

What science can do

AstraZeneca Annual Report and Form 20-F Information 2017



Science

can

accelerate the development of new chemical entities to bring potential new medicines to patients

The Cryo-electron Microscope, Cryo-EM, allows us to determine near atomic resolution models of complex protein molecules at a tenth of a millionth of a millimetre in scale. We can directly image individual molecules, using a focused electron beam and, from the 2D projections obtained, build a 3D object so that we know what the molecule looks like and can understand how it functions.

This is revolutionising structural biology, allowing us to resolve the structures of complex macromolecular machines for the first time, investigate the biological mechanisms underlying disease states and design potential new drugs based on this knowledge. For example, in collaboration with the MRC Laboratory of Molecular Biology, we have applied this technology to define the world's first protein structures for human ataxia telangiectasia mutated (ATM). ATM is a key trigger protein in the DNA damage response and a prime therapeutic target in cancer.

For more information, please see our website, www.astazeneca.com, Cryo-electron microscopy.





Corporate Governance
Chairman's Introduction 86
Corporate Governance Overview 87
Board of Directors 88
Senior Executive Team 90
Corporate Governance Report 92
Audit Committee Report 100
Directors' Remuneration Report 105

Chairman's Introduction

AstraZeneca's return to sustainable growth can only be achieved if it is underpinned by sound corporate governance.



"We are always mindful of the trust shareholders place in us."

Leadership

The strength and quality of a Board begin with the calibre of its Directors. AstraZeneca is privileged to have a diverse, skilled and experienced Board and 2017 saw some changes to its composition. After three years' service, Ann Cairns retired at the AGM in April. At the same meeting, Philip Broadley was elected to the Board and appointed to the Audit Committee. His significant international business and financial experience are already proving valuable.

Later, in August, Bruce Burlington retired as a Non-Executive Director and member of the Audit Committee, the Nomination and Governance Committee, and from his role as Chairman of the Science Committee. We particularly valued his insightful and frank participation during a period of innovation-led transformation at AstraZeneca.

We are very fortunate to have had three exceptional women join the Board as Non-Executive Directors during 2017. Nazneen Rahman is a renowned medical scientist and joined us in June. Sheri McCoy was appointed in October and brings several decades of pharmaceutical industry experience from her time at Johnson & Johnson. Finally, Deborah DiSanzo, global General Manager for IBM Watson Health, joined us in December.

I welcome the new Board members and thank all Board members for their continuing commitment and contribution to our discussions.

Governance in support of our strategy

I am also grateful to those Directors who chair and are members of the Committees of the Board, which are shown on the opposite page. The diligent way in which they carry out their Committee duties enables us to discharge our responsibilities efficiently and effectively.

We are always mindful of the trust shareholders place in us as your elected Directors and of our wider responsibilities to all of AstraZeneca's stakeholders. We seek to apply governance best practice in our work for you and those other stakeholders, which you can read about in this Governance Report.

In all our deliberations, we never lose sight of the fact that our ultimate success will be measured in our ability to deliver life-changing medicines. In this way we can add value to patients, shareholders and society more generally.

A handwritten signature in black ink, appearing to read "Leif Johansson".

Leif Johansson
Chairman

Corporate Governance Overview

Delivery

How our governance supports the delivery of our strategy

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 Senior Executive Team (SET) take the lead in developing our strategy, which is then reviewed, constructively challenged and approved by the Board.

Governance structure

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



In addition to the SET, we have two senior level governance bodies:



Attendance in 2017

Board Committee membership and meeting attendance in 2017

● Board or Committee Chairman

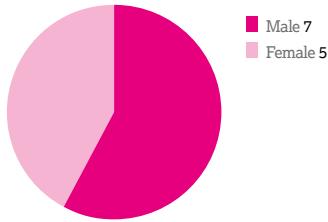
Name	Board	Audit	Remuneration	Nomination & Governance	Science
Geneviève Berger	5(6)				3(3)
Philip Broadley – elected 27 April 2017	4(4)	3(3)			
Bruce Burlington – retired 31 August 2017	3(3)	3(3)		3(3)	2(2)
Ann Cairns – retired 27 April 2017	2(2)	2(2)			
Graham Chipchase	5(6)		5(5)	4(5)	
Deborah DiSanzo – appointed 1 December 2017	1(1)				
Marc Dunoyer	6(6)				
Leif Johansson	6(6)	4(5)		5(5)	
Rudy Markham	6(6)	5(5)	5(5)	5(5)	
Sheri McCoy – appointed 1 October 2017	2(2)	2(2)			
Nazneen Rahman – appointed 1 June 2017	4(4)				1(1)
Pascal Soriot	6(6)				
Shriti Vadera	6(6)	5(5)	5(5)		
Marcus Wallenberg	4(6)				3(3)

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

Board of Directors as at 31 December 2017

Board composition

Gender split of Directors as at 31 December 2017

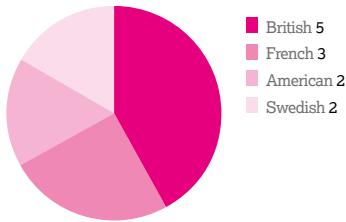


Committee Membership Key

- Committee Chairman
- Audit
- Remuneration
- Nomination & Governance
- Science



Directors' nationalities as at 31 December 2017



* Date of first appointment or election to the Board.

Leif Johansson NG R

Non-Executive Chairman of the Board (April 2012*)

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 Autoliv, Inc and Ecolane AB. He has been a member of the Royal Swedish Academy of Engineering Sciences since 1994. Leif is also a member of the European Round Table of Industrialists.

Pascal Soriot

Executive Director and CEO (October 2012*)

Skills and experience: Pascal brings a passion for science and medicine as well as 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.

Length of tenure of Non-Executive Directors

<3 years

4

Philip Broadley
Deborah DiSanzo
Sheri McCoy
Nazneen Rahman

3-6 years

3

Leif Johansson
Geneviève Berger
Graham Chipchase

6-9 years

1

Shriti Vadera

>9 years

2

Rudy Markham
Marcus Wallenberg



Marc Dunoyer

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 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.

Rudy Markham A R NG

Senior independent Non-Executive Director (September 2008*)

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. He has also served as a Non-Executive Director of the UK Financial Reporting Council from 2007 to 2012, as Chairman and a Non-Executive Director of Moorfields Eye Hospital NHS Foundation Trust, and as a Non-Executive Director of Legal & General Group plc.

Other appointments: Rudy is a non-executive member of the Board of United Parcel Services Inc. 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.

Changes to the composition of the Board and its Committees for the year ended 31 December 2017

Philip Broadley

Elected to the Board on 27 April 2017 and became a member of the Audit Committee on the same date.

Nazneen Rahman

Appointed to the Board and became a member of the Science Committee with effect from 1 June 2017.

Ann Cairns

Retired from the Board and as a member of the Audit Committee with effect from 27 April 2017, after three years' service.

Sheri McCoy

Appointed to the Board and became a member of the Audit Committee with effect from 1 October 2017.

Bruce Burlington

Retired from the Board and those Board Committees on which he served on 31 August 2017, after seven years' service.

Deborah DiSanzo

Appointed to the Board with effect from 1 December 2017.



Geneviève Berger S

Non-Executive Director
(April 2012*)

Skills and experience: Geneviève was Chief Science Officer at Unilever PLC & NV, 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 General at the Centre National de la Recherche Scientifique; Chairman of the Health Advisory Board of the EU Commission; and Non-Executive Director of Smith & Nephew plc.

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.



Philip Broadley A

Non-Executive Director
(April 2017*)

Skills and experience: Philip has significant financial and international business experience, having previously been Group Finance Director of Prudential plc for eight years and Old Mutual plc for six years. He started his career at Arthur Andersen where he was a partner for seven years. He is a past Chairman of the 100 Group of Finance Directors in the UK. He is a Fellow of the Institute of Chartered Accountants in England and Wales. He graduated in Philosophy, Politics and Economics from St Edmund Hall, Oxford and has a MSc in Behavioural Science from the London School of Economics.

Other appointments: Philip chairs the Audit Committee of Legal & General Group plc. He is a member of the Code Committee of The Takeover Panel and of the Oxford University Audit Committee. He is Treasurer of the London Library and Chairman of the Board of Governors of Eastbourne College.



Graham Chipchase R NG

Non-Executive Director
(April 2012*)

Skills and experience: Graham is Chief Executive Officer and a Director of Brambles Limited, the global supply-chain logistics company listed on the Australian Securities Exchange. Brambles operates in over 60 countries, primarily through the CHEP and IFCO brands. Graham served as Chief Executive Officer of global consumer packaging company, Rexam PLC from 2010 to 2016 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.

Other appointments: Chief Executive Officer of Brambles Limited.



Deborah DiSanzo

Non-Executive Director
(December 2017*)

Skills and experience: Deborah is the global General Manager for IBM Watson Health, the business unit founded to achieve IBM's next 'moonshot'. Deborah is widely recognised by multiple organisations as a top health influencer, including publications Health Data Management and Modern Healthcare, and is a sought-after speaker at healthcare and women in technology venues, including the Forbes Healthcare Summit and Aspen Ideas Festival. Deborah has a distinguished career working at the intersection of healthcare and technology. Prior to joining IBM, she was CEO of Philips Healthcare. Previously, she held management roles at Agilent, Hewlett-Packard and Apollo Computer.

Other appointments: Director of ReWalk Robotics, Inc.



Sheri McCoy A

Non-Executive Director
(October 2017*)

Skills and experience: Sheri is Chief Executive Officer and a Director of Avon Products, Inc. Prior to joining them in 2012, she had a distinguished 30-year career at Johnson & Johnson, latterly serving as Vice Chairman of the Executive Committee, responsible for the Pharmaceuticals and Consumer business segments that represented more than 60% of the company's revenues. Sheri joined Johnson & Johnson as a scientist in research and development and subsequently managed businesses in every major product sector, including consumer, prescription medicines and medical devices, holding positions including Worldwide Chairman, Surgical Care Group and Division President, Consumer. She holds a Bachelor of Science degree in textile chemistry from the University of Massachusetts Dartmouth, a Master's degree in chemical engineering from Princeton University and an MBA from Rutgers University, both in New Jersey, US.

Other appointments: In addition to Avon Products, Inc., Sheri serves on the boards of New Avon LLC; Catalyst, a global non-profit that helps build workplaces that work for women; and Stonehill College, Easton, Massachusetts.



Nazneen Rahman S

Non-Executive Director
(June 2017*)

Skills and experience: Nazneen is Head of the Division of Genetics and Epidemiology at the Institute of Cancer Research (ICR), London; Head of the Cancer Genetics Unit at the Royal Marsden NHS Foundation Trust; and Director of the TGL clinical gene testing laboratory at the ICR. Her research harnesses her scientific and clinical expertise to identify and clinically implement human disease genes. She has a strong focus on cancer predisposition genes, in which she is an internationally-recognised expert and has discovered many such genes during her career, particularly for breast, ovarian and childhood cancers. Nazneen qualified in medicine from Oxford University in 1991, gained her Certificate of Completion of Specialist Training in medical genetics in 2001 and completed a PhD in molecular genetics in 1999. She has a strong commitment to open science and science communication and has garnered numerous awards, including a CBE in the 2016 Queen's birthday honours in recognition of her contribution to medical sciences.

Other appointments: Nazneen is a member of the scientific advisory board of Genomics plc and the advisory board of Wellcome Open Research.



Shriti Vadera A R

Non-Executive Director
(January 2011*)

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 is a member of the G20 CEO Advisory Group and of the International Advisory Council of Asia House. Shriti is also Chairman of the European Financial Services Chairman's Advisory Committee, TheCityUK. She has served as a Minister in the UK Cabinet Office, and Business and International Development Departments. 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.



Marcus Wallenberg S

Non-Executive Director
(April 1999*)

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.

Senior Executive Team (SET) as at 31 December 2017



Pascal Soriot
CEO

See page 88.



Marc Dunoyer
CFO

See page 88.



Katarina Ageborg
Executive Vice-President Sustainability
and Chief Compliance Officer

Katarina currently serves as Executive Vice-President Sustainability and Chief Compliance Officer. In 2015, she assumed responsibility for the Company's sustainability programme, with oversight for the Access to Healthcare, Environmental Protection and Ethics & Transparency strategic priority areas. Prior to her broadened role in sustainability, she focused on delivery, design and implementation of the Company's compliance programme as well as streamlining the Safety, Health & Environment function. She has been a member of the SET since 2011. Katarina led the Global Intellectual Property function from 2008 to 2011, during which time she streamlined the organisation and launched a new patent filing strategy. After joining Astra AB in 1998, she held a series of senior legal roles supporting Commercial, Regulatory and Intellectual Property. 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.



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, driving a medicines pipeline which features novel and groundbreaking science across three main therapy areas – Oncology, Cardiovascular & Metabolic diseases and Respiratory – as well as the selective areas of autoimmunity, neuroscience and infection. He is also the Company's Chief Medical Officer and is responsible for patient safety across the entire AstraZeneca and MedImmune portfolio. He joined AstraZeneca from Genentech, where he held a number of senior leadership roles across various therapy areas and within 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.

In addition to the SET, we have two senior level governance bodies accountable for making key decisions regarding our portfolio and pipeline.

Early Stage Product Committees (ESPCs)
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.
- > 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.

Late Stage Product Committee (LSPC)
The LSPC is also a senior level governance body, accountable for the quality of the portfolio post-Phase III investment decision. 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 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.



Pam Cheng
Executive Vice-President,
Operations & 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. She has been a member of the Board of Directors for Codexis Inc. (CDXS) since 2014.



Fiona Cicconi
Executive Vice-President,
Human Resources

Fiona joined AstraZeneca in September 2014 as Executive Vice-President, Human Resources and is responsible for the overall design and delivery of the Company's people strategy, impacting over 60,000 employees in more than 100 countries. 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, overseeing human resources in seven countries in Europe and latterly handling employee relations in Europe, Middle East and Africa, 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 identify and develop a sustainable supply of leadership and talent from within the organisation.

Note: Jamie Freedman was Executive Vice-President, Oncology from April 2017 to October 2017



Dr Ruud Dobber

**Executive Vice-President,
North America**

Ruud was appointed Executive Vice-President, North America in August 2016 and is responsible for driving growth and maximising the contribution of the commercial operations in North America to AstraZeneca's global business. Ruud joined Zeneca in 1997 and has held various senior commercial and leadership roles. Most recently, Ruud was Executive Vice-President, Europe and oversaw business functions in the 28 EU member states. Ruud was also responsible for the development of our late-stage, small molecule antibiotic pipeline as well as its global commercialisation. Prior to that, Ruud was 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. Ruud was a member of the Board and Executive Committee of the European Federation of Pharmaceutical Industries and Associations (EFPIA) and was previously 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.



David Fredrickson

**Executive Vice-President,
Global Head Oncology Business Unit**

Dave was appointed Executive Vice-President, Global Head Oncology Business Unit in October 2017 and is responsible for driving growth and maximising commercial performance of the global oncology and haematology portfolio within AstraZeneca. In addition, he plays a critical leadership role in setting the Oncology portfolio and product strategy for the organisation. Prior to this role, Dave served as President of AstraZeneca K.K. in Japan, and Vice-President, Specialty Care for AstraZeneca in the US, spanning oncology, infectious disease, and neuroscience medicines. Dave joined AstraZeneca from Roche/Genentech in 2014, where he was Business Unit Manager, Oncology in Spain and held growing commercial responsibilities in strategy, marketing and sales in the US. He also served for nine years at the Monitor Group, LLC (now Monitor Deloitte Group, LLC), a global strategy consultancy. He has served as Vice Chairman of the European Federation of Pharmaceutical Industries and Associations (EFPIA) Japan and was a member of the Board of the Japan Pharmaceutical Manufacturers Association (JPMA). He is a graduate of Georgetown University (DC) in Government.



Dr Bahija Jallal

**Executive Vice-President,
MedImmune**

Bahija was appointed Executive Vice-President, MedImmune in January 2013 and is responsible for biologics research and development activities. Bahija is tasked with advancing the biologics pipeline of medicines. 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 postdoctoral research at the Max-Planck Institute of Biochemistry in Martinsried, Germany. She is the President of the Board of Directors of the Association for Women in Science and she is also on the Board of Trustees of the Johns Hopkins University.



Mark Mallon

**Executive Vice-President, Global Product
and Portfolio Strategy, Global Medical
Affairs & Corporate Affairs**

Mark was appointed Executive Vice-President, GPPS, GMA & Corporate Affairs in August 2016, leading AstraZeneca's global marketing and commercial portfolio strategy as well as the medical affairs and corporate affairs functions. These functions integrate corporate, therapy area and product strategies to bridge scientific development and commercial excellence in the core areas of cardiovascular and respiratory diseases. Prior to this, Mark was EVP for the International region, responsible for the growth and performance of AstraZeneca's commercial businesses in this region. Since joining Zeneca, Mark has held many senior sales and marketing roles, including Regional Vice-President for Asia Pacific, President of our Chinese and Italian subsidiaries, Chief Operating Officer of our Japanese subsidiary and Vice-President of our US gastrointestinal and respiratory businesses. 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.



Dr Menelas Pangalos

**Executive Vice-President, IMED Biotech
Unit and Global Business 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. Since joining AstraZeneca in 2010, Mene has been instrumental in driving the Company's commitment to science and led the transformation of R&D productivity through the development and implementation of our '5R' framework. Mene has previously held senior R&D roles at Pfizer, Wyeth and GSK. He completed his undergraduate degree in biochemistry at Imperial College London with a first class honours and earned a doctorate in neurochemistry from University College London. He is a Fellow of the Academy of Medical Sciences, Royal Society of Biology and Clare Hall at the University of Cambridge, a visiting Professor of Neuroscience at King's College London and recently gained an Honorary PhD from the University of Glasgow. In the UK, Mene serves on the Medical Research Council and is on the Board of the British Pharmaceutical Group.



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.



Iskra Reic

**Executive Vice-President,
Europe**

Iskra was appointed Executive Vice-President, Europe in April 2017 and is responsible for sales, marketing and commercial operations across our businesses in 30 European countries, with the exception of Oncology teams in those which report to the Oncology Business Unit. Iskra trained as a Doctor of dental surgery at the Medical University of Zagreb, Croatia. She joined AstraZeneca in 2001 and has held a variety of in-market, regional sales and marketing and general management roles, including in Europe as Head of Commercial Operations for Croatia and Head of Specialty Care Central & Eastern Europe and Middle East & Africa. In 2012, she joined AstraZeneca Russia as Marketing & Strategy Director. She was appointed General Manager Russia in 2014 and, under her leadership, AstraZeneca achieved a leading share in its three main therapy areas and became a top-three prescription medicine pharmaceutical company. Iskra's responsibilities were expanded in 2016 to cover both Russia and the Eurasia Area, where she drove strong performance from a 1,500-strong team in a complex and dynamic region. Iskra has an International Executive MBA from the IEDC-Bled School of Management, Slovenia.



Leon Wang

**Executive Vice-President,
International and China President**

Leon Wang is Executive Vice-President, International and China President. He is responsible for the overall strategy and for driving sustainable growth across the region. Leon joined AstraZeneca China in March 2013 and was promoted to President of AstraZeneca China in 2014. Under Leon's leadership, China has become AstraZeneca's second largest market worldwide, and AstraZeneca has become the second largest and the fastest growing multinational pharmaceutical company in China. In January 2017, Leon was promoted to Executive Vice-President, Asia Pacific Region. Prior to joining AstraZeneca, Leon held positions of increasing responsibility in marketing and business leadership at Roche, where he was a Business Unit Vice-President. In addition, Leon holds several positions in local trade associations and other prominent organisations in China. Leon holds an EMBA from China Europe International Business School, and a Bachelor of Arts from Shanghai International Studies University.

Corporate Governance Report

All Directors are collectively responsible for the success of the Group.

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 April 2016. 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.org.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 page 87.

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 page 87 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 2017, including its usual annual strategy review. Five took place in London, UK and one at AstraZeneca facilities in Sweden. The Board is currently scheduled to meet six times in 2018 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.

 The membership of the Board at 31 December 2017 and information about individual Directors is contained in the Board of Directors section on pages 88 and 89.

Principal matters considered by the Board in 2017

Area of focus	Strategic priority
Strategic matters	> The Group's overall strategy, including its long-range plan and annual budget    
	> The Group's capital structure, including financing needs and strategy  
	> Requests for approval of business development transactions of a size requiring Board approval  
	> Dividend decisions  
Operational matters	> Executive management reports, including business performance reports, R&D pipeline updates and the results of key clinical trials    
	> Quarterly results announcements  
	> Progress with construction of the Group's new strategic R&D centre and global corporate headquarters at Cambridge Biomedical Campus in the UK 
Stakeholders	> Employee gender data 
	> Sustainability matters 
	> Visits to R&D and Operations sites in Sweden and a review of the Company's Nordic Baltic business    
Governance, assurance and risk management	> Reports from Board Committees    
	> Routine succession planning for SET and Board-level roles    
	> Risks arising from Brexit and mitigation plans 
	> Year-end governance and assurance reports    
	> The Group's viability and risk appetite statements 
	> The annual review of the performance of the Board, its Committees and individual Directors    
	> Private discussion time for Non-Executive Directors only    

Key

-  Achieve Scientific Leadership
-  Return to Growth
-  Be a Great Place to Work
-  Achieve Group Financial Targets

Board effectiveness

Appointments to 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 Nomination and Governance Committee section on page 96 provides information about the appointment process for new Directors. Newly appointed Directors are provided with comprehensive information about the Group and their role as Non-Executive Directors. They also typically participate in tailored induction programmes that take account of their individual skills and experience.

Diversity

Diversity is integrated across our new Code of Ethics and associated workforce policy, and we promote a culture of diversity, respect, and equal opportunity, where individual success depends only on personal ability and contribution. We strive to treat our employees with fairness, integrity, honesty, courtesy, consideration, respect, and dignity, regardless of gender, race, nationality, age, sexual orientation, or other forms of diversity.

The Board is provided each year with a comprehensive overview of the AstraZeneca workforce, covering a wide range of metrics and measures (including trends around gender diversity, leadership ethnic diversity and age profile).

More specifically, the Board views gender, nationality and cultural diversity among Board members as important considerations when reviewing its composition. The Board recognises, in particular, the importance of gender diversity. Currently, 50% of the Company's Non-Executive Directors are women and women make up 42% of the full Board.

Considering diversity in a wider sense, 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 88 and 89 give more information about current Directors in this respect.

Corporate Governance Report *continued*

Although it has not set any objectives applying specifically to the composition of the Board within a formal policy, 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. Rather than adopting quotas or other similar objectives, the Board prefers to adopt a more flexible approach focused on appointing on merit while having due regard to the benefits that can be gained from diversity. This approach has yielded successful results – women make up 42% of the Board, which comfortably exceeds the target of 33% set out in the report from Lord Davies published in October 2015. Information about our approach to diversity in the organisation below Board level can be found in Employees from page 35.

Independence of the Non-Executive Directors
During 2017, 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. The Board noted that, as of September 2017, Rudy Markham had served on the Board for nine years but determined that he remains independent in character and judgement, as evidenced by the way in which he discharges his duties as a Board and Board Committee member, and as senior independent Non-Executive Director.

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 4.07% interest in the issued share capital of the Company as at 2 February 2018. 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.

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 other 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 2017. 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 market practice and helps us attract and retain high quality, skilled Directors.

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 May 2018. The Notice of AGM will give details of those Directors seeking re-election.

Board performance evaluation

2017 Overview

During the year, the Board conducted the annual evaluation of its own performance and that of its Committees and individual Directors. The 2017 evaluation was facilitated 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. Based on Board members' responses to a web-based questionnaire covering a wide range of topics and on interviews carried out by Lintstock with each Board member, Lintstock prepared a report, which was discussed by the Board at its meeting in February 2018 and was also used by the Chairman as the basis for individual conversations with each Board member prior to the full Board discussion.

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 2020.

Director training

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. Directors' training needs are met by a combination of internal presentations and updates and external speaker presentations as part of Board and Board Committee meetings; specific training sessions on particular topics, where required; and the opportunity for Directors to attend external courses at the Company's cost, should they wish to do so.

2017 Outcomes

Main areas covered:

- > Board composition and dynamics
- > Board meeting management and support
- > Board Committees
- > Board oversight
- > Risk management and internal control
- > Succession planning and human resource management
- > Priorities for 2018

Main conclusions and recommendations:

- > The Board operates effectively and in a manner that encourages open and frank discussion.
- > The Board valued the positive contributions of the new members that had been appointed during the year and noted the importance of sharing, and so retaining, corporate memory through the period of change.
- > The Board identified certain areas that could be enhanced, including provision of further opportunities to visit and learn from different AstraZeneca teams and sites to help build a balanced understanding of the business, the use of informal meetings between Board members to focus on talent management, and ensuring succession planning activities for business critical roles were undertaken proactively with opportunities for all Board members to input.

Overall conclusion

- > The reviews of the Board's Committees did not raise any significant problems and concluded that the Committees are operating effectively.
- > In respect of the 2017 annual performance evaluation it was concluded that each Director continues to perform effectively and to demonstrate commitment to his or her role.

Chairman evaluation

The 2017 evaluation also included a review of the performance of the Chairman by the other Directors, led by the senior independent Non-Executive Director and absent the Chairman.

No significant issues needed to be addressed. The excellent quality of the Chairman's leadership of the Board was noted, as were the good relationships between him and key stakeholders.

Actions against prior year recommendations

2016 evaluation	2017 actions taken
Maintain and further improve the diversity of the Board	The recruitment of four new Non-Executive Directors in 2017 – Philip Broadley, Nazneen Rahman, Sheri McCoy and Deborah DiSanzo – has improved the diversity of the Board in several aspects.
Maintain and further improve full Board oversight of succession planning for Board-level roles	Reports back to the full Board from the Nomination and Governance Committee have been given greater prominence on Board meeting agendas and the practice of inviting all Board members to attend meetings of the Committee, should they wish to do so, has been continued during 2017.
Provide more opportunities for Board members to meet senior employees having the potential to progress to the most senior executive roles in the Company	Progress has been made by using presentations in Board meetings, site visits and Board lunches and dinners as opportunities to expose Board members to potential succession candidates. For example, the Board visited two of the Company's main sites in Sweden during 2017 and held small-group meetings with 'high-potential' employees there, and members of the Audit Committee met employees during their visits to the Company's sites in the UK, Germany and Brazil.
Maintain the right balance of Board time for R&D matters on the one hand, and commercial and operations matters on the other	As the Company's pipeline of new medicines has matured and several new drugs have achieved regulatory approval and been launched, with others in the pre-launch phase, the balance of Board time has naturally evolved to include a better balance between R&D and commercial matters. The Board is due to review Operations (manufacturing and supply) at a Board meeting in 2018.

Corporate Governance Report continued

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 2017, 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 Internal Audit Services, as well as the external auditor on matters identified in the course of its statutory audit work. During the year, a number of internal control weaknesses were reported relating to a new IT system implemented in January 2017 (used to manage customer deduction programmes in the US) and over the completeness of reports used to validate the adequacy of supporting documentation and approval of manual journals. These were remediated in-year with validation testing performed to ensure operational effectiveness. Across the wider internal control environment, a large number of design improvements have been implemented to further strengthen, enhance and de-risk our internal control over financial reporting. The system of controls 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 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'.

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 63 and Risk from page 210.

Remuneration

Information about our approach to remuneration and the role and work of the Remuneration Committee, is set out in the Directors' Remuneration Report from page 105.

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.

Our Investor Relations team acts as the main point of contact for investors throughout the year. We have frequent discussions with current and potential shareholders on a range of issues, including in response to individual *ad hoc* requests from shareholders and analysts. We also hold meetings to seek shareholders' 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, we conduct perception studies with institutional shareholders and a limited number of analysts to ensure that we are communicating clearly with them and that a high-quality dialogue is being maintained. The results of these studies are reported to, and discussed by, the full Board. As discussed above, the Senior independent Non-Executive Director, Rudy Markham, is 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 2017, the members of the Nomination and Governance Committee were Leif Johansson (Chairman of the Committee), Rudy Markham, Bruce Burlington (until his retirement from the Board on 31 August 2017) and Graham Chipchase. 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 scenarios and met five times in 2017, spending the majority of its time on succession planning for Non-Executive Directors with the assistance of the search firms MWM Consulting, Spencer Stuart and Korn Ferry and continued routine succession planning (internal and external) for the roles of CEO and CFO, with the assistance of Spencer Stuart. Korn Ferry and Spencer Stuart periodically undertake executive search assignments for the Company.

The attendance record of the Nomination and Governance Committee's members is set out on page 87.

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 2017, the members of the Science Committee, all of whom have a knowledge of, or an interest in, life sciences, were Bruce Burlington (Chairman of the Committee) until his retirement from the Board on 31 August 2017, Geneviève Berger, Nazneen Rahman from her appointment as a Non-Executive Director on 1 June 2017 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 2017. The Vice-President, IMED Operations acts as secretary to the Science Committee. The appointment of a new Chairman of the Science Committee is pending.

The Science Committee met twice in person in 2017, in London, UK and Cambridge, UK, and held one other meeting by telephone to review aspects of the Group scorecard in relation to 'Achieve Scientific Leadership' targets.

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 below.

The Directors' assessment of the effectiveness of internal control over financial reporting is set out in the Directors' Annual Report on Internal Controls over Financial Reporting on page 128.

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

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 2017 were: the CFO, who chaired the Disclosure Committee; the EVP, GMD (who is also the Company's Chief Medical Officer); the EVP, GPPS, Global Medical Affairs and Corporate Affairs; the General Counsel; the Vice-President, Corporate Affairs; the Head of Investor Relations; and the Vice-President Finance, Group Controller. Other senior executives attend its meetings on an agenda-driven basis. 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 both our planned disclosures,

such as our quarterly results announcements and scheduled investor relations events, and our unplanned disclosures in response to unforeseen events or circumstances.

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. Global Compliance continues 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 and communication; monitoring compliance with our Code of Ethics and supporting requirements; providing assurance that we are conducting appropriate risk assessments and due diligence on third parties whom we engage for services; and ensuring that employees and external parties can raise any concerns. Global Compliance and IA work with various specialist compliance functions throughout our organisation to co-ordinate compliance activities.

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. Internal investigations are undertaken by staff from our Global Compliance, Human Resources and/or Legal functions. When necessary, external advisers are engaged to conduct and/or advise on investigations.

Serious breaches are raised with the Audit Committee. Where 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.

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.

Corporate Governance Report continued

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 Ethics

Our Code of Ethics (the Code), which is available on our website, www.astrazeneca.com, applies to all full-time and part-time Directors, officers, employees and temporary staff, in all companies within our Group worldwide. 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 approximately 40 languages and outlines how our commitments to ethics, honesty, integrity and responsibility are to be realised through consistent actions across all areas of the business.

Compliance with the Code is mandatory and every employee receives annual training on it which they are required to complete. The Code was updated in 2017 to strengthen employee understanding and adherence by outlining our commitments in simple terms and focusing on why these commitments matter. The updated Code is comprised of our Company Values, expected behaviours and Global Policies, and is further supported by requirements at the global, local and business-unit level, to provide clear guidance and direction to employees in carrying out their daily work. The Code is also reviewed periodically and updated to take account of changing legal and regulatory obligations.

The Code recommends that employees report possible violations to their line managers or to their local Human Resources, Legal, or Compliance partners. The Code also contains information on how to report possible violations through our Helpline, which includes the AZethics telephone lines, the AZethics website, and the Global Compliance email and postal addresses. The externally-operated website is available in 38 languages, and the phone lines are operable in 96 countries, to facilitate reporting. The Helpline is available to both employees and to external parties to report any concerns. Reports can be made anonymously where desired and where permitted by local law. Anyone who raises a potential breach in good faith is fully supported by management.

The majority of cases come to our attention through management and self-reporting, which can be seen as an indication that employees are comfortable in raising their concerns with line managers or local Human Resources, Legal or Compliance, as recommended in the Code and reinforced in the 2017 Code training. In addition, in 2017, 359 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 2016 there were 320 reports.

Other matters

Corporate governance statement under the UK Disclosure Guidance 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 228.

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 from page 190.

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, Chile, Costa Rica, Croatia, Cuba, Dubai (branch office), Georgia, Ghana (scientific office), Jordan, Kazakhstan, Romania, Russia, Saudi Arabia (scientific office), Serbia, Slovenia (branch office), Syria, Ukraine and Yemen (scientific office)
- > AstraZeneca AB: Egypt (scientific office) and Slovakia (branch office)
- > AstraZeneca Singapore Pte Limited: Vietnam
- > Astra Export & Trading AB: United Arab Emirates (branch office).

Distributions to shareholders – dividends for 2017

Details of our distribution policy are set out in the Financial Review from page 66 and Notes 22 and 23 to the Financial Statements from page 171.

The Company's dividend for 2017 of \$2.80 (20.5 pence, SEK 22.37) per Ordinary Share amounts to, in aggregate, a total dividend payment to shareholders of \$3,545 million. An employee share trust, AstraZeneca Share Retention Trust, 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 2017 AGM authorising the Company to purchase its own shares. The Company did not purchase any of its own shares in 2017. On 31 December 2017, 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 46) and the Directors' Report. Information on patent expiry dates for key marketed products is included in Patent Expiries of Key Marketed Products from page 208. 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 66. In addition, Note 26 to the Financial Statements from page 175 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 160.

Having assessed the principal risks and other matters considered in connection with the viability statement on page 63, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the Annual Report and Financial Statements.

Changes in share capital

Changes in the Company's Ordinary Share capital during 2017, 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 171.

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 2017, 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 pages 116 and 117, along with 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).

Political donations

Neither the Company nor its subsidiaries made any EU political donations or incurred any EU political expenditure in 2017 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 2018 AGM, similar to that passed at the 2017 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 2017, the Group's US legal entities made contributions amounting in aggregate to \$1,282,250 (2016: \$1,568,250) 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/sustainability/corporate-transparency. The annual corporate contributions budget is reviewed and approved by 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 26 from page 175, include further information on our use of financial instruments.

Annual General Meeting

The Company's AGM will be held on 18 May 2018. 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 18 May 2018 for the re-appointment of PricewaterhouseCoopers LLP (PwC) as auditor of the Company. PwC was first appointed as auditor of the Company in 2017, in succession to KPMG LLP. During 2017, KPMG and PwC undertook various non-audit services. More information about this work and the audit and non-audit fees that we have paid are set out in Note 30 to the Financial Statements on page 189. The external auditor is not engaged by AstraZeneca 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 100, 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 2017.

Directors' Report

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

- > Chairman's Statement
- > Chief Executive Officer's Review
- > Business Review
- > Therapy Area Review
- > Financial Review: Financial risk management
- > Corporate Governance: including the Audit Committee Report and Corporate Governance Report
- > Directors' Responsibility Statement
- > Development Pipeline
- > Sustainability: supplementary information
- > Shareholder Information

and has been approved by the Board and signed on its behalf.

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.

On behalf of the Board
A C N Kemp
Company Secretary

2 February 2018



Audit Committee Report

In this Report, we describe the work of the Audit Committee (the Committee) and the significant issues it considered in 2017. Our main priorities were to receive assurance on the soundness of financial reporting, effective risk identification and management, and compliance with the AstraZeneca Code of Ethics and relevant legislation.



Financial reporting

The integrity of AstraZeneca's financial reporting is underpinned by effective internal controls, appropriate accounting practices and policies, and the exercise of good judgement. The Committee reviewed, at least quarterly, the Company's significant accounting matters, including contingent liabilities, revenue recognition, and deferred tax and, where appropriate, challenged management's decisions before approving the accounting policies applied. During 2017, the Committee reviewed significant restructuring programmes initiated from 2013 onwards, including accounting for restructuring charges, control over capital expenditure and the projection for their completion. The Committee continued to monitor the inclusion of Externalisation Revenue in AstraZeneca's Statement of Comprehensive Income. For more information on Externalisation Revenue, please refer to the Financial Review from page 66. The Committee also looked closely at intangible asset impairment reviews, legal provisions and other related charges, to ensure that items are appropriately accounted for in 'Reported' and 'Core' results.

Following the competitive tender of the Company's external audit services in 2015, PwC were appointed as the Company's external auditor for the year commencing on 1 January 2017 having received shareholder approval at the Company's AGM. The Committee monitored PwC's review of the Group's historical accounting practices, policies and processes to understand any difference in approach or interpretation of relevant standards and support continuous improvement.

Risk identification and management

During the year, the Committee regularly reviewed the Company's approach to risk management, its risk reporting framework and risk mitigation. When identifying risks, we consider the total landscape of enduring risks which are long-standing and business-as-usual in nature. We then consider more specific and current risks – key active risks – which are challenging our business presently. Finally, in order that we scan the horizon and identify risks which may challenge us in the future, we also consider emerging risks. These deliberations provided a framework for the Committee's activities in 2017 and

"The integrity of AstraZeneca's financial reporting is underpinned by effective internal controls, appropriate accounting practices and policies, and the exercise of good judgement."

provided the context for the Committee's consideration of the Company's viability statement and the 'stress test' analysis that underpins the assurance provided by it under which key profitability, liquidity and funding metrics are tested against a severe downside scenario which assumes that the significant risks modelled in the planning process will crystallise. For more detail on the viability statement, please refer to the Risk Overview from page 63.

The Committee's consideration of risk management was supported by 'deep dive' reviews of key activities such as:

- > cyber defence capability and the continuous enhancements to safeguard critical applications, information assets and business continuity
- > supply capability necessary for the successful delivery of the Company's biologics portfolio
- > a review of commercial operations in Middle East and Africa and Latin America
- > the approach to pricing, reimbursement and market access for oncology medicines
- > post-acquisition reviews of Acerta Pharma and ZS Pharma including the circumstances connected with the two FDA Complete Response Letters relating to ZS-9.

In addition to these deep dive reviews, during visits to the Company's businesses in Brazil, Germany and the UK, the Committee increased its understanding of the business, environment and associated risks in each location, together with the action taken to ensure a good compliance culture is maintained. Further information on the Company's Principal Risks can be found in the Risk Overview from page 63.

Compliance with the Code of Ethics

The Committee's priorities continue to include maintaining compliance with the Company's Code of Ethics (which replaced our Code of Conduct in 2017), high ethical standards, and operating within the law in all countries where we conduct business or have interactions. The new Code of Ethics, the underlying principles for which have not changed, is written in more simple and accessible language to empower decision making that reflects our Company Values, expected behaviours and key policy principles. Further information on our Code of Ethics is set out from page 40. The Committee monitored and reviewed compliance with our Code of Ethics, including the effectiveness of our anti-bribery and anti-corruption controls, across the Group. The Committee prioritises its focus on countries/regions where we have significant operations and countries in which doing

business is generally considered to pose higher compliance risks such as Argentina, China, Germany, Malaysia, Mexico, Sub-Saharan Africa, the UK and the US.

Engagement with senior leaders

The Committee considers it important to interact with members of management below the SET and to have wider engagement with the Company's employees. In November, members of the Committee visited the Company's Commercial leadership team in Cotia, Brazil. The Committee members discussed the opportunities and challenges the local marketing company faces, and the current and emerging risks arising from the development and successful delivery to patients of mature medicines, as well as those from our rapidly evolving pipeline. The Committee also met informally with senior leaders from the Operations, IS/IT, Finance, Legal and Oncology pricing and reimbursement teams. In October, I visited marketing company sites in Germany and the UK to discuss risk management, compliance controls and compliance culture with the management teams there, and I also held 'town hall' meetings with the employees at each site.

Changes to the membership of the Committee

Finally, the membership of the Committee underwent change during the year. Bruce Burlington and Ann Cairns retired from the Board and Committee, and I would like to offer my sincere thanks to Bruce for his valued diligence and commitment to the work of the Committee since 2011 and to Ann for her contribution over the last three years.

The Committee was also strengthened by the appointments of Philip Broadley and Sheri McCoy who between them bring extensive and relevant international business, pharmaceutical and accounting experience to the work of the Committee.

We hope that you find this information helpful in understanding the work of the Committee. Our dialogue with our shareholders is valued greatly and we welcome your feedback on this Audit Committee Report.

Yours sincerely

Rudy Markham
Chairman of the Audit Committee

Audit Committee Report continued

Committee membership and attendance

All Committee members are Non-Executive Directors and considered by the Board to be independent under the UK Corporate Governance Code. The Committee's members are Rudy Markham (Committee Chairman), Philip Broadley, Sheri McCoy and Shriti Vadera. Bruce Burlington and Ann Cairns were members of the Committee until they retired from the Board and Committee on 31 August and 27 April 2017, respectively.

In December 2017, the Board determined that, for the purposes of the UK Corporate Governance Code, at least one member of the Committee has recent and relevant financial experience, and Rudy Markham and Philip Broadley were determined to be financial experts for the purposes of the Sarbanes-Oxley Act. In February 2018, the Board determined that the members of the Committee as a whole have competence relevant to the sector in which the Company operates as Rudy Markham and Shriti Vadera have served as Non-Executive Directors of the Company for nine and seven years respectively, and Sheri McCoy has had a 30-year career in the pharmaceutical industry. The Board of Directors' biographies on pages 88 and 89 contain details of each Committee member's skills and experience.

The Committee held five meetings in 2017 and Committee members' attendance is set out in the table on page 87.

Role and operation of the Committee

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

The Committee regularly reports to the Board on how it discharges its main responsibilities, which include:

- > monitoring the integrity of the Company's financial reporting and formal announcements relating to its financial performance, and reviewing significant financial reporting judgements contained within them
- > ensuring the Company's Annual Report and Accounts present a fair, balanced and understandable assessment of the Company's position and prospects by carrying out a formal review of the documentation and receiving a year-end report from management on the internal controls, governance, compliance, assurance and risk management activities that support the assessment
- > reviewing the effectiveness of the Company's internal financial controls, internal non-financial controls, risk management systems (including whistleblowing procedures) and compliance with laws and the AstraZeneca Code of Ethics
- > monitoring and reviewing the role, resources and effectiveness of the Company's IA function, its Compliance function, the external audit process and the Company's relationship with its external auditor

- > monitoring and reviewing the external auditor's independence and objectivity
- > ensuring the provision of non-audit services by the external auditor are appropriate and in accordance with the policy approved by the Committee
- > making recommendations to the Board for seeking shareholder approval relating to the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor
- > monitoring the Company's response to any external enquiries and investigations regarding matters within the Committee's area of responsibility.

Following each Committee meeting, the Committee Chairman informs the Board of the principal matters the Committee considered and of any significant concerns it has or that have been reported by the external auditor, the Vice-President, IA or the Chief Compliance Officer. The Committee identifies matters that require action or improvement and makes recommendations on the steps to be taken. The Committee's meeting minutes are circulated to the Board.

The Committee's work is supported by valuable insight gained from its interactions with other Board Committees, senior executives, managers and external experts. The Committee meetings are routinely attended by the CFO; the General Counsel; the Chief Compliance Officer; the Vice-President, IA; the Vice-President, Group Financial Controller; and the Company's external auditor. The CEO attends on an agenda-driven basis.

In addition, the Committee and separately the Committee Chairman, meet privately with the CFO; Chief Compliance Officer; General Counsel; Vice-President, IA; and the Company's external auditor on an individual basis to ensure the effective flow of material information between the Committee and management.

Activities of the Committee in 2017

During 2017 and in January 2018, the Committee considered and discussed the following standing items:

Financial reporting

- > key elements of the Financial Statements and the estimates and judgements contained in the Company's financial disclosures. Accounting matters considered 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, goodwill and intangible asset impairment) from page 79 and other important matters such as monitoring the accounting for Externalisation Revenue in the Group's Consolidated Statement of Comprehensive Income
- > the Company's presentation of deferred tax assets and collateral balances, and foreign

exchange gains and losses relating to the classification of certain non-structural intra-Group loans, in each case supported by papers prepared by management and the external auditor

- > the external auditor's reports on its audit of the Group Financial Statements, and reports 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 going concern assessment and adoption of the going concern basis in preparing this Annual Report and the Financial Statements. More information on the basis of preparation of Financial Statements on a going concern basis is set out in the Financial Statements on page 139
- > the preparation of the Directors' viability statement and the adequacy of the analysis supporting the assurance provided by that statement
- > compliance with 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 Committee continued its focus on IT controls in the context of the changes to the Group's IT environment. More information about this is set out in the Sarbanes-Oxley Act Section 404 section of the Financial Review on page 83.

Risk and Compliance

- > the Company's principal, enduring and emerging risks, including the Company's risk management approach, risk reporting framework and risk mitigation. More information about the Principal Risks faced by the Company is set out in the Risk Overview section from page 63
- > quarterly reports from the General Counsel on the status of significant litigation matters and governmental investigations
- > quarterly reports of work carried out by IA and Finance including the status of follow-up actions with management
- > quarterly reports from Global Compliance regarding key compliance incidents (both substantiated and unsubstantiated), trends arising and dispersion of incidents across the Group's business functions including any corrective actions taken so that the Committee could assess the effectiveness of controls, and monitor and ensure the timeliness of remediation
- > data from reports made by employees via the AZethics helpline, online facilities and other routes regarding potential breaches of the Code of Ethics, together with the results of enquiries into those matters
- > reports from the Group Treasury function, in particular, concerning the Company's liquidity and cash position, credit risk and the appropriateness of its investment management policy in the context of the current economic situation

- > the preparation of the Directors' Modern Slavery Act Statement and the adequacy of the monitoring, review and education relating to modern slavery risks conducted across the organisation during the year.

External audit

- > audit and non-audit fees of the external auditor during 2017, including the objectivity and independence of the external auditor through the application of the Audit and Non-Audit Services Pre-Approval Policy as described further below. Further information about the audit and non-audit fees for 2017 is disclosed in Note 30 to the Financial Statements on page 189.

Performance assessment

- > effectiveness review of IA by considering its performance against the internal audit plan and key activities. The Committee noted how IA had delivered value to the business during the year by providing assurance over compliance with significant policies, plans, procedures, laws and regulations, as well as risk-based audits across a broad range of key business activities, introducing thematic reporting to the business, and adapting the audit plan to respond to new or arising risks over the year
- > the Committee conducted the annual evaluation of its own performance with each Committee member responding to a web-based questionnaire prepared by an external third party. The effectiveness review of the Committee was assessed as high, with the Committee continuing to provide challenge and assurance over key accounting areas of judgement. A feature of the Committee's oversight was said to be its targeting of 'deep dive' sessions to further its understanding of the challenges facing parts of the business as well as risk management and its visibility to different stakeholders through site visits and informal discussions with employees.

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

Business updates

- > regular updates from the IT/IS team on matters including: the alignment of critical systems and information assets to the Group's cyber defence capability; enhancing segregated networks; mandatory training on cyber security to support effective risk identification and mitigation; and learning from a simulated global cyber security crisis exercise, and from high-profile cyber-attacks affecting other large organisations during 2017
- > reviews of the Company's significant restructuring programmes initiated from 2013 onwards, including accounting for restructuring charges, control over capital expenditure and the projection for their completion

- > supply chain readiness for launching new products, a review of the Group's biologics capability and manufacturing capacity, and an overview of manufacturing site-preparedness for an increasingly complex regulatory environment
- > review and mitigation for Brexit scenarios, in particular, funding sources, cash management activities, insurance and derivative contracts in the context of the UK losing passporting rights for banking services
- > key compliance risks arising from our activities in MEA and Latin America and the programme of strengthening controls and processes, streamlining geographical and organisational structures, and creating a culture of accountability
- > consideration of major trends regarding pricing, reimbursement and market access in oncology, and the key external and internal risks the Company faces in this context
- > post-acquisition reviews of Acerta Pharma and ZS Pharma including the circumstances connected with the two FDA CRLs relating to ZS-9
- > a review of the arrangements, activities and operation of the Group's Global Business Services unit.

External audit, accounting and regulatory changes

- > monitoring the external audit transition process to ensure an effective transition of the Group's external auditor
- > a review of the governance arrangements for the Pensions Trustee of the AstraZeneca UK Pension Fund
- > preparation and policy changes required for the implementation of IFRS 9 and IFRS 15 with effect from 1 January 2018
- > preparation for compliance with the General Data Protection Regulation which is due to come into force on 25 May 2018.

Significant financial reporting issues considered by the Committee in 2017

Revenue recognition

The US is our largest single market and sales accounted for 30.6% of our Product Sales in 2017. 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 66). The 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.

Valuation and possible 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, there is a significant development milestone such as the publication of clinical trial results which could significantly alter management's forecasts for the product.

In 2017, the Committee considered the annual impairment reviews of the Group's intangible assets, including *Byetta*, *FluMist*, *Movantik/Moventig*, *ZS-9* and tralokinumab. The considerations of the *Byetta* and *Movantik/Moventig* impairment reviews covered anticipated generic entry in the US, and a re-assessment of the market opportunity in the context of the OIC indication respectively. The *FluMist* impairment review included the impact of the announcement in June 2017 by the Advisory Committee on Immunization Practices of the Center for Disease Control and Prevention of an interim recommendation on the use of *FluMist Quadrivalent* in the US during the 2017/2018 influenza season, which followed a similar announcement in 2016 in respect of the 2016/2017 influenza season. The Committee also assessed the impact of the second CRL received from the FDA for *ZS-9*.

Impairments were taken on *Byetta*, *FluMist* and *Movantik/Moventig*, and tralokinumab was fully impaired following the disappointing clinical read out for the Phase III programme in severe, uncontrolled asthma in November.

Litigation and contingent liabilities

The Committee was regularly informed by the General Counsel and external auditor about IP litigation, product liability actions and governmental investigations that might result in fines or damages against the Company, to assess whether provisions should be taken and, if so, when and in what amount. Of the matters the Committee considered in 2017, the more significant included: the Texas Attorney General matters regarding *Crestor* and *Seroquel*; and the *Nexium* and *PriLOSEC* product liability litigation in the US. The Company has had success in defending the *Nexium* substance patent in the Canadian Supreme Court by overturning invalidity decisions from lower courts but it is also managing third party patent infringement challenges in the US for *Calquence* and *Imfinzi* (products which received FDA approval during the year). The Company continues to defend claims by generics companies for damages relating to the US *Pulmicort* patent litigation. Further information about the Company's litigation and contingent liabilities is set out in Note 28 to the Financial Statements from page 182.

Tax accounting

The Committee reviews the Company's approach to tax including governance, risk management and compliance, tax planning,

Audit Committee Report continued

dealings with tax authorities and the level of tax risk the Company is prepared to accept. The full statement, which was published in December 2017, can be found at www.astrazeneca.com.

The Committee also reviewed the impact of the reduction in US federal tax rates as a result of tax reform in the US, which resulted in a reduction of deferred tax balances of \$617 million.

Retirement benefits

Pension accounting continues to be an important area of focus recognising the level of pension fund deficit and its sensitivity to small changes in interest rates, which the Committee continues to monitor carefully. The Committee reviewed the Company's defined benefit pension global funding objective and principles, focusing in particular on the Company's main defined benefit pensions obligations in Sweden, the UK and the US.

Internal controls

The Committee receives a report of the matters considered by the Disclosure Committee during each quarter. During the year, a number of internal control weaknesses were reported relating to a new IT system implemented in January 2017 (used to manage customer deduction programmes in the US) and over the completeness of reports used to validate the adequacy of supporting documentation and approval of manual journals. These were remediated in-year with validation testing performed to ensure operational effectiveness. Across the wider internal control environment, a large number of design improvements have been implemented to further strengthen, enhance and de-risk our internal control over financial reporting. At the January 2018 meeting, the CFO presented to the 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 2017. Based on their evaluation, the CEO and the CFO concluded that, as at that date, we maintained an effective system of disclosure controls and procedures.

For further information on the Company's internal controls, please refer to the Accountability section in the Corporate Governance Report on page 96.

External auditor

Following a competitive tender carried out in 2015, a resolution to approve the appointment of PwC for the financial year ending 31 December 2017 was passed by shareholders at the Company's AGM in April 2017.

KPMG LLP (KPMG), who formerly held office, worked with PwC to ensure an orderly transition during the first half of the year. Richard Hughes is the lead partner at PwC.

Non-audit services and safeguards

The Committee maintains a policy (the Audit and Non-Audit Services Pre-Approval Policy) 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 policy covers three categories of work: audit services; audit-related services; and tax services, the latter of which is significantly restricted such that no tax services are pre-approved under the policy. The policy defines 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 and audit-related services to be performed by the external auditor during the year, subject to annual fee limits agreed with the Committee in advance. Pre-approved audit and audit-related services below the clearly trivial threshold (within the overall annual fee limit) are subject to case-by-case approval by the Vice-President, Group Financial Controller.

The pre-approved audit services included services in respect of the annual financial statement audit (including quarterly and half-year reviews), attestation opinions under section 404 of the Sarbanes-Oxley Act, statutory audits for subsidiary entities, and other procedures to be performed by the independent auditor to be able to form an opinion on the Company's consolidated financial statements. The pre-approved audit-related services, which the Committee believes are services reasonably related to the performance of the audit or review of the Company's financial statements, included certain services related to acquisitions and disposals, financial statement audits of employee benefit plans, and internal controls reviews. The Committee is mindful of the 70% non-audit services fee cap under EU regulation, together with the overall proportion of fees for audit and non-audit services in determining whether to pre-approve such services.

The CFO (supported by the Vice-President, Group Financial Controller), monitors the status of all services being provided by the external auditor. Authority to approve work exceeding the pre-agreed annual fee limits and for any individual service above the clearly trivial threshold is delegated to the Chairman of the Committee together with one other Committee member in the first instance. A standing agenda item at Committee meetings covers the operation of the pre-approval procedures and regular reports are provided to the full Committee.

All non-audit services other than the pre-approved audit and audit-related services are approved by the Audit Committee on a case-by-case basis. In 2017, non-audit services provided to the Company by KPMG (prior to their cessation of appointment as the Group's auditor in April) included services provided in respect of the audit transition, interim review of the results of the Group for

the quarter ended 31 March 2017 and provision of a comfort letter for the Company's capital market debt issuance. Following their appointment, PwC provided non-audit services including an interim review of the results of the Group for the six months ended 30 June 2017. Fees for non-audit services amounted to 4% of the fees paid to PwC for audit, audit-related and other services in 2017. A similar statistic has not been provided for KPMG for 2017 as this would not be meaningful given that no Group audit services were provided during the year.

In each case, KPMG and PwC were considered better placed than any alternative audit firm to provide these services in terms of their familiarity with the Company's business, skills, capability and efficiency. All such services were either within the scope of the pre-approved services set out in the Non-Audit Services Policy or were presented to Committee members for pre-approval.

Further information on the fees paid to PwC for audit, audit-related and other services is provided in Note 30 to the Financial Statements on page 189.

Assessing external audit effectiveness

In accordance with its normal practice, the Committee considered the performance of PwC and its compliance with the independence criteria under the relevant statutory, regulatory and ethical standards applicable to auditors.

The Committee assessed effectiveness taking into account the views of senior management within the finance function and regular Committee attendees, in particular, against five key factors namely: judgement; mind-set & culture; skills, character & knowledge; and quality control. The Committee felt that the first full year audit had been comprehensive; that the change of auditors had, as anticipated, brought a fresh approach and provided robust challenge to management proposals, and had led to improvements being incorporated throughout the control environment. Accordingly, the Committee was satisfied that there had been an effective transition of the Group's external auditor and concluded that the PwC audit was effective for the financial year commencing 1 January 2017.

In February 2018, the Committee recommended and the Board agreed to the reappointment of PwC as the Company's auditor for 2018. Accordingly, a resolution to re-appoint PwC as auditors will be put to shareholders at the Company's AGM in 2018.

Regulation

The 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 2017.

Directors' Remuneration Report

As AstraZeneca's pipeline-driven transformation continues, and the Company is focused on its return to growth, the Remuneration Committee has taken care to ensure that the Company's remuneration arrangements remain aligned to its strategy.



Contents

- Annual statement from the Chairman of the Committee **105**
- Remuneration at a glance (summary) **108**
- Single total figure of remuneration
 - > Executive Directors **110**
 - > Non-Executive Directors **115**
- Payments to former Directors **115**
- Payments for loss of office **115**
- Directors' interests in shares **116**
- Share interests granted in 2017 **118**
- Other disclosures
 - > Change in CEO remuneration compared to other employees **120**
 - > CEO total remuneration table **120**
 - > Total shareholder return **120**
 - > Relative importance of spend on remuneration **121**
 - > Disclosure of historical performance targets **121**
- How we'll apply the Directors' Remuneration Policy during 2018 **122**
- Executive Directors' share plan interests **124**
- Governance **125**

As Chairman of the Remuneration Committee (the Committee), I am pleased to present AstraZeneca's Directors' Remuneration Report for the year ended 31 December 2017.

As AstraZeneca's pipeline-driven transformation continues and the Company is focused on its return to growth, the Committee has taken care to ensure that the Company's remuneration arrangements remain aligned to its strategy with strong links between long-term performance and our shareholders' experience. The Committee also considers the approach to remuneration arrangements across the business as part of ensuring we are able to attract, motivate and retain the talented employees needed to execute the strategy successfully.

Our Remuneration Policy, which aims to align the remuneration of Executive Directors with the long-term strategy of the business and wider shareholder experience, took effect from last year's AGM. The Remuneration Policy was approved by 96% of our shareholders, and I would like to thank shareholders for their support of the remuneration arrangements in place. We are not proposing to make any changes to the Remuneration Policy for 2018.

Our Remuneration Policy can be viewed on our website, www.astrazeneca.com/remunerationpolicy2017

Directors' Remuneration Report continued

Shareholder engagement

The Committee was disappointed with the level of support received in favour of the Annual Report on Remuneration for the year ended 31 December 2016. During 2017, the Committee Chairman engaged with shareholders and proxy voting agencies to set out the Committee's remuneration proposals for 2018 and to gather feedback ahead of this report being published.

In response to this feedback, we have increased the level of annual bonus disclosure and are proposing a number of changes to the bonus operation for 2018, as follows:

- > The operation of the 2017 annual bonus – we have provided a detailed explanation of the three stages that the Committee goes through when determining annual bonus outcomes.
- > The operation of the 2018 annual bonus – the Committee has reviewed the operation of the annual bonus plan. From 2018, performance will be assessed for each metric in the Group scorecard on a standalone basis for each Executive Director.
- > Enhanced disclosure of pay-out ranges – we have disclosed the threshold and maximum performance hurdles for the Achieve Group Financial Targets and Achieve Scientific Leadership metrics for the 2017 performance year and are committed to disclosing those hurdles for Return to Growth metrics in next year's report.
- > Simplification of measures – we have reduced the number of measures used for the 2018 annual bonus, including adopting a consolidated Return to Growth measure for which we will disclose the threshold and maximum performance hurdles immediately following payment.

We hope these improvements will increase shareholders' understanding of how our annual bonus scheme operates and demonstrate how actual performance and corresponding pay-outs align with both Company performance and the stretching targets set by the Committee.

The Committee also considered the concerns raised by some shareholders in relation to the AZIP, which were reflected in the level of shareholder support for the Annual Report on Remuneration for the year ended 31 December 2016. These concerns about the proposed change in operation of AZIP performance measures were balanced against concerns raised by other shareholders about the potential for the AZIP, in its existing form, to incentivise a focus on short-term performance.

Taking into account the differing shareholder views and noting that the AZIP is now a legacy plan under which no further awards will be

Principal activities focused on by the Committee during 2017

2016 Directors' Remuneration Report and Remuneration Policy	> Preparation, review and approval of the 2016 Directors' Remuneration Report and Remuneration Policy > Consultation with shareholders and shareholder representative bodies on remuneration proposal ahead of 2017 AGM > Consideration of the low level of shareholder support received for the 2016 Directors' Remuneration Report at the AGM and how to address concerns raised > Consideration of the Committee Chairman's consultation with shareholders and shareholder representative bodies following the 2017 AGM
Annual bonus	> Approval of the 2016 Group scorecard outcome and determination of Executive Directors' annual bonus awards for 2016 > Review of bonuses granted to executives below SET level > Approval of Group scorecard targets used to assess 2017 annual bonus performance
Share plans	> Approval of 2014 PSP and 2013 AZIP performance outcomes > Approval of LTI grants > Approval of performance measures to attach to PSP awards granted in 2017 > Review and simplification of LTI rules > Review of projected outcomes for outstanding LTI awards
Other matters	> Approval of compensation arrangements for Executive Directors and SET members for 2017 > Review of AstraZeneca's compensation strategy > Review of analysis of key aspects of reward across the wider Group > Review of Chairman's fee > Review of compensation arrangements for companies acquired by AstraZeneca > Consideration of AstraZeneca's gender pay gap data and draft disclosure to be made in 2018 > Discussion of remuneration trends and shareholder views > Review of the Committee's performance, including comments arising from the annual Board evaluation > Review of the Committee's terms of reference

granted, the Committee determined that the performance measures attached to extant AZIP awards should be operated as proposed, and as set out in the Remuneration Policy, reflecting the support given by the majority of those shareholders voting at the 2017 AGM.

2017 performance highlights and remuneration outcomes

2017 performance

Pipeline delivery in 2017 was strong and AstraZeneca's Products Sales performance improved over the course of the year reflecting the focus on commercial execution as we continue to implement our strategy. We made encouraging progress across the main therapy areas. Our CVMD medicines *Brilinta* and *Faxigya* reached blockbuster status, we launched our first Respiratory biologic medicine, *Fasenra*, and new cancer medicines, *Imfinzi* and *Calquence*. As well as bringing five new medicines to patients in 2017, we continued to find more potential uses for existing treatments, including *Lynparza* and *Tagrisso*.

During the year, we successfully accelerated a number of significant opportunities, not expected to be achieved in 2017. For example, the accelerated approval for *Calquence*, the FDA regulatory submission for *Tagrisso* following its Breakthrough Therapy Designation and Priority Review status previously granted by the FDA, and the Breakthrough Therapy Designation granted by the FDA for *Imfinzi* on the basis of the interim results from the Phase III PACIFIC trial.

The progression-free survival results of the MYSTIC Phase III trial, which showed that the combination of *Imfinzi* and tremelimumab did not meet a primary endpoint in 1st line Stage 4 NSCLC were disappointing, as was the delay to our plans for the launch of ZS-9. However, the number of successes far outweighed the disappointments, as we delivered a record number of approvals in major markets, including first approvals for *Imfinzi*, *Calquence*, *Fasenra* and *Bevespi*.

During 2017, we made encouraging progress on commercial execution and cost discipline. The Growth Platforms represented 68% of Total Revenue and grew by 5% (at actual exchange rates). Total Revenue (Product Sales and Externalisation Revenue) declined by 2% (at actual exchange rates), reflecting the impact of Crestor's and Seroquel XR's loss of exclusivity in the US. Externalisation Revenue grew by 37% (at actual exchange rates). Of particular significance was our global strategic collaboration with MSD to co-develop and co-commercialise *Lynparza* for multiple cancer types. This strategic collaboration between two global oncology leaders, will increase the possibilities for more treatment options for more cancers and is expected to provide a significant amount of income in the years to come, as well as a favourable impact on development costs. Our gross margin ratio for the year fell by one percentage point, impacted by the decline of sales on medicines where we have lost exclusivity and the ramp-up of manufacturing capacity for new medicines. Core R&D and SG&A costs each reduced by 4% (at actual exchange rates) in the year reflecting our continued focus on cost discipline.

2017 remuneration outcomes

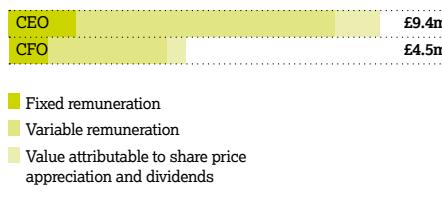
The performance measures used in our variable remuneration are closely aligned with Company strategy, ensuring our Executive Directors are only rewarded for delivery of stretching and appropriately balanced financial, non-financial and individual performance targets. The Committee's evaluation has ensured that executive reward reflects the overall performance of the business and shareholder experience. Valuable insight was provided by the Science Committee for the assessment of science-related matters and by the two Committee members who are also members of the Audit Committee.

When considering business performance together with the Executive Directors' individual performance, annual bonus awards equivalent to 157% of base salary and 141% of base salary were awarded to Mr Soriot and Mr Dunoyer respectively, reflecting the Group scorecard outcome of 157% of target bonus. The Committee determined that this outcome was appropriate having considered the Group scorecard outcome in the context of overall business and individual performance over 2017. One third of the bonus is converted into AstraZeneca shares that are deferred for three years to ensure further alignment with shareholders.

The three-year performance period for PSP awards granted to Executive Directors in 2015 ended on 31 December 2017. Performance against the targets attached to those awards will result in the awards vesting at 77% of maximum. The shares are subject to a further two-year holding period before vesting and being released. The two performance tests (progressive dividend and 1.5 times dividend cover) attached to AZIP awards granted to Executive Directors in 2014 were met in all four years of the performance period which ended on 31 December 2017, with the result that 100% of this award will vest. The shares are subject to a further four-year holding period and are due to vest and be released on 1 January 2022.

The resultant single total figures of remuneration for both Mr Soriot and Mr Dunoyer are set out on page 110. The following chart breaks down their single figure totals into fixed and variable pay with the proportion attributable to share price appreciation and dividends highlighted. As can be seen, the majority of the single total figure comes from variable pay which is linked to the performance of the business and shareholder experience. In the case of the CEO, 12% of the single figure total is as a direct result of the growth in value of our shares and dividends paid since awards were made, further demonstrating the link between the remuneration of the Executive Directors and the experience of our shareholders.

2017 single total figure of remuneration



Remuneration in 2018

The Committee considers that rewarding the Executive Directors appropriately is key to the continued success of the Company and has reviewed the 2018 remuneration arrangements for both Executive Directors.

The Committee is mindful of the tension between the UK executive pay environment and the highly competitive global market for talented executives capable of leading a global innovative biopharmaceutical company to deliver sustainable value for its shareholders. In determining the remuneration packages for Executive Directors, the Committee aims to find the right balance to incentivise, reward and retain highly talented individuals appropriately. Mr Soriot and Mr Dunoyer will each receive a salary increase of 2.5%, effective from 1 January 2018. The average annual increase awarded to the wider UK employee population is also 2.5%.

The Committee also reviewed the annual bonus and PSP performance measures for 2018. As mentioned earlier, we are proposing to change the bonus operation for the 2018 financial year to address a concern that underperformance in one metric can potentially be compensated for by overperformance in another metric. Building on the simplification of previous years, the Committee has reduced the number of annual bonus measures for 2018, by reducing the number of Achieve Scientific Leadership measures from five to four and by combining the five Return to Growth metrics into one measure. The Committee considers that the PSP measures used in 2017 remain appropriate, and therefore no changes are proposed to these for awards to be made in 2018.

With effect from January 2018, in recognition of the steady increase in the Chairman's and the Board's workload and responsibilities, the Chairman of the Company's fee, and certain other fees for other Non-Executive Directors have been revised. No Board member participated in any decision relating to their own fees. Further detail is provided on page 123.

Next steps

The Committee continues to monitor the various developments in corporate governance relating to remuneration matters. In particular, the Committee is considering the proposed changes to the UK Corporate Governance Code. We are committed to ensuring that our remuneration processes and practices support our strategy and deliver sustainable value to our shareholders, and the Committee will remain attentive to further advances in best practice. The Company's UK Gender Pay Gap Report will be issued shortly.

I hope that you find this report clear in explaining the operation of our Remuneration Policy and that it gives you the information you need to be able to support the remuneration resolution that will be put forward to a shareholder vote at the 2018 AGM on the Annual Report on Remuneration for the year ending 31 December 2017.

Our ongoing dialogue with shareholders is valued greatly and, as always, we welcome your feedback on this Directors' Remuneration Report.

Yours faithfully

Graham Chipchase

Chairman of the Remuneration Committee
2 February 2018

Remuneration at a glance

How pay is aligned to strategy

The annual bonus and long-term incentive awards support the delivery of our strategy. The levels of remuneration received are dependent on performance against stretching targets which are linked to our strategic priorities and designed to promote the long-term success of the Company and deliver sustainable value to shareholders.

	Achieve Scientific Leadership	Return to Growth	Achieve Group Financial Targets
Annual bonus	✓	✓	✓
Long-term incentives	PSP	✓	✓
AZIP (legacy LTI)	-	-	✓

For more information on our Strategy and Key Performance Indicators, see page 17.

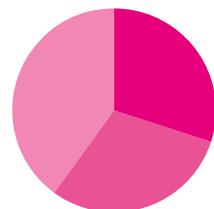
What our Executive Directors earned in 2017

Performance period and remuneration summary

	'14	'15	'16	'17	'18	'19	'20	'21	2017 remuneration		
									Pascal Soriot £'000	Marc Dunoyer £'000	Description
Fixed remuneration				■					1,708	987	> Base salary, taxable benefits and pension allowance
Performance period											
Holding period											
Annual bonus				■	■	■			1,916	1,025	> One third of annual bonus deferred into shares, to be held for three years
Long-term incentives	PSP		■	■	■	■					> Subject to a two-year holding period before vesting
AZIP			■	■	■	■			5,718	2,484	> Subject to a four-year holding period before vesting

Annual bonus outcome

Metric weightings (%)



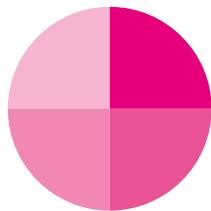
Achieve Scientific Leadership 30%
Return to Growth 30%
Achieve Group Financial Targets 40%

Group scorecard outcome	Achieve Scientific Leadership > 5 metrics	52.8% of target bonus pays out
	Return to Growth > 5 metrics	27.6% of target bonus pays out
	Achieve Group Financial Targets > Cash flow (10%) > Core EPS (20%) > Total Revenue (10%)	76.9% of target bonus pays out
Committee considerations	Overall business and individual performance assessment	The Committee determined the Group scorecard outcome appropriately reflects individual and overall business performance
Overall outcome	Pascal Soriot Marc Dunoyer	87% max 94% max 157% salary 141% salary

For more information on: 2017 annual bonus award, pages 110, 112 and 113; Annual bonus measures for 2018, page 122.

Long-term incentive outcome – PSP (2015-17)

Metric weightings (%)



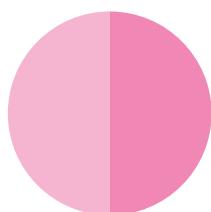
- Achieve Scientific Leadership 25%
- Return to Growth 25%
- Cash flow 25%
- Relative TSR 25%

For more information on: 2015-17 PSP outcome, pages 111 and 114; PSP award granted in 2017, page 118; PSP measures for 2018 grants, page 123.

	Achieve Scientific Leadership > 5 metrics	100% of maximum vests
	Return to Growth > 6 metrics	77% of maximum vests
	Achieve Group Financial Targets > Cash flow	89% of maximum vests
Relative TSR	Relative TSR	42% of maximum vests
Overall outcome	Pascal Soriot Marc Dunoyer	77% max 77% max

Long-term incentive outcome – AZIP (2014-17)

Metric weightings (%)



- Dividend cover 50%
- Dividend level 50%

	Achieve Group Financial Targets > Dividend cover > Dividend level	100% of maximum vests
Overall outcome	Pascal Soriot Marc Dunoyer	100% max 100% max

For more information on 2014-17 AZIP outcome, pages 111 and 114.

How we'll apply our Remuneration Policy in 2018

Directors' Remuneration Policy
Our Remuneration Policy for Directors was approved by 96% of shareholders at the AGM on 27 April 2017 and took effect on that date.

		2018 opportunity	Change from 2017
Fixed remuneration	Consists of base salary, taxable benefits and pension allowance	Base salaries: CEO – £1,251,000 CFO – £743,000	2.5% increase in base salary No change in provision of taxable benefits and pension allowance
Annual bonus	Quantum determined by performance over one year. Two thirds paid as cash and one third deferred into shares with a three-year holding period.	CEO – maximum 180% base salary CFO – maximum 150% base salary	No change
Long-term incentive	Share awards granted under PSP. Proportion vesting determined by performance over a three-year period. Two-year holding period applies after performance period.	CEO – maximum 500% base salary CFO – maximum 400% base salary	No change

The full Remuneration Policy can be viewed on our website, www.astazeneca.com/remunerationpolicy2017.

Annual Report on Remuneration

This section of the report sets out how we applied our Remuneration Policy during 2017.

Single total figure of remuneration: Executive Directors (Audited)

The table below sets out all of the elements of remuneration receivable by the Executive Directors in respect of the year ended 31 December 2017, alongside comparative figures for the prior year. The following notes explain what is included, how values have been calculated and, for annual bonus and long-term incentives, how the Committee has assessed performance.

£'000		Fixed			Variable (performance related)			Other	Total
		Base salary	Taxable benefits	Pension	Annual bonus	Long-term incentives			
					Regular	Buy-out			
Pascal Soriot	2017	1,220	122	366	1,916	5,718	–	93	9,435
	2016	1,190	121	357	1,167	7,525	3,961	21	14,342
Marc Dunoyer	2017	725	88	174	1,025	2,484	–	16	4,512
	2016	707	71	170	624	3,134	–	–	4,706

Notes to the single total figure of remuneration table

Fixed

Base salary

When awarding salary increases, the Committee considers, among other factors, the salary increases applied across the UK employee population. In 2017, both Executive Directors received a salary increase of 2.5%, which was in line with increases for the UK workforce.

£'000	Increase from 2016	Base salary 2017
Pascal Soriot	2.5%	1,220
Marc Dunoyer	2.5%	725

Taxable benefits

The Executive Directors may select benefits within AstraZeneca's UK Flexible Benefits Programme and may choose to take their allowance, or any proportion remaining after the selection of benefits, in cash. In 2017, the Executive Directors selected benefits including healthcare insurance, death-in-service provision and advice in relation to tax and took their remaining allowances in cash.

2017 £'000	Benefits	Taken as cash	Total benefits
Pascal Soriot	17	105	122
Marc Dunoyer	33	55	88

Pension

The Executive Directors receive a pension allowance, calculated as a percentage of base salary. During 2017, both Executive Directors took their pension allowance as a cash alternative to participation in a defined contribution pension scheme. Neither Executive Director has a prospective entitlement to a defined benefit pension by reason of qualifying service.

2017 £'000	Pensionable salary	Pension allowance	Cash in lieu of pension
Pascal Soriot	1,220	30%	366
Marc Dunoyer	725	24%	174

Variable (performance related)

Annual bonus (summary)

Annual bonus targets are set at the beginning of the year and are closely aligned to our strategic priorities. Awards are determined following year-end, using a robust three stage process. Following feedback from our shareholders, we have this year included a more detailed description of the process for assessing performance and calculating outcomes to enhance transparency. One third of each Executive Director's pre-tax bonus is deferred into Ordinary Shares which are released three years from the date of deferral, subject to continued employment. Bonuses are not pensionable.

2017	Bonus potential as % of salary			2017 bonus £'000		
	Target	Maximum	% of salary	% of maximum	Taken as cash	Deferred into shares
Pascal Soriot	100%	180%	157%	87%	1,277	639
Marc Dunoyer	90%	150%	141%	94%	683	342

□ Annual bonus operation and performance in detail, pages 112–113.

Long-term incentives (summary)

For 2017, the figures include Performance Share Plan (PSP) awards granted in 2015 and AstraZeneca Investment Plan (AZIP) awards granted in 2014. Performance periods for both awards ended on 31 December 2017 but shares will not be released and dividend equivalents will not be paid out to the Directors until the awards vest at the end of their respective holding periods. The award values have been calculated using the average closing share price over the three-month period ended 31 December 2017 (4999.4 pence).

The long-term incentive figures for 2016 include shares awarded to Mr Soriot in 2013 under the AZIP to compensate him for long-term incentive awards from previous employment which were forfeited on his recruitment as AstraZeneca's CEO, in addition to regular AZIP and PSP awards granted in 2013 and 2014 respectively. Performance periods for these awards ended on 31 December 2016 at which point the PSP awards vested. Shares under the AZIP awards will not be released and dividend equivalents will not be paid out to the Directors until the awards vest at the end of the four-year holding period.

The AZIP award values for 2016 have been recalculated using the average closing share price over the three-month period ended 31 December 2017 (4999.4 pence). The PSP award values for 2016 have been recalculated using the closing share price on the date of vesting (4960.0 pence). Figures disclosed in last year's Remuneration Report were based on the average closing share price over the three-month period ended 31 December 2016 (4510.6 pence). As the share price used to calculate the value of these awards has increased, the 2016 long-term incentive award values are higher than those disclosed in last year's Remuneration Report, as are the single total figures of remuneration for 2016.

The long-term incentive figures also include the value of dividend equivalents accrued during the relevant performance periods.

2015 PSP performance

77% of the PSP awards granted to Mr Soriot and Mr Dunoyer on 27 March 2015 in respect of the 2015-2017 performance period are due to vest on completion of the holding period on 27 March 2020. Vesting is ordinarily subject to continued employment.

	Ordinary Shares granted	Performance outcome	Shares due to vest	Value of shares due to vest £'000	Dividend equivalent accrued over performance period £'000	Total £'000
Pascal Soriot	104,764	77%	80,668	4,033	492	4,525
Marc Dunoyer	45,880	77%	35,327	1,766	215	1,982

2014 AZIP performance

100% of the AZIP awards granted to Mr Soriot and Mr Dunoyer on 28 March 2014 in respect of the 2014-2017 performance period are due to vest on completion of the holding period on 1 January 2022. Vesting is ordinarily subject to continued employment.

	Ordinary Shares granted	Performance outcome	Shares due to vest	Value of shares due to vest £'000	Dividend equivalent accrued over performance period £'000	Total £'000
Pascal Soriot	20,677	100%	20,677	1,034	159	1,193
Marc Dunoyer	8,709	100%	8,709	435	67	503

Long-term incentives performance in detail, page 114.

Other

Other items in the nature of remuneration

Deferred shares granted to the Executive Directors under the Deferred Bonus Plan (DBP) in respect of the withheld proportion of their annual bonuses awarded for performance during the year ended 31 December 2013 were released during 2017, on completion of the three-year holding period. The dividend equivalents accrued on the deferred shares during the holding period and paid to the Executive Directors at the time of release are included in the Other column.

Annual Report on Remuneration *continued*

Annual bonus (in detail)

Our bonus process explained

Stage 1 – Group scorecard outcome assessment	The Committee assesses the Company's performance against the measures contained in the Group scorecard. The Group scorecard for 2017 contained metrics under three performance measures: Achieve Scientific Leadership, Return to Growth and Achieve Group Financial Targets. Each Group scorecard metric had a defined payout range, with 100% target bonus pay-out for on-target performance and 200% of target bonus pay-out for the maximum level of performance. A threshold level of performance is set for each metric and performance at or below threshold level will result in 0% payout for that metric. Performance against each metric is assessed and the Group scorecard outcome overall is the result of the combined weighted outcomes for each metric. Information on the operation of the annual bonus scheme in 2018 is provided on page 122.
Stage 2 – Overall business and individual performance assessment	The Committee assesses the Group scorecard outcome to ensure that it accurately reflects business performance and the experience of shareholders over the year of assessment. The Committee also carries out an assessment of each Executive Director's personal performance. Taking these factors into account, the Committee determines the level of bonus that represents a fair and balanced reflection of the individual Executive Director's performance during the year.
Stage 3 – Final individual bonus determination	Bonuses for Executive Directors will not normally exceed the historical maximum opportunities of 180% of base salary for the CEO and 150% of base salary for the CFO. Ordinarily, if the assessment at Stage 2 exceeds these amounts, the Executive Director's bonus is capped at the relevant historical maximum amount. If the Committee believes it will be in the interests of shareholders to award a bonus in excess of these historical limits (up to the maximum permitted under our Directors' Remuneration Policy), major shareholders would be consulted in advance. Each Executive Director's annual bonus is determined upon completion of this third stage.

2017 bonus outcome (Audited)

	Stage 1 – Group scorecard outcome assessment				Stage 2 – Overall business and individual performance assessment	Stage 3 – Final individual bonus determination
	Achieve Scientific Leadership	Return to Growth	Achieve Group Financial Targets	Total		
Group scorecard outcome as % of target bonus	52.8%	27.6%	76.9%	157%		
Pascal Soriot bonus as % of base salary	52.8%	27.6%	76.9%	157%	↔	157% ↔ 157%
Marc Dunoyer bonus as % of base salary	47.5%	24.8%	69.2%	141%	↔	141% ↔ 141%

↔ Unchanged

1. Group scorecard outcome assessment

Performance against the 2017 Group scorecard is set out below.

2017 Group scorecard performance measures and metrics	Weighting	Threshold	Target	Maximum	Outcome	Group scorecard outcome
Achieve Scientific Leadership						
NME Phase II starts/progressions		5	10	15	14	Met target
NME and major life-cycle management Phase III investment decisions		3	6	9	9	Max
NME and major life-cycle management regional submissions	6% per measure	6	9	11	13	Max
NME and major life-cycle management regional approvals		9	13	16	19	Max
Acquisitions, licensing and divestment deals		7	10	13	10*	Met target
Return to Growth						
New CVMD (including Brilinta/Brilique)				\$3,563m	Below threshold	
Respiratory				\$4,609m	Below target	
New Oncology	6% per measure	Commercially sensitive: will be disclosed in our 2018 Annual Report			\$1,330m	Max
Emerging Markets		\$5,870m	Met target			
Japan		\$2,335m	Met target			
Achieve Group Financial Targets						
Cash flow	10%	\$2.9bn	\$3.2bn	\$3.8bn	\$3.6bn	Met target
Core EPS	20%	\$3.51	\$3.90	\$4.29	\$4.47	Max
Total Revenue	10%	\$21.3bn	\$22.0bn	\$22.7bn	\$22.7bn	Max

* The Committee determined that following completion of the Lynparza collaboration with MSD the financial basis for which this metric is a proxy had been achieved.

Achieve Scientific Leadership

These targets reflect the Company's ability to deliver innovation to the market. In 2017, we continued to make progress towards achieving scientific leadership. The AstraZeneca pipeline includes 144 projects, of which 132 are in the clinical phase of development. There are 11 NME projects currently in late-stage development, either in Phase III/pivotal Phase II studies or under regulatory review. During 2017, across the portfolio, 80 projects successfully progressed to the next phase. This included eight first approvals in a major market and 12 NME progressions. In addition, 18 projects have entered Phase I and 10 have been discontinued. The Committee and the Science Committee assessed the substance of the achievements during the year and concluded that the results disclosed in the 2017 Group scorecard table represent a fair and balanced outcome. The acquisitions, divestment and licensing target was set to reflect the estimated number of deals required to deliver a given level of value during the year. Seven significant deals were completed during 2017, however the value delivered by the completion of the Lynparza collaboration with MSD was significantly ahead of that anticipated at the start of the year when targets were set. The Group scorecard outcome reflects achievement of the target in respect of this metric.

Return to Growth

These targets are based on quantitative sales targets for 2017 and relate to the Company's Growth Platforms. The Return to Growth 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; they are not directly comparable year to year. Targets reflect acquisitions and disposals and take into account known events such as the biennial price reviews in Japan, which impacted 2016. In 2017, the New Oncology therapy area and Emerging Markets region performed well, exceeding target, and Japan met its target. New CVMD and Respiratory were below target reflecting a number of challenges in meeting these stretching targets.

The target, threshold and maximum performance hurdles for the 2017 individual Growth Platforms are currently deemed to be commercially sensitive as our competitors may use this detailed information to help predict what our targets and expectations are for growth products for future performance years and refine their competitive response. We will disclose this information in the 2018 Remuneration Report.

Achieve Group Financial Targets

These targets are based on the Company's key financial measures. The cash flow measure is evaluated by reference to net cash flow from operating activities less capital expenditure adding back proceeds from disposal of intangible assets. The Core EPS and Revenue measures 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. During 2017, all measures within the Group financial targets exceeded target with a strong performance.

Based on performance against the weighted measures, the Group scorecard outcome for 2017 was 157% of target bonus.

2. Overall business and individual performance assessment

The Committee reviewed the Group scorecard outcome in the context of overall business performance and the Executive Directors' individual performance. Over the course of 2017, AstraZeneca made encouraging progress in our main therapy areas, particularly pipeline performance, as well as in commercial execution and cost discipline. The Committee considered shareholder experience, noting that TSR performance over the year was ahead of the market (FTSE30/FTSE100) and peers, and that Core Earnings Per Share (EPS) for 2017 was above target. The Committee was also mindful that the results of the MYSTIC Phase III trial, which showed that the combination of Imfinzi and tremelimumab did not meet a primary endpoint progression-free survival in 1st line Stage 4 NSCLC were disappointing, as was the delay to our plans for the launch of ZS-9. However, the Committee determined that the number of successes far outweighed the disappointments.

The assessments of the CEO and CFO's individual performance over 2017 included measures reinforcing aspects of the Group scorecard, supporting our Be a Great Place to Work strategic priority and measuring the success of initiatives to drive productivity and innovation within the business. The assessment of Mr Soriot's individual performance included progress in increasing diversity in leadership roles across AstraZeneca; achievement of key sustainability targets, including rankings within the Global 100, FTSE4Good and DJSI indices; and strong scores from quarterly employee surveys in relation to personal development and growth opportunities and establishing AstraZeneca as a Great Place to Work. The assessment of Mr Dunoyer's performance included delivery of Growth Platforms and revenues; performance against financial targets balancing short-term goals with supporting longer-term R&D investment; ongoing internal productivity programmes; and good progress in decreasing our operating cost base.

In the context of overall business and individual performance during 2017, the Group scorecard outcome is considered to be an appropriate reflection of key achievements and the level of bonus awarded to each Executive Director has been set at 157% of target bonus.

3. Final individual bonus assessment

The Executive Directors' target bonuses for 2017 were 100% of base salary for the CEO and 90% of base salary for the CFO. The level of bonus determined under Stage 2, the overall business and individual performance assessment, equates to bonus payouts below the historical levels of maximum opportunity for Executive Directors and therefore the level of bonus awards does not need to be moderated under this final individual bonus assessment.

Annual Report

on Remuneration

continued

Long-term incentives (in detail)

2015 PSP performance

The TSR and cash flow targets and payout profiles were disclosed at the time of award, on page 111 of the 2015 Annual Report. The Achieve Scientific Leadership and Return to Growth targets are no longer deemed to be commercially sensitive and are disclosed below.

2015 PSP performance measures and metrics	Weighting	Threshold (25% vesting)	Maximum (100% vesting)	Outcome	Vesting (% of maximum)
Achieve Scientific Leadership					
NME approvals		3	7	9	100%
Major life-cycle management approvals		4	9	10	100%
Phase III/registration NME volume	5% per measure	6	11	11	100%
Prospective peak-year sales for approvals from NME & major life-cycle management approvals		3	6	9	100%
Phase II starts		13	18	36	100%
Return to Growth					
Brilinta/Brilique		\$0.8bn	\$1.2bn	\$1.2bn	97%
Diabetes franchise		\$2.7bn	\$3.8bn	\$2.7bn	0%
Respiratory	4.16% per measure	\$4.94bn	\$5.2bn	\$5.2bn	97%
Oncology launch		\$0.35bn	\$0.5bn	\$1.4bn	100%
Emerging Markets		\$5.7bn	\$8.1bn	\$7.0bn	77%
Japan		\$1.6bn	\$2.3bn	\$2.2bn	93%
TSR rank relative to peer group	25%	Median	Above upper quartile (2nd or above, at the discretion of the Committee)	5th	42%
Adjusted cumulative cash flow	25%	\$9.0bn	\$13.0bn	\$12.1bn	89%

The Return to Growth 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. The Adjusted cumulative cash flow measure is evaluated by reference to net cash flow before distributions and other adjustments required by the performance conditions. More information about the TSR performance of the Company is set out on page 120. The TSR peer group against which performance has been assessed for the 2015 PSP was set at the time of grant and is detailed on page 113 of the 2015 Annual Report.

2014 AZIP performance

The AZIP targets were disclosed at the time of award, on page 109 of the 2014 Annual Report. The operation of the targets was revised in 2017 to address shareholder concerns that the original structure could incentivise too great a focus on short-term earnings. The original cliff vesting approach was replaced with a sliding-scale, whereby 25% of the award will lapse in respect of any year in the performance period in which either of the performance targets are not achieved.

2014 AZIP performance measures	2014	2015	2016	2017
Annual dividend per share at or above \$2.80	\$2.80	\$2.80	\$2.80	\$2.80
Dividend cover of 1.5 calculated on the basis of Core EPS	1.53	1.52	1.54	1.53

Single total figure of remuneration: Non-Executive Directors (Audited)

The single total figure table sets out all elements of remuneration receivable by the Non-Executive Directors in respect of the year ended 31 December 2017, alongside comparative figures for the prior year.

	2017 Fees £'000	2016 Fees £'000	2017 Other £'000	2016 Other £'000	2017 Total £'000	2016 Total £'000
Leif Johansson	575	575	39	36	614	611
Geneviève Berger	87	87	—	—	87	87
Philip Broadley – elected 27 April 2017	64	—	—	—	64	—
Graham Chipchase	115	115	—	—	115	115
Deborah DiSanzo – appointed 1 December 2017	25	—	—	—	25	—
Rudy Markham	165	165	—	—	165	165
Sheri McCoy – appointed 1 October 2017	43	—	—	—	43	—
Nazneen Rahman – appointed 1 June 2017	61	—	—	—	61	—
Shriti Vadera	110	110	—	—	110	110
Marcus Wallenberg	87	87	—	—	87	87
Former Non-Executive Directors						
Cori Bargmann – retired 1 October 2016	—	65	—	—	—	65
Bruce Burlington – retired 31 August 2017	78	117	—	—	78	117
Ann Cairns – retired 24 April 2017	31	95	—	—	31	95
Jean-Philippe Courtois – retired 1 December 2016	—	87	—	—	—	87
Total	1,441	1,503	39	36	1,480	1,539

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

Board fees and office costs

The Chairman's single total figure includes office costs (invoiced in Swedish krona) of £39,000 for 2017 and £36,000 for 2016. Further information on the Non-Executive Directors' fee structure can be found on page 123.

A new Non-Executive Director receives one third of their annual fee in the first month of service following appointment, to recognise the additional work and time involved in finalising their appointment, including activities associated with their induction as a Director. The balance of the annual fee is paid in equal monthly instalments over the remainder of the Director's first year of service. In the second and subsequent years of service, the annual fee is paid in equal monthly instalments.

Payments to former Directors (Audited)

During 2017 no payments were made to former Directors.

Payments for loss of office (Audited)

No payments were made for loss of office during 2017.

Annual Report on Remuneration *continued*

Directors' interests in shares

Directors' interests as at 31 December 2017 (Audited)

Minimum shareholding requirements apply to 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. All other SET members are required to build a shareholding over time and hold 125% of base salary as shares while in office. As at 31 December 2017, Mr Soriot and Mr Dunoyer had fulfilled the minimum shareholding requirement.

Non-Executive Directors are encouraged 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 during 2017) or, in the case of the Chairman, approximately equivalent to his basic annual fee (£575,000 during 2017). All Non-Executive Directors who had served for a period of three years or more as at 31 December 2017 held sufficient shares to fulfil this expectation.

The Company's Articles of Association require all Directors to acquire a beneficial interest in 500 shares in the Company within two months of appointment. All Directors met their requirement at the date of this Remuneration Report.

The following tables show the interests of the Directors (including the interests of their connected persons) in Ordinary Shares as at 31 December 2017, as well as details of any Director's interests in options over the Company's shares. 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 2017 and 1 February 2018, there was no change in the interests in Ordinary Shares shown in the following tables.

Executive Directors

	Pascal Soriot	Marc Dunoyer
Executive Directors' interests in Ordinary Shares as at 31 December 2017		
Share interests not subject to performance conditions		
Beneficially held	500	127,931
DBP shares in deferral period ¹		
2015 Award	13,482	7,111
2016 Award	17,352	8,798
2017 Award	7,968	4,262
LTI shares in holding period (performance period completed) ¹		
2013 AZIP Award	89,960	8,176
Total share interests not subject to performance conditions	129,262	156,278
Value as at 31 December 2017	£6,619,507	£8,002,996
Value as a percentage of base salary	543%	1,104%
Share interests subject to performance conditions¹		
2015 PSP Award	104,764	45,880
2016 PSP Award	129,713	54,101
2017 PSP Award	125,009	59,439
2014 AZIP Award	20,677	8,709
2015 AZIP Award	17,460	7,646
2016 AZIP Award	21,618	9,016
	419,241	184,791
Share options (unexercisable)		
2015 Sharesave Scheme	–	544

¹ Figures shown are gross values before taxation.

In the period between his appointment on 1 October 2012 and 31 December 2017, Mr Soriot acquired 250,100 Ordinary Shares using his own resources and received 263,099 Ordinary Shares on the vesting of awards granted under the Company's share plans. Over that period Mr Soriot has gifted 512,699 beneficially owned Ordinary Shares to family members for nil consideration, the value of that number of shares being equivalent to 2,152% of Mr Soriot's 2017 base salary as at 31 December 2017. The family members to whom the shares have been gifted do not constitute connected persons for the purposes of this disclosure, so are not included within Mr Soriot's beneficial shareholding figure in the above table. A detailed breakdown of the Executive Directors' interests under Company share schemes is set out on page 124.

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 Director	Beneficial interest in Ordinary Shares at 31 December 2017 or (if earlier) date of retirement	Beneficial interest in Ordinary Shares at 31 December 2016 or (if later) appointment date
Leif Johansson	39,009	39,009
Geneviève Berger	2,090	2,090
Philip Broadley – <i>elected 27 April 2017</i>	4,800	2,500
Graham Chipchase	3,100	3,100
Deborah DiSanzo – <i>appointed 1 December 2017</i>	500	500
Rudy Markham	2,452	2,452
Sheri McCoy – <i>appointed 1 October 2017</i>	500	500
Nazneen Rahman – <i>appointed 1 June 2017</i>	500	–
Shriti Vadera	10,000	10,000
Marcus Wallenberg	63,646	63,646
Former Non-Executive Directors		
Bruce Burlington – <i>retired 31 August 2017</i>	3,349	3,349
Ann Cairns – <i>retired 24 April 2017</i>	2,325	2,325

Annual Report on Remuneration *continued*

Share interests granted in 2017 (Audited)

Deferred Bonus Plan (DBP)

Shares were granted under the DBP following the deferral of one third of the pre-tax annual bonus paid in respect of performance during 2016. Face value has been calculated using the grant price, being the average share price over the three dealing days preceding grant. No further performance conditions apply to DBP shares, but release at the end of the three-year holding period is ordinarily subject to continued employment.

	Ordinary Shares granted	Grant date	Grant price (pence per share)	Face value £'000	End of holding period
Pascal Soriot	7,968	24 March 2017	4880	389	24 March 2020
Marc Dunoyer	4,262	24 March 2017	4880	208	24 March 2020

Performance Share Plan (PSP)

Conditional awards of shares were granted under the PSP with face values at grant equivalent to 500% of base salary for Mr Soriot and 400% base salary for Mr Dunoyer. Face value is calculated using the grant price, being the average share price over the three dealing days preceding grant. The proportion of each award that vests will depend on performance over a three-year period against the measures set out below. A holding period applies following the performance period, meaning that vesting will take place on the fifth anniversary of grant, ordinarily subject to continued employment.

	Ordinary Shares granted	Grant date	Grant price (pence per share)	Face value £'000	End of performance period	End of holding period
Pascal Soriot	125,009	24 March 2017	4880	6,100	31 December 2019	24 March 2022
Marc Dunoyer	59,439	24 March 2017	4880	2,901	31 December 2019	24 March 2022

The PSP performance measures focus on scientific, commercial and financial performance over the three-year performance period. The five equally weighted performance measures attached to 2017 PSP awards are detailed below. 20% of the award will vest if the threshold level of performance is achieved; the maximum level of performance must be achieved under each measure for 100% of the award to vest.

Relative total shareholder return (TSR)

TSR performance of the Company is assessed 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 this measure, as detailed below:

TSR ranking of the Company	% of award that vests
Below median	0%
Median	20%
Between median and upper quartile	Pro rata
Upper quartile	100%

More information about the TSR performance of the Company, including the Company's peer group, is set out on page 120.

EBITDA

Vesting under this measure is based on the achievement of threshold performance against a target of cumulative Reported EBITDA excluding non-cash movements on fair value of contingent consideration on business combinations and gains on disposals of intangible assets. The level of award vesting under this measure is based on a scale between a threshold target and an upper target, as detailed below:

EBITDA	% of award that vests
\$12.0bn	20%
\$18.0bn	100%

Cash flow

The cash flow measure is assessed using cumulative net cash flow from operating activities less capital expenditure adding back proceeds from disposal of intangible assets. The level of award vesting under this measure is based on a sliding scale between a threshold target and an upper target, as detailed below:

Cash flow	% of award that vests
Less than \$8.5bn	0%
\$8.5bn	20%
Between \$8.5bn and \$10.5bn	<i>Pro rata</i>
\$10.5bn	75%
Between \$10.5bn and \$12bn	<i>Pro rata</i>
\$12bn and above	100%

Return to Growth: total Product Sales from Growth Platforms

Vesting under this measure is based on the achievement of threshold performance for an aggregate revenue target in the final year of the period relating to the Company's Growth Platforms. The level of award vesting under this measure is based on a scale between a threshold target and an upper target, as detailed below:

Aggregate revenue of Growth Platforms	% of award that vests
\$16.5bn	20%
\$19.5bn ¹	100%

¹ The hurdle of \$19.5bn was agreed by the Committee in January 2017 but incorrectly reported in the 2016 Remuneration Report due to an administrative error.

Achieve Scientific Leadership

The Achieve Scientific Leadership measure covers three areas: NME approvals (reflecting 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) and the volume of NMEs in Phase III and their registration. These three metrics are equally weighted. As the PSP performance measures related to Achieve Scientific Leadership are an indicator of the Company's longer-term strategic priorities, we believe that the targets and 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 following the end of the performance period.

More information about the PSP performance measures is set out within the Remuneration Policy available at www.astrazeneca.com/remunerationpolicy2017.

Annual Report on Remuneration *continued*

Other disclosures

Change in CEO remuneration compared to other employees

	Percentage change for CEO against 2016	Average percentage change for employees against 2016
Salary	2.5%	4.1%
Taxable benefits	0.4%	4.1%
Annual bonus	64.2%	70%

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 2016 and 2017 group.

CEO total remuneration table

Year	CEO	CEO single total figure of remuneration £'000	Annual bonus payout against maximum opportunity %	LTI vesting rates against maximum opportunity %
2017	Pascal Soriot	9,435 ¹	87	81
2016	Pascal Soriot	14,342 ^{2,3}	54	95
2015	Pascal Soriot	7,963	97	78
2014	Pascal Soriot	3,507	94	—
2013	Pascal Soriot	3,344	94	—
2012	Pascal Soriot ⁴	3,693 ⁵	68	—
2012	Simon Lowth ⁶	3,289	86	38 ⁷
2012	David Brennan ⁸	4,147 ⁹	— ¹⁰	38
2011	David Brennan	7,863	74	62
2010	David Brennan	9,690	90	100
2009	David Brennan	5,767	100	62

¹ The components of the 2017 single total figure of remuneration are outlined on pages 110 to 114.

² This figure includes shares awarded to Mr Soriot in 2013 under the AZIP to compensate him for LTIs from previous employment forfeited on his recruitment as the Company's CEO.

³ This figure has been revised using the average closing share price over the three-month period to 31 December 2017, as explained on page 111.

⁴ Mr Soriot was appointed CEO with effect from 1 October 2012.

⁵ 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.

⁶ Mr Lowth acted as Interim CEO from June to September 2012 inclusive.

⁷ Mr Lowth's LTI awards which vested during 2012 were not awarded or received in respect of his performance as Interim CEO.

⁸ Mr Brennan ceased to be a Director on 1 June 2012.

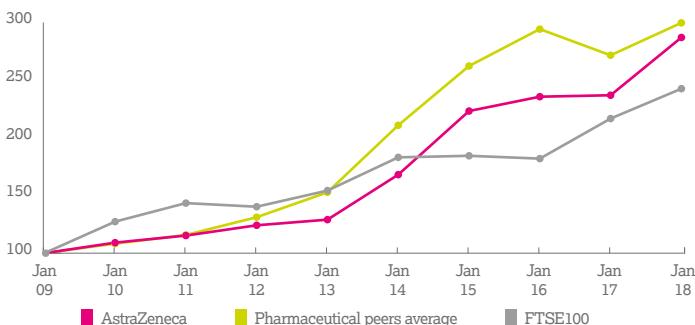
⁹ This figure includes Mr Brennan's pay in lieu of notice of £914,000.

¹⁰ Mr Brennan informed the 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 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 nine 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 our current comparator group and provides shareholders with additional context. This comparator group was adopted in 2017 and is used to assess relative TSR performance for PSP awards granted from 2017 onwards. The comparator group consists of AbbVie, Amgen, Astellas, BMS, Celgene, Daiichi Sankyo, Lilly, Gilead, GSK, Johnson & Johnson, MSD, Novo Nordisk, Novartis, Pfizer, Roche, Sanofi, Shire and Takeda.

TSR over a nine-year period



Relative importance of spend on remuneration (Audited)

The table below shows the remuneration paid to all employees in the Group and expenditure on shareholder distributions through dividends. The figures have been calculated in accordance with the Group Accounting Policies and drawn from either the Company's Consolidated Statement of Comprehensive Income on page 135, or its Consolidated Statement of Cash Flows on page 138. Further information on the Group's Accounting Policies can be found from page 139.

	2017 \$m	2016 \$m	Difference in spend between years \$m	Difference in spend between years %
Total employee remuneration	6,486	6,284	202	3.2
Distributions to shareholders: dividends paid	3,519	3,561	(42)	(1.2)

Disclosure of historical performance targets

Annual bonus

In accordance with our commitment to disclosure, the Committee has determined that the 2015 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 Committee has also determined that the 2016 targets relating to Achieve Scientific Leadership and Return to Growth are no longer commercially sensitive, ahead of the timeline originally anticipated. Targets for the Achieve Group Financial Targets elements of the 2015 and 2016 annual bonus awards were disclosed in the 2015 and 2016 Directors' Remuneration Reports, respectively.

In response to feedback given in the Committee's discussions with shareholders and to enhance the transparency of our disclosures, the threshold and maximum levels of performance are included in the below disclosures in addition to performance targets. For each metric, the threshold level of performance must be exceeded for bonus to be awarded in respect of that metric.

2015 Group scorecard performance measures and metrics not previously disclosed	Weighting	Threshold	Target	Maximum	Outcome
Achieve Scientific Leadership					
NME Phase II starts/progressions		5	9	13	11
NME and major life-cycle management Phase III investment decisions		2	5	8	6
NME and major life-cycle management regional submissions	6% per measure	8	11	14	12
NME and major life-cycle management regional approvals		2	3	4	5
Acquisitions, licensing and divestment deals		0	2	4	10
Return to Growth					
Deliver Brilinta target		\$615m	\$647m	\$679m	\$668m
Deliver Diabetes franchise target		\$2,152m	\$2,265m	\$2,378m	\$2,323m
Deliver Respiratory growth target	5% per measure	\$4,336m	\$4,564m	\$4,792m	\$5,014m
Deliver Oncology growth target		\$54m	\$67m	\$80m	\$123m
Deliver targeted sales growth in Emerging Markets		\$5,995m	\$6,310m	\$6,626m	\$6,314m
Deliver Japan growth target		\$2,091m	\$2,201m	\$2,311m	\$2,191m

2016 Group scorecard performance measures and metrics not previously disclosed	Weighting	Threshold	Target	Maximum	Outcome
Achieve Scientific Leadership					
NME Phase II starts/progressions		8	15	22	15
NME and major life-cycle management Phase III investment decisions		3	6	8	7
NME and major life-cycle management regional submissions	6% per measure	10	14	18	13
NME and major life-cycle management regional approvals		6	9	12	11
Acquisitions, licensing and divestment deals		5	7	9	10
Return to Growth					
Brilinta target		\$846m	\$891m	\$935m	\$869m
New CVMD target		\$2,748m	\$2,893m	\$3,038m	\$2,474m
Respiratory Therapy Area target	5% per measure	\$5,029m	\$5,248m	\$5,563m	\$4,903m
Oncology growth target		\$464m	\$516m	\$567m	\$657m
Targeted sales growth in Emerging Markets		\$6,205m	\$6,531m	\$6,858m	\$6,285m
Japan growth target		\$1,764m	\$1,857m	\$1,950m	\$1,894m

Annual Report

on Remuneration

continued

How we'll apply the Directors' Remuneration Policy during 2018

Summary of potential policy outcomes

The below scenario charts illustrate the Executive Directors' remuneration potential for 2018 under our Directors' Remuneration Policy, for minimum and maximum levels of performance and for performance that is in line with the Company's expectations. These scenarios assume a constant share price and do not take into account dividends paid.

Minimum performance

Fixed remuneration has been calculated based on the base salary applicable in 2018, the value of taxable benefits reported in the 2017 single total figure of remuneration and pension allowances equivalent to 30% of base salary for the CEO and 24% of base salary for the CFO. No annual bonus or LTI will pay out if threshold levels of performance are not met.

Performance in line with expectations

Annual bonus equivalent to 100% of base salary for the CEO and 90% of base salary for the CFO. LTI award vesting with a value equivalent to 250% of base salary for the CEO and 200% of base salary for the CFO.

Maximum performance

Annual bonus equivalent to 180% of base salary for the CEO and 150% of base salary for the CFO. LTI award vesting with a value equivalent to 500% of base salary for the CEO and 400% of base salary for the CFO.

Pascal Soriot

Minimum	100%			£1.7m
In line	29%	20%	51%	£6.1m
Maximum	17%	22%	61%	£10.3m

■ Fixed remuneration ■ Annual bonus ■ Long-term incentive

Marc Dunoyer

Minimum	100%			£1.0m
In line	32%	21%	47%	£3.2m
Maximum	20%	22%	58%	£5.1m

Executive Directors

Executive Directors' salaries for 2018 have increased by 2.5%, which is the same as the increase for the UK workforce. Pension provision, target levels of annual bonus and PSP award levels remain unchanged.

	Pascal Soriot	Marc Dunoyer
Base salary	£1,251,000	£743,000
Pension provision	30% of base salary	24% of base salary
Target annual bonus	100% of base salary	90% of base salary
Face value of PSP award	500% of base salary	400% of base salary

The annual bonus measures and weightings for 2018 are set out below. These are broadly consistent with those applicable in 2017, the changes being:

- > The Acquisition, licensing and divestment deals metric has been removed from the Achieve Scientific Leadership measure. The impact of this activity is captured in the Group financial targets which better reflects the results, rather than a separate measure for the number of deals.
- > The underlying Growth Platforms for the Return to Growth measure remain the same; however, from 2018, the Committee has determined that performance should be assessed against one single consolidated measure, simplifying the overall bonus calculation and enabling more immediate disclosure of targets.
- > The Total Revenue measure has been replaced with Total Product Sales, being Group Global Consolidated Product Sales with performance measured at constant exchange rates. This aligns to the Company's external guidance and focus on commercial execution to drive product sales growth.

The measure for the Cash flow target remains as net cash flow from operating activities less capital expenditure adding back proceeds from disposal of intangible assets.

Annual bonus performance measures	Measure weighting	Underlying metrics (if applicable)	Metric weighting
Achieve Scientific Leadership	30%	NME Phase II starts	6%
		NME and life-cycle management positive Phase III investment decisions	8%
		NME and life-cycle management regional submissions	8%
		NME and life-cycle management regional approvals	8%
Return to Growth	30%		
Achieve Group Financial Targets	40%	Cash flow	10%
		Core EPS	20%
		Total Product Sales	10%

We intend to disclose the 2018 Group scorecard outcome and details of the performance hurdles and targets in the 2018 Remuneration Report, following the end of the performance period. 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.

In response to a suggestion that under the type of bonus structure in place up to 2017, underperformance under one metric could potentially be compensated for by overachievement under another metric, from 2018 this possibility will be removed. Under the 2018 Group scorecard, the achievement for each Executive Director will be assessed for each metric on a stand-alone basis.

The PSP measures and weightings for 2018 are set out below and are consistent with those applicable to PSP awards granted in 2017.

PSP performance measure	Measure weighting	Underlying metrics (if applicable)	Metric weighting	Threshold (20% vesting)	Maximum (100% vesting)
Achieve Scientific Leadership	20%	NME approvals Major life-cycle management approvals Phase III registration	6.67% 6.67% 6.67%	Commercially sensitive: will be disclosed in our 2018 Annual Report	
Return to Growth	20%				\$8.0bn \$12.0bn
Cash flow	20%				\$13.0bn \$18.5bn
EBITDA	20%			Median	Upper quartile
Relative TSR	20%				

The Achieve Scientific Leadership metrics are an indicator of the Company's longer-term strategic priorities. Given the proportion of AstraZeneca's revenue that is now represented by our Growth Platforms, disclosing the threshold and maximum hurdles for the Return to Growth measure could be considered to be guidance, which is not the Company's intention. Both the Achieve Scientific Leadership metrics and Return to Growth measure are thus considered to be commercially sensitive and will be disclosed following the end of the performance period.

The Return to Growth and EBITDA measures 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. The EBITDA measure is assessed using cumulative Reported EBITDA excluding non-cash movements on fair value of contingent consideration on business combinations and gains on disposals of intangible assets. The Cash flow measure is evaluated using net cumulative cash flow from operating activities less capital expenditure adding back proceeds from disposal of intangible assets. The companies in the TSR comparator group are AbbVie, Amgen, Astellas, BMS, Celgene, Daiichi Sankyo, Lilly, Gilead, GSK, Johnson & Johnson, MSD, Novo Nordisk, Novartis, Pfizer, Roche, Sanofi, Shire and Takeda.

Non-Executive Directors

The Non-Executive Directors' fee structure for 2018 is set out in the table below, alongside the structure in place during 2017. Further information on the Non-Executive Directors' fee structure can be found within the Remuneration Policy, available at www.astrazeneca.com/remunerationpolicy2017.

The Non-Executive Directors' fees are reviewed, but not necessarily increased, every two years. Certain of the fees were increased with effect from January 2015 following a review in late 2014. All fees were reviewed in 2016, but no changes were proposed then. The last increase in the basic Board fee was in 2010. With effect from January 2018, the Chairman's fee, the basic Board fee for other Non-Executive Directors and Science Committee fees have been increased to recognise the steady increase in the Chairman's and the Board's workload and responsibilities, and the importance of the Science Committee's work, which reflects our commitment to science, and ensures that the level of fees do not hinder the recruitment of Directors of the right experience and calibre in a global market. In addition, a new fee has been introduced for the Non-Executive Director who oversees sustainability matters on behalf of the Board to reflect the increasing importance of this area for many stakeholders, including shareholders and employees. No Board member participated in any decision relating to their own fees.

Non-Executive Director fees	2018 £'000	2017 £'000
Chairman's fee ¹	625	575
Basic Non-Executive Director's fee	88	75
Senior independent Non-Executive Director	30	30
Membership of the Audit Committee	20	20
Membership of the Remuneration Committee	15	15
Chairman of the Audit Committee or the Remuneration Committee ²	25	25
Membership of the Science Committee	15	12
Chairman of the Science Committee ²	15	10
Non-Executive Director responsible for overseeing sustainability matters on behalf of the Board	7.5	-

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.

Annual Report on Remuneration *continued*

Executive Directors' share plan interests (Audited)

The following tables set out the Executive Directors' interests in Ordinary Shares under the Company's share plans in detail.

Pascal Soriot

Share scheme interests	Grant date	Shares outstanding at 1 January 2017	Grant price (pence)	Shares granted in 2017	Shares released in 2017	Shares lapsed in 2017	Shares outstanding at 31 December 2017			Performance period end	Vesting and release date
							Shares subject to performance	Shares in holding period			
DBP	28/03/2014	15,966	3904	–	15,966	–	n/a	–	–	n/a	28/03/2017 ¹
	27/03/2015	13,482	4762	–	–	–	n/a	13,482	–	n/a	27/03/2018
	24/03/2016	17,352	3923	–	–	–	n/a	17,352	–	n/a	24/03/2019
	24/03/2017	–	4880	7,968	–	–	n/a	7,968	–	n/a	24/03/2020 ²
PSP	28/03/2014	124,066	3904	–	114,140	9,926	–	–	31/12/2016	28/03/2017 ^{1,3}	
	27/03/2015	104,764	4762	–	–	–	104,764	–	31/12/2017	27/03/2020	
	24/03/2016	129,713	3923	–	–	–	129,713	–	31/12/2018	24/03/2021	
	24/03/2017	–	4880	125,009	–	–	125,009	–	31/12/2019	24/03/2022	
AZIP	11/06/2013	89,960	3297	–	–	–	–	89,960	31/12/2016	01/01/2021 ⁴	
	28/03/2014	20,677	3904	–	–	–	20,677	–	31/12/2017	01/01/2022	
	27/03/2015	17,460	4762	–	–	–	17,460	–	31/12/2018	01/01/2023	
	24/03/2016	21,618	3923	–	–	–	21,618	–	31/12/2019	01/01/2024	
		555,058		132,977	130,106	9,926	419,241	128,762			

Marc Dunoyer

Share scheme interests	Grant date	Shares outstanding at 1 January 2017	Grant price (pence)	Shares granted in 2017	Shares released in 2017	Shares lapsed in 2017	Shares outstanding at 31 December 2017			Performance period end	Vesting and release date
							Shares subject to performance	Shares in holding period			
DBP	28/03/2014	2,679	3904	–	2,679	–	n/a	–	–	n/a	28/03/2017 ¹
	27/03/2015	7,111	4762	–	–	–	n/a	7,111	–	n/a	27/03/2018
	24/03/2016	8,798	3923	–	–	–	n/a	8,798	–	n/a	24/03/2019
	24/03/2017	–	4880	4,262	–	–	n/a	4,262	–	n/a	24/03/2020 ²
PSP	28/03/2014	52,254	3904	–	48,073	4,181	–	–	31/12/2016	28/03/2017 ^{1,3}	
	27/03/2015	45,880	4762	–	–	–	45,880	–	31/12/2017	27/03/2020	
	24/03/2016	54,101	3923	–	–	–	54,101	–	31/12/2018	24/03/2021	
	24/03/2017	–	4880	59,439	–	–	59,439	–	31/12/2019	24/03/2022	
AZIP	01/08/2013	8,176	3302	–	–	–	–	8,176	31/12/2016	01/01/2021	
	28/03/2014	8,709	3904	–	–	–	8,709	–	31/12/2017	01/01/2022	
	27/03/2015	7,646	4762	–	–	–	7,646	–	31/12/2018	01/01/2023	
	24/03/2016	9,016	3923	–	–	–	9,016	–	31/12/2019	01/01/2024	
		204,370		63,701	50,752	4,181	184,791	28,347			

Interests over share options	Grant date	Options outstanding at 1 January 2017	Exercise price (pence)	Options granted in 2017	Options matured in 2017	Options exercised in 2017	Options outstanding at 31 December 2017			Maturity date (first date exercisable)	Last date exercisable
							Unexercisable	Available to exercise			
SAYE	28/09/2015	544	3307	–	–	–	544	–	01/12/2018	31/05/2019	
		544		–	–	–	544	–			

¹ Market price on release date was 4960.0 pence.

² Award granted following deferral of one third of the annual bonus paid in respect of performance during 2016.

³ Award vested at 92%.

⁴ Mr Soriot's 2013 AZIP award comprises 20,852 shares granted as a regular AZIP award and a previously announced buy-out award which replaces that originally made when Mr Soriot joined the Company in October 2012.

Governance

Committee membership

The Committee members are Graham Chipchase (Chairman of the Committee), Leif Johansson, Rudy Markham and Shriti Vadera. The Deputy Company Secretary acts as the secretary to the Committee.

The Committee met five times in 2017. The individual attendance records of Committee members are set out on page 87. During the year the Committee was materially assisted, except in relation to their own remuneration, by the CEO; the CFO; the Vice-President, Group Financial Controller; the EVP, GMD; the EVP, Human Resources; the Human Resources Vice-President, Centre of Excellence; the Company Secretary; the Deputy Company Secretary and the Non-Executive Directors forming the Science Committee. The Committee's independent adviser, Nicki Demby, Deloitte LLP (Deloitte) attended all Committee meetings.

Terms of reference

A copy of the Committee's terms of reference is available on our website, www.astrazeneca.com. The Committee conducted a review of its terms of reference during 2017 and recommended minor changes; the Board approved the recommendation. The Committee intends to review its terms of reference during 2018 with a particular focus on the anticipated changes to the UK Corporate Governance Code.

Independent adviser to the Committee

The 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 Committee. The role of independent adviser will be re-tendered no later than the end of 2018. Deloitte's service to the Committee was provided on a time-spent basis at a cost to the Company of £72,650 excluding VAT. During the year, Deloitte also provided taxation advice, internal audit services and other specific non-audit advisory services to the Group. The 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 voting at the AGM

At the Company's AGM held on 27 April 2017, shareholders voted in favour of resolutions to approve the Directors' Remuneration Policy and the Annual Report on Remuneration for the year ended 31 December 2016.

Resolution	Votes for	% for	Votes against	% against	Total votes cast	% of Issued Share Capital voted	Withheld votes
Ordinary Resolution to approve the Directors' Remuneration Policy	877,620,302	96.08	35,804,933	3.92	913,425,235	72.17	15,539,511
Ordinary Resolution to approve the Annual Report on Remuneration for the year ended 31 December 2016	560,051,300	61.17	355,474,215	38.83	915,525,515	72.34	13,439,230

The level of support for the resolution to approve the Annual Report on Remuneration for the year ended 31 December 2016, and the Committee's response, is discussed within the letter from the Chairman of the Committee from page 105.

Directors' service contracts and letters of appointment

The notice periods and unexpired terms of Executive Directors' service contracts at 31 December 2017 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 2017	Notice period
Pascal Soriot	15 December 2016	12 months	12 months
Marc Dunoyer	6 December 2016	12 months	12 months

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

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 Annual Report on Remuneration will be proposed at the AGM on 18 May 2018.

On behalf of the Board

A C N Kemp
Company Secretary
2 February 2018