down at last year's AGM, having spent nine years as a Board member. This Committee provides assurance to the Board on the quality, competitiveness and integrity of our science.

Both of these Committees were strengthened further during the year when Shriti Vadera and Cori Bargmann (who was elected for the first time as a Non-Executive Director at our AGM in 2015) became members respectively of the Remuneration Committee and the Science Committee.

John Varley had also undertaken the important role of Senior independent Non-Executive Director. I am grateful to Rudy Markham for taking on this role.

Transparent reporting

Rudy also chairs the Audit Committee which has a crucial role in reviewing our financial reporting, risk management and financial controls. We aim to be as transparent as we can in our reporting and, with that in mind, in preparing our viability statement which is on page 21 of this Annual Report, we also reviewed our principal risks, how we describe them and the information we provide about them. I am grateful to the members of the Audit Committee for their thorough work in undertaking a competitive tender process for our external audit services in line with best practice. As a result of this, the Board will be recommending the appointment of PricewaterhouseCoopers LLP at our AGM in 2017.

A sustainable business

Geneviève Berger is another valued member of the Board and the Science Committee. She also performs a vital role in overseeing AstraZeneca's sustainability framework and reporting to the Board.

For AstraZeneca, sustainability means implementing our strategy and delivering the targets we have set ourselves in a way that promotes the long-term health of AstraZeneca, the societies in which we work, and the planet. Employees and external stakeholders expect it and AstraZeneca's future ability to get new medicines to patients in the most efficient

Compliance with the UK Corporate Governance Code

We have prepared this Annual Report with reference to the UK Corporate Governance Code published by the UK Financial Reporting Council (FRC) in September 2014.

This Corporate Governance Report (together with other sections of this Annual Report) describes how we apply the main principles of good governance in the UK Corporate Governance Code.

We have complied throughout the accounting period with the provisions of the UK Corporate Governance Code, which is available on the FRC's website.

www.frc.co.uk

way depends on it. Moreover, it helps attract and retain talented employees and enhances trust in our business and our reputation. In acting in this way, we not only protect our licence to operate but also deliver value to those who benefit from our medicines, our shareholders, society and the environment.

Achievements recognised

AstraZeneca has been working for over a decade to achieve business success in a responsible manner. For example, we have delivered safety, health and environment improvements and created a diverse workforce; we have promoted the development of our products in an ethical way; and taken steps to broaden access to our medicines. I am also pleased to report that, in 2015, we met all our obligations under our five-year Corporate Integrity Agreement in the US, which has now come to an end. Maintaining high ethical standards in the way we conduct our business remains a priority.

Our achievements were once again recognised in 2015 with an improved score of 84% (79% in 2014) in the Dow Jones Sustainability Index. Our score contributed to the 'Silver Class' rating awarded to us for our sustainability performance by RobecoSAM, the respected sustainability investment specialist.

Looking ahead, if we are to be among the best performers, there is more we need to do. We have refreshed and strengthened our governance arrangements, as outlined in the section, In the wider world from page 55, and we are integrating sustainability into how we measure the success with which we are delivering our strategic priorities. We need to build on that by focusing our work and ensuring that sustainability thinking is part of our culture and embedded into the way we do business.

A challenging business environment

In his Financial Review on page 62, our Chief Financial Officer, Marc Dunoyer, reported on the accelerating performance of our Growth Platforms. He also reported on the continued impact of the loss of exclusivity as medicines such as *Nexium* and *Crestor* continue to lose exclusivity in key markets, including the US and Europe. Such a loss of exclusivity is a normal part of an innovative medicine's life-cycle. It is expected and we plan for it.

Even as we plan for loss of exclusivity, we continue to face challenging market conditions. The world pharmaceutical market is growing and underlying demographic trends remain favourable. Nonetheless, many of the drivers of demand and supply in the sector are under pressure. On the demand side, we face increased competition from generic drugs. In addition, securing an appropriate level of reward for our medicines is becoming more difficult in the face of pricing pressures. On the supply side, the industry faces an ongoing R&D productivity challenge. Costs have risen and, although in 2015 the FDA approved the highest number of new medicines since 1996, we still need to improve the probability of success of our projects.

Return to shareholders

Consistent with our progressive dividend policy, the Board has recommended a second interim dividend of $1.90 per Ordinary Share. This brings the dividend for the full year to $2.80 per Ordinary Share. The Board's aim is to continue to strike a balance between the interests of the business, financial creditors and our shareholders. After providing for investment in the business, supporting the progressive dividend policy and maintaining a strong investment-grade credit rating, the Board will keep under review investment in earnings-accretive opportunities.

Appreciation

Before closing, and on behalf of the Board, I want to thank the employees of AstraZeneca. Their outstanding efforts helped make 2015 a great year for science and patients. In particular, I want to express my appreciation to Pascal and all the members of the Senior Executive Team for their leadership in delivering a successful year.

Leif Johansson
Chairman

Corporate Governance Overview

How our governance supports the delivery of our strategy.

Board

Chairman: Leif Johansson
Senior independent Non-Executive Director: Rudy Markham

All Directors are collectively responsible for the success of the Group. The Non-Executive Directors exercise independent, objective judgement in respect of Board decisions, and scrutinise and challenge management. They also have various responsibilities concerning the integrity of financial information, internal controls and risk management.

The Board is responsible for setting our strategy and policies, overseeing risk and corporate governance, and monitoring progress towards meeting our objectives and annual plans. It is accountable to our shareholders for the proper conduct of the business and our long-term success, and represents the interests of all stakeholders.

The Board conducts an annual review of the Group's overall strategy. The CEO, CFO and SET take the lead in developing our strategy, which is then reviewed, constructively challenged and approved by the Board.

The Board has delegated some of its powers to the CEO and operates with the assistance of four Committees.

Members of the Board and their biographies are shown on pages 86 and 87.

Corporate Governance Report from page 90

Audit Committee

Chairman: Rudy Markham

The Audit Committee provides assurance to the Board in the following areas: the integrity of our financial reporting and internal controls over financial matters; our internal controls over non-financial matters; compliance with laws and our Code of Conduct; the quality of the Company's relationship with its external auditor; the role, resources and effectiveness of the Company's internal audit function; and the effectiveness of the Company's risk management framework, in each case with the ultimate aim of protecting our shareholders' interests.

Audit Committee Report from page 98

Remuneration Committee

Chairman: Graham Chipchase

The Remuneration Committee considers and sets, on behalf of the Board, the remuneration (including pension rights and compensation payments) of Executive Directors and other senior executives. No Director is involved in deciding his or her own remuneration.

Directors' Remuneration Report from page 103

Board Committee membership

Name	Audit	Remuneration	Nomination and Governance	Science	Independent[1]
Cori Bargmann[2]				✓[2]	✓
Geneviève Berger				✓	✓
Bruce Burlington	✓		✓[3]	Chairman[4]	✓
Ann Cairns	✓				✓
Graham Chipchase		Chairman[5]	✓[3]		✓
Jean-Philippe Courtois	✓				✓
Marc Dunoyer					n/a
Leif Johansson		✓	Chairman		n/a[6]
Rudy Markham	Chairman	✓	✓		✓
Nancy Rothwell[7]		✓[7]	✓[7]	Chairman[4]	✓
Pascal Soriot					n/a
Shriti Vadera	✓	✓[8]			✓
John Varley[9]		Chairman[5]	✓[9]		✓
Marcus Wallenberg				✓	

1 As determined by the Board for the purposes of the UK Corporate Governance Code.
2 Cori Bargmann was elected as a Non-Executive Director and became a member of the Science Committee with effect from 24 April 2015.
3 Bruce Burlington and Graham Chipchase became members of the Nomination and Governance Committee with effect from 24 April 2015.
4 Bruce Burlington succeeded Nancy Rothwell as Chairman of the Science Committee with effect from 24 April 2015.
5 Graham Chipchase succeeded John Varley as Chairman of the Remuneration Committee with effect from 24 April 2015.
6 Leif Johansson was considered by the Board to be independent upon his appointment as Chairman. In accordance with the UK Corporate Governance Code, the test of independence is not appropriate in relation to the Chairman after his appointment.
7 Nancy Rothwell retired from the Board with effect from 24 April 2015.
8 Shriti Vadera became a member of the Remuneration Committee with effect from 17 February 2015.
9 John Varley retired from the Board with effect from 24 April 2015.

Nomination and Governance Committee

Chairman: Leif Johansson

The Nomination and Governance Committee recommends new Board appointments for decision by the Board and, more broadly, considers succession planning for senior executive management and Board positions. The Nomination and Governance Committee also advises the Board on significant developments in corporate governance.

Nomination and Governance Committee from page 93

Science Committee

Chairman: Bruce Burlington

The Science Committee provides assurance to the Board regarding the Group's R&D activities by reviewing and assessing our approaches in our chosen therapy areas; the scientific technology and R&D capabilities we deploy; the quality and development of our scientists; and our decision making.

Science Committee on page 94

Senior Executive Team

The members of the SET are
- CEO
- CFO
- Nine Executive Vice-Presidents (EVPs) from across the organisation, representing the three science units, the four commercial units (including GPPS), Operations & IT and HR
- General Counsel
- Chief Compliance Officer

The Senior Executive Team (SET) is the body through which the CEO exercises the authority delegated to him by the Board. It usually meets monthly and considers major business issues and makes recommendations to the CEO, and typically reviews matters that are to be submitted to the Board for its consideration. The CEO is responsible for establishing and chairing the SET.

The biographies of SET members are shown on pages 88 and 89

Key governance roles

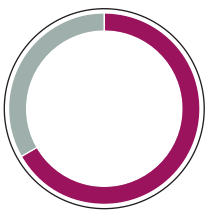
Chairman
Leadership, operation and governance of the Board, ensuring Board effectiveness

CEO
Responsible to the Board for the management, development and performance of the business

Senior independent Non-Executive Director
Acts as a sounding board for the Chairman and an intermediary for other Directors and shareholders when necessary

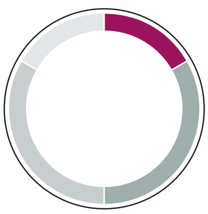
Gender split of Directors

Male	8
Female	4



Directors' nationalities

American	2
British	4
French	4
Swedish	2



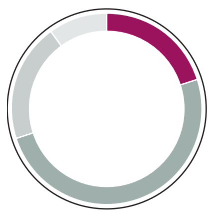
Length of tenure of Non-Executive Directors

Under 3 years — 2
Cori Bargmann
Ann Cairns

3–6 years — 5
Leif Johansson
Geneviève Berger
Bruce Burlington
Graham Chipchase
Shriti Vadera

6–9 years — 2
Jean-Philippe Courtois
Rudy Markham

9+ years — 1
Marcus Wallenberg



Board of Directors

as at 31 December 2015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1 Leif Johansson (64)
Non-Executive Chairman of the Board (April 2012*)

Committee membership Chairman of the Nomination and Governance Committee and member of the Remuneration Committee

Skills and experience From 1997 to 2011, Leif was Chief Executive Officer of AB Volvo. Prior to that, he served at AB Electrolux, latterly as Chief Executive Officer from 1994 to 1997. He was a Non-Executive Director of BMS from 1998 to September 2011, serving on the Board's Audit Committee, and Compensation and Management Development Committee. He holds an MSc in engineering from Chalmers University of Technology, Gothenburg.

Other appointments Leif is Chairman of global telecommunications company, LM Ericsson. He holds board positions at Svenska Cellulosa Aktiebolaget SCA and Ecolean AB. He has been a member of the Royal Swedish Academy of Engineering Sciences since 1994, serving as Chairman since 2012. Leif is also a member of the European Round Table of Industrialists and Chairman of the International Advisory Board of the Nobel Foundation.

2 Pascal Soriot (56)
Executive Director and CEO (October 2012)

Skills and experience Pascal brings significant experience in established and emerging markets, strength of strategic thinking, a successful track record of managing change and executing strategy, and the ability to lead a diverse organisation. He served as Chief Operating Officer of Roche's pharmaceuticals division from 2010 to September 2012 and, prior to that, Chief Executive Officer of Genentech, a biologics business, where he led its successful merger with Roche. Pascal joined the pharmaceutical industry in 1986 and has worked in senior management roles in numerous major companies around the world. He is a doctor of veterinary medicine (*École Nationale Vétérinaire d'Alfort, Maisons-Alfort*) and holds an MBA from HEC, Paris.

3 Marc Dunoyer (63)
Executive Director and CFO (November 2013)

Skills and experience Marc's career in pharmaceuticals, which has included periods with Roussel Uclaf, Hoechst Marion Roussel and GlaxoSmithKline (GSK), has given him extensive industry experience, including finance and accounting; corporate strategy and planning; research and development; sales and marketing; business reorganisation; and business development. Marc is a qualified accountant and joined AstraZeneca in 2013, serving as Executive Vice-President, GPPS from June to October 2013. Prior to that, he served as Global Head of Rare Diseases at GSK and (concurrently) Chairman, GSK Japan. He holds an MBA from HEC, Paris and a Bachelor of Law degree from Paris University.

4 **Rudy Markham (69)**
Senior independent Non-Executive Director (April 2015. Member of the Board since September 2008)

Committee membership Chairman of the Audit Committee and member of the Remuneration Committee and Nomination and Governance Committee

Skills and experience Rudy has significant international business and financial experience, having formerly held various senior commercial and financial positions with Unilever, culminating in his appointment as its Chief Financial Officer.

Other appointments Rudy is Chairman and a Non-Executive Director of Moorfields Eye Hospital NHS Foundation Trust and a non-executive member of the Boards of United Parcel Services Inc. and Legal & General plc. He is also Vice Chairman of the Supervisory Board of Corbion NV (formerly CSM NV), a Fellow of the Chartered Institute of Management Accountants and a Fellow of the Association of Corporate Treasurers. He served as a Non-Executive Director of the UK Financial Reporting Council from 2007 to 2012.

5 **Dr Cornelia Bargmann (54)**
Non-Executive Director (April 2015)

Committee membership Member of the Science Committee

Skills and experience Cornelia (Cori) is the Torsten N. Wiesel Professor and head of the Lulu and Anthony Wang Laboratory of Neural Circuits and Behavior at The Rockefeller University, New York. She has held this position since 2004. Cori holds a degree in biochemistry from the University of Georgia and a PhD from the Massachusetts Institute of Technology (MIT). She pursued a postdoctoral fellowship with H. Robert Horvitz at MIT until 1991, when she accepted a faculty position in the Department of Anatomy at the University of California, San Francisco, spending 13 years there, before moving to Rockefeller. She has been a Howard Hughes Medical Institute investigator since 1995. Cori was awarded the Benjamin Franklin Medal in Life Science in 2015.

6 **Geneviève Berger (60)**
Non-Executive Director (April 2012)

Committee membership Member of the Science Committee and oversees sustainability matters on behalf of the Board

Skills and experience Geneviève was Chief Science Officer at Unilever PLC and a member of the Unilever Leadership Executive from 2008 to April 2014. She holds three doctorates – in physics, human biology and medicine – and was appointed Professor of Medicine at *l'Université Pierre et Marie Curie*, Paris in 2006. Her previous positions include Professor and Hospital Practitioner at *l'Hôpital de la Pitié-Salpêtrière* in Paris; Director of the Biotech and Agri-Food Department; Head of the Technology Directorate at the French Ministry of Research and Technology; Director General, at the *Centre National de la Recherche Scientifique*; and Chairman of the Health Advisory Board of the EU Commission.

Other appointments In May 2015, Geneviève was appointed as a Director of Air Liquide S.A. for a term of four years. She is currently Chief Research Officer at Firmenich SA, Geneva, Switzerland.

7 **Bruce Burlington (67)**
Non-Executive Director (August 2010)

Committee membership Chairman of the Science Committee and member of the Audit Committee and the Nomination and Governance Committee

Skills and experience Bruce is a pharmaceutical product development and regulatory affairs consultant and brings extensive experience in these areas. He spent 17 years with the FDA, serving as Director of its Center for Devices and Radiological Health, as well as holding various senior roles in the Center for Drug Evaluation and Research. After leaving the FDA, he held various senior executive positions at Wyeth (now part of Pfizer).

Other appointments Bruce is a Non-Executive Director of the International Partnership for Microbicides.

8 **Ann Cairns (58)**
Non-Executive Director (April 2014)

Committee membership Member of the Audit Committee

Skills and experience Ann has more than 20 years' in-depth financial and international business experience and currently serves as President, International Markets, for MasterCard. Before joining MasterCard in 2011, Ann oversaw the European liquidation of Lehman Brothers Holdings International and was the Chief Executive, Transaction Banking at ABN AMRO. At the start of her career, Ann was an award-winning research engineer, culminating as the head of Offshore Engineer-Planning for British Gas. She holds a BSc in pure mathematics from Sheffield University and an MSc with research into medical statistics from Newcastle University in the UK.

9 **Graham Chipchase (52)**
Non-Executive Director (April 2012)

Committee membership Chairman of the Remuneration Committee and member of the Nomination and Governance Committee

Skills and experience Graham has served as Chief Executive Officer of global consumer packaging company, Rexam PLC since 2010 after serving at Rexam as Group Director, Plastic Packaging and Group Finance Director. Previously, he was Finance Director of Aerospace Services at the global engineering group GKN PLC from 2001 to 2003. After starting his career with Coopers & Lybrand Deloitte, he held various finance roles in the industrial gases company The BOC Group PLC (now part of The Linde Group). He is a Fellow of the Institute of Chartered Accountants in England and Wales and holds an MA (Hons) in chemistry from Oriel College, Oxford.

10 **Jean-Philippe Courtois (55)**
Non-Executive Director (February 2008)

Committee membership Member of the Audit Committee

Skills and experience Jean-Philippe has more than 30 years' experience in the global technology industry. He is President of Microsoft International and previously served as Chief Executive Officer and President of Microsoft EMEA. Jean-Philippe has also served as Co-Chairman of the World Economic Forum's Global Digital Divide Initiative Task Force and on the European Commission Information and Communication Technology Task Force. In 2009, he served as an EU Ambassador for the Year of Creativity and Innovation and, in 2011, was named one of 'Tech's Top 25' by The Wall Street Journal Europe.

Other appointments Jean-Philippe is a board member of PlaNet Finance, a leading international microfinance organisation.

11 **Shriti Vadera (53)**
Non-Executive Director (January 2011)

Committee membership Member of the Audit Committee and the Remuneration Committee

Skills and experience Shriti has significant knowledge of global finance, emerging markets and public policy. She has advised governments, banks and investors on the eurozone crisis, the banking sector, debt restructuring and markets. She has served as a G20 Adviser and a Minister in the UK Cabinet Office and Business Department and International Development Department. She has also served on the Council of Economic Advisers, HM Treasury, where she focused on business and international economic issues. Prior to that, Shriti spent 14 years in investment banking with SG Warburg/UBS.

Other appointments Shriti is Chairman of Santander UK plc and Senior Independent Director of BHP Billiton.

12 **Marcus Wallenberg (59)**
Non-Executive Director (April 1999)

Committee membership Member of the Science Committee

Skills and experience Marcus has international business experience across various industry sectors, including the pharmaceutical industry from his directorship with Astra prior to 1999.

Other appointments Marcus is Chairman of Skandinaviska Enskilda Banken AB, Saab AB and FAM AB. He is a member of the boards of Investor AB, Temasek Holdings Limited, and the Knut and Alice Wallenberg Foundation.

* Date of appointment.

Senior Executive Team

as at 31 December 2015


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1 Pascal Soriot
CEO

See page 86.

2 Marc Dunoyer
CFO

See page 86.

3 Katarina Ageborg
Chief Compliance Officer

Katarina was appointed Chief Compliance Officer and a member of the SET on 1 July 2011. She has overall responsibility for the delivery, design and implementation of the Company's compliance programme and since her appointment has driven increased efficiency and effectiveness in compliance. She has also assumed responsibility for Safety, Health & Environment, and most recently in 2015 for the Company's sustainability programme. Katarina led the Global IP function from 2008 to 2011, during which time she streamlined the organisation and launched a new patent filing strategy. After joining AstraZeneca in 1998, she held a series of senior legal roles supporting Commercial, Regulatory and IP. Prior to AstraZeneca, Katarina established her own law firm and worked as a lawyer on both civil and criminal cases. Katarina holds a Master of Law Degree from Uppsala University School of Law in Sweden.

4 Dr Sean Bohen
Executive Vice-President, Global Medicines Development and Chief Medical Officer

Sean was appointed Executive Vice-President, GMD in September 2015 and leads our global late-stage development organisation for both small molecules and biologics. He is also the Company's Chief Medical Officer. He joined AstraZeneca from Genentech, where he was most recently Senior Vice President of Early Development. Before joining Genentech, Sean was a Clinical Instructor in Oncology at Stanford University School of Medicine, a research associate at the Howard Hughes Medical Institute and a postdoctoral fellow at the National Cancer Institute. He is a graduate of the University of Wisconsin and later earned his doctorate in biochemistry and his medical degree at the University of California, San Francisco.

5 Pam Cheng
Executive Vice-President, Operations and Information Technology

Pam joined AstraZeneca in June 2015 after having spent 14 years in Global Manufacturing and Supply Chain roles at Merck/MSD. Pam was the Head of Global Supply Chain Management & Logistics for Merck from 2006 to 2011 and led the transformation of Merck supply chains across the global supply network. More recently, Pam was President of MSD China, responsible for MSD's entire business in China. Prior to joining Merck, Pam held various engineering and project management positions at Universal Oil Products, Union Carbide Corporation and GAF Chemicals. Pam holds Bachelor's and Master's degrees in chemical engineering from Stevens Institute of Technology in New Jersey and an MBA in marketing from Pace University in New York.

6 Fiona Cicconi
Executive Vice-President, Human Resources

Fiona joined AstraZeneca in September 2014 as Executive Vice-President, Human Resources. She started her career at General Electric, where she held various human resources roles within the oil and gas business, which included experience in major global acquisitions and driving change. Subsequently, Fiona spent a number of years at Cisco, before joining Roche in 2006. There, she was most recently responsible for global human resources for Pharma Technical Operations, where her primary focus was to build one culture between Roche and Genentech and identify and develop a sustainable supply of leadership and talent from within the organisation.

7 Dr Ruud Dobber
Executive Vice-President, Europe

Ruud was appointed Executive Vice-President, Europe in January 2013 and is responsible for sales, marketing and commercial operations across AstraZeneca's businesses in the 28 EU member states. In addition to his European accountabilities, Ruud is responsible for the development of our late-stage, small molecule antibiotic pipeline as well as its global commercialisation. Ruud joined AstraZeneca in 1997 and has held various senior commercial and leadership roles, including Regional Vice-President of AstraZeneca's European, Middle East and African division, Regional Vice-President for the Asia Pacific region and Interim Executive Vice-President, GPPS. Since 2012, Ruud has been an Executive Committee Member of the European Federation of Pharmaceutical Industries and Associations (EFPIA) and was earlier Chairman of the Asia division of Pharmaceutical Research and Manufacturers of America. Holding a doctorate in immunology from the University of Leiden in the Netherlands, Ruud began his career as a scientist, researching in the field of immunology and ageing.

8 Paul Hudson
President, AstraZeneca, US and Executive Vice-President, North America

Paul was appointed Executive Vice-President, North America in January 2013 and is accountable for driving growth and maximising the contribution of the commercial operations in North America to AstraZeneca's global business. Paul joined AstraZeneca in 2006 as Vice-President and Primary Care Director, UK and was later appointed President of AstraZeneca's subsidiary companies in Japan and Spain. He has served as a Standing Board Member of the Japan Pharmaceuticals Manufacturers Association and EFPIA in Japan. Before joining AstraZeneca, Paul worked for Schering-Plough, where he held senior global marketing roles. He received a degree in economics from Manchester Metropolitan University and a DipM from the UK's Chartered Institute of Marketing.

9 Dr Bahija Jallal
Executive Vice-President, MedImmune

Bahija was appointed Executive Vice-President, MedImmune in January 2013 and is responsible for biologics research activities. Bahija is tasked with advancing the biologic pipeline of drugs. She joined MedImmune in 2006 as Vice-President, Translational Sciences and has held roles of increasing responsibility at AstraZeneca. Prior to joining AstraZeneca, Bahija worked with Chiron Corporation, where she served as Vice-President, Drug Assessment and Development. Bahija received a Master's degree in biology from *l'Université de Paris VII* and her doctorate in physiology from *l'Université Pierre et Marie Curie, Paris VI*. She conducted her post-doctoral research at the Max-Planck Institute of Biochemistry in Martinsried, Germany. She is a member of the American Association of Science and the Pharmacogenomics Working Group and is on the Board of Directors of the Association of Women in Science. She is also on the Board of Trustees of the Johns Hopkins University.

10 Mark Mallon
Executive Vice-President, International

Mark was appointed Executive Vice-President, International in January 2013 and is responsible for the growth and performance of AstraZeneca's commercial businesses in various regions, including Asia Pacific, Russia, Latin America, the Middle East and Africa. Since joining AstraZeneca in 1994, Mark has held multiple senior sales and marketing roles, including Regional Vice-President for Asia Pacific, President of AstraZeneca's Chinese and Italian subsidiaries, Chief Operating Officer of AstraZeneca's Japanese subsidiary and Vice-President of AstraZeneca's US gastrointestinal and respiratory businesses. He has served as a member of the Board of Directors for Christiana Care, the largest hospital system in Delaware. He has also been an Executive Committee Member for R&D-based Pharmaceutical Association Committee, the China industry association for innovative pharmaceutical companies. Mark began his career in the pharmaceutical industry in management consulting. He holds a degree in chemical engineering from the University of Pennsylvania and an MBA in marketing and finance from the Wharton School of Business.

11 Luke Miels
Executive Vice-President, Global Product and Portfolio Strategy, Global Medical Affairs and Corporate Affairs

Luke was appointed Executive Vice-President, Global Product and Portfolio Strategy (GPPS) in May 2014, leading AstraZeneca's global marketing, business development and commercial portfolio strategy operations. AstraZeneca's Global Medical Affairs and Global Corporate Affairs functions also report to him. Luke joined AstraZeneca from Roche, where he was Regional Vice-President Asia Pacific for the Pharmaceuticals Division, and before that Head of Metabolism for Global Marketing. Before then, he was at Aventis where he held roles of increasing seniority, including Country Manager positions in Asia Pacific, Head of US Analytics and Commercial Effectiveness, and US Vice-President of Sales for Metabolism. He also led the US integration of Sanofi and Aventis while he was there. Luke began his career in 1995 with AstraZeneca in Australia as a Sales Representative and Product Manager. Luke holds a BSc in biology from Flinders University in Adelaide and an MBA from the Macquarie University, Sydney.

12 Dr Menelas Pangalos
Executive Vice-President, Innovative Medicines and Early Development

Menelas (Mene) was appointed Executive Vice-President, IMED Biotech Unit in January 2013 and leads AstraZeneca's small molecule research and early development activities. Mene joined AstraZeneca from Pfizer, where he was Senior Vice-President and Chief Scientific Officer of Neuroscience Research. Previously, he held senior discovery and neuroscience roles at Wyeth and GSK. He completed his undergraduate degree in biochemistry at the Imperial College of Science and Technology, London and earned a doctorate in neurochemistry from the University of London. He is a Visiting Professor of Neuroscience at King's College London and is a Fellow of Clare Hall at the University of Cambridge. Mene is a Fellow of the Academy of Medical Sciences and of the Royal Society of Biology. In the UK, Mene serves on the Medical Research Council, is on the Board of the National Centre for Universities and Business (NCUB), and a Non-Executive Director of the UK Precision Medicine Catapult.

13 Jeff Pott
General Counsel

Jeff was appointed General Counsel in January 2009 and has overall responsibility for all aspects of AstraZeneca's Legal and IP function. He joined AstraZeneca in 1995 and has worked in various litigation roles, where he has had responsibility for IP, anti-trust and product liability litigation. Before joining AstraZeneca, he spent five years at the US legal firm Drinker Biddle and Reath LLP, where he specialised in pharmaceutical product liability litigation and anti-trust advice and litigation. He received his bachelor's degree in political science from Wheaton College and his Juris Doctor Degree from Villanova University School of Law.

Corporate Governance Report

Board composition

The membership of the Board at 31 December 2015 and information about individual Directors is contained in the Board of Directors section on pages 86 and 87.

Corporate governance

We have prepared this Annual Report with reference to the UK Corporate Governance Code published by the UK Financial Reporting Council (FRC) in September 2014.

This Corporate Governance Report (together with other sections of this Annual Report) describes how we apply the main principles of good governance in the UK Corporate Governance Code. We have complied throughout the accounting period with the provisions of the UK Corporate Governance Code, which is available on the FRC's website, www.frc.co.uk.

Leadership and responsibilities

The roles of Chairman and CEO are split. Leif Johansson, our Non-Executive Chairman, is responsible for leadership of the Board. Our CEO, Pascal Soriot, leads the SET and has executive responsibility for running our business. The Board comprises 10 Non-Executive Directors, including the Chairman, and two Executive Directors – the CEO, Pascal Soriot, and the CFO, Marc Dunoyer. Its responsibilities are set out in the Corporate Governance overview on pages 84 and 85.

Rudy Markham, who joined the Board as a Non-Executive Director in 2008, was appointed as our Senior independent Non-Executive Director in April 2015. The role of the Senior independent Non-Executive Director is to serve as a sounding board for the Chairman and as an intermediary for the other Directors when necessary. The Senior independent Non-Executive Director is also available to shareholders if they have concerns that contact through the normal channels of Chairman or Executive Directors has failed to resolve, or for which such contact is inappropriate.

As shown in the Corporate Governance overview, there are four principal Board Committees. The membership and work of these Committees is described on the following pages. In addition, there may from time to time be constituted *ad hoc* Board Committees for specific projects or tasks.

In these cases, the scope and responsibilities of the Committee are documented. The Board provides adequate resources to enable each Committee to undertake its duties.

Reserved matters and delegation of authority

The Board maintains and periodically reviews a list of matters that are reserved to, and can only be approved by, the Board. These include: the appointment, termination and remuneration of any Director; approval of the annual budget; approval of any item of fixed capital expenditure or any proposal for the acquisition or disposal of an investment or business which exceeds $150 million; the raising of capital or loans by the Company (subject to certain exceptions); the giving of any guarantee in respect of any borrowing of the Company; and allotting shares of the Company. The matters that have not been expressly reserved to the Board are delegated by the Board to its Committees or the CEO.

The CEO is responsible to the Board for the management, development and performance of our business for those matters for which he has been delegated authority from the Board. Although the CEO retains full responsibility for the authority delegated to him by the Board, he has established, and chairs, the SET, which is the vehicle through which he exercises that authority in respect of our business.

The roles of the Board, Board Committees, Chairman and CEO are documented, as are the Board's reserved powers and delegated authorities.

Operation of the Board

The Board discharges its responsibilities as set out in the Corporate Governance overview on pages 84 and 85 through a programme of meetings that includes regular reviews of financial performance and critical business issues, and the formal annual strategy review day. The Board also aims to ensure that a good dialogue with our shareholders is maintained and that their issues and concerns are understood and considered.

The Board held six meetings in 2015, including its usual annual strategy review. Five took place in London, UK and one was held at the offices of AstraZeneca's French marketing company in Rueil-Malmaison, near Paris. The Board is currently scheduled to meet six times in 2016, and will meet at such other times as may be required to conduct business.

As part of the business of each Board meeting, the CEO typically submits a progress report, giving details of business performance and progress against the goals the Board has approved. To ensure that the Board has good visibility of the key operating decisions of the business, members of the SET attend Board meetings regularly and Board members meet other senior executives throughout the year. The Board also receives accounting and other management information about our resources, and presentations from internal and external speakers on legal, governance and regulatory developments. At the end of Board meetings, the Non-Executive Directors meet without the Executive Directors present to review and discuss any matters that have arisen during the meeting and/or such other matters as may appear to the Non-Executive Directors to be relevant in properly discharging their duty to act independently.

Board effectiveness

Composition of the Board, succession planning and diversity

The Nomination and Governance Committee and, where appropriate, the full Board, regularly review the composition of the Board and the status of succession to both senior executive management and Board level positions. Directors have regular contact with, and access to, succession candidates for senior executive management positions.

The Board aims to maintain a balance in terms of the range of experience and skills of individual Board members, which includes relevant international business, pharmaceutical industry and financial experience, as well as appropriate scientific and regulatory knowledge. The biographies of Board members set out on pages 86 and 87 give more information about current Directors in this respect. The Board views gender, nationality and cultural diversity among Board members as important considerations when reviewing the composition of the Board. The Board recognises, in particular, the importance of gender diversity. Currently, 40% of the Company's Non-Executive Directors are women and women make up 33% of the full Board. Although it has not set any specific measurable objectives, the Board intends to continue with its current approach to diversity in all its aspects, while at the same time seeking Board members of the highest calibre, and with the necessary experience and skills to meet the needs of the

Company and its shareholders. Information about our approach to diversity in the organisation below Board level can be found in Employees from page 52.

The following changes to the composition of the Board and its Committees have occurred during the period covered by this Annual Report:

> Shriti Vadera became a member of the Remuneration Committee with effect from 17 February 2015.
> John Varley and Nancy Rothwell, both Non-Executive Directors, retired from the Board on 24 April 2015, each having served as a Board member for nine years.
> With effect from 24 April 2015:
  – Cori Bargmann was elected for the first time as a Non-Executive Director and became a member of the Science Committee.
  – Rudy Markham became Senior independent Non-Executive Director.
  – Graham Chipchase became Chairman of the Remuneration Committee and a member of the Nomination and Governance Committee.
  – Bruce Burlington became Chairman of the Science Committee and a member of the Nomination and Governance Committee.
  – Geneviève Berger was nominated to oversee sustainability matters on behalf of the Board.

Independence of the Non-Executive Directors

During 2015, the Board considered the independence of each Non-Executive Director for the purposes of the UK Corporate Governance Code and the corporate governance listing standards of the NYSE (Listing Standards). With the exception of Marcus Wallenberg, the Board considers that all of the Non-Executive Directors are independent. Leif Johansson was considered by the Board to be independent upon his appointment as Chairman. In accordance with the UK Corporate Governance Code, the test of independence is not appropriate in relation to the Chairman after his appointment.

Marcus Wallenberg was appointed as a Director of Astra in May 1989 and subsequently became a Director of the Company in 1999. He is a Non-Executive Director of Investor AB, which has a 4.1% interest in the issued share capital of the Company as at 4 February 2016. Mr Wallenberg, Investor AB and a number of Wallenberg charitable foundations are connected. For these reasons, the Board does not believe that he can be determined independent under the UK Corporate Governance Code. However, the Board believes that he has brought, and continues to bring, considerable business experience and makes a valuable contribution to the work of the Board. In April 2010, he was appointed as a member of the Science Committee, reflecting his interest in innovation and R&D, knowledge of the history of the Company and its scientific heritage and culture, and his broad experience of other industries and businesses in which innovation and R&D are important determinants of success.

Conflicts of interest

The Articles enable the Directors to authorise any situation in which a Director has an interest that conflicts or has the potential to conflict with the Company's interests and which would otherwise be a breach of the Director's duty, under Section 175 of the Companies Act 2006. The Board has a formal system in place for Directors to declare such situations to be considered for authorisation by those Directors who have no interest in the matter being considered. In deciding whether to authorise a situation, the non-conflicted Directors must act in the way they consider, in good faith, would be most likely to promote the success of the Company, and they may impose limits or conditions when giving the authorisation, or subsequently, if they think this is appropriate. Situations considered by the Board and authorisations given are recorded in the Board minutes and in a register of conflicts maintained by the Company Secretary, and are reviewed annually by the Board. The Board believes that this system operates effectively.

Appointments to the Board

The Nomination and Governance Committee section from page 93 provides information about the appointment process for new Directors.

Newly appointed Directors are provided comprehensive information about the Group and their role as Non-Executive Directors. They also typically attend tailored induction programmes that take account of their individual skills and experience.

Time commitment

Our expectation is that Non-Executive Directors should be prepared to commit 15 days a year, as an absolute minimum, to the Group's business. In practice, Board members' time commitment exceeds this minimum expectation when all the work that they undertake for the Group is considered, particularly in the case of the Chairman of the Board and the Chairmen of the Board Committees. As well as their work in relation to formal Board and Board Committee meetings, the Non-Executive Directors also commit time throughout the year to meetings and telephone calls with various levels of executive management, visits to AstraZeneca's sites throughout the world and, for new Non-Executive Directors, induction sessions and site visits.

On occasions when a Director is unavoidably absent from a Board or Board Committee meeting, for example where a meeting clashes with their existing commitments, they still receive and review the papers for the meeting and typically provide verbal or written input ahead of the meeting, usually through the Chairman of the Board or the Chairman of the relevant Board Committee, so that their views are made known and considered at the meeting. Given the nature of the business to be conducted, some Board meetings are convened at short notice, which can make it difficult for some Directors to attend due to prior commitments.

Information and support

The Company Secretary is responsible to the Chairman for ensuring that all Board and Board Committee meetings are properly conducted, that the Directors receive appropriate information prior to meetings to enable them to make an effective contribution, and that governance requirements are considered and implemented.

The Company maintained Directors' and Officers' Liability Insurance cover throughout 2015. The Directors are also able to obtain independent legal advice at the expense of the Company, as necessary, in their capacity as Directors.

The Company has entered into a deed of indemnity in favour of each Board member since 2006. These deeds of indemnity are still in force and provide that the Company shall indemnify the Directors to the fullest extent permitted by law and the Articles, in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities as Directors of the Company or any of its subsidiaries. This is in line with current

Corporate Governance Report continued

Board and Board Committee meeting attendance in 2015

Name	Board meetings	Board Committee meetings			
		Audit	Remuneration	Nomination and Governance	Science
Cori Bargmann[1]	4(4)	–	–	–	4(4)
Geneviève Berger	5(6)	–	–	–	3(6)
Bruce Burlington[2]	6(6)	5(5)	–	1(1)	6(6)
Ann Cairns	5(6)	5(5)	–	–	–
Graham Chipchase[3]	6(6)	–	7(7)	1(1)	–
Jean-Philippe Courtois	6(6)	5(5)	–	–	–
Marc Dunoyer	6(6)	–	–	–	–
Leif Johansson	6(6)	–	6(7)	2(2)	–
Rudy Markham	6(6)	5(5)	7(7)	2(2)	–
Nancy Rothwell[4]	2(2)	–	3(3)	1(1)	2(2)
Pascal Soriot	6(6)	–	–	–	–
Shriti Vadera[5]	6(6)	5(5)	6(6)	–	–
John Varley[6]	2(2)	–	3(3)	1(1)	–
Marcus Wallenberg	6(6)	–	–	–	5(6)

Note: number in brackets denotes number of meetings during the year that Board members were entitled to attend.

1 Cori Bargmann was elected as a Non-Executive Director and became a member of the Science Committee with effect from 24 April 2015.
2 Bruce Burlington became a member of the Nomination and Governance Committee with effect from 24 April 2015.
3 Graham Chipchase became a member of the Nomination and Governance Committee with effect from 24 April 2015.
4 Nancy Rothwell retired from the Board with effect from 24 April 2015.
5 Shriti Vadera became a member of the Remuneration Committee with effect from 17 February 2015.
6 John Varley retired from the Board with effect from 24 April 2015.

market practice and helps us attract and retain high-quality, skilled Directors.

Performance evaluation

During the year, the Board conducted the annual evaluation of its own performance and that of its Committees and individual Directors. The 2015 evaluation involved each Board member responding to a web-based questionnaire prepared by Lintstock Ltd (Lintstock), a London-based corporate advisory firm that provides objective and independent counsel to leading European companies. Lintstock supplies software and services to the Company Secretary's team for Board evaluation questionnaires and for the management of insider lists but has no other commercial relationship with the Company.

In respect of the 2015 evaluation, overall it was concluded that the Board continues to operate effectively and in an open manner and no significant problems were raised. The main themes arising from the responses to the questionnaire were discussed between the Chairman and individual Directors, and collectively at the Board meeting in December 2015. These included:

> Board members' wish to spend more time as a full Board considering succession planning for the key senior Board and executive roles in the Company – Chairman, CEO and CFO – in addition to the work done on CEO and CFO succession planning during 2014 and 2015 by the Nomination and Governance Committee.
> Increasing the opportunities for Board members to meet executives immediately below SET-level, primarily to facilitate the Board's assessment of high-potential people and their capabilities, and for succession planning purposes.
> The importance of the continuing dialogue with shareholders about executive remuneration, particularly that of the Executive Directors and SET members, its link to individual and Company performance and the scope for simplification.
> Board members' wish to continue to hear from external stakeholders (during 2015, the Board met and received presentations from, for example, medical practitioners and clinical researchers in the oncology field, representatives of major institutional shareholders and financial analysts covering the Company and the pharmaceutical sector).
> Board members' suggestions for areas for further review by the Board during 2016, such as the supply chain for biologics and the Company's productivity and efficiency programmes.
> Various practical matters, such as the format and content of Board papers and whether more than one Board meeting each year should be held outside the UK.

As part of each Director's individual discussion with the Chairman, his or her contribution to the work of the Board and personal development needs were considered. Each Director continues to perform effectively and to demonstrate commitment to his or her role. In addition, led by the Senior independent Non-Executive Director, the other Directors (absent the Chairman) evaluated the performance of the Chairman. The reviews of the Board's Committees did not raise any significant problems and concluded that the Committees are operating effectively.

The Board intends to continue to comply with the UK Corporate Governance Code guidance that the evaluation should be externally facilitated at least every three years and expects to commission the next externally facilitated review in 2017.

Re-election of Directors

In accordance with Article 66 of the Articles, all Directors retire at each AGM and may offer themselves for re-election by shareholders. Accordingly, all of the Directors will retire at the AGM in April 2016. The Notice of AGM will give details of those Directors seeking re-election.

Accountability

Risk management and internal control

The Board has overall responsibility for our system of internal controls and risk management policies and has an ongoing responsibility for reviewing their effectiveness. During 2015, the Directors continued to review the effectiveness of our system of controls, risk management and high level internal control processes. These reviews included an assessment of internal controls and, in particular, financial, operational and compliance controls, and risk management and their effectiveness, supported by management assurance of the maintenance of controls reports from IA, as well as the external auditor on matters identified in the course of its statutory audit work. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable (not necessarily absolute) assurance of effective operation and compliance with laws and regulations.

The internal control framework was in operation throughout 2015 and continues to operate up to the date of the approval of this Annual Report. The Directors believe that the Group maintains an effective, embedded system of internal controls and complies with the FRC's guidance entitled 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' and, in the view of the Directors, no significant deficiencies have been identified in the system.

More information about the ways in which we manage our business risks and describe our principal risks and uncertainties is set out in the Risk overview from page 21 and Risk from page 212.

Remuneration

Information about our approach to remuneration and the role and work of the Remuneration Committee, including our policy on executive remuneration, is set out in the Directors' Remuneration Report.

Policy on external appointments and retention of fees

Subject to specific Board approval in each case, Executive Directors and other SET members may accept external appointments as non-executive directors of other companies, and retain any related fees paid to them, provided that such appointments are not considered by the Board to prevent or reduce the ability of the executive to perform his or her role within the Group to the required standard.

Relations with shareholders

In our quarterly, half yearly and annual financial and business reporting to shareholders and other interested parties, we aim to present a balanced and understandable assessment of our strategy, financial position and prospects.

We make information about the Group available to shareholders through a range of media, including our corporate website, www.astrazeneca.com, which contains a wide range of data of interest to institutional and private investors. We consider our website to be an important means of communication with our shareholders.

The Company has been authorised by shareholders to place shareholder communications (such as the Notice of AGM and this Annual Report) on the corporate website in lieu of sending paper copies to shareholders (unless specifically requested). While recognising and respecting that some shareholders may have different preferences about how they receive information from us, we will continue to promote the benefits of electronic communication given the advantages that this has over traditional paper-based communications, both in terms of the configurability and accessibility of the information provided and the consequent cost savings and reduction in environmental impact.

We have frequent discussions with institutional shareholders on a range of issues. In addition to holding discussions with groups of shareholders, we also hold individual meetings with some of our largest institutional shareholders to seek their views. Board members are kept informed of any issues, and receive regular reports and presentations from executive management and our brokers to assist them to develop an understanding of major shareholders' views about the Group. From time to time, including in 2015, we conduct an audit of institutional shareholders to ensure that we are communicating clearly with them and that a high-quality dialogue is being maintained. The results of this audit are reported to, and discussed by, the full Board. We also respond to individual *ad hoc* requests for discussions from institutional shareholders and analysts. Our Investor Relations team acts as the main point of contact for investors throughout the year. As discussed above, the Senior independent Non-Executive Director, Rudy Markham, is also available to shareholders if they have concerns that contact through the normal channels of Chairman, CEO and/or CFO has failed to resolve, or in relation to which such contact is inappropriate. All shareholders, including private investors, have an opportunity at the AGM to put questions to members of the Board about our operation and performance. Formal notification of the AGM is sent to shareholders at least one month in advance. All Board members ordinarily attend the AGM to answer questions raised by shareholders. In line with the UK Corporate Governance Code, details of proxy voting by shareholders, including votes withheld, are given at the AGM and are posted on our website following the AGM.

Nomination and Governance Committee

The Nomination and Governance Committee's role is to recommend to the Board any new Board appointments and to consider, more broadly, succession plans at Board level. It reviews the composition of the Board using a matrix that records the skills and experience of current Board members, comparing this with the skills and experience it believes are appropriate to the Company's overall business and strategic needs, both now and in the future. Any decisions relating to the appointment of Directors are made by the entire Board based on the merits of the candidates and the relevance of their background and experience, measured against objective criteria, with care taken to ensure that appointees have enough time to devote to our business.

The Nomination and Governance Committee also advises the Board periodically on significant developments in corporate governance and the Company's compliance with the UK Corporate Governance Code.

During 2015, the Chairman of the Nomination and Governance Committee was Leif Johansson. The members of the Nomination and Governance Committee were Rudy Markham; Nancy Rothwell and John Varley until their retirement from the Board on 24 April 2015; and Bruce Burlington and Graham Chipchase with effect from the same date. Each member is a Non-Executive Director and considered independent by the Board. The Company Secretary acts as secretary to the Nomination and Governance Committee.

The Nomination and Governance Committee considers both planned and unplanned (unanticipated) succession

Corporate Governance Report continued

scenarios and met twice in 2015, spending the majority of its time on routine succession planning (internal and external) for the roles of CEO and CFO, with the assistance respectively of the search firms, Spencer Stuart and Hoggett Bowers, both of whom periodically undertake executive search assignments for the Company. In addition, the Committee concluded the search that commenced in 2014 by recommending to the Board that Cori Bargmann be proposed for election by shareholders as a new Non-Executive Director at the AGM in 2015. The Zygos Partnership, a search firm that has no other connection to the Company, assisted the Committee with this work. The Committee also considered and made a number of recommendations to the Board concerning the membership of Board Committees to reflect the changes in Board membership that occurred during the year.

The attendance record of the Nomination and Governance Committee's members is set out on page 92.

The Nomination and Governance Committee's terms of reference are available on our website, www.astrazeneca.com.

Science Committee

The Science Committee's core role is to provide assurance to the Board regarding the quality, competitiveness and integrity of the Group's R&D activities by way of meetings and dialogue with our R&D leaders and other scientist employees; visits to our R&D sites throughout the world; and review and assessment of

> the approaches we adopt in respect of our chosen therapy areas
> the scientific technology and R&D capabilities we deploy
> the decision-making processes for R&D projects and programmes
> the quality of our scientists and their career opportunities and talent development
> benchmarking against industry and scientific best practice, where appropriate.

The Science Committee periodically reviews important bioethical issues that we face, and assists in the formulation of, and agrees on behalf of the Board, appropriate policies in relation to such issues. It may also consider, from time to time, future trends in medical science and technology. The Science Committee does not review individual R&D projects but does review, on behalf of the Board, the R&D aspects of specific business development or acquisition proposals and advises the Board on its conclusions.

During 2015, the members of the Science Committee, all of whom have a knowledge of, or an interest in, life sciences, were Nancy Rothwell (Chairman of the Science Committee) until her retirement from the Board on 24 April 2015, Bruce Burlington (Chairman of the Science Committee with effect from 24 April 2015), Cori Bargmann with effect from 24 April 2015, Geneviève Berger and Marcus Wallenberg. As usual, the EVP, GMD; the EVP, IMED; and the EVP, MedImmune, participated in meetings of the Science Committee as co-opted members in 2015. The Vice-President, IMED Operations acts as secretary to the Science Committee.

The Science Committee met twice in person in 2015, in London, UK and Cambridge, UK and held four other meetings, all of which were by telephone, to review specific business development or acquisition proposals.

The Science Committee's terms of reference are available on our website, www.astrazeneca.com.

US corporate governance requirements

Our ADSs are traded on the NYSE and, accordingly, we are subject to the reporting and other requirements of the SEC applicable to foreign private issuers. Section 404 of the Sarbanes-Oxley Act requires companies to include in their annual report on Form 20-F filed with the SEC, a report by management stating its responsibility for establishing internal control over financial reporting and to assess annually the effectiveness of such internal control. We have complied with those provisions of the Sarbanes-Oxley Act applicable to foreign private issuers. The Board continues to believe that the Group has a sound corporate governance framework, good processes for the accurate and timely reporting of its financial position and results of operations, and an effective and robust system of internal controls. We have established a Disclosure Committee, further details of which can be found in the Disclosure Committee section opposite.

The Directors' assessment of the effectiveness of internal control over financial reporting is set out in Directors' Responsibilities for, and Report on, Internal Control over Financial Reporting in the Financial Statements on page 135.

We are required to disclose any significant ways in which our corporate governance practices differ from those followed by US companies under the Listing Standards. In addition, we must comply fully with the provisions of the Listing Standards relating to the composition, responsibilities and operation of audit committees, applicable to foreign private issuers. These provisions incorporate the rules concerning audit committees implemented by the SEC under the Sarbanes-Oxley Act. We have reviewed the corporate governance practices required to be followed by US companies under the Listing Standards and our corporate governance practices are generally consistent with those standards.

Business organisation

Early Stage Product Committees (ESPCs) and Late Stage Product Committee (LSPC)

The ESPCs and the LSPC were established in 2013.

Early Stage Product Committees

The ESPCs are senior level, cross-functional governance bodies with accountability for oversight of our early-stage small molecule and biologics portfolio to Proof of Concept stage. The EVPs of our two science units, IMED and MedImmune, chair our ESPCs. The ESPCs seek to deliver a flow of products to GMD for Phase III development through to launch. The ESPCs also seek to maximise the value of our internal and external R&D investments through robust, transparent and well-informed decision making that drives business performance and accountability.

Specifically, the ESPCs have responsibility for the following

> approving early-stage investment decisions
> prioritising the respective portfolios
> licensing activity for products in Phase I and earlier
> delivering internal and external opportunities
> reviewing allocation of R&D resources.

Late Stage Product Committee

The LSPC is also a senior level governance body, accountable for the quality of the portfolio post-Phase III investment decision. It was formed in early 2013, replacing three committees, in a move to streamline development project governance. Jointly chaired by the EVPs of GMD and GPPS, members include, as appropriate, members of the SET, including the CEO and CFO, and members of the GMD and GPPS leadership teams.

The LSPC seeks to maximise the value of our investments in the late-stage portfolio, also ensuring well-informed and robust decision making. Specific accountabilities include

> approval of the criteria supporting Proof of Concept
> decision to invest in Phase III development based on agreement of commercial opportunity and our plans to develop the medicine
> evaluation of the outcome of the development programme and decision to proceed to regulatory filing
> decision to invest in life-cycle management activities for the late-stage assets
> decision to invest in late-stage business development opportunities.

Disclosure Committee

Our disclosure policy provides a framework for the handling and disclosure of inside information and other information of interest to shareholders and the investment community. It also defines the role of the Disclosure Committee. The members of the Disclosure Committee in 2015 were: the CFO, who chaired the Disclosure Committee; the EVP, GMD (who is also the Company's Chief Medical Officer); the EVP, GPPS; the General Counsel; the Vice-President, Corporate Affairs; the Vice-President, Investor Relations; and the Vice-President Finance, Group Controller. The Deputy Company Secretary acted as secretary to the Disclosure Committee. The Disclosure Committee meets regularly to assist and inform the decisions of the CEO concerning inside information and its disclosure. Periodically, it reviews our disclosure controls and procedures and its own operation as part of work carried out to enable management and the Board to assure themselves that appropriate processes are operating for our planned disclosures, such as our quarterly results announcements and scheduled investor relations events.

Disclosure of information to auditors

The Directors who held office at the date of approval of this Annual Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Global Compliance and Internal Audit Services (IA)

The role of the Global Compliance function is to help the Group achieve its strategic priorities by doing business the right way, with integrity and high ethical standards. During 2016, Global Compliance will continue to focus on ensuring the delivery of an aligned approach to compliance that addresses key risk areas across the business, including risks relating to external parties and anti-bribery/anti-corruption. Our priorities include improving compliance behaviours through effective training; monitoring compliance with our policies; and ensuring that employees can raise any concerns. Through the Group Compliance Council, Global Compliance and IA work with various specialist compliance functions throughout our organisation to co-ordinate compliance activities.

When a potential compliance breach is identified, an internal investigation is undertaken by staff from our Global Compliance, HR and/or Legal teams. When appropriate, external advisers are engaged to conduct and/or advise on investigations. Should an investigation conclude that a significant breach has occurred, management, in consultation with our Legal function, will consider whether the Group needs to disclose and/or report the findings to a regulatory or governmental authority.

Risk from page 212

Global Compliance provides direct assurance to the Audit Committee on matters concerning compliance issues, including an analysis of compliance breaches. Complementing this, IA carries out a range of audits that include compliance-related audits and reviews of the assurance activities of other Group assurance functions. The results from these activities are reported to the Audit Committee.

IA is established by the Audit Committee on behalf of the Board and acts as an independent and objective assurance function guided by a philosophy of adding value to improve the operations of the Group. The scope of IA's responsibilities encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the Group's governance, risk management, and internal control processes in relation to the Group's defined goals and objectives.

Internal control objectives considered by IA include

> consistency of operations or programmes with established objectives and goals and effective performance
> effectiveness and efficiency of operations and employment of resources
> compliance with significant policies, plans, procedures, laws, and regulations
> reliability and integrity of management and financial information processes, including the means to identify, measure, classify, and report such information
> safeguarding of assets.

Based on its activity, IA is responsible for reporting significant risk exposures and control issues identified to the Board and to senior management, including fraud risks, governance issues, and other matters needed or requested by the Audit Committee. It may also evaluate specific operations at the request of the Audit Committee or management, as appropriate.

Code of Conduct

Our Code of Conduct (the Code), which is available on our website, www.astrazeneca.com, applies worldwide to all full-time and part-time Directors, officers, employees and temporary staff, in all companies within our Group. A Finance Code complements the Code and applies to the CEO, the CFO, the Group's principal accounting officers (including key Finance staff in major overseas subsidiaries) and all Finance function employees. This reinforces the importance of the integrity of the Group's Financial Statements, the reliability of the accounting records on which they are based and the robustness of the relevant controls and processes.

The Code is at the core of our compliance programme. It has been translated into over 40 languages and provides clear direction as to how our commitment to honesty and integrity is to be realised in consistent actions across all areas of the business.

Corporate Governance Report continued

Compliance with the Code is mandatory and every employee receives annual training on it. The Code is reviewed periodically and updated to take account of changing legal and regulatory obligations. Our Global Policies supplement the Code and provide clear guidance in key risk areas.

The Code contains information on how to report possible violations through our Helpline, which includes the AZethics telephone lines, the AZethics website, and the Global Compliance e-mail and postal addresses described in the Code. Anyone who raises a potential breach in good faith is fully supported by management. We take all alleged compliance breaches and concerns extremely seriously, and investigate them and report the outcome of such investigations to the Audit Committee, as appropriate.

In 2015, 326 reports of alleged compliance breaches or other ethical concerns were made through the Helpline, including reports made by any anonymous route that could be considered whistleblowing; in 2014 there were 247 reports. The majority of cases come to our attention through management and self-reporting, which can be seen as an indication that employees are more comfortable in raising their concerns with line managers, local HR, Legal or Compliance, as recommended in the Code and reinforced in the 2015 Code training.

Other matters

Corporate governance statement under the UK Disclosure and Transparency Rules (DTR)

The disclosures that fulfil the requirements of a corporate governance statement under the DTR can be found in this section and in other parts of this Annual Report as listed below, each of which is incorporated into this section by reference

> major shareholdings
> Articles.

Shareholder Information from page 240 and Corporate Information on page 245

Subsidiaries and principal activities

The Company is the holding company for a group of subsidiaries whose principal activities are described in this Annual Report. The Group's principal subsidiaries and their locations are given in Group Subsidiaries and Holdings in the Financial Statements on page 194.

Branches and countries in which the Group conducts business

In accordance with the Companies Act 2006, we disclose below our subsidiary companies that have representative or scientific branches/offices outside the UK

> AstraZeneca UK Limited: Algeria (scientific office), Angola, Belarus, Bulgaria, Chile, Costa Rica, Croatia, Cuba, Dubai (branch office), Georgia, Ghana (scientific office), Jordan, Kazakhstan, Nigeria, Romania, Russia, Saudi Arabia (scientific office), Serbia and Montenegro, Slovenia (branch office), Syria and Ukraine
> AstraZeneca AB: Egypt (scientific office) and Slovakia (branch office)
> AstraZeneca Singapore Pte Limited: Vietnam.

Distributions to shareholders – dividends for 2015

Details of our distribution policy are set out in the Financial Review on page 178 and Notes 22 and 23 to the Financial Statements on page 172.

The Company's dividend for 2015 of $2.80 (188.5 pence, SEK 23.97) per Ordinary Share amount to, in aggregate, a total dividend payment to shareholders of $3,539 million. An employee share trust, AstraZeneca Share Trust Limited, waived its right to a dividend on the Ordinary Shares that it holds and instead received a nominal dividend.

A shareholders' resolution was passed at the 2015 AGM authorising the Company to purchase its own shares. The Company did not repurchase any of its own shares in 2015. On 31 December 2015, the Company did not hold any shares in treasury.

Going concern accounting basis

Information on the business environment in which AstraZeneca operates, including the factors underpinning the industry's future growth prospects, is included in the Strategic Report. Details of the product portfolio of the Group are contained in both the Strategic Report (in the Therapy Area Review from page 24) and the Directors' Report. Information on patent expiry dates for key marketed products is included in Patent Expiries from page 210. Our approach to product development and our development pipeline are also covered in detail with additional information by therapy area in the Strategic Report.

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review from page 62. In addition, Note 25 to the Financial Statements from page 177 includes the Group's objectives, policies and processes for managing capital; financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit, market and liquidity risk. Further details of the Group's cash balances and borrowings are included in Notes 16 and 17 to the Financial Statements from page 163.

The Group has considerable financial resources available. As at 31 December 2015 the Group has $8.3 billion in financial resources (cash balances of $6.2 billion and undrawn committed bank facilities of $3.0 billion which are available until April 2020, with only $0.9 billion of debt due within one year). Although no liability was recognised at 31 December 2015, the Group has entered into an agreement to invest in a majority equity stake in Acerta Pharma for an upfront payment of $2.5 billion that was paid on 2 February 2016 and a further unconditional payment of $1.5 billion to be paid either on receipt of the first regulatory approval for acalabrutinib for any indication in the US, or the end of 2018, depending on which is first. The Group's revenues are largely derived from sales of products which are covered by patents which provide a relatively high level of resilience and predictability to cash inflows, although our revenue is expected to continue to be significantly impacted by the expiry of patents over the medium term. In addition, government price interventions in response to budgetary constraints are expected to continue to adversely affect revenues in many of our mature markets. However, we anticipate new revenue streams from both recently launched medicines and products in development, and the Group has a wide diversity of customers and suppliers across different geographic areas. Consequently, the Directors believe that, overall, the Group is well placed to manage its business risks successfully.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

Changes in share capital

Changes in the Company's Ordinary Share capital during 2015, including details of the allotment of new shares under the Company's share plans, are given in Note 22 to the Financial Statements on page 172.

Directors' shareholdings

The Articles require each Director to be the beneficial owner of Ordinary Shares in the Company with an aggregate nominal value of $125 (which currently represents at least 500 shares because each Ordinary Share has a nominal value of $0.25). Such holding must be obtained within two months of the date of the Director's appointment. At 31 December 2015, all of the Directors complied with this requirement and full details of each Director's interests in shares of the Company are set out in Directors' interests in shares on page 114 and 115. Information about the shareholding expectations of the Remuneration Committee (in respect of Executive Directors and SET members) and the Board (in respect of Non-Executive Directors) is also set out in Directors' interests in shares on pages 114 and 115.

Political donations

Neither the Company nor its subsidiaries made any EU political donations or incurred any EU political expenditure in 2015 and they do not intend to do so in the future in respect of which shareholder authority is required, or for which disclosure in this Annual Report is required, under the Companies Act 2006. However, to enable the Company and its subsidiaries to continue to support interest groups or lobbying organisations concerned with the review of government policy or law reform without inadvertently breaching the Companies Act 2006, which defines political donations and other political expenditure in broad terms, a resolution will be put to shareholders at the 2016 AGM, similar to that passed at the 2015 AGM, to authorise the Company and its subsidiaries to

> make donations to political parties or independent election candidates
> make donations to political organisations other than political parties
> incur political expenditure, up to an aggregate limit of $250,000.

Corporate political contributions in the US are permitted in defined circumstances under the First Amendment of the US Constitution and are subject to both federal and state laws and regulations. In 2015, the Group's US legal entities made contributions amounting in aggregate to $1,224,550 (2014: $1,650,200) to national political organisations, state-level political party committees and to campaign committees of various state candidates. No corporate donations were made at the federal level and all contributions were made only where allowed by US federal and state law. We publicly disclose details of our corporate US political contributions, which can be found on our website, www.astrazeneca-us.com/responsibility/transparency. The annual corporate contributions budget is reviewed and approved by the Deputy General Counsel, North America, the US Vice-President, Corporate Affairs and the President of our US business to ensure robust governance and oversight. US citizens or individuals holding valid green cards exercised decision making over the contributions and the funds were not provided or reimbursed by any non-US legal entity. Such contributions do not constitute political donations or political expenditure for the purposes of the Companies Act 2006 and were made without any involvement of persons or entities outside the US.

Significant agreements

There are no significant agreements to which the Company is a party that take effect, alter or terminate on a change of control of the Company following a takeover bid. There are no persons with whom we have contractual or other arrangements, who are deemed by the Directors to be essential to our business.

Use of financial instruments

The Notes to the Financial Statements, including Note 25 from page 177, include further information on our use of financial instruments.

Annual General Meeting

The Company's AGM will be held on 29 April 2016. The meeting place will be in London, UK. A Notice of AGM will be sent to all registered holders of Ordinary Shares and, where requested, to the beneficial holders of shares.

External auditor

A resolution will be proposed at the AGM on 29 April 2016 for the reappointment of KPMG LLP as auditor of the Company. The external auditor has undertaken various non-audit work for us during 2015. More information about this work and the audit and non-audit fees that we have paid are set out in Note 29 to the Financial Statements on page 192. The external auditor is not engaged by us to carry out any non-audit work in respect of which it might, in the future, be required to express an audit opinion. As explained more fully in the Audit Committee Report from page 98, the Audit Committee has established pre-approval policies and procedures for audit and non-audit work permitted to be carried out by the external auditor and has carefully monitored the objectivity and independence of the external auditor throughout 2015.

On 23 December 2015, we announced a proposal to appoint PricewaterhouseCoopers LLP (PwC) as our external auditor for the financial year ending 31 December 2017. The proposed change of auditor follows a recommendation by the Audit Committee to the Board based on a formal tender in line with best practice. More information about the tender process is set out in the Audit Committee Report from page 98. A resolution to approve the appointment of PwC will be put to shareholders at the Company's AGM in 2017.

Directors' Report

The Directors' Report, which has been prepared in accordance with the requirements of the Companies Act 2006, comprises the following sections

> Business Review: Research and Development
> Resources Review: Employees
> Corporate Governance: Including the Audit Committee Report and Corporate Governance Report
> Directors Responsibility Statement
> Development Pipeline
> Sustainability: supplementary information
> Shareholder Information
> Corporate Information

and has been signed on behalf of the Board.

The Board considers this Annual Report, taken as a whole, to be fair, balanced and understandable, and provides the necessary information for shareholders to assess AstraZeneca's position and performance, business model and strategy.

A C N Kemp
Company Secretary
4 February 2016

Audit Committee Report

> “The quality of AstraZeneca’s financial reporting is underpinned by well-designed internal controls, appropriate accounting practices and policies, and good judgement.”

Dear shareholder

In this Report, we describe the work of the Audit Committee during the year and the significant issues considered. In 2015, our priorities were to receive assurance on sound financial reporting, effective risk management and compliance with the AstraZeneca Code of Conduct.

The principal duties of the Audit Committee (the Committee) are to provide assurance to the Board, as part of the Board’s stewardship and protection of our shareholders’ interests, ensuring

> the integrity of our financial reporting, internal controls of financial matters and financial disclosures
> the effectiveness of our internal controls over non-financial matters, and compliance with laws and the AstraZeneca Code of Conduct
> the quality of the Company’s relationship with its external auditor and the effectiveness of the external audit
> the role, resources and effectiveness of the Company’s internal audit function
> the effectiveness of the Company’s risk management framework.

Financial reporting

The quality of AstraZeneca’s financial reporting is underpinned by well-designed internal controls, appropriate accounting practices and policies, and good judgement. The Committee reviews, at least quarterly, the Company’s significant accounting matters and, where appropriate, challenges management’s decisions before approving the accounting policies applied. During 2015, the Committee has looked at the changes to AstraZeneca’s revenue accounting policy to include Externalisation Revenue in its Statement of Comprehensive Income. For more information on Externalisation Revenue, please refer to the Financial Review from page 62. This change in accounting policy increases the transparency of the income generated by the Company’s externalisation activities and reflects changes over the past two years to the Company’s strategy and business model to realise the full value of assets and technology and provide for optimal investment in R&D.

We also looked closely at intangible asset impairment reviews; restructuring, legal provisions and other related charges, to ensure that items are appropriately accounted for in ‘Reported’ and ‘Core’ results. We also scrutinised revenue recognition together with the associated selling and marketing investments.

During 2015 the Committee oversaw a competitive tender of the Company’s external audit services. A thorough selection process in line with best practice was completed, and in December, on the recommendation of the Committee, the Board announced its decision to recommend the appointment of PricewaterhouseCoopers LLP (PwC) to shareholders at the Company’s 2017 AGM.

The Committee were advised that the Public Company Accounting Oversight Board (PCAOB) and the Financial Reporting Council (FRC) had both undertaken a review of certain aspects of KPMG LLP’s audit of AstraZeneca PLC’s financial statements for the year ended 31 December 2014. We have discussed the review and its findings with KPMG and are satisfied with the responses to be implemented by KPMG. The PCAOB Report is not yet available.

Risk management

During the year the Committee reviewed the Company’s approach to risk management, its risk reporting framework, and the focus of the Group Risk Team. These discussions also provided the context for the Committee’s consideration of the development of the form and content of the Directors’ viability statement and the analysis that underpins the assurance provided by that statement. Further information on the Company’s Principal Risks and the Directors’ viability statement are on pages 21 to 23.

Compliance with the Code of Conduct

Compliance with our Code of Conduct in Emerging Markets continued to be an area of focus for the Committee, which considered reports on matters in China, Russia, the Middle East and Africa, and India for example. In October, members of the Committee visited the Company’s commercial and IT operations in Bangalore and Chennai respectively. We talked to members of local and regional management including our compliance officers about AstraZeneca's performance and its approach to diversity, risk management, business resilience and operating ethically, within the law and in accordance with our Code of Conduct.

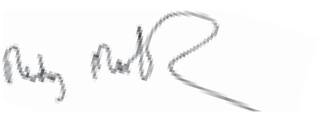
I am pleased to report that in 2015, the Company had met all of its obligations under its five-year Corporate Integrity Agreement in the US, which terminated in April 2015. Naturally, maintaining compliance with the Company's Code of Conduct and high ethical standards in all countries where we conduct business or have interactions will continue to be a priority for the Committee.

Engagement with senior leaders

The Committee considers it important to extend its interactions with members of management below the SET. In addition to the meetings with local and regional management in India, the Committee met informally with members of Internal Audit Services (IA), Compliance, IS/IT and Finance teams. In July 2015, the Chairman of the Committee participated in a conference with the Finance team on the subject of 'Finance as Leaders'. We take a special interest in the strength and depth of the finance organisation and talent development within that function.

We value dialogue with our shareholders and welcome your feedback on this report.

Yours sincerely



Rudy Markham
Chairman of the Audit Committee

Audit Committee membership and attendance

The Audit Committee members are Rudy Markham (Committee Chairman), Bruce Burlington, Ann Cairns, Jean-Philippe Courtois and Shriti Vadera – all Non-Executive Directors. The Board considers each member to be independent under the UK Corporate Governance Code and under the general guidance and specific criteria of the Listing Standards concerning the composition of audit committees applicable to non-US companies listed on the NYSE. In April 2015, we submitted the required annual written affirmation to the NYSE confirming our full compliance with those standards. For the purposes of the UK Corporate Governance Code, the Board remains satisfied that at least one member of the Audit Committee has recent and relevant financial experience. At its meeting in December 2015, the Board determined that Rudy Markham and Ann Cairns are Audit Committee financial experts for the purposes of the Sarbanes-Oxley Act. For more information regarding the experience of the Audit Committee members, see the Board of Directors' biographies on pages 86 and 87. The Deputy Company Secretary acts as secretary to the Audit Committee.

Meetings of the Audit Committee are routinely attended by the CFO; the General Counsel; the Chief Compliance Officer; the Vice-President, IA; the Vice-President Finance, Group Controller; and our external auditor. The CEO attends on an agenda-driven basis. In line with its normal practice, the Audit Committee also held a number of private meetings, without management present, with the Chief Compliance Officer; the General Counsel; the Vice-President, IA; and the Company's external auditor. These meetings were held between Audit Committee members and those individuals, separately from the main sessions of the Audit Committee.

Number of meetings and attendance

The Audit Committee held five scheduled meetings in 2015. The attendance record of the Audit Committee members is set out in the Board and Board Committee meeting attendance in 2015 table on page 92. Following each Audit Committee meeting, the Committee Chairman reported to the Board on the principal matters covered at the meeting and minutes of the meetings were circulated to all Board members.

In addition, the Chairman of the Audit Committee held regular scheduled calls between Audit Committee meetings with each of the CFO; the Chief Compliance Officer; the Vice-President, IA; and the lead partner of the external auditor.

The Audit Committee is currently scheduled to meet five times in 2016 and will meet at such other times as may be required.

Terms of reference

The terms of reference of the Audit Committee, which are available on our website, www.astrazeneca.com, include reviewing and reporting to the Board on:

> Matters relating to the audit plans of the external auditor and IA as well as oversight of the work of the Global Compliance function.
> The effectiveness of our overall framework for internal control over financial reporting and for other internal controls and processes.
> Our overall framework for risk management.
> The appropriateness of our accounting policies and practices.
> Our annual and quarterly financial reporting, including the critical estimates and judgements contained in our reporting.
> Our internal control over financial reporting.
> Our Code of Conduct and whistleblower procedures.

The Audit Committee is responsible for notifying the Board of any significant concerns of the external auditor or the Vice-President, IA arising from their audit work; any matters that may materially affect or impair the independence of the external auditor; any significant deficiencies or material weaknesses in the design or operation of our internal control over financial reporting or other internal controls; any serious issues of non-compliance; and how the Audit Committee has discharged its responsibilities. It oversees the establishment, implementation and maintenance of our Code of Conduct and other related policies. It monitors the Company's response to letters requesting information and investigations initiated by regulatory and governmental authorities such as the SEC, the DOJ and the FRC pertaining to matters within the remit of the

Audit Committee Report continued

Audit Committee's work. It has established procedures for the receipt and handling of complaints concerning accounting or audit matters. It recommends to the Board the appointment of the external auditor, subject to the approval of the Company's shareholders at a general meeting. Shareholders authorise the Directors to fix the remuneration of the external auditor at a general meeting. The Audit Committee reviews and approves the appointment and dismissal of the Vice-President, IA.

Activities of the Audit Committee in 2015

The Audit Committee has an annual calendar of topics, developed from its terms of reference, with standing items which it considers in accordance with its schedule at each quarterly meeting or, in some cases, annually.

During 2015 and in February 2016, the Audit Committee considered and discussed the following standing items:

> The key elements of the Financial Statements, and the estimates and judgements contained in our financial disclosures. Various accounting matters were considered. These included the areas described in the Financial Review under 'Critical accounting policies and estimates' (with a focus on accounting issues relevant to revenue recognition, litigation and taxation matters and; goodwill and intangible asset impairment) from page 77 and other important matters such as considering and approving a change to revenue accounting to include Externalisation Revenue in the Company's Statement of Consolidated Income, and subsequently monitoring the application of the same. Discussion of these matters was supported by papers prepared by management and the external auditor.

> The reports received from the external auditor concerning its audit of the Financial Statements of the Group and from management, IA, Global Compliance and the external auditor on the effectiveness of our system of internal controls and, in particular, our internal control over financial reporting. The Audit Committee also reviewed quarterly activity reports of audit work carried out by IA and the status of follow-up actions with management, as well as reports from Global Compliance.

> Risk management review and update of the Company's risk management approach, its risk reporting framework and the focus of the Group Risk Team.

> Compliance with the applicable provisions of the Sarbanes-Oxley Act. In particular, the status of compliance with the programme of internal controls over financial reporting implemented pursuant to Section 404 of the Sarbanes-Oxley Act. The Audit Committee remained focused on IT controls in the context of the changes to the Group's IT environment, described below. More information about this is set out in the Sarbanes-Oxley Act Section 404 section of the Financial Review on page 81.

> Data about reports made by employees via the AZethics helpline, online facilities and other routes regarding potential breaches of the Code of Conduct, together with the results of inquiries into those matters.

> Reports from Global Compliance confirming compliance with and the successful completion of the Company's obligations under the Corporate Integrity Agreement that had been in place for five years in the US.

> Reports from the Group Treasury function, in particular, concerning the Company's liquidity and cash position and the appropriateness of its investment management policy in the context of the current economic situation.

> Going concern assessment and adoption of the going concern basis in preparing this Annual Report and the Financial Statements.

> Other reports, on a quarterly basis, concerning IA, Global Compliance and Finance, including the internal audit plan and progress and plans of Global Compliance.

> Quarterly reports from the General Counsel on the status of certain litigation matters and governmental investigations.

> The amount of audit and non-audit fees of the external auditor throughout 2015. The Audit Committee was satisfied throughout the year that the objectivity and independence of the external auditor were not in any way impaired by the nature of the non-audit work undertaken by the external auditor during the year, the level of non-audit fees charged for such work or any other facts or circumstances. Further information about the audit and non-audit fees for 2015 is disclosed in Note 29 to the Financial Statements on page 192.

> A review and assessment of the Audit Committee's performance.

Matters considered by the Audit Committee in addition to its usual business as described above included:

> Receiving regular updates from the IT team in connection with the transformation of AstraZeneca's IT infrastructure, with particular attention to cybersecurity, business continuity and transitioning into new payroll software. The Audit Committee also reviewed the performance of the Chennai IT Centre which included a site visit in October 2015.

> Considering the opportunity for AstraZeneca in the Indian pharmaceutical market which included a site visit to Bangalore in October 2015, noting in particular local management's focus on driving a strong compliance culture.

> Considering and reviewing compliance in China, noting in particular improvements in policy and controls and the importance of training for new employees.

> Considering the execution and outcomes of significant capital expenditure on the construction of a plant in Russia.

> Post-investment reviews of a recent major business development transaction, a capital expenditure project, and the integration of the BMS diabetes business acquired at the start of 2014.

> Reviewing the preparation of the Directors' proposed viability statement and the adequacy of the analysis supporting the assurance provided by that statement.

> Reviewing the operation and effectiveness of the Company's third party risk management framework which supports the management of key risks important to AstraZeneca's integrity and reputation such as bribery and corruption, data privacy, employment principles and product security.

> The FRC's review of certain aspects of KPMG LLP's audit of AstraZeneca PLC's financial statements for the year ended 31 December 2014. The Audit Committee discussed the review and its findings with KPMG. The Audit Committee was satisfied with the responses to be implemented by KPMG.
> Considering the external quality assessment review of IA conducted by Ernst & Young LLP during 2015.

In the course of carrying out its work, the Audit Committee has taken the opportunity to meet individual or groups of managers to discuss and gain a deeper insight into relevant areas of interest.

Significant financial reporting issues considered by the Audit Committee in 2015

The Audit Committee determined that the significant matters considered during the year were

> revenue recognition
> impairment of intangible assets
> litigation and contingent liabilities
> tax accounting
> post-retirement benefits
> allocation of Core and non-Core revenues
> Externalisation Revenue accounting.

Revenue recognition

The US is our largest single market and sales accounted for 40.1% of our Product Sales in 2015. Revenue recognition, particularly in the US, is impacted by rebates, chargebacks, cash discounts and returns (for more information, please see the Financial Review from page 62). The Audit Committee pays particular attention to management's estimates of these items, its analysis of any unusual movements and their impact on revenue recognition informed by commentary from the external auditor.

Impairment of intangible assets

The Group carries significant intangible assets on its Balance Sheet arising from the acquisition of businesses and IP rights to medicines in development and on the market. Each quarter the CFO outlines the carrying value of the Group's intangible assets and, in respect of those intangible assets that are identified as at risk of impairment, the difference between the carrying value and management's current estimate of discounted future cash flows for 'at risk' products (the headroom). Products will be identified as 'at risk' because the headroom is small or, for example, in the case of a medicine in development, a significant development milestone such as the publication of clinical trial results which could significantly alter management's forecasts for the product.

In 2015, there were no significant impairments of intangible assets.

Litigation and contingent liabilities

Litigation, particularly that relating to the enforcement and defence of IP rights protecting medicines, is a significant feature of the pharmaceutical industry. In addition to IP litigation, the Group is involved in a number of government investigations and is a defendant in certain product liability actions. The Audit Committee receives regular updates from the General Counsel, and is informed by commentary from the external auditor, on the status of those litigation matters that might result in fines or damages against the Company, to assess whether provisions should be taken and, if so, when and in what amounts. Of the matters the Audit Committee considered in 2015 the *Pulmicort Respules* patent litigation and *Nexium* anti-trust litigation, both in the US, were among the most significant. The Company took a reserve in the *Pulmicort Respules* case after the US Court of Appeals for the Federal Circuit affirmed certain claims in the *Pulmicort Respules* sterility patent were invalid and lifted the preliminary injunction. Notwithstanding the Company's success defending the claims in the *Nexium* anti-trust case, the plaintiffs continue to seek opportunities to assert their claims. Further information about the Company's litigation and contingent liabilities is set out in Note 27 to the Financial Statements from page 186.

Tax accounting

The Audit Committee considered the overall tax affairs of the Group in 2015, noting that the exposure associated with significant tax contingencies has continued to reduce but remains significant. The Audit Committee considered the key tax developments at OECD and in key jurisdictions, including proposed requirements for country-by-country reporting. The Audit Committee was informed that the Company was on track to meet such additional requirements.

Post-retirement benefits

Pension accounting continues to be a significant area of focus. The Audit Committee considered the investment performance and financing of significant pension plans.

Internal controls

At each quarterly meeting, the Audit Committee receives a report of the matters considered by the Disclosure Committee during the quarter. At the February 2016 meeting, the CFO presented to the Audit Committee the conclusions of the CEO and the CFO following the evaluation of the effectiveness of our disclosure controls and procedures required by Item 15(a) of Form 20-F at 31 December 2015. Based on their evaluation, the CEO and the CFO concluded that, as at that date, we maintain an effective system of disclosure controls and procedures.

There was no change in our internal control over financial reporting that occurred during the period covered by this Annual Report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Appointing the auditor and safeguards on non-audit services

We noted in our 2012 Annual Report that, having reviewed the changes to the UK Corporate Governance Code with regard to putting the external audit contract out to tender at least every 10 years, and cognisant of the fact that the lead audit partner at KPMG rotated in 2013, the Audit Committee determined that the audit would be put out to tender by 2018 in accordance with the transitional guidance issued by the FRC. KPMG was first appointed as sole external auditor to Zeneca Group PLC in 1993 and to AstraZeneca PLC in 2001 following a competitive tender.

The six largest audit firms were invited to participate in the process, three of which

Audit Committee Report continued

declined. We agreed with KPMG that given they would be prohibited from being our auditor post 2020 they would not participate. No contractual obligations restricted the Audit Committee's choice of external auditor.

Having concluded a competitive tender process in December the Audit Committee recommended to the Board that PwC be appointed as the Group's statutory auditor for the 2017 financial year. A resolution to approve the appointment of PwC will be put to shareholders at the Company's AGM in 2017.

The Audit Committee considers that the Company has complied with the Competition and Markets Authority's Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 in respect of its financial year commencing 1 January 2015.

Non-audit services

The Audit Committee maintains a policy (the Non-Audit Services Policy) and procedures for the pre-approval of all audit services and permitted non-audit services undertaken by the external auditor, the principal purpose of which is to ensure that the independence of the external auditor is not impaired. The policies and procedures cover three categories of work: audit services; audit-related services; and tax services. The policies define the type of work that falls within each of these categories and the non-audit services that the external auditor is prohibited from performing under the rules of the SEC and other relevant UK and US professional and regulatory requirements. The pre-approval procedures permit certain audit, audit-related and tax services to be performed by the external auditor during the year, subject to fee limits agreed with the Audit Committee in advance. The CFO (supported by the Vice-President Finance, Group Controller), monitors the status of all services being provided by the external auditor. The procedures also deal with placing non-audit work out for tender, where appropriate. Authority to approve work in excess of the pre-agreed fee limits is delegated to the Chairman of the Audit Committee together with one other Audit Committee member in the first instance. A standing agenda item at Audit Committee meetings covers the operation of the pre-approval procedures and regular reports are provided to the full Audit Committee.

In 2015, non-audit services provided to the Company by KPMG included tax compliance services and audit services in relation to employee benefit funds, within the scope of the pre-approved services set out in the Non-Audit Services Policy. All such services were presented to the Audit Committee for pre-approval.

Fees paid to the auditor for audit, audit-related and other services are analysed in Note 29 to the Financial Statements on page 192. Fees for non-audit services amounted to 30% of the fees paid to KPMG for audit, audit-related and other services in 2015.

Assessing external audit effectiveness

In accordance with its normal practice, the Audit Committee considered the performance of KPMG and its compliance with the independence criteria under the relevant statutory, regulatory and ethical standards applicable to auditors. Having considered all these factors, the Audit Committee recommended to the Board that a resolution for the reappointment of KPMG as the Company's external auditor for the year ending 31 December 2016 be proposed to shareholders at the AGM in April 2016.

Consistent with current market practice, KPMG's services to the Company are provided pursuant to terms of engagement, which are reviewed by the Audit Committee. Neither these terms of engagement nor any other agreement include any contractual obligations under which the Board would be prevented from appointing a different audit firm were they to consider this to be in the best interests of the Group.

Directors' Remuneration Report

Dear shareholder

As Chairman of the Remuneration Committee (the Committee), I am pleased to present AstraZeneca's 2015 Directors' Remuneration Report incorporating our Annual Report on Remuneration for 2015 (the Implementation Report). Our Remuneration Policy, approved by shareholders at the 2014 AGM, is reproduced from page 122.

Contents

In 2015, I succeeded John Varley as Chairman of the Committee. I would like to offer thanks from the Committee to John Varley and Nancy Rothwell, both of whom retired following the 2015 AGM, for their leadership and valued contribution to the Committee.

Although the Committee is not proposing material changes to remuneration within policy this year, we have evolved the format of this report by including an At a glance section on page 106, as well as a brief table of contents below. We hope shareholders will find these improvements helpful.

2015 performance

The Company delivered a strong pipeline and financial performance in 2015 as we continued to implement our strategy to achieve scientific leadership, return to growth, and achieve Group financial targets. The majority of the elements of our performance-related pay are directly aligned to the business plan based on these three strategic pillars with the intention of driving performance that promotes the long-term success of the Company.

This year our continued focus on our three main therapy areas delivered further R&D progress, supported by key agreements with Acerta Pharma and Celgene in Oncology, and ZS Pharma in CVMD.

We continued to make strong progress towards achieving scientific leadership and our ability to deliver innovation to the market with a number of opportunities accelerated and our pipeline progressed significantly above expectations. To highlight two achievements, the FDA's accelerated approval of *Tagrisso* provided an important

Directors' Remuneration Report continued

new treatment option for lung cancer patients, as did the FDA's approval of the expanded indication for *Brilinta* for patients with a history of heart attack beyond the first year.

In addition, we completed a number of strategic business development transactions this year, such as the agreement with Takeda in Respiratory, the *Movantik* collaboration and the *Entocort* and *Caprelsa* divestments, which have enabled the business to realise the full value of assets and technology to reinvest in support of our accelerated pipeline and Growth Platforms.

The Committee noted that two acquisitions were made close to the year end and the Committee will take into account any dilutive effect attributable to the transactions on the Company's LTIs in due course.

In terms of financial performance, our six Growth Platforms delivered an 11% rise in sales representing 57% of our Total Revenue demonstrating continued delivery of our return to growth strategy. Overall, the performance of our Growth Platforms was strong, particularly *Brilinta/Brilique*; *Farxiga/Forxiga* in Diabetes; and Emerging Markets. Despite the market slowdown in China, sales growth was 15%, with Oncology and Respiratory performing particularly well. Although our Product Sales declined by 1% in 2015, reflecting the impact of the entry of *Nexium* generic products in the US, the performance of our Growth Platforms demonstrates the impact that our return to growth strategy is having on the business, complementing our established products.

> "AstraZeneca remains focused on the delivery of our strategy and aligns reward to the creation of sustained value for our shareholders."

Overall, our financial performance during 2015 continues to reflect the life-cycle challenges which we have faced and the substantial investment and progress which we have made in developing our pipeline over recent years. As a result of the actions taken by our leadership team during this phase in our strategy, our Core EPS has risen by 7% during 2015 to $4.26 at actual rate of exchange. In addition, Total Revenue increased by 1% during the year to $24.7 billion. At actual exchange rates, Total Revenue declined by 7% in the year reflecting the particular weakness of key trading currencies against the US dollar.

2015 remuneration outcomes

Performance measures are closely aligned with Company strategy, ensuring the Executive Directors only receive significant reward for delivery of appropriately balanced financial, non-financial and individual performance. In evaluating reward the Committee has ensured that the outcomes reflect the actual performance of the business and shareholder experience. Valuable additional insight is provided by the two members of the Committee who are also members of the Audit Committee.

As I have outlined above, the Company performed well against the components of the global Scorecard (see page 107 for further information). When assessing business performance the Committee noted that some achievements were enabled by additional investment which was not originally budgeted when the Scorecard targets were set. As a consequence, the Committee has taken care to ensure that Scorecard performance has been appropriately evaluated by reference to the original budgeted investment.

When considering business performance together with the Executive Directors' performance against their individual objectives, annual bonus awards of 175% and 149.3% of base salary were awarded to Mr Soriot and Mr Dunoyer respectively.

In line with commitments made last year, we have provided the targets and outcomes under the achieve Group financial targets performance measure. We continue to provide appropriate disclosure of the other measures, return to growth and achieve scientific leadership, while being mindful that the target ranges themselves remain commercially sensitive at this time. As highlighted last year, we will disclose the targets when they are deemed no longer to be sensitive, which we currently envisage being in two years' time. Consistent with this approach, this year's report includes disclosure of the targets that were used for the 2013 annual bonus.

The 2013 PSP award was tested for performance following the end of 2015. In the return to growth measure, the Diabetes performance targets were set prior to the acquisition of the remaining 50% interest in the Global Diabetes Alliance Assets and therefore the Committee has evaluated performance consistently against the original targets. As a result of our performance over the last three years, the timeframe of which coincides with implementation of the new strategy which Mr Soriot set out for AstraZeneca, the 2013 PSP award vested at 78% of maximum. Disclosure of the 2013 PSP targets and outcome can be found on page 109.

Remuneration in 2016

As set out in more detail on page 117, we are not proposing to make material changes to our remuneration arrangements for 2016. Executive Directors will receive salary increases of 2%, effective from 1 January 2016, in line with those for the wider employee population. There are no changes proposed to their benefit or pension provision.

Target incentive opportunity levels attached to the 2016 annual bonus and 2016 PSP and AZIP awards will also remain unchanged. The performance measures under these plans will also remain unchanged, albeit with the introduction of a simplified approach to how we measure performance under the return to growth measure in our PSP, further details of which are provided opposite.

Shareholder engagement

The Committee was pleased to note that shareholders' approval of our 2014 Implementation Report increased significantly from 2013. Nevertheless, the outcome was still lower than we would like it to be. As such, over the course of 2015, on behalf of the Committee, I have spoken with a number of our major shareholders and I would like to take this opportunity to thank them for the input and feedback they provided.

I would like to address three key areas raised by shareholders.

Simplifying our LTI arrangements

While it was recognised that our arrangements are wholly aligned with our strategy, some shareholders felt that there may be an opportunity to simplify the framework. During 2016, we intend to continue discussions with our major shareholders on this area, with a view to ensuring that Executive Director reward at AstraZeneca remains focused on the delivery of our strategy and aligns reward to the creation of sustained value for our shareholders.

In addition, for 2016, we have decided to simplify one of the elements of our PSP by changing the return to growth measures to one single measure consolidating the existing six Growth Platforms in aggregate. This change allows us to disclose the aggregate target for this measure at the start of the performance period, in contrast to the individual targets for each Growth Platform which remain commercially sensitive, and assists in striking the right balance between transparency in our reporting on executive pay and protecting our commercially sensitive information.

In addition, in relation to our LTIs, we are aware that at times some shareholders may have found our use of expected values unclear. As such, while we continue to use expected values internally to allow us to allocate awards between the PSP and AZIP, from 2016 onwards we will disclose the value of LTI awards in terms of their face value only.

More transparent link between the financial targets communicated in May 2014 and executive pay

Some shareholders questioned whether there could be a more transparent link between the financial targets which we communicated in May 2014 and executive pay, and in particular whether a target based on the 2023 revenue figure ($45 billion at 2013 exchange rates) could be incorporated within our incentive plans.

This has some attraction, although there is a clear balance to be struck given the need to ensure that our arrangements are simple, practicable and aligned to our business. Ultimately, following discussions, the Committee's view is that the best way to achieve line of sight to the 2023 revenue target is by ensuring that the financial and operational measures under the PSP are directly linked to the long-term business plan. However, the Committee will continue to consider ways in which a more transparent link between the 2023 revenue target and executive pay may be achieved.

Above-target LTI awards

The use of 'above-target' awards at AstraZeneca has been noted by some shareholders. While we are aware that the use of 'target' awards may be less common in the wider market, at AstraZeneca we find that operating a 'target' award level, with the flexibility to go above or below this level, can be helpful in setting and communicating award levels internally, allowing the Committee to differentiate performance appropriately.

Mr Soriot has received 'above-target' awards in recent years due to the outstanding contribution he has made to the business since his appointment. The Committee values the ability to recognise this progress.

In considering Mr Soriot's remuneration, we reference practice within UK quoted companies, but we also remain mindful of the fact that our peers are mainly US or Swiss-based companies. Individuals with the capability which Mr Soriot brings to the CEO role are extremely valuable and he is undoubtedly a sought-after individual within our sector, particularly given the re-invigoration of the Company which he has led over the last three years.

In this context, the Committee aims to ensure that Mr Soriot is appropriately rewarded within our Remuneration Policy.

Next steps

We remain committed to ensuring that our remuneration arrangements support our strategy and the delivery of value to our shareholders. As such, I hope that you find this report clear, helpful and informative. Our ongoing dialogue with shareholders is valued greatly and, as always, we welcome your feedback on this Directors' Remuneration Report.

Yours sincerely

Graham Chipchase
Chairman of the Remuneration Committee
4 February 2016

Directors' Remuneration Report continued

At a glance summary

Looking ahead to 2016 – our remuneration framework

Element	Structure	Opportunity	Change from 2015
Salary	Base salary, paid monthly	CEO – £1,190,000 CFO – £707,000	2% increase 2% increase
Pension	Salary supplement in lieu of pension participation	CEO – 30% of salary CFO – 24% of salary	No change No change
Annual bonus	Assessed by performance against one-year financial, non-financial and individual performance targets, with one-third of any award deferred into Ordinary Shares or ADSs, which will vest after three years	CEO – maximum 180% of salary CFO – maximum 150% of salary	No change No change
Performance Share Plan (PSP)	Assessed on three-year performance against four equally-weighted measures: > Relative TSR > Cash flow > Return to growth > Achieve scientific leadership (5 individual measures) Additional two-year holding period	CEO – 427.7% of salary CFO – 300% of salary	No change 4.76% decrease
AstraZeneca Investment Plan (AZIP)	Assessed on four-year performance against two measures: > Dividend level > Dividend cover Additional four-year holding period	CEO – 71.3% of salary CFO – 50% of salary	No change 4.76% decrease

Our variable remuneration – 2015

2015 Annual bonus (see page 107 for further details)

Measure	Target (one-year)	Weighting	Performance	Level of award
Achieve Group financial targets	Cash flow Core EPS Revenue	10% 20% 10%	Met target Exceeded target Exceeded target	CEO – 97.2% of maximum (175% of salary)
Achieve scientific leadership	5 measures	6% each	Exceeded target	CFO – 99.5% of maximum (149.3% of salary)
Return to growth	6 measures	5% each	Exceeded target	

2013-2015 PSP (see page 109 for further details)

Measure	Target (three-year)	Weighting	Performance	Level of award
Relative TSR	TSR performance relative to peer group	25% each	58% of maximum	78% of maximum
Cash flow	Cumulative free cash flow		100% of maximum	
Achieve scientific leadership	5 key measures		100% of maximum	
Return to growth	5 measures		55% of maximum	

Annual Report on Remuneration (the Implementation Report)

What did we pay our Directors?

Executive Directors' single total figure remuneration (Audited)

	2015 Base salary £'000	2014 Base salary £'000	2015 Taxable benefits £'000	2014 Taxable benefits £'000	2015 Annual bonus £'000	2014 Annual bonus £'000	2015 Long-term incentives vesting £'000	2014 Long-term incentives vesting £'000	2015 Pension allowance £'000	2014 Pension allowance £'000	2015 Total £'000	2014 Total £'000
Pascal Soriot	**1,167**	1,133	**115**	108	**2,042**	1,926	**4,723**	–	**350**	340	**8,397**	3,507
Marc Dunoyer	**694**	680	**65**	62	**1,036**	1,016	**3,993**	–	**167**	163	**5,955**	1,921
Total	**1,861**	1,813	**180**	170	**3,078**	2,942	**8,716**	–	**517**	503	**14,352**	5,428

Notes to the Executive Directors' single total figure remuneration table

Taxable benefits

Executive Directors may select benefits within the Company's UK Flexible Benefits Programme or can select to take all, or any remaining allowance after the selection of benefits, in cash. In 2015, the Executive Directors principally took the allowance in cash (£96,000 in respect of Mr Soriot, and £49,000 in respect of Mr Dunoyer) and selected other benefits including healthcare insurance, death-in-service provision and advice in relation to tax.

Annual bonus – 2015

The CEO had a target annual bonus of 100% of base salary (range 0-180%) and the CFO had a target annual bonus of 90% of base salary (range 0-150%).

One-third of the pre-tax bonuses shown will be deferred into Ordinary Shares which will vest three years from the date of deferral, subject to continued employment. The bonus is not pensionable.

The precise targets or target ranges set at the beginning of the performance period are closely aligned to the Company's strategic priorities, set out in the global Scorecard. As with 2014, we have set out below the targets for 2015 in respect of the achieve Group financial targets element of the annual bonus and Company performance against those targets. In addition, we have provided the outcomes under each of the achieve scientific leadership and return to growth measures. While, in the judgement of the Board, the targets themselves under these areas remain commercially sensitive, we remain committed to making retrospective disclosure of these when we no longer consider the targets to be commercially sensitive, which we currently anticipate to be two years after the end of the performance period (as we have done for the 2013 annual bonus targets which are set out on page 114).

When assessing business performance the Remuneration Committee noted that some achievements were enabled by additional investment which was not originally budgeted when the Scorecard targets were set. As a consequence, the Remuneration Committee has taken care to ensure that Scorecard performance has been appropriately evaluated by reference to the original budgeted investment. The global Scorecard outcome was 160% and the Remuneration Committee determined that Mr Soriot's annual bonus should amount to 175% of base salary, representing 97.2% of his potential maximum, and that Mr Dunoyer's bonus should amount to 149.3% of base salary, representing 99.5% of his potential maximum. This includes the application of the Scorecard outcome and a further performance uplift to reflect the Remuneration Committee's view of Mr Soriot's and Mr Dunoyer's individual contributions beyond the achievements underpinning the Scorecard outcome.

1. Achieve Group financial targets

These targets are based on the Company's key financial measures. The annual bonus outcomes reflect the strong revenue and Core EPS performance delivered in 2015, exceeding the targets set at the beginning of the year. Cash flow performance was also on target.

Performance measures for 2015	Weighting	Target	Outcome	Performance	Pascal Soriot level of award	Marc Dunoyer level of award
Achieve cash flow from operating activities target	10%	\$3.4bn[1]	\$3.6bn[1]	Met target	13%	11.7%
Achieve Core EPS target	20%	\$4.41[2]	\$4.67[2]	Exceeded target	40%	36%
Achieve overall revenue target	10%	\$24.8bn[2]	\$26.2bn[2]	Exceeded target	20%	18%
Pascal Soriot level of award	**£852,000 (representing 41.7% of total annual bonus outcome)**					
Marc Dunoyer level of award	**£456,000 (representing 44% of total annual bonus outcome)**					

[1] The cash flow target, and the performance against that target, is evaluated by reference to net cash flow before distributions and other adjustments required by the performance conditions.
[2] The Core EPS and revenue targets, and the performance against those targets, are evaluated by reference to budget exchange rates such that beneficial or adverse movements in currency, which are outside the Company's control, do not impact reward outcomes.

Annual Report on Remuneration (the Implementation Report) continued

2. Achieve scientific leadership

These measures reflect the Company's ability to deliver innovation to the market. In 2015, we continued to make significant progress towards achieving scientific leadership and exceeded two out of five of our pipeline targets.

The AstraZeneca pipeline now includes 146 projects, of which 125 are in the clinical phase of development. There are 15 NME projects currently in late-stage development, either in Phase III/pivotal Phase II studies or under regulatory review. During 2015, across the portfolio, 56 projects successfully progressed to their next phase. This includes three first launches and three first approvals in a major market, and 18 NME progressions. In addition, 18 projects have entered Phase I and 20 projects have been discontinued.

Performance measures for 2015	Weighting	Target	Outcome	Performance	Pascal Soriot aggregate level of award	Marc Dunoyer aggregate level of award
Phase II starts/progressions	6% per measure	Commercially sensitive until March 2018	11	Met target	42%	37.8%
Positive Phase III investment decisions			6	Met target		
NME and major life-cycle management submissions			12	Met target		
NME and major life-cycle management approvals			5	Exceeded target		
Clinical-stage external licensing and partnering opportunities			10	Exceeded target		
Pascal Soriot level of award	**£490,000 (representing 24% of total annual bonus outcome)**					
Marc Dunoyer level of award	**£262,000 (representing 25.3% of total annual bonus outcome)**					

3. Return to growth[1]

These measures are based on quantitative sales targets for 2015 relating to the Company's Growth Platforms: *Brilinta/Brilique*, Diabetes, Respiratory, New Oncology, Emerging Markets, and Japan. In 2015, we met or exceeded all of our return to growth targets. Our Growth Platforms contributed 57% of Total Revenue, an increase of 11% from 2014.

Performance measures for 2015	Weighting	Target	Outcome	Performance	Pascal Soriot aggregate level of award	Marc Dunoyer aggregate level of award
Deliver *Brilinta/Brilique* target	5% per measure	Commercially sensitive until March 2018	$668m	Met target	45%	40.5%
Build Diabetes franchise			$2,323m	Met target		
Deliver Respiratory goals			$5,014m	Exceeded target		
Deliver New Oncology growth target			$123m	Exceeded target		
Deliver sales growth in Emerging Markets			$6,314m	Met target		
Deliver Japan target			$2,191m	Met target		
Pascal Soriot level of award	**£525,000 (representing 25.7% of total annual bonus outcome)**					
Marc Dunoyer level of award	**£281,000 (representing 27.1% of total annual bonus outcome)**					

[1] In respect of the return to growth measures only, the targets are set at budget exchange rates at the beginning of the performance period and evaluated at those rates at the end of the performance period.

4. Individual performance

Although the performance targets in the global Scorecard drive *prima facie* bonus outcomes, the Remuneration Committee also applies judgement to assess the Executive Director's individual performance.

For 2015, the Remuneration Committee has determined that following the application of the Scorecard outcome, Mr Soriot's bonus will be increased by £175,000 from 160% of base salary to 175% and, in respect of Mr Dunoyer, by £37,000 from 144% of base salary to 149.3%.

The Remuneration Committee awarded an individual performance uplift of 15% to Mr Soriot's award, which recognises his leadership qualities in driving the Company through a period of transitional change as we continue to return the Company to growth. The Remuneration Committee in particular wished to recognise his continued focus on the Company's longer-term strategy by unlocking the value of non-core assets and technology to support our accelerated pipeline and Growth Platforms in the near term, and the acquisitions of ZS Pharma and Acerta Pharma and business development deals which have the potential to generate sustainable returns for our shareholders. In addition, under Mr Soriot's leadership we have achieved excellent three-year TSR performance against our peers and the Company was ranked as second best employer in the UK in an independent survey commissioned by Bloomberg.

The Remuneration Committee awarded an individual performance uplift of 5.3% to Mr Dunoyer's award, which recognises in particular his role in delivering financial performance in line with guidance despite significant foreign currency headwinds, the successful $6 billion bond issue and the execution of the Company's business development activities.

Long-term incentives: 2013 Performance Share Plan (PSP)

The vesting of the PSP awards is contingent on continued employment and performance against four equally-weighted performance measures over the three-year performance period. 78% of the PSP awards granted to Mr Soriot and Mr Dunoyer in 2013 in respect of the 2013-2015 performance period will vest in 2016. This is the first vesting of LTIs for Mr Soriot and Mr Dunoyer since joining the Company.

	Number of shares awarded	Number of shares vesting	Value of shares vesting[1] £'000
Pascal Soriot	125,113	97,588	4,723
Marc Dunoyer	90,853	70,865	3,993

[1] Based on average closing share price over the three-month period to 31 December 2015 plus accrued dividends over the vesting period.

The TSR and cash flow targets were disclosed at the time of the award. The Remuneration Committee has determined that the 2013 targets relating to the achieve scientific leadership and return to growth elements of the PSP are no longer commercially sensitive. The targets, outcomes and relative weighting of each of the PSP's performance measures are set out in the tables below.

More information about the PSP is set out in the Share interests awarded in 2015 section from page 110.

1. Relative TSR

Performance measure for 2013–2015	Weighting	Threshold target: 25% vesting	Maximum target: 100% vesting	Outcome	Vesting (% of maximum)
AstraZeneca's rank against peer group	25%	Median (6th)	Above upper quartile (2nd or above, at the discretion of the Remuneration Committee)	4th	58%

More information about the TSR performance of the Company, including the Company's peer group, is set out in the Total shareholder return section on page 113.

2. Cumulative cash flow

Performance measure for 2013–2015	Weighting	Threshold target: 25% vesting	Maximum target: 100% vesting	Outcome	Vesting (% of maximum)
Adjusted cumulative cash flow[1]	25%	$9bn	$13bn	$14.1bn	100%

[1] The cash flow target, and the performance against that target, is evaluated by reference to net cash flow before distributions and other adjustments required by the performance conditions.

3. Achieve scientific leadership

Performance measures for 2013–2015	Weighting	Threshold target: 25% vesting	Maximum target: 100% vesting	Outcome	Vesting (% of maximum)
NME approvals	5% per measure	2	4	6	100%
Major life-cycle management approvals		3	5	5	100%
Phase III registration/NME volume		7	10	14	100%
Prospective peak-year sales from NME and major life-cycle management approvals		$1bn	$3bn	$5.6bn	100%
Phase II starts		9	12	34	100%

4. Return to growth[1]

Performance measures for 2013–2015	Weighting	Threshold target: 25% vesting	Maximum target: 100% vesting	Outcome	Vesting (% of maximum)
Deliver *Brilinta/Brilique* target	5% per measure	$1bn	$1.4bn	$0.7bn	0%
Build Diabetes franchise[2]		$1.3bn	$1.9bn	$1.1bn	0%
Deliver Respiratory goals		$3.2bn	$4.6bn	$5.6bn	100%
Deliver sales growth in Emerging Markets		$5bn	$7.1bn	$6.6bn	88%
Deliver Japan target		$2.4bn	$3.4bn	$3.2bn	88%

[1] In respect of the return to growth measures only, the targets are set at budget exchange rates at the beginning of the performance period and evaluated at those rates at the end of the performance period.
[2] The Diabetes performance targets were set prior to the acquisition of the remaining 50% interest in the Global Diabetes Alliance Assets and therefore the Remuneration Committee has evaluated performance consistently against the original targets.

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Pension allowance

Mr Soriot's annual pension allowance is 30% of base salary and Mr Dunoyer's is 24% of base salary. Both Executive Directors took their pension allowance as a cash alternative to participation in a defined contribution pension scheme.

Non-Executive Directors' single total figure remuneration (Audited)

	2015 Fees £'000	2014 Fees £'000	2015 Taxable benefits £'000	2014 Taxable benefits £'000	2015 Annual bonus £'000	2014 Annual bonus £'000	2015 Long-term incentives vesting £'000	2014 Long-term incentives vesting £'000	2015 Pension allowance £'000	2014 Pension allowance £'000	2015 Total £'000	2014 Total £'000
Leif Johansson	**609**	572	**–**	–	**–**	–	**–**	–	**–**	–	**609**	572
Cori Bargmann	**59**	–	**–**	–	**–**	–	**–**	–	**–**	–	**59**	–
Geneviève Berger	**87**	85	**–**	–	**–**	–	**–**	–	**–**	–	**87**	85
Bruce Burlington	**114**	105	**–**	–	**–**	–	**–**	–	**–**	–	**114**	105
Ann Cairns	**95**	65	**–**	–	**–**	–	**–**	–	**–**	–	**95**	65
Graham Chipchase	**107**	92	**–**	–	**–**	–	**–**	–	**–**	–	**107**	92
Jean-Philippe Courtois	**95**	95	**–**	–	**–**	–	**–**	–	**–**	–	**95**	95
Rudy Markham	**156**	130	**–**	–	**–**	–	**–**	–	**–**	–	**156**	130
Shriti Vadera	**108**	95	**–**	–	**–**	–	**–**	–	**–**	–	**108**	95
Marcus Wallenberg	**87**	85	**–**	–	**–**	–	**–**	–	**–**	–	**87**	85
Former Non-Executive Directors												
Nancy Rothwell	**35**	107	**–**	–	**–**	–	**–**	–	**–**	–	**35**	107
John Varley	**46**	140	**–**	–	**–**	–	**–**	–	**–**	–	**46**	140
Total	**1,598**	1,571	**–**	–	**–**	–	**–**	–	**–**	–	**1,598**	1,571

Notes to the Non-Executive Directors' single total figure remuneration table

Board fees and office costs

The Chairman's fee includes office costs (invoiced in Swedish krona) of £34,000 for 2015, and £34,500 for 2014. Further information on the Non-Executive Directors' fees can be found in the Summary of Non-Executive Directors' remuneration for 2016 section on page 119.

Board changes

Cori Bargmann was elected as a Director, and Nancy Rothwell and John Varley retired as Directors, at the Company's AGM on 24 April 2015.

Share interests awarded in 2015 (Audited)

Deferred Bonus Plan

	Pascal Soriot	Marc Dunoyer
Interest awarded	13,482 Ordinary Shares awarded on 27 March 2015 at a grant price of 4762 pence per share.	7,111 Ordinary Shares awarded on 27 March 2015 at a grant price of 4762 pence per share.
Description of interest	Award over shares equal to one-third of the pre-tax annual bonus based on the prevailing market share price on the award date.	
Basis of award	Automatic deferral of one-third of annual bonus into Ordinary Shares or ADSs.	
Face value of award	£642,000	£339,000
Vesting level at threshold performance[1]	100%	
End of performance period[2]	27 March 2018	
Summary of performance measures and targets	No performance conditions apply, but vesting is ordinarily subject to continued employment.	

[1] No performance conditions apply under the Deferred Bonus Plan, other than continued employment.
[2] As no performance conditions apply, this date represents the end of the holding period.

Performance Share Plan (PSP)

	Pascal Soriot	Marc Dunoyer
Interest awarded	104,764 Ordinary Shares awarded on 27 March 2015 at a grant price of 4762 pence per share.	45,880 Ordinary Shares awarded on 27 March 2015 at a grant price of 4762 pence per share.
Description of interest	An award over shares. The vesting date is the fifth anniversary of the date of grant, subject to performance over a three-year period commencing on 1 January in the year of the award and a two-year holding period commencing three years from the date of grant, and continued employment. The award is expressed as a percentage of base salary. Awards are weighted 75% in favour of the PSP and 25% in favour of the AZIP.	
Basis of award	427.5% of base salary.	315% of base salary.
Face value of award	£4,989,000	£2,185,000
Vesting level at threshold performance	25%	
End of performance period	31 December 2017	
End of holding period	27 March 2020	

Summary of performance measures and targets

A combination of measures focused on our scientific, commercial and financial performance assessed over the relevant three-year performance period:

Twenty-five percent of the award is based on the relative TSR performance of the Company against a predetermined peer group of global pharmaceutical companies. The rank which the Company's TSR achieves over the performance period will determine how many shares will vest under the part of the award subject to the TSR performance measure. Payouts against performance in relation to TSR for PSP awards are expressed as a percentage of the maximum award currently payable, shown within a range of 0% to 100%, as shown in the table below.

TSR ranking of the Company – PSP awards made in 2015	% of award under TSR performance measure that vests
Below median	0%
Median	25%
Between median and upper quartile	*Pro rata*
Upper quartile	75%
Above upper quartile	75% to 100% at the Remuneration Committee's discretion

More information about the TSR performance of the Company, including the Company's peer group, is set out in the Total shareholder return section on page 113.

Twenty-five percent of the award is based on the achievement of a cumulative free cash flow target. The measure for the cash flow target for the PSP awards made in 2015 is net cash flow before distributions and other adjustments required by the performance conditions (subject to any further adjustments the Remuneration Committee chooses to make using its judgement) and thus referred to as 'adjusted cumulative cash flow', over the same three-year performance period as the TSR performance measure, and the level of vesting for the part of the award subject to the cash flow performance measure is based on a sliding scale between a threshold cash flow target and an upper target. Vesting levels in relation to the threshold target and the upper target are shown in the table below.

Adjusted cumulative cash flow – PSP awards made in 2015	% of award under cash flow performance measure that vests
Less than $9 billion	0%
$9 billion	25%
Between $9 billion and $11 billion	*Pro rata*
$11 billion	75%
Between $11 billion and $13 billion	*Pro rata*
$13 billion and above	100%

Twenty-five percent of the award is based on achieve scientific leadership measures covering five areas: an NME target, which reflects the Company's ability to deliver innovation to the market; major life-cycle management approvals, which represent a good proxy for near-to-mid term growth; the volume of NMEs in Phase III and their registration; a target for peak-year sales, to track the value of pipeline output; and delivery from our research and early development organisation, assessed by Phase II starts.

Twenty-five percent of the award is based on return to growth measures based on quantitative sales targets relating to the Company's six Growth Platforms: *Brilinta/Brilique*, Diabetes, Respiratory, New Oncology, Emerging Markets, and Japan.

As the PSP performance measures related to achieve scientific leadership and return to growth are an indicator of the Company's longer-term strategic priorities, we believe that the targets/target ranges associated with them are commercially sensitive. We will make retrospective disclosure when the targets are deemed to be no longer commercially sensitive, which we currently anticipate to be immediately following the end of the performance period.

More information about the PSP's performance measures is set out on page 126 of the Remuneration Policy Report.

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AstraZeneca Investment Plan (AZIP)

	Pascal Soriot	Marc Dunoyer
Interest awarded	17,460 Ordinary Shares awarded on 27 March 2015 at a grant price of 4762 pence per share.	7,646 Ordinary Shares awarded on 27 March 2015 at a grant price of 4762 pence per share.
Description of interest	An award over shares. The vesting date is the eighth anniversary of the start of the performance period (being 1 January in any given year), subject to performance and continued employment. The award is expressed as a percentage of base salary. Awards are weighted 75% in favour of the PSP and 25% in favour of the AZIP.	
Basis of award	71.25% of base salary.	52.5% of base salary.
Face value of award	£831,000	£364,000
Vesting level at threshold performance	100%	
End of performance period	31 December 2018	
End of holding period	31 December 2022	
Summary of performance measures and targets	Dividend and dividend cover hurdles, assessed over the relevant four-year performance period > dividend per share of $2.80 maintained, or increased, over the performance period > dividend cover of 1.5 maintained over the performance period, calculated on the basis of Core EPS. Both performance hurdles must be achieved in each year of the performance period for the award to vest. More information about the AZIP's performance hurdles is set out on page 127 of the Remuneration Policy Report.	

AstraZeneca 2012 Savings Related Share Option Scheme (SAYE)

	Marc Dunoyer
Interest	An option granted over 544 Ordinary Shares on 28 September 2015 at a grant price of 3307 pence per share. The grant price is set at 80% of the average market value of an Ordinary Share over the three consecutive trading days immediately preceding the offer date.
Description of interest	The SAYE provides for the grant of options over Ordinary Shares.
Basis of award	£500 monthly payroll deductions over three years.
Face value of award	£18,000
Vesting level at threshold performance[1]	100%
End of performance period[2]	1 December 2018
Summary of performance measures and targets	No performance conditions apply, but vesting is ordinarily subject to continued employment. More information about the SAYE is set out on page 128 of the Remuneration Policy Report.

[1] No performance conditions apply under the SAYE, other than continued employment.
[2] As no performance conditions apply, this date represents the first date on which the option may normally be exercised.

Payments to former Directors (Audited)
No payments were made during 2015 to former Directors.

Payments for loss of office (Audited)
No payments were made for loss of office during 2015.

Remuneration context and our past performance
Statement of change in remuneration of CEO compared to other employees

	Percentage change of CEO against 2014	Average percentage change for employees against 2014
Salary	3%	3.6%
Taxable benefits	6.5%	3.6%
Annual bonus	6%	9.4%

The employee comparator group comprises employees in the UK, US and Sweden. We consider this to be an appropriate comparator group because it is representative of the Group's major science, business and enabling units, and the employee populations are well balanced in terms of seniority and demographics. To provide a meaningful comparison of salary increases, a consistent employee comparator group is used by which the same individuals appear in the 2014 and 2015 group.

CEO total remuneration table

Year	CEO	CEO single total figure remuneration £'000	Annual bonus £'000	Annual bonus payout against maximum opportunity %	Value of LTIs at vest £'000	LTI vesting rates against maximum opportunity %
2015	Pascal Soriot	8,397	2,042	97	4,723[1]	78
2014	Pascal Soriot	3,507	1,926	94	–	–
2013	Pascal Soriot	3,344	1,870	94	–	–
2012	Pascal Soriot[2]	3,693[3]	335	68	–	–
2012	Simon Lowth[4]	3,289	1,034	86	1,301[5]	38[5]
2012	David Brennan[6]	4,147[7]	–	–[8]	2,538	38
2011	David Brennan	7,863	1,326	74	5,386	62
2010	David Brennan	9,690	1,583	90	6,937	100
2009	David Brennan	5,767	1,751	100	2,795	62

1 Based on average closing share price over the three-month period to 31 December 2015 plus accrued dividends over the vesting period.
2 Mr Soriot was appointed CEO with effect from 1 October 2012.
3 This figure includes £991,000 paid to compensate Mr Soriot in respect of his forfeited bonus opportunity for 2012 and an award of £2,000,000 to compensate him for his loss of LTI awards, both in respect of his previous employment.
4 Mr Lowth acted as Interim CEO from June to September 2012 inclusive.
5 Mr Lowth's LTI awards which vested during 2012 were not awarded or received in respect of his performance as Interim CEO.
6 Mr Brennan ceased to be a Director on 1 June 2012.
7 This figure includes Mr Brennan's pay in lieu of notice of £914,000.
8 Mr Brennan informed the Remuneration Committee that he did not wish to be considered for a bonus in respect of that part of 2012 in which he was CEO. The Remuneration Committee determined that no such bonus would be awarded and also that there should be no bonus award relating to his contractual notice period.

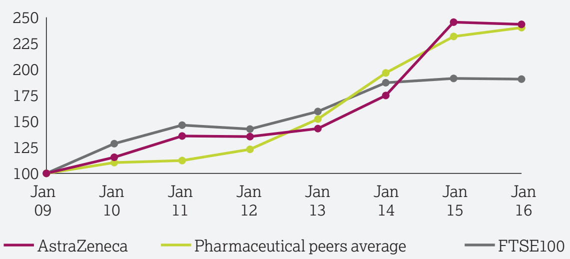
Total shareholder return (TSR)

The graph below compares the TSR performance of the Company over the past seven years with the TSR of the FTSE100 Index. This graph is re-based to 100 at the start of the relevant period. As a constituent of the FTSE100, this index represents an appropriate reference point for the Company. We have also included a 'Pharmaceutical peers average', which reflects the TSR of the current comparator group and provides shareholders with additional context.

The charts below show how the Company's TSR performance has compared with the TSR for the relevant companies in the comparator group from the first day in the three-year performance period in respect of the PSP awards made in 2013, 2014 and 2015, and how the Company ranks against those other companies on this basis.

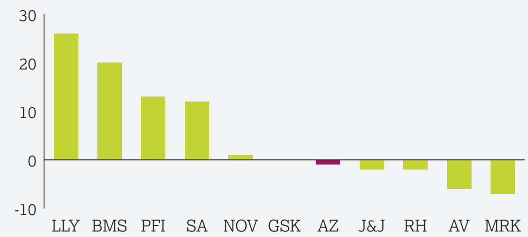
To alleviate any short-term volatility, the return index is averaged in the TSR calculations for each company over the three months prior to the start of the relevant performance period (as stipulated in the PSP rules) and, for the purposes of the charts below, over the last three months of 2015.

TSR over a seven-year period



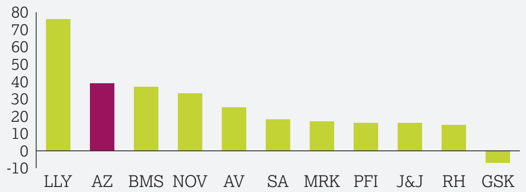
AstraZeneca TSR vs comparator group

1 January 2015 – 31 December 2015 (%)



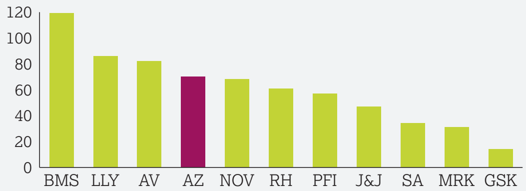
AstraZeneca TSR vs comparator group

1 January 2014 – 31 December 2015 (%)



AstraZeneca TSR vs comparator group

1 January 2013 – 31 December 2015 (%)



Key:
AZ AstraZeneca, AV AbbVie, BMS Bristol-Myers Squibb, GSK GlaxoSmithKline, J&J Johnson & Johnson, LLY Eli Lilly, MRK Merck, NOV Novartis, PFI Pfizer, RH Roche Holding, SA Sanofi-Aventis

Annual Report on Remuneration (the Implementation Report) continued

Relative importance of spend on remuneration

The table below shows the overall spend on employee remuneration and expenditure on shareholder distributions through dividends.

The figures below have been calculated in accordance with the Group Accounting Policies and drawn from either the Company's Consolidated Statement of Comprehensive Income on page 140, or its Consolidated Statement of Cash Flows on page 143. Further information on the Group's Accounting Policies can be found from page 144.

	2015 $m	2014 $m	Difference in spend between years $m	Difference in spend between years %
Total employee remuneration[1]	**6,128**	6,279	(151)	(2.4)
Distributions to shareholders: – Dividends paid	**3,486**	3,521	(35)	(0.99)

1 This figure includes the remuneration paid to all employees in the Group, including the Executive Directors but excluding the Non-Executive Directors, who are not employees.

Disclosure of historic performance targets

2013 Annual bonus

In accordance with the Remuneration Committee's commitment to disclosure as set out in the 2014 Directors' Remuneration Report, the Remuneration Committee has determined that the 2013 targets relating to the achieve scientific leadership and return to growth elements of the annual bonus are no longer commercially sensitive and can therefore be disclosed. The achieve Group financial targets were disclosed in last year's report. Mr Soriot's 2013 annual bonus award was 170% of base salary, and Mr Dunoyer's award was 129%. The level of award for the Executive Directors in respect of the achieve scientific leadership performance measures was 44% of the total bonus outcome, with the return to growth measures contributing 12%. These figures reflect the outcome of the global Scorecard and the Executive Directors' individual performance against it.

1. Achieve scientific leadership

Performance measures for 2013	Target	Outcome	Performance
Positive Phase III investment decisions	2	3	Exceeded target
NME major submissions	2	3	Exceeded target
External licensing opportunities in Phase I/II	2	4	Exceeded target
Late-stage external opportunities	1	3	Exceeded target
Phase II starts	8	11	Exceeded target

2. Return to growth[1]

Performance measures for 2013	Target	Outcome	Performance
Deliver *Brilinta/Brilique* target	$380m	$280m	Below target
Build Diabetes franchise[2]	$979m	$788m	Below target
Deliver sales growth in Emerging Markets	$5,624m	$5,396m	Below target
Deliver Respiratory goals	$4,597m	$4,716m	Exceeded target
Deliver Japan growth target	$3,221m	$3,158m	Below target

1 In respect of the return to growth measures only, the targets are set at budget exchange rates at the beginning of the performance period and evaluated at those rates at the end of the performance period.

2 The Diabetes performance targets were set prior to the acquisition of the remaining 50% interest in the Global Diabetes Alliance Assets and therefore the Remuneration Committee has evaluated performance consistently against the original targets.

Directors' interests in shares (Audited)

Under the Company's Articles all Directors must, within two months of their appointment, acquire a beneficial interest in at least 500 shares in the Company. All of the Directors fulfil this requirement at the date of this Directors' Remuneration Report.

In addition to this mandatory requirement, the Board imposes minimum shareholding requirements on the Executive Directors and SET members. The CEO is required to build a shareholding and hold shares amounting to 300% of base salary, and the CFO is required to hold shares amounting to 200% of base salary, each within five years of their dates of appointment. In the period since his appointment on 1 October 2012, Mr Soriot has acquired 250,100 Ordinary Shares using his own resources which he gifted to family members for nil consideration on 31 December 2015. As at 31 December 2015, Mr Soriot beneficially held Ordinary Shares amounting to 237% of his 2015 base salary, and it is anticipated that Mr Soriot will reach or exceed the minimum shareholding requirement within the time limit imposed by the Board. Mr Dunoyer has fulfilled his requirement. All other SET members are required to build a shareholding over time and hold 125% of base salary as shares while in office.

The Board also encourages each Non-Executive Director to build up, over a period of three years, a shareholding in the Company with a value approximately equivalent to the basic annual fee for a Non-Executive Director (£75,000) or, in the case of the Chairman, approximately equivalent to his basic annual fee (£575,000). All of the Non-Executive Directors, including the Chairman, had fulfilled this expectation as at 31 December 2015.

The tables below show the interests of the Directors (including the interests of their Connected Persons, as such term is defined in the Financial Services and Markets Act 2000) in Ordinary Shares as at 31 December 2015, as well as details of any Director's interests in options over the Company's shares. All such interests were beneficial except as otherwise stated. No Director or senior executive beneficially owns, or has options over, 1% or more of the issued share capital of the Company, nor do they have different voting rights from other shareholders. None of the Directors has a beneficial interest in the shares of any of the Company's subsidiaries. Between 31 December 2015 and 4 February 2016, there was no change in the interests in Ordinary Shares shown in the tables below.

Executive Directors

	Shares held					Options held			
Executive Director	Beneficially held	Value of shares held beneficially as percentage of base salary	Shareholding requirement (to be built up within 5 years of date of appointment)	Subject to performance conditions	Subject to deferral	Unvested	Vested but unexercised	Exercised during the year	Total
Pascal Soriot	59,951	237%	300%	482,040	33,247	–	–	–	575,238
Marc Dunoyer	57,304	381%	200%	228,448	9,790	544	–	–	296,086

The value of shares is based on the London Stock Exchange closing price of 4616.5 pence per Ordinary Share on 31 December 2015.

Non-Executive Directors

The Non-Executive Directors are not eligible to receive shares in the Company that are the subject of performance conditions, and have acquired their beneficial interests in the Company's shares using their own resources.

Non-Executive Directors	Beneficial interest in Ordinary Shares at 31 December 2014 or (if later) appointment date	Change to beneficial interest	Beneficial interest in Ordinary Shares at 31 December 2015 or (if earlier) date of retirement
Leif Johansson	39,009	–	39,009
Cori Bargmann	–	1,959	1,959
Geneviève Berger	2,090	–	2,090
Bruce Burlington	2,749	600	3,349
Ann Cairns	1,225	1,100	2,325
Graham Chipchase	1,900	1,100	3,000
Jean-Philippe Courtois	2,635	3,400	6,035
Rudy Markham	2,452	–	2,452
Shriti Vadera	6,500	3,500	10,000
Marcus Wallenberg	63,646	–	63,646
Former Directors			
Nancy Rothwell	2,643	–	2,643
John Varley	13,000	–	13,000

Governance

Remuneration Committee membership

The Remuneration Committee members are Graham Chipchase (Chairman of the Remuneration Committee), Leif Johansson, Rudy Markham and Shriti Vadera. Nancy Rothwell and John Varley were members of the Remuneration Committee until their retirement at the Company's AGM held on 24 April 2015. Shriti Vadera became a member of the Remuneration Committee with effect from 17 February 2015. The Deputy Company Secretary acts as the secretary to the Remuneration Committee.

How did the Remuneration Committee spend its time during 2015?

The Remuneration Committee met seven times in 2015. The individual attendance record of Remuneration Committee members is set out on page 92. At the invitation of the Remuneration Committee, except where their own remuneration was being discussed, the CEO; the EVP, Human Resources; the Vice-President, People Practices and Services; the Human Resources Vice-President, Centre of Excellence; the Executive Compensation Director; and the Company Secretary attended one or more Remuneration Committee meetings in 2015 and provided services that materially assisted the Remuneration Committee. In addition, all meetings of the Remuneration Committee were attended by Nicki Demby, representing Deloitte LLP (Deloitte), the Remuneration Committee's independent adviser.

Annual Report on Remuneration (the Implementation Report) continued

The Remuneration Committee focused on the following principal matters at its meetings held in 2015 and in February 2016:

> The terms of senior executives' remuneration packages on appointment, promotion or termination.
> The assessment of Group and individual performance against targets to determine the level of annual bonuses for performance during 2014 and to set executive bonus targets during 2015 and LTI awards to be granted during 2015.
> The assessment of performance against targets to determine the level of vesting in 2015 under the PSP and AZIP, and the setting of PSP and AZIP performance thresholds for awards made in 2015.
> The determination of individual awards made to SET members and other participants under the Group's main LTI plans: the PSP; the AZIP; and the AstraZeneca Global Restricted Stock Plan.
> The determination of restricted share awards to a number of senior executives under the AstraZeneca Restricted Share Plan.
> A review of shareholder voting in respect of the Directors' Remuneration Report 2013 and 2014 (including dialogue with major shareholders).
> Consultation with major shareholders and shareholder representative bodies regarding proposals to adjust CEO remuneration during 2015 and the potential simplification of future LTI plans.
> A review of a report providing an analysis of key aspects of reward across the wider Group.
> The determination of the Executive Directors' and other SET members' remuneration for 2015 and for 2016.
> The assessment and setting of executive bonus targets during 2016 and LTI awards to be granted in 2016.
> The annual review of the performance of the Remuneration Committee.
> The review of the terms of reference of the Remuneration Committee.
> The preparation, review and approval of this Directors' Remuneration Report.

Independent Adviser to the Remuneration Committee

The Remuneration Committee reappointed Deloitte as its independent adviser following a tender process undertaken in 2013, which involved interviews with both the Company's management and the Chairman of the Remuneration Committee. Deloitte's service to the Remuneration Committee was provided on a time-spent basis at a cost to the Company of £176,000 (excluding VAT). During the year, Deloitte also provided taxation advice and other specific non-audit advisory services to the Group. The Remuneration Committee reviewed the potential for conflicts of interest and judged that there were no conflicts. Deloitte is a member of the Remuneration Consultants' Group, which is responsible for the stewardship and development of the voluntary code of conduct in relation to executive remuneration consulting in the UK. The principles on which the code is based are transparency, integrity, objectivity, competence, due care and confidentiality. Deloitte adheres to the code.

Shareholder context

At the Company's AGM held in April 2015, the resolution to approve the Annual Report on Remuneration for the year ended 31 December 2014 (the 2014 Implementation Report) was passed.

Resolution text	Votes for	% for	Votes against	% against	Total votes cast	% of Issued Share Capital voted	Votes withheld
Ordinary Resolution to approve the Annual Report on Remuneration for the year ended 31 December 2014	739,049,685	84.11	139,601,566	15.89	878,651,251	69.54	12,522,725

The Remuneration Committee has carefully considered shareholders' comments about the 2013 and 2014 Directors' Remuneration Reports. Before and after the 2015 AGM, John Varley and Graham Chipchase, each of whom has been the Remuneration Committee Chairman during 2015, met and/or spoke with the Company's major shareholders, the Investment Association and Institutional Shareholder Services to clearly understand their views. Key areas arising from these discussions were the desire to see a clearer link between executive pay and the achievement of the Company's 2023 $45 billion revenue target (based on 2013 exchange rates), and the desire for greater simplicity and transparency in the design of executive remuneration, particularly with respect to the Company's LTI plans.

This year we have simplified the PSP for awards made in 2016 by replacing the six return to growth performance targets with one aggregate sales target for our Growth Platforms. This will reflect performance across our Growth Platforms as a whole. Further we have disclosed the target for this measure now, at the start of the performance period. This is in line with our aim to strike the right balance between transparency in our reporting on executive pay and protecting our commercially sensitive information.

We gave careful consideration to whether there could be a more transparent link between the financial targets which we communicated in May 2014 and executive pay. This has some attraction, although there is a clear balance to be struck given the need to ensure that our arrangements are simple, practicable and aligned to our business. Ultimately, following discussions, the Remuneration Committee's view is that the best way to achieve line of sight to the 2023 revenue target is by ensuring that the financial and operational measures under the PSP are directly linked to the long-term business plan (including the 2023 $45 billion revenue target, which we announced in May 2014). However, the Remuneration Committee will continue to consider ways in which a more transparent link between the 2023 revenue target and executive pay may be achieved.

We intend to continue to consult with our major shareholders and shareholder representative bodies during the course of 2016 on proposals to further simplify our LTI plans for the future.

Service contracts

The notice periods and unexpired terms of Executive Directors' service contracts at 31 December 2015 are shown in the table below.

AstraZeneca or the Executive Director may terminate the service contract on 12 months' notice.

Executive Director	Date of service contract	Unexpired term at 31 December 2015	Notice period
Pascal Soriot	27 August 2012	12 months	12 months
Marc Dunoyer	15 March 2013	12 months	12 months

Terms of reference

A copy of the Remuneration Committee's terms of reference is available on our website, www.astrazeneca.com. The Remuneration Committee conducted a review of its terms of reference during 2015 but no changes were recommended to the Board as the terms of reference were considered to remain appropriate.

Basis of preparation of this Directors' Remuneration Report

This Directors' Remuneration Report has been prepared in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the Regulations) and meets the relevant requirements of the Financial Conduct Authority's Listing Rules. As required by the Regulations, a resolution to approve the Implementation Report of this Directors' Remuneration Report will be proposed at the AGM on 29 April 2016.

Implementation of Remuneration Policy in 2016

This section sets out how the Remuneration Committee intends to implement our Remuneration Policy during 2016.

Effective from 1 January 2016, Mr Soriot's base salary was increased, in line with increases in the UK employee population, by 2% to £1,190,000. Mr Soriot's target annual bonus opportunity will remain unchanged at 100% of salary and his LTI plan target will remain unchanged at 437.5% of base salary. However, the Remuneration Committee has granted an above-target LTI award for 2016 of 499% of base salary.

Effective from 1 January 2016, Mr Dunoyer's base salary was increased, in line with increases in the UK employee population, by 2% to £707,000. Mr Dunoyer's target annual bonus opportunity will remain unchanged at 90% of base salary and his LTI plan target award will remain unchanged at 350% of base salary.

The annual bonus measures and weightings for 2016 are set out in the table overleaf and are consistent with those applicable in 2015. Individual performance for each of the Executive Directors will be assessed by reference to individual objectives in line with the Company's objectives for the year.

The performance measures and weightings for 2016 in respect of the LTI plans (AZIP and PSP) are set out in the tables overleaf and are broadly consistent with those applicable in 2015. However, for 2016 we have decided to simplify one of the elements of the PSP by changing the return to growth measure from six key individual measures to one aggregate measure. This will reflect performance across our Growth Platforms as a whole. Furthermore, this change allows us to disclose the aggregate target for this measure at the start of the performance period, in contrast to the individual targets for each Growth Platform which remain commercially sensitive. This is in line with our aim to strike the right balance between transparency in our reporting on executive pay and protecting our commercially sensitive information.

Summary of Executive Directors' remuneration for 2016

Executive Directors' remuneration opportunity

	Pascal Soriot	Marc Dunoyer
Base salary	£1,190,000	£707,000
Pension provision	30% of base salary	24% of base salary
Annual bonus target	100% of base salary (normal range 0%-180%)	90% of base salary (normal range 0%-150%)
LTI plan award	499% of base salary[1]	350% of base salary

[1] LTI plan target remains at 437.5% of base salary.

Annual Report on Remuneration (the Implementation Report) continued

Annual bonus

Return to growth performance measures	Weighting	Achieve scientific leadership performance measures	Weighting	Achieve Group financial targets performance measures	Weighting
Deliver *Brilinta/Brilique* target	5% per measure	NME Phase II starts	6% per measure	Achieve cash flow from operating activities target	10%
Deliver CVMD target		NME and major life-cycle management Phase III investment decisions		Achieve Core EPS target	20%
Deliver sales growth in Emerging Markets		NME and major life-cycle management regional submissions		Achieve overall revenue target	10%
Deliver Respiratory goals		NME and major life-cycle management regional approvals			
Deliver Japan growth target		Acquisition, licensing and divestment opportunities			
Deliver New Oncology growth target					

LTI plans

PSP

TSR ranking of the Company – 25% weighting	% of award under TSR performance measure that vests
Below median	0%
Median	25%
Between median and upper quartile	*Pro rata*
Upper quartile	75%
Above upper quartile	75% to 100% at the Remuneration Committee's discretion

Adjusted cumulative cash flow – 25% weighting	% of award under cash flow performance measure that vests
Less than \$9 billion	0%
\$9 billion	25%
Between \$9 billion and \$11 billion	*Pro rata*
\$11 billion	75%
Between \$11 billion and \$13.5 billion	*Pro rata*
\$13.5 billion and above	100%

Achieve scientific leadership – 25% weighting	Weighting
NME approvals	5% per measure
Major life-cycle management approvals	
Phase III registration/NME volume	
Prospective peak-year sales from NME and major life-cycle management approvals	
Phase II starts	

Return to growth[1] – 25% weighting	Threshold target 25% vesting	Maximum target 100% vesting
Growth Platform revenue	\$17bn	\$20bn

1 In respect of the return to growth measure only, the targets are set at budget exchange rates at the beginning of the performance period and evaluated at those rates at the end of the performance period.

AZIP

Dividend and dividend cover hurdles, assessed over the relevant four-year performance period

> dividend per share of \$2.80 maintained, or increased, over the performance period
> dividend cover of 1.5 maintained over the performance period, calculated on the basis of Core EPS.

Both performance hurdles must be achieved, in each year of the performance period, for the award to vest.

Summary of Non-Executive Directors' remuneration for 2016

Board and Committee fees for the Non-Executive Directors, including the Chairman, were not reviewed in 2015 and, accordingly, there are no changes to the level of fees proposed for 2016 at the date of this report. The fees will be reviewed during 2016 and, should any changes be considered appropriate, changes may become effective during the 2016 financial year. The Non-Executive Director fees as at 4 February 2016 (together with those for 2015) are set out below. Further information on the Non-Executive Directors' Board and Committee fees can be found on page 134 of the Remuneration Policy Report.

Non-Executive Director fees in 2015 and as at 4 February 2016	2015 £	At 4 February 2016 £
Chairman's fee[1]	575,000	575,000
Basic Non-Executive Director's fee	75,000	75,000
Senior independent Non-Executive Director	30,000	30,000
Membership of the Audit Committee	20,000	20,000
Membership of the Remuneration Committee	15,000	15,000
Chairman of the Audit Committee or the Remuneration Committee[2]	25,000	25,000
Membership of the Science Committee	12,000	12,000
Chairman of the Science Committee[2]	10,000	10,000

[1] The Chairman does not receive any additional fees for chairing, or being a member of, a Committee.
[2] This fee is in addition to the fee for membership of the relevant Committee.

Additional information: Executive Directors' share plans

Deferred Bonus Plan

The interests of Directors at 31 December 2015 in Ordinary Shares that are the subject of awards under the deferred bonus plan are shown below.

	Number of shares	Award price (pence)	Grant date[1]	Vesting date[1]
Pascal Soriot				
Award in respect of 2012 performance period	3,799	2939	25.02.13	25.02.16
Award in respect of 2013 performance period	15,966	3904	28.03.14	28.03.17
Total at 1 January 2015	**19,765**			
Award in respect of 2014 performance period	13,482	4762	27.03.15	27.03.18
Total at 31 December 2015	**33,247**			
Marc Dunoyer				
Award in respect of 2013 performance period	2,679	3904	28.03.14	28.03.17
Total at 1 January 2015	**2,679**			
Award in respect of 2014 performance period	7,111	4762	27.03.15	27.03.18
Total at 31 December 2015	**9,790**			

[1] UK date convention applies.

Performance Share Plan (PSP)

The interests of Directors at 31 December 2015 in Ordinary Shares that are the subject of awards under the PSP are shown below.

	Number of shares	Award price (pence)	Grant date[1]	Vesting date[1]	Performance period[1]
Pascal Soriot					
2013 award	125,113	3297	11.06.13	11.06.16	01.01.13 – 31.12.15
2014 award	124,066	3904	28.03.14	28.03.17	01.01.14 – 31.12.16
Total at 1 January 2015	**249,179**				
2015 award	104,764	4762	27.03.15	27.03.20	01.01.15 – 31.12.17
Total at 31 December 2015	**353,943**				
Marc Dunoyer					
2013 award	90,853	3302	01.08.13	01.08.16	01.01.13 – 31.12.15
2014 award	52,254	3904	28.03.14	28.03.17	01.01.14 – 31.12.16
Total at 1 January 2015	**143,107**				
2015 award	45,880	4762	27.03.15	27.03.20	01.01.15 – 31.12.17
Total at 31 December 2015	**188,987**				

[1] UK date convention applies.

Annual Report on Remuneration (the Implementation Report) continued

AstraZeneca Investment Plan (AZIP)

The interests of Directors at 31 December 2015 in Ordinary Shares that are the subject of awards under the AZIP are shown below.

	Number of shares	Award price (pence)	Grant date[1]	Vesting date[1]	Performance period[1]
Pascal Soriot					
2013 award[2]	89,960	3297	11.06.13	01.01.21	01.01.13 – 31.12.16
2014 award	20,677	3904	28.03.14	01.01.22	01.01.14 – 31.12.17
Total at 1 January 2015	**110,637**				
2015 award	17,460	4762	27.03.15	01.01.23	01.01.15 – 31.12.18
Total at 31 December 2015	**128,097**				
Marc Dunoyer					
2013 award	8,176	3302	01.08.13	01.01.21	01.01.13 – 31.12.16
2014 award	8,709	3904	28.03.14	01.01.22	01.01.14 – 31.12.17
Total at 1 January 2015	**16,885**				
2015 award	7,646	4762	27.03.15	01.01.23	01.01.15 – 31.12.18
Total at 31 December 2015	**24,531**				

1 UK date convention applies.
2 The AZIP award of 89,960 shares comprises a regular 2013 award of 20,852 shares and a previously announced award which replaces that originally made when Mr Soriot joined the Company in October 2012.

Restricted share award

On 26 October 2012, Mr Soriot was granted an award of 69,108 restricted shares at an award price of 2894 pence per share. When Mr Soriot joined AstraZeneca, he forfeited awards made to him by his previous employer. The Remuneration Committee determined that it was appropriate to compensate him for the value of those forfeited awards. AstraZeneca received an independent assessment of their value. The restricted shares vested as follows

> 27,644 vested on 31 October 2013
> 20,732 vested on 1 October 2014
> 20,732 vested on 1 October 2015.

The interests of Mr Soriot at 31 December 2015 in Ordinary Shares that are the subject of awards under this arrangement are shown below.

	Number of shares	Price on vesting date (pence)
Pascal Soriot		
Total at 1 January 2015	**20,732**	
Final vesting of 2012 award	(20,732)[1]	4181.5
Total at 31 December 2015	**–**	

1 Following certain mandatory tax deductions, Mr Soriot became beneficially interested in a net number of 17,985 Ordinary Shares.

Restricted Share Plan

On 1 August 2013, Mr Dunoyer was granted an award of 65,505 restricted shares at an award price of 3302 pence per share. When Mr Dunoyer joined AstraZeneca as EVP, GPPS, he forfeited awards made to him by his previous employer. The Remuneration Committee determined that it was appropriate to compensate him for the value of those forfeited awards. AstraZeneca received an independent assessment of their value. The restricted shares vested, or will vest, as follows

> 9,103 shares vested on 15 June 2014
> 41,472 shares vested on 15 June 2015
> 14,930 shares will vest on 1 August 2016.

The interests of Mr Dunoyer at 31 December 2015 in Ordinary Shares that are the subject of awards under this arrangement are shown below.

	Number of shares	Price on vesting date (pence)
Marc Dunoyer		
Total at 1 January 2015	**56,402**	
Partial vesting of 2013 award	(41,472)[1]	4211
Total at 31 December 2015	**14,930**	

[1] Following certain mandatory tax deductions, Mr Dunoyer became beneficially interested in a net number of 21,980 Ordinary Shares.

AstraZeneca 2012 Savings Related Share Option Scheme (SAYE)

The interests of Mr Dunoyer at 31 December 2015 in options to subscribe for Ordinary Shares that are the subject of awards under the SAYE are shown below.

	Number of shares under option	Exercise price (pence)	Grant date[1]	First date exercisable[1]	Last date exercisable[1]
Marc Dunoyer					
Total at 1 January 2015	**–**				
2015 award	544	3307	28.09.15	01.12.18	31.05.19
Total at 31 December 2015	**544**				

[1] UK date convention applies.

Remuneration Policy Report

This section sets out the Remuneration Policy (the Policy) that was approved by shareholders at the Company's AGM in April 2014. It is intended that the Policy shall remain in effect for a period of three years from 1 January 2015.

The Policy set out below has not been amended since its approval by shareholders in April 2014, other than to show changes to individual remuneration in 2016 in the Remuneration scenarios for Executive Directors section on page 129 and the notes to those scenarios, which remain within Policy. However, mindful of shareholder commentary on the Policy since its approval, the Remuneration Committee sought to clarify certain aspects of the Policy in relation to its approach to recruitment remuneration for Executive Directors and, in 2014, it adopted 'Operating guidelines' with effect from 1 January 2015 identified on page 130, which do not form part of the Company's Policy as approved by shareholders. These clarifications are marked in bold in this Policy Report.

Setting the Company's Policy

The Remuneration Committee is responsible for setting overall remuneration policy and makes decisions about specific remuneration arrangements in the broader context of employee remuneration throughout the Group. All roles within the organisation are benchmarked against comparable roles in similar organisations and in the employee's local market to ensure the Company is paying fairly at all levels. Executive Directors' remuneration arrangements are benchmarked against a global pharmaceutical peer group and the FTSE30. Each year the Company actively engages with its employees, either on a Group-wide basis or in the context of smaller focus groups, in order to solicit feedback generally and on a wide range of specified issues, including pay.

While the Remuneration Committee did not consult with employees when determining the Executive Directors' remuneration policy, it does annually review Group remuneration data including ratios of average pay to senior executive pay; bonus data; gender and geographical data in relation to base salaries and variable compensation; and aggregate data about the shareholding levels of senior managers. Many employees are also shareholders in the Company and therefore had the opportunity to vote at the 2014 AGM on this Remuneration Policy Report. In reviewing the base salaries of Executive Directors, the Remuneration Committee considers the overall level of any salary increases being awarded to employees in the Executive Director's local market in the relevant year.

In all aspects of its work, the Remuneration Committee considers both the external environment in which the Company operates and the guidance issued by organisations representing institutional shareholders. It consults the Company's largest investors on general and specific remuneration matters and provides an annual opportunity for representatives of those investors to meet the Chairman of the Remuneration Committee and other Remuneration Committee and Board members. It is the Company's policy to seek input from major shareholders on an *ad hoc* basis where significant changes to remuneration arrangements are proposed. The Company's shareholders are encouraged to attend the Company's AGM and any views expressed will be considered by the Remuneration Committee's members. The Remuneration Committee works with the Audit Committee to ensure that the Group's remuneration policies and practices achieve the right balance between appropriate incentives to reward good performance, managing risk, and the pursuit of the Company's business objectives.

Legacy arrangements

The Remuneration Committee may approve remuneration payments and payments for loss of office where the terms of the payment were agreed before the Policy came into effect, or at a time when the relevant individual was not a Director of the Company (provided that, in the opinion of the Remuneration Committee, the agreement was not in consideration for the individual becoming a Director of the Company). This includes the exercise of any discretion available to the Remuneration Committee in connection with such payments.

For these purposes, payments include the Remuneration Committee satisfying awards of variable remuneration including awards over shares, on the basis of the terms agreed at the time the award is granted.

Minor amendments

The Remuneration Committee may make minor amendments to the arrangements for the Directors as described in this Remuneration Policy Report (for regulatory, exchange control, tax or administrative purposes, or to take account of a change in legislation).

Remuneration Policy for Executive Directors

Fixed elements of remuneration: base salary, benefits and pension

The Company's approach to determining and reviewing the salaries of the Executive Directors and the employee population as a whole is the same. On an annual basis, the salaries for individual roles are reviewed in the context of individual sustained performance and the external market. AstraZeneca participates in annual global compensation surveys, which provide benchmarking data for all roles within the organisation, ensuring a robust salary review process for all employees.

The Company seeks to provide an appropriate range of competitive benefits, including pension, to all employees (including Directors) in the context of their local market.

Base salary

Purpose and link to strategy	Operation	Maximum opportunity
Base salary is intended to be sufficient (but no more than necessary) to attract, retain and develop high-calibre individuals in order to deliver the Company's strategy.	The Remuneration Committee determines base salary based on a number of factors, including (but not limited to): > Recognition of the value of an individual's sustained personal performance and contribution to the business > The individual's skills and experience > Internal relativities > Conditions in the relevant external market. Base salaries are normally reviewed annually to ensure they remain competitive, with any change usually taking effect from 1 January. There are no contractual provisions for clawback or *malus* of base salary.	The current base salaries can be found on page 107 of the Implementation Report. While there is no formal maximum, annual base salary increases, if any, for the Executive Directors will normally be in line with the percentage increases awarded to the employee population within the individual's country location. Higher increases may be made if the Remuneration Committee in its discretion considers it appropriate. For example, this may include: > Increase in the scope and/or responsibility of the individual's role > Development of the individual within the role.

Benefits

Purpose and link to strategy	Operation	Maximum opportunity
To provide market competitive benefits. Non-cash benefits are designed to be sufficient (but no more generous than necessary) to attract, retain and develop high-calibre individuals in order to deliver the Company's strategy. .	UK-based Executive Directors are provided with a fund under the UK Flexible Benefits Programme. The fund value is based on a range of benefits including: > Private Medical Insurance for partner and children > Life assurance > Permanent health insurance > Company car > Additional holidays > Other additional benefits made available by the Company from time to time that the Remuneration Committee considers appropriate based on the Executive Director's circumstances. A Director may choose to take a proportion of, or the entire fund, as cash. Non-UK-based Executive Directors will receive a range of benefits (or a fund of equivalent value) comparable to those typically offered in their local market. They can elect to take the fund as cash or elect one or more of these benefits and take the balance as cash. At its discretion, for Executive Directors on an international assignment or relocating to take up other Company duties, the Remuneration Committee may consider support towards the reasonable costs of relocation. At its discretion, the Remuneration Committee may provide an allowance towards the reasonable fees for professional services such as legal, tax, property and financial advice. The Company may also fund the cost of a driver and car for Executive Directors. The Company also provides Directors' and Officers' Liability Insurance and an indemnity to the fullest extent permitted by the law and the Company's Articles. There are no contractual provisions for clawback or *malus* of benefits.	The current value of benefits available can be found on page 107 of the Implementation Report. The maximum value of the fund available under the UK Flexible Benefits Programme will be equivalent to the cost to the Company of the suite of benefits at the time. The maximum value of the suite of benefits for non-UK-based Executive Directors will be equivalent to the cost of the suite of benefits at the time. The value of the support towards the costs of relocation will be the reasonable costs associated with the Executive Director's particular circumstances. The value of the support towards the costs of professional fees and other costs will be the reasonable costs associated with the Executive Director's particular circumstances. The maximum value of the Directors' and Officers' Liability Insurance and third party indemnity insurance is the cost at the relevant time. While the Remuneration Committee has not set an overall level of benefit provision, the Remuneration Committee keeps the benefit policy and benefit levels under review.

Pension

Purpose and link to strategy	Operation	Maximum opportunity
Provision of retirement benefits to attract, retain and develop high-calibre individuals in order to deliver the Company's strategy.	Company allocations for Executive Directors' pensions will be a proportion of the individual's base salary and is in line with local market practice. As part of the UK Flexible Benefits Programme, the Company provides an allocation consisting of a percentage of the UK-based Executive Director's base salary, which the Executive Director can elect to pay into a pension scheme or take as cash. The Company will allocate an amount benchmarked to the local market. There are no contractual provisions for clawback or *malus* of pension.	Currently the CEO and CFO receive an allocation equivalent to 30% and 24% of their base salaries respectively as a contribution towards the cost of their pension provisions. The maximum annual allocation that may be provided to UK-based Executive Directors is 35% of base salary. Non-UK-based Executive Directors will receive a fund for the purpose of providing retirement benefits in line with the local market practice. The maximum value of that fund will be a sum equivalent to local market practice. The Executive Director may elect to take some or all of the fund as cash.

Remuneration Policy for Executive Directors continued

Variable elements of remuneration

Annual bonus

All employee bonuses are determined by reference to the Group scorecard and an assessment of individual performance. The Group scorecard is designed to reflect the Company's strategy and the focus of its business activity and priorities in the performance year. The performance measures are recommended by the CEO and determined by the Remuneration Committee at the beginning of each year. They are designed to ensure that all eligible employees receive an element of reward based on the Group's overall financial and non-financial performance. A scorecard approach ensures that all employees across functions and geographies are focused on the activities critical to delivering the business strategy. The performance measures and weightings underlying the annual bonus plan will be disclosed in advance. The outcomes against targets, for reasons of commercial sensitivity, will be disclosed in arrears. The Implementation Report will identify, in arrears, the performance versus the objectives and the consequent levels of remuneration deemed appropriate by the Remuneration Committee.

For Executive Directors, one-third of their pre-tax annual bonus is delivered in shares, which are deferred for three years, under the Deferred Bonus Plan. Employees below SET level receive a bonus in cash and are not required to defer a proportion in shares.

Annual bonus: cash

Purpose and link to strategy	Operation and framework used to assess performance	Maximum opportunity
The annual cash bonus rewards short-term performance against specific annual Group and individual objectives. These objectives are designed to facilitate the delivery of the Company's short-term strategy and thereby create value for our shareholders over time.	The annual cash bonus is based on Group and individual performance in the relevant performance year. Scorecard measures and targets are set annually by the Remuneration Committee based on the key strategic objectives for the year. Payout levels are determined by the Remuneration Committee after the year end, based on performance against targets. The performance period is one year. The performance measures form a Group scorecard which is closely aligned to business strategy, and rewards scientific, commercial and financial success. While we expect the performance measures to be largely unchanged each year, the Remuneration Committee believes it is inadvisable to commit to a fixed set of measures in advance in order to retain flexibility to align incentives with the focus of corporate strategy in the relevant year. The greatest weighting is typically placed on the achievement of financial targets, with an equal weighting between the scientific and commercial growth metrics reflecting the importance of both sales and R&D success. The actual annual weighting will depend on the strategic priorities for the performance year. The Group scorecard is made up of a number of separate metrics within each performance measure. Each metric has a payout range associated with it (including a target which is intended to be stretching). In relation to each metric, a threshold level of performance is specified. If performance falls below this level there will be no payout for that proportion of the award. Each metric has a different weighting. If none of the metrics attributable to a performance measure is met then a bonus payout will not be made in respect of that performance measure. If none of the metrics is met in any of the performance measures, then no bonus payout will be made. The Board will consider Company performance against the Group scorecard objectives as well as the Executive Director's individual performance in order to determine the value of the bonus award. Individual performance will be assessed by the Remuneration Committee on the basis of objective criteria established by the Chairman in the case of the CEO, and by the CEO in the case of the CFO. The Remuneration Committee has the discretion to move the theoretical award up or down subject to the annual bonus award being no greater than the maximum percentage of base salary applicable to that award in the year in question. The Remuneration Committee will use its discretion to ensure that a fair and balanced outcome is achieved, taking into account the overall performance of the Company and the experience of its shareholders. Two-thirds of the annual bonus is delivered in cash and one-third is delivered in shares, which are deferred for three years as explained opposite. The annual bonus, including the deferred share element, payable for target performance for the CEO is currently 100% of base salary and for the CFO is currently 90% of base salary. For bonuses awarded in respect of 2015 and subsequent years, the Remuneration Committee will have discretion, for up to six years from the payment date, to claw back from individuals some or all of the cash bonus award in certain circumstances including (i) material restatement of the results of the Group, (ii) significant reputational damage to the Group, or (iii) serious misconduct by the individual. However, in the case of (i) and (ii) the Remuneration Committee may only exercise its discretion for up to two years from the payment date.	The maximum annual amount payable to an Executive Director is 250% of base salary. If the Remuneration Committee ever felt that it would be in the interests of shareholders to grant an annual bonus of an amount exceeding the historical maximum opportunity of 180% of base salary in the case of the CEO and 150% of base salary in the case of the CFO, it would consult major shareholders in advance.

Annual bonus: Deferred Bonus Plan

Purpose and link to strategy	Operation and framework used to assess performance	Maximum opportunity
The deferred share element of the annual cash bonus under the Deferred Bonus Plan is designed to align Executive Directors' interests with those of shareholders.	Executive Directors are required to defer one-third of their pre-tax annual cash bonus into shares. On vesting, the cash value equivalent to dividends that would have been paid during the three-year holding period will be paid subject to continued employment. Directors must normally remain in employment for three years from grant for deferred shares to vest. Once performance measures have been applied to determine the value of the total bonus, no further performance measures apply to the deferred share element. For deferred share elements relating to bonuses awarded in respect of 2015 and subsequent years, the Remuneration Committee has discretion: > to reduce or cancel any portion of an unvested deferred bonus award in certain circumstances (*malus*), including (i) material restatement of the results of the Group, (ii) significant reputational damage to the Group, or (iii) serious misconduct by the individual > for up to six years from the vesting date, to claw back from individuals some or all of the deferred bonus award in certain circumstances, including (i) material restatement of the results of the Group, (ii) significant reputational damage to the Group, or (iii) serious misconduct by the individual. However, in the case of (i) and (ii) the Remuneration Committee may only exercise its discretion for up to two years from the vesting date.	The maximum deferred bonus for Executive Directors is one-third of the maximum pre-tax bonus as detailed in the Annual bonus: cash section on page 124.

Long Term Incentives (LTIs)

Overview: An Executive Director's target LTI award is considered annually and set at a level which takes account of market analysis. The Remuneration Committee has discretion to grant awards above or below target based on individual performance and potential. The CEO's current LTI target is 250% of base salary on an expected value basis, and the CFO's current LTI target is 200% of base salary on an expected value basis. An illustration of the expected value basis can be found in the Remuneration scenarios for Executive Directors section on page 129.

The Company's variable long-term arrangements for Executive Directors currently comprise two LTI plans: the PSP and the AZIP. Under each of these plans the maximum market value of shares that may be awarded is 500% of a participant's base salary. If the Remuneration Committee ever felt that it would be in the interests of shareholders to grant annual variable awards to an Executive Director with values exceeding the historical range of up to 500% in aggregate under the LTI plans, it would consult major shareholders in advance. Currently when LTI awards are granted to Executive Directors, the split between the two plans is weighted in the proportion: 75% PSP and 25% AZIP.

When granting LTI awards the Remuneration Committee applies a target as a percentage of base salary on an expected value basis. For the AZIP, the expected value on vesting is 100% of the value of the award at grant. For the PSP, the expected value on vesting is 50% of the value of the award at grant.

The table overleaf explains the operation, minimums and maximums payable under each of these LTI plans.

Performance measures: Performance measures are recommended by the CEO and determined by the Remuneration Committee. The performance measures in respect of the PSP are designed to drive long-term performance against the Company's strategic objectives, in terms of commercial, scientific and financial success.

In respect of the AZIP, dividend-based performance hurdles motivate the generation of returns for shareholders on a sustainable basis over an extended period of time, and will be set by the Remuneration Committee at a level it considers appropriate at the start of the performance period. The combined eight-year performance and holding period is designed to reflect the development cycle of a medicine and therefore to align executive reward with successful product development.

When setting the performance measures at the start of the performance period, the Remuneration Committee will also determine an appropriate payout curve (if any), for each measure. The Remuneration Committee will assess performance against the performance measures to determine the level of payout. The Remuneration Committee may exercise its discretion to increase or decrease the payout should it consider it appropriate, subject to the maximum percentage of base salary applicable in the year in question. The intention of the Remuneration Committee is to exercise judgement appropriately, in particular so that the experience of shareholders over time is taken into account. As a matter of good practice, certain major shareholders would be consulted before any material change to the performance measures for the PSP or AZIP are implemented.

The Remuneration Committee seeks to ensure that, on the one hand, reward outcomes are not purely mechanistic; but on the other, that in exercising its discretion, that exercise is not seen by employees to be arbitrary or unfair. The Remuneration Committee's objective is to use reward arrangements to drive performance by employees which supports the creation of value for shareholders.

Cessation of employment and other circumstances: The LTI plans are governed by plan rules, which define how individual awards should be treated upon termination of an Executive Director's employment (see Principles of payment for loss of office for Executive Directors section on page 132). Provision is also made for the treatment of awards in respect of corporate activity including rights issues, sale of a business outside the Group and a change of control. The treatment of awards in these circumstances is also subject to Remuneration Committee discretion. In the event of a change of control an award will vest *pro rata* to the time elapsed between the date of grant of the award and the date of the event to the extent that the performance measures have been met up to the date of the event, subject to the Remuneration Committee's discretion to make an alternative determination.

Other employees: Other employees at mid to senior levels globally are eligible for LTI awards in the form of PSP and/or Restricted Stock Units. The occupants of approximately 700 senior roles in the Company are currently eligible for PSP awards – these are the leaders who have the ability directly to influence the delivery of the Company's strategic goals. Awards under the AZIP are currently granted to SET members only (including the Executive Directors).

Remuneration Policy for Executive Directors continued

AstraZeneca Performance Share Plan (PSP)

Purpose and link to strategy	Operation and framework used to assess performance	Maximum opportunity
The PSP is an LTI plan designed to align the variable pay of our Executive Directors directly to the delivery of our medium-term business strategy.	The PSP provides for the grant of awards over Ordinary Shares or ADSs. Vesting is dependent on the achievement of stretching three-year performance targets and continued employment. Performance measures and targets under the PSP are determined by the Remuneration Committee at the start of the relevant three-year performance period and consist of a range of measures designed to incentivise performance in furtherance of the Company's business strategy. The performance measures (currently a combination of four measures: TSR; cumulative cash flow; sales of medicines in key therapy areas and territories; and innovation metrics) are closely aligned to business strategy, and reward commercial, scientific and financial success. Currently each of the four measures has an equal weighting. When setting the performance measures at the start of the performance period, the Remuneration Committee will allocate weightings to those measures as it considers appropriate, taking into account strategic and business priorities. The three-year performance period commences on 1 January in the year of the award. The vesting date is the third anniversary of the date on which the award is granted. A two-year holding period commencing three years from the date of grant for Executive Directors will be included in the new PSP rules which are being put to shareholders for approval at the AGM in 2014 and, if approved, will be effective for awards made after the AGM. These awards will vest at the end of the holding period. During the holding period, no further performance measures will apply as performance has already been assessed. All the performance measures have a payout curve. The payout curves are structured in different ways depending on the overall objective they are intended to measure. Typically, performance measures are structured such that 25% of the award will vest for threshold level of performance. The relationship between threshold, target and out-performance will be determined by the Remuneration Committee at each grant of the PSP and is dependent on whether the performance measure is science, commercial or finance based. An award will typically vest at 100% if the target (usually set at upper quartile performance) is achieved and threshold level of performance associated with any metric will be at or above a median level. There will be other vesting points between the threshold and maximum of 100% vesting, typically on a straight-line basis where the performance measures permit. The Remuneration Committee may (acting fairly and reasonably) adjust or waive a performance target if an event occurs that causes it to believe that the performance target is no longer appropriate. Payouts can range from 0% to 100% of the original award. On vesting, the cash value equivalent to dividends accrued during the vesting period will be paid. Subject to shareholder approval of the renewal of the PSP at the 2014 AGM, for awards granted under the PSP after the AGM and in subsequent years, the Remuneration Committee will have discretion: > to reduce or cancel any portion of an unvested award in certain circumstances (*malus*), including (i) material restatement of the results of the Group, (ii) significant reputational damage to the Group, or (iii) serious misconduct by the individual > for up to six years from the third anniversary of the date of grant, to claw back from individuals some or all of the award in certain circumstances, including (i) material restatement of the results of the Group, (ii) significant reputational damage to the Group, or (iii) serious misconduct by the individual. However, in the case of (i) and (ii) the Remuneration Committee may only exercise its discretion for up to two years from the third anniversary of the date of grant.	Under the PSP plan rules, the maximum market value of shares that may be awarded at the date of grant in respect of any year is 500% of a participant's annual base salary. If each aspect of all of the performance measures is met and exceeded, the Remuneration Committee currently has the discretion to pay out a maximum of 125% of the value of the original award. However, the Remuneration Committee has determined that it will not exercise this discretion in relation to outstanding or future awards. This feature has therefore been removed from the new PSP rules which are being put to shareholders for approval at the AGM in 2014.

AstraZeneca Investment Plan (AZIP)

Purpose and link to strategy	Operation and framework used to assess performance	Maximum opportunity
The combined eight-year performance and holding periods of the AZIP are influenced by the Group's medicine development cycle, reflecting the long-term investment horizons that are a feature of the pharmaceutical industry.	The AZIP provides for the grant of awards over Ordinary Shares or ADSs. Vesting is dependent on achievement of two performance measures over a four-year performance period. The award is then subject to a further four-year holding period. Payout of the award is subject to continued employment. Performance measures and targets under the AZIP are determined by the Remuneration Committee at the start of the relevant four-year performance period. Currently, two performance measures apply: dividend level and dividend cover. Both measures must be achieved for the award to vest. If an event occurs which causes the Remuneration Committee (acting fairly and reasonably) to consider that a performance measure is no longer appropriate it may adjust that measure. The AZIP is operated over a four-year performance period, with a subsequent four-year holding period. Performance periods commence on 1 January in the year of the award. Holding periods run for a period of four years starting from the end of the performance period, and end on the eighth anniversary of the start of the performance period. During the holding period, no further performance measures apply as performance has already been assessed. If both measures are achieved in each year of the performance period, the award will vest in full at the end of the holding period. If either or both of the measures are not achieved, the award will lapse. On vesting, the cash value equivalent to dividends paid during the performance and holding periods will be paid. For awards granted under the AZIP prior to the AGM in 2014, the Company may reduce or cancel some or all of the shares that are the subject of a participant's award at any time during the performance or the holding period if, in the opinion of the Remuneration Committee (acting fairly and reasonably), this is warranted by the underlying performance of the Company, the occurrence of an event that causes, or is very likely to cause, reputational damage to the Company, or serious misconduct by the participant. In order to ensure consistency between our LTI plans, for awards granted under the AZIP on or after the AGM and in subsequent years, the Remuneration Committee will have discretion: > to reduce or cancel any portion of an unvested award in certain circumstances (*malus*), including (i) material restatement of the results of the Group, (ii) significant reputational damage to the Group, or (iii) serious misconduct by the individual > for up to six years from the end of the performance period, to claw back from individuals some or all of the award in certain circumstances, including (i) in the case of material restatement of the results of the Group, (ii) significant reputational damage to the Group, or (iii) serious misconduct by the individual. However, in the case of (i) and (ii) the Remuneration Committee may only exercise its discretion for up to two years from the end of the performance period.	Under the AZIP plan rules the maximum market value of shares that may be awarded at the date of grant in respect of any year is 500% of a participant's annual base salary.

Remuneration Policy for Executive Directors continued

Restricted shares

In certain circumstances, as part of the recruitment arrangements, an Executive Director may be awarded restricted shares. There are no performance measures attached to awards of restricted shares because typically they will be awarded for the purpose of compensating newly recruited Executive Directors for loss of entitlements on leaving a previous employment. However, the Remuneration Committee will consider whether the lost incentives were subject to performance measures and their likely vesting. If foregone awards were subject to performance testing, then the compensatory AstraZeneca award will normally be granted under the PSP and/or AZIP in order to align the performance conditions attaching to the award to the delivery of the Company's strategy. Restricted share awards will generally be used only when the foregone compensation was not subject to performance testing.

The Remuneration Committee may divide an award of restricted shares into tranches vesting at different points and may apply performance measures bespoke to the individual if it considers it appropriate. If it decides to attach performance conditions, the performance conditions and period will be defined at grant.

In most instances, there are no performance conditions attached to these awards. They will therefore vest in full if the individual remains in office on the vesting date.

On vesting, the cash value equivalent to dividends accrued during the vesting period will be paid.

There are no contractual provisions for clawback or *malus* of awards of restricted shares.

Restricted shares may be used for the same purpose on the recruitment of other employees.

AstraZeneca also operates another restricted share plan (the AstraZeneca Global Restricted Stock Plan) to provide LTI awards to eligible employees globally. Currently Executive Directors and other senior executives are not eligible to participate in this plan.

Award of restricted shares

Purpose and link to strategy	Operation and framework used to assess performance	Maximum opportunity
In certain circumstances, as part of recruitment arrangements, an Executive Director may be made awards of restricted shares. This would ordinarily be to compensate for loss of remuneration opportunities suffered on leaving previous employment.	See above.	There is no maximum value of an award which may be granted. The Remuneration Committee will determine the value of the award at grant, as it considers appropriate in all the circumstances.

Restricted Share Plan (RSP)

Purpose and link to strategy	Operation and framework used to assess performance	Maximum opportunity
The RSP is a LTI plan designed to align the variable pay of our key employees, excluding Executive Directors, directly to the delivery of our business strategy.	The RSP provides for the granting of restricted share awards to key employees, excluding Executive Directors. Mr Dunoyer, who was appointed as an Executive Director subsequent to his appointment as EVP, GPPS, was granted an award of restricted shares to compensate for loss of entitlements as a result of leaving his previous employment.	Under the RSP plan rules the maximum market value of shares that may be awarded at the date of grant in respect of any year is 500% of a participant's annual base salary. The Remuneration Committee will determine the value of the award at grant, as it considers appropriate in all the circumstances. In the case of Mr Dunoyer, the maximum payable is 100% of the shares awarded (65,505 shares).

UK employee share plans

All UK-based employees, including the Executive Directors, are eligible to participate in the SAYE Option Scheme and Share Incentive Plan, which are HM Revenue & Customs (HMRC) approved plans.

Share Incentive Plan (SIP)

Purpose and link to strategy	Operation and framework used to assess performance	Maximum opportunity
Encouraging share ownership	The Company operates an HMRC-approved SIP whereby UK employees, including Executive Directors, may save a regular amount over one year with which to purchase Partnership shares and for which, currently, a Matching share is granted for every four shares purchased.	Partnership shares up to £125 per month from pre-tax pay or such other maximum amount as determined by the Company within the parameters of applicable legislation.

SAYE Option Scheme (SAYE)

Purpose and link to strategy	Operation and framework used to assess performance	Maximum opportunity
Encouraging share ownership	The Company operates an HMRC-approved save as you earn option scheme whereby UK employees, including Executive Directors, may save a regular amount over three or five years with which to purchase shares. Currently, shares are acquired at a 10% discount to the market price prevailing at the date of the commencement of the scheme. A maximum discount of 20% may be made available under the scheme.	Up to £250 per month from post-tax pay or such other maximum amount as determined by the Company within the parameters of applicable legislation.

Remuneration scenarios for Executive Directors

The charts below illustrate how much the current Executive Directors could receive under different performance scenarios in 2016, assuming a constant share price. In order to compile the charts, the following assumptions have been made:

Minimum remuneration

Consists of the fixed elements of remuneration only: base salary, taxable benefits and pension

> base salary is that applicable in 2016
> taxable benefits are taken from the corresponding figure in the Executive Directors' single total figure remuneration table for 2015 as set out on page 107
> pension measured as a cash payment equivalent to 30% of base salary in the case of the CEO and 24% of base salary in the case of the CFO.

	Base salary £'000	Taxable benefits £'000	Pension £'000	Total £'000
Pascal Soriot	1,190	115	357	1,662
Marc Dunoyer	707	70	170	947

Remuneration for on-plan performance (target)

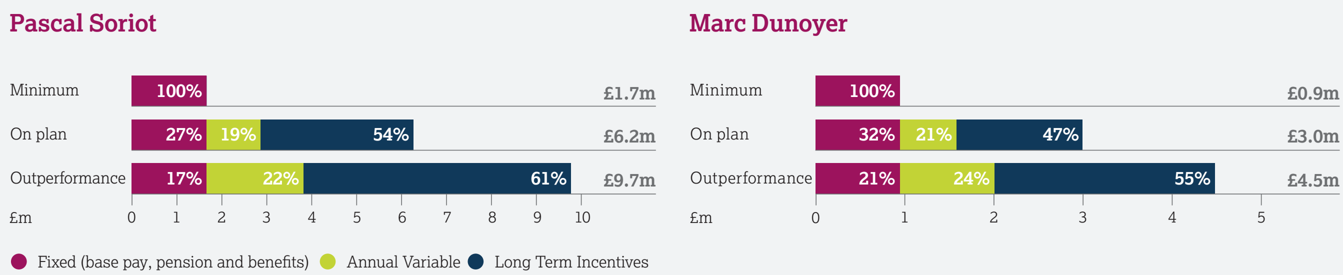
Based on what the Executive Director would receive if performance were in line with the Company's expectations

> on-target annual bonus payout of 100% of base salary for the CEO, and 90% for the CFO
> LTI shares, which vest at an on-target expected value of 250% of base salary for the CEO, and 200% in the case of the CFO.

Remuneration for outperformance (above target/ maximum)

Based on what the Executive Director would receive at stretch performance and maximum vesting of the performance shares

> an annual bonus payout of 180% of base salary for the CEO, and 150% for the CFO
> maximum vesting of the awards made under the Company's LTI plans (representing 100% of the face value of the PSP and AZIP awards where the PSP has an expected value of 50% and the AZIP an expected value of 100%).



When granting LTI awards the Remuneration Committee applies a target as a percentage of base salary weighted 25% in favour of the AZIP and 75% in favour of the PSP.

The face value of the AZIP and PSP awards for the CEO at target is 437.5% of base salary. For 2015, the Remuneration Committee awarded an above-target award at a face value of 499% which is taken into account in the figures provided in the outperformance row of the chart above.

The face value of the AZIP and PSP awards for the CFO at target is 350% of base salary.

Approach to recruitment remuneration for Executive Directors

The Company seeks to pay no more than necessary to recruit the best candidate available for a role as an Executive Director. On the recruitment of a new Executive Director, the Company seeks to put in place a remuneration package which is broadly in line with the remuneration package applicable to relevant incumbent Executive Directors. However, in order to offer a competitive package to the most capable candidate, the Company may consider providing remuneration arrangements that exceed those of existing Executive Directors. The Remuneration Committee may also agree to pay allowances to expatriates in line with the Company's international assignment policy which provides for support towards housing, schooling and other relocation or assignment related costs.

The remuneration package offered to new recruits may include any element listed in the policy table above, or any other element which the Remuneration Committee considers is appropriate given the particular circumstances, with due respect to the interests of the Company's shareholders.

Remuneration Policy for Executive Directors continued

Operating guidelines: The Remuneration Committee is aware that the pharmaceutical industry is global and that future Executive Directors might come from organisations with very different pay structures and practices. The Remuneration Committee believes that it is in the interests of shareholders to retain an element of flexibility in the recruitment policy to enable it to recruit the best candidates. However, this flexibility is limited. As described below, our intention is to use buy-out awards on recruitment only to compensate a new recruit for awards which are forfeited at the previous employer. All other aspects of the compensation opportunity of a new recruit will be subject to the maxima contained in the Policy.

In considering which elements to include, and in determining the approach for all relevant elements, the Remuneration Committee will take into account a number of different factors, including typical market practice, existing arrangements for the other Executive Directors and internal relativities and market positioning.

The Company may reimburse the costs of financial planning and tax advice to Executive Directors. The Company also provides Directors' and Officers' Liability Insurance and an indemnity to the fullest extent permitted by the law and the Company's Articles to all Executive Directors.

The Company may find it necessary to compensate a new recruit for forfeiture of entitlements from a previous employer. The value of such compensation cannot be anticipated and will depend upon a range of factors including the circumstances of the individual in question. In such circumstances, the Company will seek to offer a package weighted towards equity in the Company. However, the precise nature of the compensation package will depend on the type of entitlement that the recruit is foregoing and which the Company will generally seek to compensate in kind; the buyout might therefore comprise cash and/or restricted shares and/or LTI. The Remuneration Committee will obtain and take into account independent valuations of the entitlements to determine the appropriate level of compensation.

Shares which could be offered to the new recruit would be granted under LTI plans available at the time or under a plan specific to that individual as permitted under the Financial Conduct Authority's Listing Rules. Performance measures may apply to such share awards. The Company's policy seeks to link the performance of the Executive Director to the performance of the Company in any given period. The precise targets and measures will depend on the objectives of the Company and the individual at that time and will be determined by the Remuneration Committee.

The Company will not offer cash or shares to newly recruited Executive Directors as a bonus, or 'golden hello' on joining other than to compensate for the loss of a previous remuneration opportunity. Where compensation is offered to a new recruit on his or her hire, the Company will explain the reasons for this to shareholders in a timely manner, and will provide details of the payments.

Operating guidelines: The Remuneration Committee will not grant cash or share awards as a 'golden hello'. As described above, cash or share awards granted on joining the Company will be to compensate a new recruit for loss of previous remuneration awards only.

Ongoing annual variable remuneration will not exceed an award which comprises up to 250% of base salary under the annual bonus, and up to 500% of base salary under the PSP and up to 500% of base salary under the AZIP. If the Remuneration Committee ever felt that it would be in the interests of shareholders to grant annual variable awards to a new Executive Director with values exceeding the historical range of 0 – 680% of base salary (comprising up to 180% under the annual bonus and up to 500% in aggregate under the LTI plans), it would consult major shareholders in advance.

The Company intends to honour all remuneration arrangements previously entered into in the case of Group employees who are promoted to the position of an Executive Director.

Service contracts for Executive Directors

Save as noted below, it is not intended that service contracts for new Executive Directors will contain terms that are materially different from those summarised below or contained in the Policy set out in this Remuneration Policy Report. The contractual obligations below are applicable to each of the current Executive Directors unless stated otherwise, and to the Executive Directors only.

Notice period	The Company may terminate the employment of an Executive Director by giving not less than 12 months' written notice. The Company may agree, on the appointment of a new Executive Director, that any notice given by the Company will not expire prior to the second anniversary of the commencement date of the Executive Director's appointment. The Company agreed to such a provision in the case of Mr Dunoyer. An Executive Director may terminate his employment on 12 months' written notice.
Payment in lieu of notice	The Company may terminate an Executive Director's contract at any time with immediate effect and pay him a sum in lieu of notice. This sum will consist of (i) the base salary that the relevant Executive Director would have been entitled to receive during the notice period and (ii) the cost to the Company of funding the Executive Director's flexible benefit arrangements for this period, including the Company's contribution in respect of pension. The payment in lieu of notice may be paid as a lump sum or the Company may decide to pay the first six months of the payment in lieu in equal monthly instalments, with the balance paid within 30 days of the final instalment being paid.
Garden leave	If an Executive Director has given or been given notice of termination, the Company has the right to place the Executive Director on 'garden leave'.
Summary termination	The Company may terminate an Executive Director's employment summarily, in particular defined circumstances such as gross misconduct, with no further payment.
Payments in lieu of holiday	If, on termination, the relevant Executive Director has exceeded his accrued holiday entitlement, the value of this excess may be deducted by the Company from any sums payable. If the Executive Director has unused holiday entitlement, the Remuneration Committee has discretion to require the Executive Director to take such unused holiday during any notice period, or make a payment in lieu of it calculated in the same way as the value of any excess holiday.
Directors' and Officers' Liability Insurance	Directors' and Officers' Liability Insurance and an indemnity to the fullest extent permitted by the law and the Company's Articles is provided to the Executive Directors for the duration of their employment and for a minimum of five years following termination.
Deemed treatment under AZIP and restricted share award	In respect of awards made to compensate Mr Soriot for loss of remuneration opportunity at his previous employer, if Mr Soriot gives notice of termination of his employment after the end of the performance period under the AZIP but before the end of the holding period, the award under the AZIP will vest on the earlier of the end of the holding period and the end of the period of 24 months from the date of cessation of employment, unless the Remuneration Committee determines otherwise. If Mr Soriot's employment is terminated by the Company (other than in the event of prescribed misconduct events), his restricted share award will continue to subsist.

Remuneration Policy for Executive Directors continued

Principles of payment for loss of office for Executive Directors

The Company does not make additional payments for loss of office, other than, as appropriate, payments in lieu of notice as described above or payments in respect of damages if the Company terminates an Executive Director's service contract in breach of contract (taking into account, as appropriate, the Director's ability to mitigate his loss). The Remuneration Committee has discretion to award payments in certain circumstances, as set out below, depending on the nature of the termination and the Executive Director's performance. The LTI plans are governed by plan rules, which define how individual awards under those plans should be treated upon termination of employment. Provision is also made for the treatment of awards in respect of corporate activity including sale of a business outside the Group. The treatment of awards in these circumstances may also be subject to Remuneration Committee discretion. Generally, awards under LTI plans will only be allowed to vest for those Executive Directors who leave the Company by mutual agreement, for example in circumstances of ill-health, injury, disability, redundancy or retirement, or where employment terminates by reason of the Executive Director's death (see the table opposite for further information). In addition to any payment in lieu of notice, the individual components of remuneration and other payments which may be payable on loss of office are set out below, subject to the terms of any applicable bonus rules or share incentive plan rules:

> Annual bonus

An Executive Director may receive a bonus for the performance year in which he leaves the Company. Typically this sum will reflect an on-target bonus pro-rated for the part of the year in which he worked. This is at the discretion of the Remuneration Committee and will depend on the circumstances, including an assessment of the Executive Director's performance in the relevant period and the circumstances of his departure. The deferred share element of previous bonuses granted, and any deferred share element of the bonus awarded in respect of the departing year, may still vest for the benefit of the departing Executive Director at the end of the period of deferral despite the fact that the Executive Director did not work for the entirety of this period. The Remuneration Committee has the discretion to accelerate and/or retain the deferral period and allow shares to vest for the benefit of the Executive Director on his departure and/or in accordance with the vesting schedule as the case may be. The Remuneration Committee will decide whether it is appropriate in the circumstances for these shares to vest for the benefit of the departing Executive Director.

> LTI plans

The rules of the LTI plans envisage circumstances under which some, all or none of an Executive Director's shares held under LTI plans will vest in connection with his departure. The exact timing and number of shares vesting will depend on the circumstances, including the Executive Director's reason for leaving (as set out in the table opposite) and may be subject to Remuneration Committee discretion, depending on what it considers to be fair and reasonable in the circumstances.

> Restricted share awards and awards under the RSP

The treatment on termination will depend upon the terms of the individual Executive Director's awards on recruitment. The Remuneration Committee has discretion to determine the treatment at the time of departure based on what it considers to be fair and reasonable in the circumstances.

> Non-statutory redundancy payment

Executive Directors are not entitled to non-statutory redundancy payments.

> Pension contributions and other benefits

Pension contributions and other benefits for Executive Directors will be payable up to the termination date or as part of a payment in lieu of notice as described on page 131.

> Payments in relation to statutory rights

The amount considered reasonable to pay by the Remuneration Committee in respect of statutory rights may be included in the overall termination payment.

> Payments required by law

The Company may pay damages, awards, fines or other compensation awarded to or in respect of an Executive Director by any competent court or tribunal or other payments required to be made on termination of employment by any applicable law, regulator or collective labour agreement.

> Mitigation

The departing Executive Director will be required to mitigate his loss by using reasonable efforts to secure new employment.

> Professional fees

The Company may pay an amount considered reasonable by the Remuneration Committee in respect of fees for legal and tax advice, and outplacement support for the departing Executive Director.

Treatment of LTI and Deferred Bonus Plan awards on cessation of employment

Plan	Termination by mutual agreement (broadly in circumstances of ill-health, injury, disability, redundancy or retirement and in the case of death and certain corporate events eg sale of a business outside the Group)	Other leaver scenarios
Deferred Bonus Plan (Annual Bonus Plan)	Awards will vest at the end of the relevant deferral period, unless the Remuneration Committee decides otherwise.	Ordinarily awards will lapse unless the Remuneration Committee exercises its discretion to apply the treatment for leavers by mutual agreement.
PSP	Where cessation of employment occurs within three years of the date of grant awards will vest, *pro rata* to the time elapsed between the date of grant of the award and the date of cessation of employment, at the end of the performance period after performance has been assessed, to the extent that the performance target(s) measured over the performance period has been met. Where cessation of employment occurs during any holding period the award will vest in respect of all the shares that continue to be subject to the award as soon as practicable following the cessation of employment. However, the Remuneration Committee has discretion to permit the award to vest immediately on cessation of employment where that cessation occurred as a result of one of the events mentioned above to the extent that the performance target(s) has, in the opinion of the Remuneration Committee, been satisfied from the date of grant to the date of cessation of employment. However, if the Remuneration Committee believes that exceptional circumstances warrant this, it may exercise its discretion to vest the award on another basis.	Ordinarily awards will lapse unless the Remuneration Committee exercises its discretion to preserve all or part of an award and apply the default treatment for leavers by mutual agreement as described in this table. This discretion will not be exercised in the case of dismissal for gross misconduct.
AZIP	Death, ill-health, injury or disability: > in the performance period: the award will vest as soon as practicable following the cessation of employment, pro-rated to take into account the period elapsed between the date of grant and the date of cessation of employment relative to the performance period and pro-rated to take into account the satisfaction of any performance measure(s), as agreed by the Remuneration Committee > in the holding period: the award will vest in respect of all the shares that continue to be subject to the award as soon as practicable following the cessation of employment. Redundancy, retirement or certain corporate events (eg sale of a business outside the Group): > in the performance period: the award will vest at the later of the end of the performance period and the end of the period of 24 months from the date of cessation of employment, to the extent any performance measures have been met by the end of the performance period and pro-rated to take into account the period elapsed between the date of grant and the date of cessation of employment relative to the performance period > in the holding period: the award will vest in respect of all shares that continue to be subject to the award at the earlier of the end of the holding period and the end of the period of 24 months from the date of cessation of employment. Where the Remuneration Committee terminates an Executive Director's employment (other than for gross misconduct) during the holding period, the awards will vest on the same basis. In each case described above, the Remuneration Committee has discretion to vest the award or part of the award on a different basis.	Ordinarily awards will lapse unless the Remuneration Committee exercises its discretion to apply the default treatment for leavers by reason of redundancy or retirement described in this table.
Restricted shares and awards under the RSP	Awards will lapse unless the Remuneration Committee exercises its discretion to preserve all or part of an award. In relation to awards granted on or after 3 February 2014 and, where that award was granted at the time of the Executive Director's recruitment to the Company in compensation for any awards or bonuses forfeited at his previous employer, the award will vest on the date his employment ceases, pro-rated to take into account the period elapsed between the date of grant and the date of cessation of employment, unless the Remuneration Committee decides not to pro-rate or to pro-rate on some other basis.	Ordinarily awards will lapse unless the Remuneration Committee exercises its discretion to preserve all or part of an award.

Remuneration Policy for Non-Executive Directors

Non-Executive Directors, including the Chairman, receive annual Board fees. Additional fees are also payable for membership and chairmanship of a Board Committee. Non-Executive Directors are not eligible for performance-related bonuses or the grant of share awards or options. No pension contributions are made on their behalf. The annual Board fees applicable to Non-Executive Directors during 2013 are set out below. Fees applicable in future years will be set out in the corresponding year's Implementation Report. The remuneration of Non-Executive Directors is determined by the Chairman and the Executive Directors. The remuneration of the Chairman is determined by the other members of the Remuneration Committee and the Senior independent Non-Executive Director.

No Director is involved in any decision relating to his or her own remuneration.

Annual Board and Committee fees

Purpose and link to strategy	Operation	Maximum opportunity
The annual fees are intended to be sufficient (but no more than necessary) to attract, retain and develop high-calibre individuals.	Non-Executive Directors, including the Chairman, receive annual Board fees and additional fees for membership and chairmanship of a Board Committee. The individual fees paid to a Non-Executive Director are subject to periodic review and may be increased in the future to ensure that they remain sufficient to attract high-calibre individuals while remaining fair and proportionate. While Non-Executive Directors currently receive their fees in cash, the Company reserves the right to award part, or all, of their fees in shares. There are no contractual provisions for clawback or *malus* of fees. Non-Executive Director fees in 2013:	The maximum fees payable in aggregate to the Non-Executive Directors may not exceed £2,250,000 per year under the Company's Articles, as approved by the Company's shareholders.

	£
Chairman's fee	500,000
Basic Non-Executive Director's fee	75,000
Senior independent Non-Executive Director	30,000
Membership of the Audit Committee	20,000
Membership of the Remuneration Committee	15,000
Chairman of the Audit Committee or the Remuneration Committee[1]	20,000
Membership of the Science Committee	10,000
Chairman of the Science Committee[1]	7,000

[1] This fee is in addition to the fee for membership of the relevant Committee.

Benefits

Purpose and link to strategy	Operation	Maximum opportunity
Intended to attract and retain high-calibre individuals.	The Company also provides Directors' and Officers' Liability Insurance and an indemnity to the fullest extent permitted by the law and the Company's Articles and may also reimburse the costs of financial planning and tax advice.	The maximum amount payable in respect of these costs and cost of insurance will be the reimbursement of the Directors' benefits grossed up for any tax payable by the individual.

Other costs and expenses

Purpose and link to strategy	Operation	Maximum opportunity
Intended to reimburse individuals for legitimately incurred costs and expenses.	In addition to the Chairman's fee, a proportion of the office costs of the Chairman are reimbursed. In 2013, this amounted to £40,000. The amount of office costs to be reimbursed each year will be determined at the discretion of the Remuneration Committee, based on an assessment of the reasonable requirements of the Chairman. The Remuneration Committee has the discretion to approve contributions by the Company to office costs of other Non-Executive Directors in circumstances where such payments are deemed proportionate and reasonable. The Company will pay for all travel (including travel to the Company's offices), hotel and other expenses reasonably incurred by Non-Executive Directors in the course of the Company's business, for example, professional fees such as secretarial support, and reimbursement for domestic security arrangements such as lights and alarms following a security assessment. There are no contractual provisions for clawback or *malus* of other costs and expenses.	The maximum amounts payable in respect of these costs and expenses will be the reimbursement of the Directors' costs and expenses grossed up for any tax payable by the individual.

Letters of appointment

None of the Non-Executive Directors has a service contract but all have letters of appointment. In accordance with the Articles, following their appointment, all Directors must retire at each AGM and may present themselves for election or re-election. The Company is mindful of the independence provisions of the UK Corporate Governance Code and, in this regard, it is anticipated that Non-Executive Directors' overall tenure will not normally exceed nine years. The Chairman may terminate his appointment at any time, with three months' notice. None of the Non-Executive Directors has a notice period or any provision in his or her letter of appointment giving him, or her, a right to compensation payable upon early termination of appointment.

On behalf of the Board

A C N Kemp
Company Secretary
4 February 2016