

What science can do

AstraZeneca Annual Report and Form 20-F Information 2018



Corporate Governance

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Chairman's Introduction

In this Governance Report, we report on how we ensured that the principles of good governance applied to everything we did throughout the year.



“I too set great store by ensuring the Board did the right thing as we oversaw implementation of our strategy of returning to sustainable growth.”

Changes to our Governance reporting

This year, we have made a number of changes to the structure of our reporting around Governance to make the information more accessible.

The Corporate Governance Report now contains the following sections:

- > Board of Directors and SET: which shows the members of the Board, Board Committees and SET as at 14 February 2019, from page 94.
- > Activities of the Board: which describes the key activities of the Board during 2018, including the Board effectiveness review conducted in 2018, from page 98.
- > Connecting with our stakeholders: which sets out how the Group has engaged with its key stakeholders during 2018, from page 100.
- > Compliance with the UK Corporate Governance Code: which describes how we have complied with the UK Corporate Governance Code published in 2016, from page 102.
- > Other Governance information: a separate section contains other governance-related disclosures, including those required as a result of our listing on the NYSE, as well as Directors' Report disclosures, from page 105.
- > Committee Reports: from our four Board Committees, from page 107.

The strategy on which we embarked in 2013, and to which we have been committed in the years since, bore fruit in 2018 as we returned to Product Sales growth. Good governance has underpinned our success and will continue to do so.

Sound governance and sustainable growth

Following the science and putting patients first are two of the AstraZeneca Values. Employees' commitment to and embodiment of those Values has been an essential element in the transformation of the organisation that saw us return to Product Sales growth. Doing the right thing is another value espoused by our employees and, as your Chairman, I too set great store by ensuring the Board did the right thing as we oversaw implementation of our strategy of returning to sustainable growth.

In this Governance Report, we report on how we ensured that the principles of good governance applied to everything we did throughout the year and, where we found challenges, how we addressed them. We do so mindful of the enhanced requirements of the UK Corporate Governance Code which we will be reporting on in our next Annual Report. The panel to the left indicates the enhancements we have made to the Annual Report in respect of 2018.

A strong Board

Good governance requires a strong board which we are fortunate to have at AstraZeneca.

On 1 January 2019, we welcomed Professor Tony Mok to the Board. Tony is a leading clinical oncologist and world-renowned expert in precision medicine for lung cancer. He will make a significant contribution to AstraZeneca's science-led transformation.

At the end of 2018, we said farewell to Shriti Vadera who had served on the Board for eight years. She was an exceptional colleague during a period of pipeline renewal. Her diligence, focus and constant commitment to our success will be missed. On behalf of all her Board colleagues, I thank her for her service and wish her every success in the future.

Transparent leadership

I am grateful to all the members of the Board for their individual contributions to what was an eventful and successful year. I am particularly grateful to those members of the Board who bear the added responsibility of chairing its Committees. As previously announced, Rudy Markham will be stepping down from the Board at the end of the Annual General Meeting in April 2019. As a result, Graham Chipchase became our senior independent Non-Executive Director on 1 January 2019, in addition to his role chairing the Remuneration Committee, and Philip Broadley will become Chairman of the Audit Committee. Nazneen Rahman became Chairman of the Science Committee in July 2018.

This year, for the first time, and to enhance our reporting transparency, each of the Committee Chairmen is providing their own report on their activities during 2018 which you can read in this Annual Report. My thanks to them all.

Leif Johansson
Chairman

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 seeks to represent the interests of all

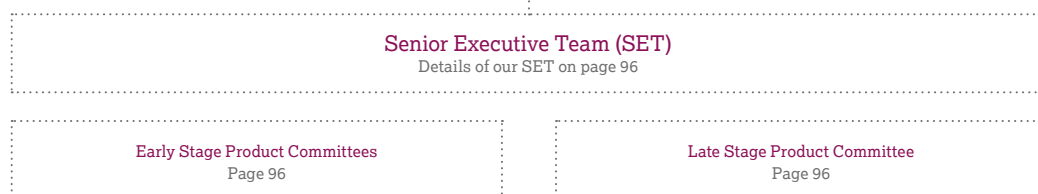
stakeholders. The Board conducts an annual review of the Group's overall strategy. The CEO, CFO and Senior Executive Team (SET) take the lead in developing our strategy, which is then reviewed, constructively challenged and approved by the Board.

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:



Following the organisational changes announced in January 2019, the future and structure of these governance bodies will be reviewed in the first quarter of 2019. For more information, see page 96.

Attendance in 2018

Board Committee membership and meeting attendance in 2018

● Board or Committee Chairman

| Name | Board | Audit | Remuneration | Nomination and Governance | Science |
|--|----------|--------|--------------|---------------------------|---------|
| Geneviève Berger | 13(13) | | | | 2(2) |
| Philip Broadley | 13(13) | 6(6) | 1(1) | | |
| Graham Chipchase | 13(13) | | ● 6(6) | 5(5) | |
| Deborah DiSanzo | 13(13) | 2(2) | | | |
| Marc Dunoyer | 13(13) | | | | |
| Leif Johansson | ● 13(13) | | 5(6) | ● 5(5) | |
| Rudy Markham | 12(13) | ● 6(6) | 5(6) | 5(5) | |
| Sheri McCoy | 13(13) | 6(6) | 2(2) | | |
| Nazneen Rahman | 13(13) | | | 3(3) | ● 2(2) |
| Pascal Soriot | 13(13) | | | | |
| Shriti Vadera – retired 31 December 2018 | 13(13) | 3(3) | 6(6) | | |
| Marcus Wallenberg | 11(13) | | | | 2(2) |

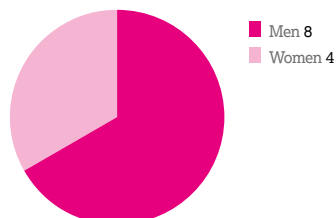
Note: number in brackets denotes number of meetings during the year that Board members were entitled to attend.

□ For more information, see Changes to the composition of the Board and its Committees for the year ended 31 December 2018 on page 94

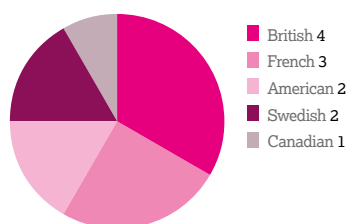
Board of Directors as at 14 February 2019

Board composition as at 14 February 2019

Gender split of Directors



Directors' nationalities



Length of tenure of Non-Executive Directors

<3 years

5

Philip Broadley
Deborah DiSanzo
Sheri McCoy
Tony Mok
Nazneen Rahman

6-9 years

3

Leif Johansson
Geneviève Berger
Graham Chipchase

3-6 years

0

>9 years

2

Rudy Markham
Marcus Wallenberg

Committee Membership Key

- Committee Chairman
- A Audit
- R Remuneration
- NG Nomination and Governance
- S Science

* 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. Leif was Chairman of global telecommunications company, LM Ericsson, from 2011 to 2018. He holds an MSc in engineering from Chalmers University of Technology, Gothenburg.

Other appointments: Leif holds board positions at Autoliv, Inc and Ecolan AB. He has been a member of the Royal Swedish Academy of Engineering Sciences since 1994 (Chairman 2012 to 2017). Leif is also a member of the European Round Table of Industrialists (Chairman 2009 to 2014) and a Member of the Council of Advisors, Boao Forum for Asia.



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.



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, Global Product and Portfolio Strategy (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.

Other appointments: Marc was appointed to the Board of Orchard Therapeutics in June 2018.



Graham Chipchase R NG

Senior independent 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.

Changes to the composition of the Board and its Committees for the year ended 31 December 2018

Philip Broadley

Became a member of the Remuneration Committee on 1 December 2018.

Nazneen Rahman

Became a member of the Nomination and Governance Committee and appointed as Chairman of the Science Committee on 1 July 2018.

Sheri McCoy

Became a member of the Remuneration Committee on 1 July 2018.

Deborah DiSanzo

Became a member of the Audit Committee on 1 November 2018.

Shriti Vadera

Stepped down as a member of the Audit Committee on 30 June 2018 and retired from the Board and as a member of the Remuneration Committee on 31 December 2018 after eight years of service.

Graham Chipchase

Became senior independent Non-Executive Director on 1 January 2019.



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 Université Pierre & Marie Curie, Paris in 1995. Her previous positions include Professor and Hospital Practitioner at 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. Geneviève oversees sustainability matters on behalf of the Board.

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



Philip Broadley A R

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. Philip graduated in Philosophy, Politics and Economics from St Edmund Hall, Oxford, where he is now a St Edmund Fellow and holds an MSc in Behavioural Science from the London School of Economics.

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



Deborah DiSanzo A

Non-Executive Director
(December 2017*)

Skills and experience: Deborah is a Harvard University Advanced Leadership Fellow. Prior to this, she served as General Manager for IBM Watson Health, the IBM business unit founded to advance AI in health. Deborah has a distinguished career working at the intersection of healthcare and technology. Prior to IBM, she was CEO of Philips Healthcare, having previously held executive roles at Agilent and Hewlett-Packard. Deborah has been honoured by multiple organisations as a top health influencer including *Health Data Management*, who named her as one of the top 20 people to watch in healthcare IT, and *Modern Healthcare*, who list her as a Top 25 Women in Healthcare. She is the recipient of *Xconomy's* X of the Year Award as a Tech and Health Connector. Babson College recognised Deborah's impact in the world as one of the institutions leading entrepreneurial alumni leaders. Deborah earned an MBA from Babson College and a BS from Merrimack College.

Other appointments: Deborah is a Harvard University Advanced Leadership Fellow.



Rudy Markham A R NG

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.



Sheri McCoy A R

Non-Executive Director
(October 2017*)

Skills and experience: Sheri is retired Chief Executive Officer of Avon Products, Inc. Prior to joining Avon in 2012, Sheri 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: Sheri serves on the boards of Stryker, Kimberly-Clark and Novocure. She is also an industrial adviser for EQT partners where she chairs Certara, the private company, and is a trustee for Stonehill College, Easton, Massachusetts.



Nazneen Rahman S NG

Non-Executive Director
(June 2017*)

Skills and experience: Nazneen has significant scientific, medical and data analysis experience. Her research integrates these 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. She was Head of the Division of Genetics and Epidemiology at the Institute of Cancer Research (ICR), London and Head of Cancer Genetics at the Royal Marsden NHS Foundation Trust for 10 years to 2018. Nazneen was also the founder and Director of the TGLclinical Genetic Testing Laboratory, which used new sequencing technologies to deliver fast, affordable, cancer gene testing to the NHS. 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.



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.



Tony Mok S

Non-Executive Director
(January 2019*)

Skills and experience: Tony is the Li Shu Fan Medical Foundation endowed Professor and Chairman of the Department of Clinical Oncology at the Chinese University of Hong Kong. His work includes multiple aspects of lung cancer research, with his main focus on biomarker and molecular targeted therapy in lung cancer. He has led and co-led multiple international Phase III trials, including as the principal investigator and first author on the landmark *Iressa* Pan-Asia Study, which confirmed the application of precision medicine for advanced lung cancer. He has also contributed to the development of clinical research infrastructure in China and Asia. Tony is currently the Treasurer of the International Association for the Study of Lung Cancer, having previously served as President, and is on the Board of Directors of the American Society of Clinical Oncology. His work has been recognised by numerous awards including the ESMO Lifetime Achievement Award in 2018.

Other appointments: Tony is a Non-Executive Director of Hutchison China MedTech Limited and a co-founder and the Chairman of Sanomics Limited.

Appointed post year-end

Senior Executive Team (SET) as at 14 February 2019



Pascal Soriot
CEO

See page 94.



Marc Dunoyer
CFO

See page 94.



Katarina Ageborg
Executive Vice-President, Sustainability
and Chief Compliance Officer

Katarina was appointed Executive Vice-President, Sustainability in 2017 and has been a member of SET since 2011. She has overall responsibility for the delivery, design and implementation of the Company's sustainability programme, covering three priority areas: access to healthcare; environmental protection; and ethics and transparency. She leads the Global Sustainability function, including teams focusing on Compliance, and Safety, Health and Environment. Katarina was also appointed President of AstraZeneca AB (Sweden) in 2018, and her role is focused on strengthening corporate reputation and relations by actively representing the company in the Swedish business and academic community. Prior to her current roles, 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 before taking the role as Chief Compliance Officer. Katarina holds a Master of Law Degree from Uppsala University School of Law in Sweden and ran her own law firm before joining AstraZeneca in 1998.



Sean Bohan
Executive Vice-President, Global Medicines
Development and Chief Medical Officer

Sean has been Executive Vice-President, GMD since 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 focusing on three main therapy areas – Oncology, Cardiovascular, Renal & Metabolic diseases and Respiratory disease. 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 several senior leadership roles across various therapy areas and within early and late development. Before this, 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-Madison 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. Following the organisational changes announced in January 2019, we are creating two therapy area-focused R&D units, one for BioPharmaceuticals (CVRM and Respiratory) and one for Oncology. Consequently, the future structure and nature of these governance bodies will be reviewed in the first quarter of 2019.

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 ESPCs seek to deliver a flow of products to GMD for Phase III development through to launch. The ESPCs also seek to maximise the value of our internal and external R&D investments through robust, transparent and well-informed decision making that drives business performance and accountability.

Specifically, the ESPCs have responsibility for the following:

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

Late Stage Product Committee (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 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.

Other SET members during the year were:

Bahija Jallal

During 2018, Bahija Jallal was Executive Vice-President, MedImmune. Bahija left AstraZeneca in January 2019.

Mark Mallon

During 2018, Mark Mallon was Executive Vice-President, Global Product and Portfolio Strategy, Global Medical Affairs and Global Corporate Affairs. Mark left AstraZeneca in January 2019.



Pam Cheng
Executive Vice-President,
Operations & Information Technology

Pam joined AstraZeneca in June 2015 after having spent 18 years with Merck/MSD in Global Manufacturing and Supply Chain and Commercial roles. 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. In addition to her role at AstraZeneca, Pam serves as a non-executive Director of the Codexis Inc. Board (CDXS). Pam also serves as an Advisor to the International Society of Pharmaceutical Engineering (ISPE) Board of Directors.



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.



Ruud Dobber

Executive Vice-President,
BioPharmaceuticals Business

Ruud was appointed Executive Vice-President, BioPharmaceuticals Business in January 2019 and is responsible for product strategy and commercial delivery for CVRM and Respiratory. Prior to this, Ruud held the role of Executive Vice-President, North America and was responsible for driving growth and maximising the contribution of the commercial operations in North America. Ruud joined Zeneca in 1997 and has held various senior commercial and leadership roles including Executive Vice-President, Europe. Ruud was also responsible for the development of our late-stage, small molecule antibiotic pipeline as well as its global commercialisation and was Regional Vice-President for European, Middle East and African region, 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 and was previously Chairman of the Asia division of Pharmaceutical Research and Manufacturers of America. Ruud holds a doctorate in immunology from the University of Leiden, Netherlands and began his career as a research scientist in immunology and ageing.



David Fredrickson

Executive Vice-President,
Oncology Business

Dave was appointed Executive Vice-President, Global Head Oncology Business in October 2017 and is responsible for driving growth and maximising the commercial performance of the global oncology and haematology portfolio. In addition, he plays a critical leadership role in setting the Oncology portfolio and product strategy for the organisation. Previously, Dave served as President of AstraZeneca K.K. in Japan, and Vice-President, Specialty Care 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.



Menelas Pangalos

Executive Vice-President, Research &
Development BioPharmaceuticals

Mene Pangalos was appointed as Executive Vice-President, R&D BioPharmaceuticals in January 2019 and is responsible for R&D from discovery through to late-stage development for CVRM and Respiratory. Prior to this, he served as Executive Vice-President of AstraZeneca's IMED Biotech Unit and Global Business Development. Since joining AstraZeneca in 2010, Mene has led a transformation of our R&D productivity and has championed an open approach to working with academic and other external partners. Mene previously held senior R&D roles at Pfizer, Wyeth and GSK. Mene holds an Honorary PhD from Glasgow University and is a Fellow of the Academy of Medical Sciences, the Royal Society of Biology and Clare Hall, University of Cambridge. He sits on the Medical Research Council, co-chairs the Life Sciences Council Expert Group on Innovation, Clinical Research and Data and is a member of the Life Sciences Industrial Strategy Implementation Board and National Genomics Board. He is also a Board member of the British Pharmaceutical Group and Cambridge University's Judge Business School.



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 our BioPharmaceutical sales, marketing and commercial operations across our businesses in 30 European countries. 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-six prescription medicine pharmaceutical company. Iskra's responsibilities were expanded in 2016 to cover both Russia and the Eurasia Area. Iskra was appointed Area Vice President of Russia and Eurasia area in 2016, 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.



José Baselga

Executive Vice-President,
Research & Development Oncology

José joined AstraZeneca in January 2019 as Executive Vice-President, R&D Oncology and is responsible for the oncology portfolio from discovery through to late-stage development. He was formerly Physician-in-Chief at Memorial Sloan Kettering Cancer Center, which became the leader in early-phase clinical trials for cancer therapies and diagnostic genetic sequencing under his leadership. In addition, he was Professor of Medicine at Weill Cornell Medical College and President of the American Association for Cancer Research (AACR). José is an international thought leader on innovation in cancer care and clinical research. His work has led to the approval of life-saving cancer therapies and the creation of several biopharmaceutical companies. José is an elected member of the National Academy of Medicine, the American Society of Clinical Investigation, the Association of American Physicians, and an elected Fellow of the AACR Academy. He is a past President of the European Society for Medical Oncology and recently received their Lifetime Achievement Award. He serves on the Board of Directors of the American Society of Clinical Oncology and AACR.





Appointed post year-end






















Principal matters considered by the Board in 2018

The principal matters considered by the Board during 2018 and the link to the Group's strategic priorities are set out in the table. 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.

For more information on the role of the Board and the Non-Executive Directors, see Compliance with the UK Corporate Governance Code from page 102.

Key

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

| Area of focus | Strategic priority |
|--|---|
| Strategic matters | > The Group's overall strategy, including its long-range plan, annual budget and strategic options  |
| | > The Group's capital structure, including financing needs, credit rating and capital 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, the results of key clinical trials, a review of Operations (global manufacturing and supply chain network) and a review of Oncology pricing  |
| | > 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 | > Investor perceptions  |
| | > Employee gender data  |
| | > Sustainability matters  |
| | > Approval of a Board Inclusion and Diversity Policy  |
| | > Visits to R&D and Commercial sites in the US and a review of the Group's US business  |
| | > Participation in employee 'town hall' meetings and informal meetings with groups of 'high-potential' employees  |
| 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  |
| | > Cybersecurity risk 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 discussions between Non-Executive Directors only  |

Board performance evaluation

2018 Overview

During the year, the Board conducted the annual evaluation of its own performance and that of its Committees and individual Directors. The 2018 evaluation was carried out internally, although Lintstock Ltd (Lintstock), a London-based corporate advisory firm that provides objective and independent counsel to leading European companies, provided software and services for the evaluation questionnaire. Lintstock has no other commercial relationship with the Company. Based on Board members' responses to the web-based questionnaire covering a wide range of topics, Lintstock prepared a report which was discussed by the Board at its meeting in December 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 outcomes of the evaluation are set out in the table.

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.

“The Board operates effectively and in a manner that encourages open and frank discussion.”

2018 Outcomes

Main areas covered:

- > Board composition and dynamics
- > Stakeholder oversight
- > Board meeting management and support
- > Board Committees
- > Board oversight
- > Risk management and internal control
- > Succession planning and human resource management
- > Priorities for 2019

Main conclusions and recommendations:

- > The Board operates effectively and in a manner that encourages open and frank discussion.
- > The Board identified certain areas that could be improved, including its understanding of our competitors' strategies and performance, careful management of the late stages of the recruitment process for new Non-Executive Directors and developing and refining the role of the Science Committee to ensure it meets the needs of the Board.
- > The Board should continue to develop a deep understanding of digital technology and its application in the pharmaceutical industry.
- > 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 2018 annual performance evaluation, it was concluded that each Director continues to perform effectively and to demonstrate commitment to his or her role.

Chairman evaluation

Process

The 2018 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.

Overall conclusion

No significant issues needed to be addressed. The Chairman's leadership of the Board continued to be regarded as excellent. His management of Board meetings was commended. He created an environment where different views could be freely expressed and enabled all Directors to contribute to discussion and decision-making. He had a good, open and transparent relationship with executive management. His generous time commitment supporting management in other parts of the business was praised. His interactions with employees of the Company at all levels in various parts of the world were excellent. He continued to be very active representing the Company in relation to external stakeholders. The senior independent Non-Executive Director provided feedback to the Chairman after the review of his performance, including minor suggestions for ways in which he might enhance the way the Board operated.

Actions against prior year recommendations

2017 evaluation

Provide further opportunities to visit and learn from different AstraZeneca teams and sites to help build a balanced understanding of the business.

2018 actions taken

In September 2018, the Board made a two-day visit to MedImmune in Gaithersburg, MD, US, our main US hub site, US R&D centre and MedImmune HQ, and to the HQ of our North American commercial business in Wilmington, DE, US. Numerous interactions with employees at all levels took place. The April 2018 Science Committee meeting was held at our R&D site in Gaithersburg, US. In addition, certain Audit Committee members visited our business in China during the year and individual Non-Executive Directors visited our business in Brazil, our South San Francisco site and our sites in Cambridge, UK and Gothenburg, Sweden.

Ensure succession planning activities for business critical roles are undertaken proactively with opportunities for all Board members to input.

Each year, the CEO and the EVP, Human Resources make a presentation to the Board about SET-level succession planning and seek the Board's views and input. Board members have the opportunity during the year to meet potential succession candidates for senior, business critical roles when they make presentations to the Board or, more informally, at dinners or 'high-potential' employee meetings. In addition, the CEO keeps the Board updated about specific SET-level succession plans, seeking Directors' views and input. In a number of cases, the Chairman of the Board and other Non-Executive Directors have met potential candidates and provided feedback ahead of an appointment being made.

Employee engagement: central to AstraZeneca's progress

In 2018, all employees were invited to help shape the next phase of AstraZeneca's strategic journey through a Group-wide strategy crowdsourcing event. The two-week event focused on key themes, including the changing world, future technology, next wave of science and patient-centricity, and generated 56,000 ideas and comments from employees.

In line with the Group's commitment to inclusion, technology was used to enable employees to participate in any language and this supported participation from 70

countries. Technology was also used to help to analyse and prioritise the inputs.

The ideas and comments submitted by employees helped inform recommendations that were made to the AstraZeneca Board as part of the Group's annual strategy review process. The inputs and ideas were also discussed by the Chairman and CEO during engagement events, including an all-employee webcast held across the Group's internal social media platform in December.

56,000
56,000 ideas and comments
from employees

In striving to achieve our Purpose to push the boundaries of science and deliver life-saving medicines, our business touches the lives of many people. We exist in a complex and evolving regulatory and scientific environment and we have a number of key stakeholder groups.

Connecting with our stakeholders

The Board is supportive of the upcoming reporting requirements surrounding stakeholder engagement, against which we will report when they come into effect in 2019.

When making decisions, we take the course of action that we consider best leads to the success of the Company over the long term, and this includes considering the broad range of stakeholders that interact with, and are impacted by, our business.

For more information about our Code of Ethics, see page 43.

Our Values and Code of Ethics empower employees to make the best decisions in the interest of the Group and our stakeholders, and help to ensure that these considerations are made not only at Board level, but throughout our organisation.

The following table summarises our key stakeholders, as well as the engagement that has been undertaken across the business during 2018.

A full list of our stakeholders can be found in our 2018 Sustainability Report at www.astrazeneca.com/sustainability.

Overview

Significance of the stakeholder to the business

Issues and factors

Issues and factors which are most important to the stakeholder group

Engagement

Examples of engagement in 2018

Outcomes

Any actions which resulted

| Shareholders, Investors & Analysts | Patients | Employees |
|--|---|--|
| <p>The Board is accountable to shareholders, and, in accordance with section 172 of the Companies Act 2006, must act in a way that is likely to promote the success of the Company for the benefit of its members as a whole. AstraZeneca aims to ensure that a good dialogue with shareholders, investors and analysts is maintained, and that their issues and concerns are understood and considered.</p> | <p>To achieve our Purpose we need to engage with and understand the needs of patients.</p> | <p>Our 64,600 employees make AstraZeneca what it is. We are committed to ensuring that AstraZeneca is a Great Place to Work for our employees and we rely on their commitment to uphold the Values, deliver the strategic priorities and deliver the changes necessary to sustain and improve short- and long-term performance.</p> |
| <ul style="list-style-type: none"> > Understanding the strategy and operations of the Group > Financial performance and commercial success, including return to sales growth > Successful development of the pipeline > Understanding the exposure to macro-economic risk > Opportunity for dialogue with management on key matters, eg performance and executive remuneration > Sustainability and the environmental and ethical impact of the Group | <ul style="list-style-type: none"> > Support throughout the entire patient journey – through diagnosis, treatment and wellness > Safety and efficacy of medicines > Access to an uninterrupted supply of medicines | <ul style="list-style-type: none"> > Understanding the Group performance and the factors that impact this > Engagement with, and the opportunity to put questions and ideas to, senior leaders > Collaboration across the Group and the opportunity to learn and share |
| <ul style="list-style-type: none"> > Annual General Meeting in May 2018 > Board Directors met investors, analysts and investor bodies > Quarterly results conference calls for analysts and investors > Investor Relations Team and senior management met regularly with investors, including office visits, industry and broker conferences, roadshows and group meetings > Comprehensive investor perception study, the results of which were presented to the Board > Hosted an Emerging Markets call in Shanghai with a focus on China | <ul style="list-style-type: none"> > Engaged patients in our development and clinical trial programmes to ensure a more patient-informed medicine > Collaboration with patient advocacy groups and establishment of patient advisory boards > Established patient support and patient affordability programmes > Organisation of Patient Engagement Day in the US | <ul style="list-style-type: none"> > CEO and SET provided quarterly performance reports to employees > Group-wide strategy crowdsourcing event generated 56,000 ideas and comments in two weeks > All employees invited to participate in Pulse survey > Board and SET conducted site visits, and in-person and webcast town hall/Q&A sessions with employees > Senior Leadership engagement via Trades Union and Employee Representative forums |
| <ul style="list-style-type: none"> > The Investor Relations Team has been recognised for best practice by the Investor Relations Society > Following discussions with investors, there has been an increased focus on sustainability matters within our quarterly results announcements | <ul style="list-style-type: none"> > Patient insight has been integrated into the development of innovative digital technologies (iPREDICT) and clinical trials (study design and protocol simulation) > Initiated a Group-wide initiative on patient-centricity and patient-centric business models > Increased number of programmes deployed to support patients throughout the patient journey | <ul style="list-style-type: none"> > Ideas generated from the crowdsourcing event reviewed and incorporated into annual strategy recommendations to the Board > Unit action plans developed in response to Pulse survey results |



| Payers | Government – general business environment | Communities | Suppliers |
|---|--|--|---|
| <p>Across the world, patient access to innovative medicines increasingly depends on public funding. HTA agencies, national and regional healthcare insurance funds and government bodies appraise the clinical and economic value of our medicines following successful regulatory approval. Delays in approval by such bodies could negatively impact market access. It is important that AstraZeneca fosters relations with payer organisations and anticipates relevant trends to respond effectively to payers' requirements.</p> | <p>Government policy determines the business environments in which we operate. This can be through direct policies (eg tax and fiscal policy) and indirect policies that can create a supportive environment for our operations (eg public science and infrastructure investments). Governments may also be responsible for creating and enforcing regulations which govern our licence to operate.</p> | <p>We rely on, and aim to make a positive impact on, the local communities and environment in which we operate, as well as the communities which our medicines reach. Increasingly, communities expect us to support the issues and initiatives that intersect with our area of commercial focus and expertise. Communities have a direct influence on the health and wellbeing of patients, caregivers and families.</p> | <p>In 2018, we spent approximately \$13 billion with suppliers on goods or services that are critical to the effective operation of our entire value chain; from discovery to development, manufacturing and supply of our medicines to patients.</p> <p>Many of our business-critical operations (including certain R&D processes, IT systems, HR, finance, tax and accounting services) are managed with the support of our suppliers.</p> |
| <ul style="list-style-type: none"> > Access to innovative medicines in a timely, fair and sustainable manner > Predictability and containment of reimbursement expenditure for pharmaceuticals > Breakthrough therapies and the cost impact on public budgets > Transparency and accountability of payer organisations > Management of pricing and generating savings in established/mature product markets | <ul style="list-style-type: none"> > Investment environment > Research funding and scientific collaborations > Medicines pricing and reimbursement > Trade policy > Regulatory frameworks > Price reporting > Safety and efficacy of drugs > Patient access | <ul style="list-style-type: none"> > The impact of our activities and plans on the local area and the environment > Raising awareness of healthcare > Promotion of science-based education and careers > Investment in local infrastructure and capacity building initiatives > Support for programmes, platforms and policy that make healthcare accessible and protects patients | <ul style="list-style-type: none"> > Understanding of AstraZeneca's strategy and how the supplier can best navigate the organisation to help create innovative and new opportunities > Ability to resolve potential problems and issues in their relationship with AstraZeneca > Creating a trusting environment between the supplier and AstraZeneca > That AstraZeneca acts ethically, fairly and transparently |
| <ul style="list-style-type: none"> > Engaged with HTA agencies over the need to reform evaluation criteria in clinical trials > Contributed to the public debate around pricing of innovative medicines and assisted in facilitating a greater understanding of the clinical and economic value of such medicines to society | <ul style="list-style-type: none"> > Meetings and forum discussions with governments and policy makers to increase understanding of supporting investment in life sciences, regulation of the pharmaceutical industry and improving access to new medicines > In the UK, we engaged extensively on Brexit, to ensure regulatory and policy frameworks support patients' needs and our operations > In the US, we engaged in discussions on evolving the current reimbursement system > Hosted site visits for international and local politicians, including tours of our manufacturing and R&D facilities | <ul style="list-style-type: none"> > Young Health Programme with its focus on disease prevention and youth reached nearly 335,000 young people > AstraZeneca HealthCare Foundation provided \$1.16 million in grants to 11 non-profit organisations for programmes to prevent and reduce CV disease > Donated more than \$686 million of medicines in connection with patient assistance programmes around the world > Donations to support more than 1,000 non-profit organisations in 70 countries for a total of \$57 million in 2018 > Engaged in capacity building projects such as Healthy Lung Asia, Phakamisa and Healthy Heart Africa | <ul style="list-style-type: none"> > Engaged with suppliers via summits and meetings with senior management, which allows discussion and partnership between suppliers and AstraZeneca > Enabling small and diverse suppliers in the US access to business opportunities through our participation in outreach events, collaborations, and memberships with various industry groups and diversity councils > Third parties and suppliers are provided access to azethics.com, which allows them to raise concerns in confidence |
| <ul style="list-style-type: none"> > In the UK, we launched a high-level expert group on Innovation, Research and Data co-chaired with Ministers to advise on how to improve the UK research and clinical trials environment | <ul style="list-style-type: none"> > Expansion of disease prevention programming in connection with government and NGO partnerships in Asia and Latin America > Export of Healthy Lung Asia initiative to Latin America and the Middle East > Increased investment in public-private partnerships as a mechanism to address global and local health issues | <ul style="list-style-type: none"> > Supplier forums have helped our supply base gain a better understanding of both AstraZeneca's strategy and how we can work with suppliers to create a closer connection between our medicines and the patients we aim to help > In the US we received several external industry recognitions and awards for supporting diverse suppliers | |

Corporate Governance Report

Compliance with the UK Corporate Governance Code

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.

Our statement of compliance (together with the Corporate Governance Report and 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.

This statement of compliance should be read in conjunction with the wider Corporate Governance Report from page 98, Nomination and Governance Committee Report from page 108, the Audit Committee Report from page 110 and the Directors' Remuneration Report from page 120.

Leadership

A.1 The role of the Board

The Board discharges its responsibilities as set out in the Corporate Governance Overview on page 93 through a programme of meetings that includes regular reviews of financial performance and critical business issues, review and approval of the Group's strategy and long-range plan, and the formal annual strategy review day.

The Board held 13 meetings in 2018, including its usual annual strategy review. Six took place in London, UK; one was held at AstraZeneca's facilities in the US; and six were held as teleconference or videoconference calls. The Board is currently scheduled to meet six times in 2019 and will meet at such other times as may be required to conduct business.

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.

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.

The membership of the Board as at 14 February 2019 and information about individual Directors is contained in Board of Directors on pages 94 and 95.

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.

A.2 Division of responsibility, A.3 The Chairman

The roles of Chairman and CEO are separate. Leif Johansson, our Non-Executive Chairman, is responsible for leadership of the Board. The CEO, Pascal Soriot 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.

Leif Johansson was considered by the Board to be independent upon his appointment as Chairman. In accordance with the April 2016 UK Corporate Governance Code, the test of independence is not appropriate in relation to the Chairman after his appointment.

A.4 Non-Executive Directors

In anticipation of his retirement from the Board at the end of the 2019 AGM, Rudy Markham stepped down from the role of senior independent Non-Executive Director on 31 December 2018, having held the role since April 2015. Graham Chipchase, who joined the Board as a Non-Executive Director in April 2012, was appointed senior independent Non-Executive Director with effect from 1 January 2019. 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 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.

Effectiveness

| | | |
|---|---|--|
| B.1 The composition of the Board | <p>The Board comprises of 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 93.</p> | <p>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 14 February 2019. 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.</p> |
| B.2 Appointments to the Board, succession planning and diversity | <p>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.</p> <p><input type="checkbox"/> For more information on the Board's succession planning, see the Nomination and Governance Committee Report on page 108 and the actions against prior year recommendations in the Board performance evaluation on page 99.</p> | <p>During 2018, a Board Inclusion and Diversity Policy was approved, which can be found on the Company's website, www.astrazeneca.com.</p> <p><input type="checkbox"/> For more information on the Board's approach to Inclusion and Diversity, see the Nomination and Governance Committee Report on page 108.</p> |
| B.3 Commitment | <p>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 Chairs 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.</p> | <p>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 Chair 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.</p> |
| B.4 Development | <p>The Nomination and Governance Committee Report from page 108 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.</p> | <p>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 expense, should they wish to do so.</p> |
| B.5 Information and support | <p>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.</p> | |
| B.6 Evaluation | <p>During the year, the Board conducted the annual evaluation of its own performance and that of its Committees and individual Directors. The 2018 evaluation was carried out internally, although Lintstock Ltd, a London-based corporate advisory firm that provides objective and independent counsel to leading European companies, provided support.</p> | <p>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.</p> <p><input type="checkbox"/> For details and the conclusions of the Board performance evaluation, see page 99.</p> |
| B.7 Re-election | <p>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 the Directors will retire at the AGM in April 2019. The Notice of AGM will give details of those Directors seeking election or re-election.</p> | |

Corporate Governance Report

Compliance with the UK Corporate Governance Code *continued*

Accountability

| | | |
|--|--|---|
| C.1 Financial and business reporting | 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. | The Board as a whole takes a keen interest in the Company's financial and business reporting including, in particular, reviewing the Company's quarterly financial results announcements and through its oversight of the Company's Disclosure Committee. □ For more information about the Disclosure Committee, see Other Governance information on page 105. |
| C.2 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 2018, 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. 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'. □ For more information about the ways in which we manage our business risks and describe our principal risks and uncertainties, see the Risk Overview from page 70 and Risk from page 220. |
| C.3 Audit Committee and Auditors | The Audit Committee spends a significant amount of its time considering the landscape of enduring risks, specific and current risks, and emerging risks. | □ For information on the role and work of the Audit Committee, see the Audit Committee Report from page 110. |

Remuneration

| | | |
|---|--|--|
| D.1 The level and components of remuneration, D.2 Procedure | 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 120. □ Our Remuneration Policy is available on our website at www.astrazeneca.com . | 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

| | | |
|---------------------------------|---|---|
| E.1 Dialogue with shareholders | The Board aims to ensure that a good dialogue with our shareholders is maintained and that their issues and concerns are understood and considered. 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. | 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 <i>ad hoc</i> 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 our 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, Graham Chipchase, 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. |
| E.2 Constructive use of the AGM | 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. | The Company's 2018 AGM was held in London on 18 May 2018. The Company's 2019 AGM will be held on 26 April 2019. 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. |

Corporate Governance Report

Other Governance information

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 143.

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 of the NYSE. 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 2018 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 Global 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 compliance 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.

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 Executive and Non-Executive Directors, officers, employees and temporary staff, in all companies within our Group worldwide. A Finance Code complements the Code and applies to 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 is designed to support employee understanding and adherence by outlining our commitments in simple terms and focusing on why these commitments matter. The 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 to facilitate reporting. While telephone lines are listed for 123 countries, local carriers may impose in-country dialling restrictions, potentially resulting in disruptions to connectivity. AstraZeneca is updating the AZethics webpages in all languages to provide enhanced dialling information and to prompt the use of online reporting should telephone connectivity be limited. The helpline is available to both employees and to external parties to report any concerns or make enquiries. 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 2018 Code training. In addition, in 2018, 428 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 2017 there were 359 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 232.](#)

Corporate Governance Report

Other Governance information

continued

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 subsidiaries and their locations are set out in Group Subsidiaries and Holdings in the Financial Statements from page 201.

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, Chile, Costa Rica, Croatia, Cuba, Dubai (branch office), Georgia, Ghana (scientific office), Jordan, Kazakhstan, Lebanon, 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 2018

Details of our distribution policy are set out in the Financial Review from page 74 and Notes 23 and 24 to the Financial Statements from page 185.

The Company's dividend for 2018 of \$2.80 (215.2 pence, SEK 25.38) per Ordinary Share amounts to, in aggregate, a total dividend payment to shareholders of \$3,548 million. Two employee share trusts, AstraZeneca Employee Benefit Trust and AstraZeneca Share Retention Trust, waived their rights to a dividend on the Ordinary Shares they hold and instead received nominal dividends.

A shareholders' resolution was passed at the 2018 AGM authorising the Company to purchase its own shares. The Company did not purchase any of its own shares in 2018. On 31 December 2018, 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 50) and the Directors' Report. Information on patent expiry dates for key marketed products is included in Patent Expiries of Key Marketed Products from page 217. 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 74. In addition, Note 27 to the Financial Statements from page 187 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 18 to the Financial Statements from page 174.

Having assessed the principal risks and other matters considered in connection with the viability statement on page 71, 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 2018, including details of the allotment of new shares under the Company's share plans, are given in Note 23 to the Financial Statements on page 185.

Directors' shareholdings

A shareholders' resolution was passed at the 2018 AGM which updated the Articles and removed the requirement for a Director to become the beneficial owner, within two months of the date of their appointment, of Ordinary Shares in the Company with an aggregate nominal value of \$125, which currently represents at least 500 Ordinary Shares. The requirement was removed because such qualification shareholdings are no longer common practice and the cost of obtaining such shares could hinder the recruitment of new Directors.

Full details of each Director's interests in shares of the Company are set out in Directors' shareholdings on pages 137 and 138, 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 2018 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 2019 AGM, similar to that passed at the 2018 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 2018, the Group's US legal entities made contributions amounting in aggregate to \$1,156,800 (2017: \$1,282,250) 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 27 from page 187, include further information on our use of financial instruments.

External auditor

A resolution will be proposed at the AGM on 26 April 2019 for the re-appointment of PricewaterhouseCoopers LLP (PwC) as auditor of the Company. During 2018, 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 31 to the Financial Statements on page 200. 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 110, 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 2018.

Electronic communications with 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.

Insurance and indemnities

The Company maintained Directors' and Officers' Liability Insurance cover throughout 2018. 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.

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 Corporate Governance Report, Science Committee Report, Nomination and Governance Committee Report, and Audit Committee Report
- > Directors' Responsibility Statement
- > Development Pipeline
- > Sustainability: supplementary information
- > Shareholder Information

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

On behalf of the Board

A C N Kemp
Company Secretary
14 February 2019



“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.”

Our focus during 2018

- > AI, automation, digital technologies and analytics
- > *In vivo* biologics; personalised immunotherapy; and biologics device differentiation
- > Achieve Scientific Leadership targets
- > Scientific competitive intelligence

Role of the 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. This is done 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.

Membership of the Committee

During 2018, the members of the Science Committee, all of whom have a knowledge of, or an interest in, life sciences, were Nazneen Rahman, who was appointed permanent Chair to the Committee in July 2018, Geneviève Berger and Marcus Wallenberg. As usual, the EVP, GMD; the EVP, IMED; and the EVP, MedImmune participated in meetings of the Science Committee as co-opted members in 2018. The Vice-President, IMED Operations acts as secretary to the Science Committee.

Activities during 2018

The Science Committee met twice in person in 2018, in London, UK and Cambridge, UK.

Key areas of focus for the Science Committee in 2018 included:

- > **Artificial Intelligence, automation, digital technologies and advanced analytics:** how knowledge graphs, augmented drug design, AI-led chemical synthesis and advanced image analytics will contribute to patient stratification, prediction of disease progression and therapeutic benefit.
- > **The future of *in vivo* biologics:** moving beyond monoclonal antibodies to overcome the challenges inherent in traditional protein therapeutics with DNA, RNA, cell and virus based therapies.
- > **Personalised immuno-therapy:** how we are developing the next generation of antibody-drug conjugates, cell therapies, and cancer vaccines with the aim of reducing toxicity and increasing the survival of patients.
- > **Biologics device differentiation:** how the current market and technology landscape is influencing our product portfolio and development strategies.
- > **Achieve Scientific Leadership targets:** the scientific and patient centric rationale for inclusion of new 2018 opportunities in our corporate scorecard.
- > **Scientific competitive intelligence:** how analysis of the external environment enables informed decision making along the product life-cycle.

Yours sincerely,

Nazneen Rahman
Chairman of the Science Committee

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



“The Nomination and Governance Committee recommends to the Board new Board appointments and considers, more broadly, succession plans at Board level.”

Our focus during 2018

- > Succession planning for the Board
- > Developments in Corporate Governance
- > Inclusion and Diversity

Role of the 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. The matrix is set out and further discussed opposite. 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 considers both planned and unplanned (unanticipated) succession scenarios and met five times in 2018, splitting the majority of its time between succession planning for Non-Executive Directors and continued routine succession planning for the roles of Chairman, CEO and CFO, in each case with the assistance of the search firms MWM Consulting and Korn Ferry (including the appointment of Tony Mok). Korn Ferry periodically undertakes executive search assignments for the Company.

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.

Membership of the Committee

During 2018, the members of the Nomination and Governance Committee were Leif Johansson (Chairman of the Committee), Rudy Markham, Graham Chipchase and Nazneen Rahman (following her appointment to the Committee in July 2018). 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 attendance record of the Nomination and Governance Committee's members is set out on page 93. Typically, the Chairman of the Committee extends an invitation to any Board member to attend Committee meetings if they wish and several Directors take advantage of this and participate in the Nomination and Governance Committee's meetings.

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

Inclusion and 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

Non-Executive Directors' experience, as at 1 January 2019

| Name | Business | | | | | Geographic | | | Industry-specific | | | | |
|-------------------|------------|-----------|------------|-------------------|----------------|------------|--------|------|-------------------|------------|---------------|-----------|--------------------------|
| | Commercial | Financial | Managerial | Sales & Marketing | Tech & Digital | US | Europe | Asia | Science | Regulatory | Pre-AZ Pharma | Biologics | Medical Doctor/Physician |
| Leif Johansson | ● | | ● | | ● | | ● | ● | | | ● | | |
| Geneviève Berger | ● | | ● | | | | ● | | ● | | | | ● |
| Philip Broadley | ● | ● | ● | | | ● | ● | | | | | | |
| Graham Chipchase | ● | ● | ● | | | ● | ● | ● | | | | | |
| Deborah DiSanzo | ● | | ● | ● | ● | ● | | | ● | | ● | | |
| Rudy Markham | ● | ● | ● | ● | | | ● | ● | | | | | |
| Sheri McCoy | ● | | ● | ● | | ● | | | ● | | ● | | |
| Tony Mok | ● | | | | | ● | | ● | ● | | | ● | ● |
| Nazneen Rahman | | | | | ● | | ● | | ● | | | ● | ● |
| Marcus Wallenberg | ● | ● | ● | | | | | ● | | | ● | | |

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.

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 skills matrix used by the Board and Committee is shown above. The biographies of Board members set out on pages 94 and 95 give more information about current Directors in this respect.

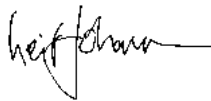
The Board adopted an Inclusion and Diversity policy (the Policy) in December 2018, which is applicable to the Board and its Committees. The Policy reinforces the Board's ongoing commitment to all aspects of diversity and to fostering an inclusive environment in which each Director feels valued and respected. Whilst the Board appoints candidates based on merit and assesses Directors against measurable, objective criteria, the Board recognises that an effective Board with a broad strategic perspective requires diversity.

The Policy sets out the Board's aim to maintain a composition of at least 33% female directors and a commitment to use at least one professional search firm which has signed up to the 'Voluntary Code of Conduct for Executive Search Firms', to help recruit Directors from a broad, qualified group of candidates to increase diversity of thinking and perspective. The Board's approach to inclusion and diversity continues to yield successful results. Currently, 40% of the Company's Non-Executive Directors are women and women make up 33% of the full Board. This meets the Policy's aim of 33% female representation on the Board, the same target as set out in the report from Lord Davies published in October 2015.

The Board's Inclusion and Diversity policy can be found on our website, www.astrazeneca.com.

Information about our approach to diversity in the organisation below Board level can be found in Employees from page 38.

Yours sincerely,



Leif Johansson
Chairman



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

In this Report we describe the work of the Audit Committee (the Committee) and the significant issues it considered in 2018. Our priorities were to receive assurance over the soundness of our financial reporting and internal controls, risk identification and management, compliance with the Code of Ethics and relevant legislation, cybersecurity and information governance, and business resilience.

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 Group’s significant accounting matters including contingent liabilities, revenue recognition and deferred tax and, where appropriate, challenged management’s decisions before approving the accounting treatment applied. During 2018, the Committee reviewed the Group’s significant restructuring programmes initiated from 2013 onwards, including accounting for restructuring charges, and control over capital expenditure and their projection for 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 79. 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.

PwC were reappointed as the Company’s external auditor by its shareholders at the Company’s AGM held in May 2018, serving for the second successive year. The Committee continued to oversee the conduct, performance

and quality of the external audit, in particular through its review and challenge of the coverage of the external auditor’s audit plan and subsequent monitoring of their progress against it. The Committee maintained regular contact with PwC through formal and informal reporting and discussion throughout the year.

Risk identification and management

During the year, in addition to its regular reviews of the Group’s approach to risk management, the operation of its risk reporting framework and risk mitigation, the Committee considered an audit evaluating the adequacy and effectiveness of the Global Risk Management Framework, noting strengths and opportunities to enhance the framework through targeted improvements. The Committee invited Nazneen Rahman, the Chairman of the Company’s Science Committee, to attend one of its meetings to deepen its understanding of the clinical compliance risks facing the Group and to review the compliance regime for good clinical and laboratory practice. The Committee also encouraged the Group’s Internal Audit Services Function (IA) to engage with the Science Committee to support its plans for ‘second line defence’ in the Group’s science functions. The Committee intends to further strengthen its links with the Science Committee in 2019.

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 the framework for the Committee’s activities in 2018 and provided the context for the

Our focus during 2018

- > Financial reporting, internal controls, and the quality and effectiveness of the external audit
- > Cybersecurity, data analytics, GDPR and information governance
- > Compliance matters, including fostering a 'speaking up' culture
- > Risk management, including the identification, mitigation, monitoring and reporting of risks and lines of management accountability
- > Business continuity planning and resilience

Committee's consideration of the Directors' viability statement. The Directors' viability statement is underpinned by the assurance provided through a 'stress test' analysis under which key profitability, liquidity and funding metrics are tested against severe downside scenarios each of which assume that the significant risks modelled in the planning process will crystallise and against which management take mitigating actions. The Committee considered in detail the authenticity of each scenario including seeking additional analysis from management as to the indirect/unintended consequences of its proposed mitigating actions, including, for example, assessing the likely response of a broader range of stakeholders. The Committee also assessed the feasibility of the proposed mitigations to the revised scenarios being effected.

□ For more information on the Viability statement, please refer to the Risk Overview from page 71.

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

- > cyber defence capability and the continuous enhancements to safeguard critical applications, information assets and business continuity/resilience
- > actions to comply with the EU GDPR obligations, which came into force in May 2018
- > the post-acquisition integration of ZS Pharma and management of *Lokelma*
- > IA's use of data analytics in marketing company audits, and IA's interaction with the Global Business Services function
- > the evolution of the Group's Global Business Services organisation, its key achievements, challenges and its management of risks.

In addition to these deep dive reviews, the Committee periodically assured itself of the appropriateness of the Group's planning for Brexit.

□ Further information on the deep dive reviews can be found in the Business updates section on page 114.

As discussed overleaf, in accordance with its focus on risks arising in key markets and internal controls, the Committee also visited the Group's sites in Shanghai and Wuxi, China, and I visited our site in Wilmington, US, during the year.

□ For further information on the Group's Principal Risks see the Risk Overview from page 70.

Compliance with the Code of Ethics

The Committee's priorities continue to include overseeing compliance with AstraZeneca's Code of Ethics, high ethical standards, and operating within the law in all countries where we conduct business or have interactions. The Code of Ethics is written in simple and accessible language to empower decision making that reflects AstraZeneca's Values, expected behaviours and key policy principles. During the year the Committee engaged with HR to support the publication of new Global Standards of behaviour to counter the risk of sexual harassment and bullying. AstraZeneca is committed to ensuring that its people feel respected through promoting a culture of inclusion and diversity and fostering a working environment in which its employees feel able and safe to 'speak up'. The Committee also monitored and reviewed the effectiveness of our anti-bribery and anti-corruption controls across the Group, prioritising its focus on countries/regions where we have significant operations and countries in which doing business is generally considered to pose higher compliance risks.

□ Further information on our Code of Ethics is set out from page 105.

Engagement with employees and other stakeholders

The Committee regularly interacts with members of management below the SET and seeks wider engagement with the Group's employees and other stakeholders. In March 2018, Marc Dunoyer (CFO) and I visited AstraZeneca's US commercial business to meet with the finance teams and the lead US external audit partner to discuss continuous improvement of our financial management and internal controls systems and the efficiency of the external audit. In September, we met again with the teams to discuss progress made and noted the further strengthening of the US finance team, both in number and professional skills, through external hires. In October, during the Committee's visit to Shanghai and Wuxi, China, Committee members met with many employees and key stakeholders. Through this engagement the Committee members gained invaluable insight into the opportunities and challenges, and current and emerging risks associated with our activities in China.



Philip Broadley, who will become Chairman of the Audit Committee in March 2019, during the Committee's visit to China.

Committee site visit to Shanghai and Wuxi, China

In October, members of the Audit Committee visited the Group's sites in Shanghai and Wuxi, China. China is AstraZeneca's second-largest national market, with absolute growth that has out-performed other multinational pharmaceutical companies for several years. We have approximately 13,000 employees in China. The Committee enjoyed several meetings with our local management to discuss the opportunities, challenges and risks being managed by senior leaders across a range of activities including R&D, commercialisation, manufacturing, supply and distribution. The Committee also undertook a tour of AstraZeneca's Wuxi manufacturing plant

and held an informal 'questions and answers' session with a wide group of employees based in Shanghai. The Committee met physicians and patients at a large hospital in Wuxi and visited the China Commercial Innovation Centre (an open strategic platform designed to promote innovative healthcare practices in China) as well as Dizal Pharmaceutical, a recently formed joint venture with the Chinese SDIC Fund Management Company (an innovative biopharmaceutical enterprise), which demonstrated how innovation and its interconnectivity with smart healthcare has the potential to transform China's healthcare industry.

Further information on the Committee's visit to China can be found above. The Committee also met informally with employees from the Finance, Investor Relations, Corporate Affairs, IA, HR and Global Business Services teams.

During 2018, I participated in the UK Competition and Markets Authority's statutory audit market study, which has the objective of considering whether that market is operating as well as it should. I also participated in the Department for Culture, Media and Sport's annual FTSE 350 Cyber Security Health Survey.

Changes to the membership of the Committee

Shriti Vadera stepped down from the Committee in June 2018, and I thank her for her invaluable insight and significant contribution since she joined the Committee in 2011. We welcomed Deborah DiSanzo as a member of the Committee in November 2018. While Deborah has only served for a short period of time, her long career working at the intersection of healthcare and technology has been shown to be of particular benefit to the Committee as it continues to increase its focus on cybersecurity, the use of 'big data' and privacy matters.

Finally, in light of the fact that I will formally step down from the Board at the conclusion of the Company's AGM in April 2019, the Company announced that Philip Broadley has been chosen by the Board to succeed me as Chairman of the Committee. Philip, who joined the Board and Committee in April 2017, is well-attuned to the working of the Committee and, with his significant international business and financial experience having served as Finance Director at large financial institutions, the Board believes he is well placed to lead the Committee in the coming years.

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

Yours sincerely,

Rudy Markham
Chairman of the Audit Committee

Principal activities focused on by the Committee in 2018

During 2018 and in January 2019, the Committee considered and discussed the following items:

Financial reporting

- > Key elements of the Financial Statements and the estimates and judgements contained in the Group'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 87.
- > Monitoring the accounting for Externalisation Revenue in the Group's Consolidated Statement of Comprehensive Income arising from externalisation activities, including the collaboration agreement with Innate Pharma announced in October and the divestment of the US rights of *Synagis* to Sobi which closed in January 2019.
- > Robust testing of the appropriateness of management's and the external auditor's analysis and conclusions on judgemental accounting matters.
- > The completeness and accuracy of the Group's financial performance against its internal and external key performance indicators.
- > 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 154.
- > The preparation of the Directors' viability statement and the adequacy of the analysis supporting the assurance provided by that statement.
- > The adoption, impact and presentation of new financial standards including IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' in the Group's 2018 Financial Statements; and impact assessments for IFRS 16 'Leases' and IFRIC 23 'Uncertainty over Income Tax Treatments' which are effective from 1 January 2019.
- > 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.
- > 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 that Act.

For more information see Sarbanes-Oxley Act Section 404 in the Financial Review on page 90.

Risk and Compliance

- > The Group's principal, enduring and emerging risks, including the Group's risk management approach, risk reporting framework and risk mitigation. The Committee also considered how the risk management process was embedded in the Group and assured itself that management's accountability for risks was clear and functioning. More information about the Principal Risks faced by the Group is set out in the Risk Overview section from page 70.
- > 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.
- > The geographic presence, reach and capabilities of the IA and Compliance functions and the appropriateness of the Group's resource allocation for these vital assurance functions.
- > Quarterly reports from Global Compliance regarding key compliance incidents (both substantiated and unsubstantiated), trends arising and the dispersion of incidents across the Group's business functions and management hierarchy 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.
- > Progress in remediation of previously identified shortcomings at AstraZeneca's Chennai, India, site relating to Health & Safety, strength of leadership and cultural integration.
- > The state of readiness and effectiveness of the Group's business continuity testing and resilience framework at its Global Technology Centres in Chennai, India, and Guadalajara, Mexico.
- > The monitoring, review, education and improvements made to support assurance that the risk of modern slavery and human trafficking is eliminated, to the fullest extent practicable, from AstraZeneca's supply chain.

External audit

- > Monitoring the effectiveness and quality of the external audit process through: examination and testing of the coverage provided by the external auditor's audit plan, and their performance against it; management's feedback on the conduct of the audit; and considering the level of, and extent to which, the auditors challenged management's assumptions.
- > Reviewing quarterly reports from the external auditor over key audit and accounting matters, and business processes, internal controls and IT systems.
- > Audit and non-audit fees of the external auditor during the year, 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 from page 118.

Further information about the audit and non-audit fees for 2018 is disclosed in Note 31 to the Financial Statements on page 200.

Audit Committee Report *continued*

Principal activities focused on by the Committee in 2018 *continued*

| | | |
|-------------------------------|--|---|
| Performance assessment | <ul style="list-style-type: none">> An effectiveness review of IA by considering its performance against the internal audit plan and key activities. The Committee noted how IA had continued to deliver value to the business and acted as a trusted adviser to the Committee during the year. IA provided 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, strengthened its thematic reporting to the business, and adapted the audit plan to respond to new or arising risks. The Committee encouraged IA to consider the alignment of its global presence to business risks in the longer term and to more keenly focus on ensuring the timely remediation of findings by the business. | <ul style="list-style-type: none">> 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's reporting to the Board commended in particular, and it was thought that the Committee continued to effectively challenge management and support the Compliance function. It was felt that the Committee's interactions with the Science Committee could be further strengthened, and the importance of ensuring an effective transition and handover of the chairmanship of the Committee was highlighted. |
| Business updates | <ul style="list-style-type: none">> Regular updates from the IS/IT team on matters including: the alignment of critical systems and information assets to the Group's cyber defence capability; enhancing segregated networks; and, in particular, the Group's framework for identifying, mitigating and remediating cyber-risk and data breach exposure arising from its use of third-party vendors, including potential legal and regulatory (GDPR) liability, and IS/IT's ability to escalate any associated concerns through the management chain.> Updates from HR on the actions taken in response to the #metoo movement and the publication of Global Standards on sexual harassment and bullying.> An overview of the Group's preparation for GDPR and the progress made since its implementation. | <ul style="list-style-type: none">> Assessing the performance of, and progress made by, the Group's Global Business Services function, including its four key towers, namely: Global Commercial Operations; Global Assurance and Reporting Services; Global Finance Services; and Digital.> Assessing the Group's ability to identify patterns of non-compliant behaviour through IA's use of data analytics to develop marketing company audits, and considering how IA can provide more impactful insights to the business.> Considering the risks arising from the Group's third-party distributor relationships in emerging markets and from its strategy for market penetration in China through lower-tier cities, and its management of them.> Considering the circumstances leading to the FDA's 2017 Complete Response Letters for <i>Lokelma</i> and the accountabilities for the related remediation actions through a review of the post-acquisition integration of ZS Pharma and the key learnings. |

Significant financial reporting issues considered by the Committee in 2018

| Reporting issue | Rationale | Committee response | Committee conclusion/ actions taken | Further information |
|--------------------------------|--|---|--|---|
| Revenue recognition | The US is our largest single market and sales accounted for 33% of our Product Sales in 2018. Revenue recognition, particularly in the US, is impacted by rebates, chargebacks, returns, other revenue accruals and cash discounts. | 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. | The Committee receives regular reports from management and the external auditor on this complex area. The US market remains highly competitive with diverse marketing and pricing strategies adopted by the Group and its peers. The Committee was satisfied with the progress made by management to increase its accuracy in forecasting for managed market rebates and excise fees and, in particular, by managing a year-on-year decline in the level of related accounting true-ups. | □ Financial Review from page 74 and Note 1 to the Financial Statements on page 160. |
| Valuation 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. | <p>The Committee considered the annual impairment reviews of the Group's intangible assets, including MEDI0680 (a PD-1 monoclonal antibody asset acquired through the acquisition of Amplimmune in 2013), <i>Eklira/Tudorza</i>, <i>Movantik/Moventig</i>, <i>Byetta</i>, <i>Lokelma</i> and <i>verinurad</i>.</p> <p>The development programme for MEDI0680 was discontinued and the asset fully impaired due to recent trial data indicating a lower standard of care than a launched competitor. Partial impairments were taken on <i>Eklira/Tudorza</i> as a result of reduced sales forecasts, and on <i>Movantik/Moventig</i> following a further review of the market opportunity in the OIC indication, respectively.</p> <p>The <i>Byetta</i> review considered the low headroom following the impairment taken in the prior year and sensitivity arising from anticipated generic entry in the US. The Committee also reviewed and agreed with management's conclusions that no impairments were required for <i>verinurad</i> or <i>Lokelma</i> and that a reversal of the impairment taken in 2017 for <i>FluMist</i> was not appropriate at this stage due to continued uncertainty in relation to <i>FluMist</i> sales in the US.</p> | The Committee assures itself of the integrity of the Group's accounting policy and models for its assessment and valuation of its intangible assets, and related headroom, including by reviewing the internal and external estimates and forecasts for the Group's cost of capital relative to the broader industry. The Committee was satisfied that the Group had appropriately accounted for the identified impairments. | □ Financial Review from page 74 and Note 9 to the Financial Statements from page 169. |

Audit Committee Report *continued*

Significant financial reporting issues considered by the Committee in 2018 *continued*

| Reporting issue | Rationale | Committee response | Committee conclusion/ actions taken | Further information |
|---------------------------------------|--|--|---|---|
| Litigation and contingent liabilities | AstraZeneca is involved in various legal proceedings considered typical to its business and the pharmaceutical industry as a whole, including litigation and investigations relating to product liability, commercial disputes, infringement of IP rights, the validity of certain patents, anti-trust law and sales and marketing practices. | The Committee was regularly informed by the General Counsel of, and considered management and the external auditor's assessments about, IP litigation, actions, governmental investigations, and claims that might result in fines or damages against the Group, to assess whether provisions should be taken and, if so, when and in what amount. | <p>Of the matters the Committee considered in 2018, the more significant included: the favourable settlement of long-standing <i>Losec</i> patent infringement and damages actions in Canada and the settlement of <i>Seroquel</i> and <i>Crestor</i> cases with the State of Texas in the US. The Group continues to defend the allegations arising from the <i>Nexium</i> and <i>Prilosec</i> product liability litigation in the US, and to manage patent validity challenges to <i>Calquence</i> and <i>Imfinzi</i> in the US and <i>Brilinta</i> in China.</p> <p>The Committee was assured that the Group was effectively managing its litigation risks including seeking appropriate remedies and continuing to vigorously defend its IP rights.</p> | <p>□ Note 29 to the Financial Statements from page 194.</p> |
| Tax accounting | The Group has business activities around the world and incurs a substantial amount and variety of business taxes. AstraZeneca pays corporate income taxes, customs duties, excise taxes, stamp duties, employment and many other business taxes in all jurisdictions where due. In addition, we collect and pay employee taxes and indirect taxes such as Value Added Tax (VAT). The taxes the Group pays and collects represent a significant contribution to the countries and societies in which we operate. Tax risk can arise from unclear laws and regulations as well as differences in their interpretation. | The Committee reviews the Group's approach to tax including governance, risk management and compliance, tax planning, dealings with tax authorities and the level of tax risk the Group is prepared to accept. | The Committee was satisfied with the Group's practices in regard to tax liabilities, including, most notably, the accounting impact of the reduction in tax rates in the Netherlands and Sweden as a result of tax reform, which resulted in a reduction of deferred tax balances of \$297 million in 2018. | <p>□ AstraZeneca's 'Approach to Taxation', which was published in December 2018, and covers its approach to governance, risk management and compliance, tax planning, dealing with tax authorities and the level of tax risk the Company is prepared to accept, can be found on our website, www.astrazeneca.com.</p> <p>□ Note 4 to the Financial Statements from page 163.</p> |

Significant financial reporting issues considered by the Committee in 2018 *continued*

| Reporting issue | Rationale | Committee response | Committee conclusion/ actions taken | Further information |
|---------------------|--|---|---|---|
| Retirement benefits | Pension accounting is an important area of focus recognising the level of pension fund deficit and its sensitivity to small changes in interest rates. | <p>The Committee monitors, on a quarterly basis, the Group's funding position for its principal defined benefit pension obligations in Sweden, the UK and the US, including the key actuarial and interest rate assumptions used to determine the value of the Group's liabilities and pension scheme funding requirements.</p> <p>The Committee also reviews, annually, the Group's global funding objective and principles.</p> | <p>The Committee considered the impact of the outcome of the Guaranteed Minimum Pension trial and the resulting increase in the UK liability during 2018.</p> <p>The Committee was assured by the Group's tailored 'journey plans' for the UK and Swedish funds which target full funding over the longer term, on a self-sufficiency funding basis and which aim to close the existing funding gap via a balanced mix of investment returns on existing assets, company contributions, and by hedging the risks inherent in the liability valuation.</p> <p>The Committee was satisfied that the Group's pension fund deficits were appropriately managed during the year.</p> | <p>□ Financial Review from page 74 and Note 21 to the Financial Statements on page 178.</p> |

The role of the Committee and how we have complied

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 Deborah DiSanzo. Shriti Vadera stepped down as a member of the Audit Committee with effect from 30 June 2018.

In December 2018, the Board determined that, for the purposes of the UK Corporate Governance Code, at least one member of the Committee had 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. The Board also determined that the members of the Committee as a whole had competence relevant to the sector in which the Company operates, as Rudy Markham has served as a Non-Executive Director of the Company for approximately 10 years, Sheri McCoy has had a 30-year career in the pharmaceutical industry, Deborah DiSanzo has healthcare sector experience from her role at IBM Watson Health and Philip Broadley has served as a Non-Executive Director of the Company since April 2017. The Board of Directors' biographies on pages 94 and 95 contain details of each Committee member's skills and experience.

The Committee held six meetings in 2018 and the Committee members' attendance is set out in the table on page 93.

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 the following standing items:

- > 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 Group's IA function, its Compliance function, the external audit process and overseeing the Group'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 Vice-President Global Sustainability and Deputy Chief Compliance Officer; the Vice-President, IA; the Vice-President Finance, Group 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; the Vice-President Global Sustainability and the Deputy Chief Compliance Officer; the General Counsel; the 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.

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 2018.

Audit Committee Report *continued*

Fair, balanced and understandable assessment

As in previous years, at the instruction of the Board, the Committee undertook an assessment of this Annual Report to ensure that, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. The Committee reviewed the Company's governance structure and assurance mechanisms for the preparation of the Annual Report and, in particular, the contributor and SET member verification process. The Committee received an early draft of the Annual Report to review its proposed content and the structural changes from the prior year and to undertake a review of the reporting for the year, following which the Committee members provided their individual and collective feedback. In addition, in accordance with its terms of reference, the Committee (alongside the Board) took an active part in reviewing the Company's quarterly announcements and considered the Company's other public disclosures which are managed through its Disclosure Committee. To further aid their review, the Committee also received a summary of the final Annual Report's content, including the Company's successes and setbacks during the year and an indication of where they were disclosed within the document.

The processes described above allowed the Committee to provide assurance to the Board to assist it in making the statement required of it under the UK Corporate Governance Code, which is set out on page 104.

Internal controls

The Committee receives a report of the matters considered by the Disclosure Committee during each quarter. At the January 2019 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 2018. Based on their evaluation, the CEO and the CFO concluded that, as at that date, the

Company maintained an effective system of disclosure controls and procedures.

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

For further information on the Company's internal controls, please refer to the Accountability section in the Corporate Governance Report on page 104.

External auditor

Following a competitive tender carried out in 2015, PwC were appointed as the Company's external auditor for the financial year ending 31 December 2017. In May 2018, PwC were reappointed as the Company's auditor for the financial year ending 31 December 2018. Richard Hughes is the lead audit 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 Finance, Group 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 Group'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 review of internal controls. 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 Finance, Group 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 2018, PwC provided non-audit services including an interim review of the results of the Group for the six months ended 30 June 2018, and audit-related assurance services in respect of the Group's US debt issuance.

Audit/non-audit services

| | |
|------|---------|
| 2018 | \$17.4m |
| 2017 | \$11.1m |

- Statutory audit fees
- Assurance services
- Taxation services
- Other corporate projects

Fees for non-audit services amounted to 7% of the fees paid to PwC for audit, audit-related and other services in 2018 (2017: 4%).

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 Pre-Approval 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 31 to the Financial Statements on page 200.

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 considering the views of senior management within the finance function and regular Committee attendees principally against four key factors, namely: judgement; mind-set & culture; skills, character & knowledge; and quality control. Following the effective transition of the Group's external auditor in 2017, the Committee felt that a number of improvements had been made during 2018 including an overall improvement in planning for receipt and assessment of audit deliverables and in communications between management and the external auditor, alongside greater oversight of the US. Accordingly, the Committee concluded that the PwC audit was effective for the financial year commencing 1 January 2018.

In January 2019, the Committee recommended to the Board the reappointment of PwC as the Company's auditor for the financial year ending 31 December 2019. Accordingly, a resolution to reappoint PwC as auditors will be put to shareholders at the Company's AGM in April 2019.

The Remuneration Committee has taken care to ensure that our remuneration arrangements remain aligned to our strategy and to respond to shareholders' feedback.



“The Committee is confident our Remuneration Policy has helped to support our strategy, which we believe will deliver long-term sustainable value for shareholders.”

As Chairman of the Remuneration Committee (the Committee), I am pleased to present AstraZeneca's Directors' Remuneration Report for the year ended 31 December 2018.

Our performance made 2018 a defining year for AstraZeneca. Over the last six years we have focused on rebuilding our pipeline, driving our Growth Platforms and delivering important New Medicines to patients. In 2018, AstraZeneca turned the corner and returned to Product Sales growth, driven by a new generation of medicines. Our strong pipeline and financial progress is reflected in our strong total shareholder return performance this year.

The Committee is confident that our Remuneration Policy has helped to support our strategy to deliver long-term sustainable value to our shareholders. We continue to tie remuneration outcomes to the acceleration of innovative science and our Growth Platforms, as well as other important financial metrics. Annual bonus and Performance Share Plan (PSP) measures are closely aligned with our KPIs set out from page 20 of this Annual Report.

While our Policy was approved by 96% of shareholders at the 2017 AGM, the advisory vote on our Remuneration Report at the 2018 AGM received a much lower level of support than we hoped to achieve. We are committed to understanding and addressing our shareholders' concerns and have sought feedback from our largest investors, as well as from proxy voting advisory bodies.

The primary concern we heard related to annual bonus outturns, with some investors questioning whether bonus targets were sufficiently stretching. We were asked for

more information about how we set and assess performance targets, as well as more detail on the targets themselves. There was also a request to simplify our incentive structures, which some investors perceive to be complex given the number of metrics used.


We have carefully considered the feedback received, in addition to the UK Corporate Governance Code changes and new reporting regulations that are effective from 1 January 2019, and have made a number of changes to reflect our commitment to best practice. The changes are highlighted on page 123.

2018 performance highlights and remuneration outcomes **2018 performance**

Our 2018 scorecard focused on our strategic priorities, Achieving Scientific Leadership, Return to Growth and Achieving Group Financial Targets. During 2018, the commitment of our employees enabled the Company to deliver a number of important medicines for serious illnesses such as *Lynparza*, which has the potential to change medical practice for ovarian cancer patients, and *Tagrisso*, which may set a new standard of care for lung cancer patients. We hope that these achievements will help bring significant improvement to patients and their families. More detail on these medicines and other therapy area achievements can be found from page 50. Highlights of our 2018 performance are summarised below.

Achieve Scientific Leadership

Through our continued focus on innovative science, at the end of 2018 we had eight NMEs in Phase III/Pivotal Phase II or under regulatory review, covering 15 indications.

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

We also made 28 regulatory submissions in major markets and received 23 approvals for our medicines – record numbers for AstraZeneca. These successes are the product of our high-quality science and product development.

Our commitment to innovative science inevitably risks disappointment as well as the success we strive for. In 2018 we did not have the success we hoped for during Phase III trial results for six projects, including the Phase III MYSTIC trial evaluating *Imfinzi* and *Imfinzi* plus tremelimumab as a 1st line treatment for patients with metastatic (stage 4) non-small cell lung cancer (NSCLC). These setbacks were far outweighed by our successes.

Return to Growth and financial performance

In 2018, we generated less Externalisation Revenue following the high level seen in 2017 as we focused on supporting reinvestment in R&D and new product launches. This impacted Total Revenue, which declined by 2% in the year to \$22,090 million.

However, our success in delivering New Medicines to patients is reflected in strong commercial performance. Product Sales in 2018 increased by 4% to \$21,049 million, with our New Medicines delivering \$2.8 billion in incremental sales at CER and growth of 81%, and the sustained strength of Emerging Markets, up by 12% (13% at CER). Product Sales in China increased by 28% (25% at CER) in the year.

As anticipated at the start of the year, 2018 saw a decline in Core profits due to: the ongoing impact of loss of exclusivity on our legacy products; lower levels of Externalisation Revenue; and increased investment in selling and marketing for our New Medicines and for key markets, such as China, to support their longer-term success. Our Core EPS performance was in line with our expectations as we execute our return to growth strategy, and in 2019 we anticipate an increase in Product Sales to underpin improved Core profitability.

Our cash flow performance was enhanced by the disposal of intangible assets during the year, resulting in strong performance against our scorecard target.

2018 remuneration outcomes

The targets used to assess annual bonus performance for our executives align with our Group scorecard. We set stretching targets after careful consideration of the anticipated challenges and opportunities faced by the business, including the continuing impact of the loss of exclusivity of some of our key medicines. We are mindful of consensus and external guidance in determining the appropriate level of stretch.

Principal activities focused on by the Committee during 2018

| | |
|--|--|
| Responding to investor feedback and changes to the UK Corporate Governance Code | <ul style="list-style-type: none"> > Consultation with shareholders and shareholder representative bodies on remuneration following the low vote in favour of the Directors' Remuneration Report at the AGM in May 2018 > Determining and agreeing changes to respond to investor concerns > Review of changes to the UK Corporate Governance Code and new reporting regulations |
| Annual bonus | <ul style="list-style-type: none"> > Approval of the 2017 Group scorecard outcome and determination of Executive Directors' annual bonus awards for 2017 > Review of bonuses granted to executives below SET level > Approval of Group scorecard targets used to assess 2018 annual bonus performance |
| Share plans | <ul style="list-style-type: none"> > Approval of 2015 PSP and 2014 AZIP performance outcomes > Approval of LTI grants > Approval of performance measures to be attached to PSP awards granted in 2018 > Review of projected outcomes for outstanding PSP and AZIP awards |
| Other matters | <ul style="list-style-type: none"> > Review of an in-depth report setting out pay policies and practices for employees across the wider Group > Approval of compensation arrangements for Executive Directors and SET members for 2018 > Review of AstraZeneca's compensation strategy > Consideration of AstraZeneca's UK gender pay gap data > Review of CEO pay ratios vs lower quartile, median and upper quartile UK workers > 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 > Review of remuneration consultants, and appointment of Willis Towers Watson as adviser |

The Group scorecard used to assess annual bonus performance for 2018 was based 70% on financial measures. The progression of our science through clinical trials to regulatory approval is a fundamental measure of performance and represented 30% of the measures.

Formulaic assessment of the Group scorecard resulted in an outcome of 190% of target bonus (95% of maximum). We recognised that the formulaic outcome for 2018 had been influenced by a number of significant one-off events, both positive and negative, which were unforeseeable at the start of the year when targets were set. A significant example being unanticipated reductions in corporate income tax rates that positively impacted Core EPS.

Our strategic performance and pipeline progress has been strong, and shareholders have benefited from strong total shareholder return performance over 2018. After careful consideration of business performance, overall the Committee judged that the formulaic Group scorecard outcome should be adjusted downwards to reflect the financial outturns and the impact of unforeseen one-off events during the year. Therefore the final 2018 bonus outcome for each Executive Director was reduced to 82.5% of maximum. The range of factors taken into account in our assessment is described in more detail from page 129. One third of each Executive Director's bonus will be deferred into AstraZeneca shares to ensure further alignment with shareholders.

Long-term incentives

The three-year performance period for PSP awards granted to Executive Directors in 2016

ended on 31 December 2018. Performance against the targets attached to those awards will result in the awards vesting at 79% of maximum, as shown from page 133. This is in part driven by our strong TSR performance. TSR increased by 59% over the performance period, ranking second (upper quartile) in our comparator group of pharmaceutical peers.

Although Executive Directors no longer receive awards under the AstraZeneca Investment Plan (AZIP) as the final award was granted in 2016, outstanding awards remain. The two performance tests (progressive dividend and 1.5 times dividend cover) attached to AZIP awards granted in 2015 were met in three of the four years in the performance period ended 31 December 2018. The Committee considered concerns raised by some shareholders about a change to the operation of the AZIP performance measures, proposed in 2017. These were balanced against concerns raised by other shareholders about the potential for the AZIP, in its previous form, to incentivise a focus on short-term performance. Taking into account the differing shareholder views, the Committee determined that the performance measures should be applied as proposed in 2017, which will result in 75% of this AZIP award vesting. The shares are subject to a further four-year holding period.

The resultant single total figures of remuneration for Mr Soriot and Mr Dunoyer are set out on page 126. As can be seen from the chart on the following page, the majority of each figure consists of variable pay, which is dependent on performance of the business and shareholder experience, and a significant proportion of the value is attributable to share price growth and dividends.

Directors' Remuneration Report *continued*

2018 single total figure of remuneration

| | | | | |
|-----|-----|-----|-----|--------|
| CEO | 16% | 57% | 27% | £11.4m |
| CFO | 19% | 55% | 26% | £5.2m |

- Fixed remuneration
- Variable remuneration
- Value attributable to share price appreciation and dividends

Remuneration in 2019

We are satisfied that our executive remuneration arrangements continue to be well aligned with the delivery of the Company's strategy and the creation of long-term value for shareholders. Incentive opportunities under the annual bonus and PSP will not be changed for 2019. However, the Committee has made a number of changes to performance measures following investor feedback, for simplicity.

The Achieve Scientific Leadership metrics will be replaced with two new Accelerate Innovative Science indices, measuring progression of medicines through clinical trials and on to regulatory approval. This approach simplifies our remuneration structure, by reducing the total number of science metrics, whilst continuing to incentivise performance across the breadth of the pipeline.

For the annual bonus, the weighting of the cash flow metric within the Group scorecard has been increased from 10% to 20%. Therefore, financial measures now account for 80% of the scorecard and science measures account for 20%. This change in weightings reflects the importance of cash flow generation for the phase our business has now entered, as we aim to sustain investment in our pipeline while meeting our capital allocation priorities.

The Committee has reviewed significant analysis (including business plans, reports from the Science Committee and consensus forecasts) to satisfy itself that the 2019 targets require the achievement of appropriately stretching performance. We have disclosed the Accelerate Innovative Science targets for PSP awards to be granted in 2019 at the start of the performance period, as shown on page 135. It should be noted that our science targets will necessarily vary year-on-year, given the influence of external regulatory changes and timing of pipeline progression. Financial targets are set in line with our business strategy and are tested to ensure stretch. For more information on our target setting approach, see pages 128 and 135.

A key principle of our remuneration philosophy is aligning the focus of our executives and our employees collectively to drive Group performance towards the achievement of the same goals. In 2019, the Committee will continue its practice of reviewing in-depth analysis of pay policy and practices for employees across the wider Company to ensure that remuneration decisions are made in the context of pay practices for our workforce.

The Committee also remains mindful of the tension between the UK executive pay environment and the highly competitive global pharmaceutical market. We aim 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 3%, effective from 1 January 2019. This is in line with the average increase awarded to the wider UK employee population. No changes will be made to the fee structure for Non-Executive Directors in place during 2019.

Next steps

I hope that you find this Remuneration Report clear in explaining the implementation of our Remuneration Policy during 2018, and the meaningful and thorough response we have made to address investor feedback following the 2018 AGM. We are focused on adhering to best practice in our governance of executive remuneration and will continue to evolve our approach in line with the expectations of our shareholders. We trust that we have provided the information you need to be able to support the resolution to be put to shareholders on this Remuneration Report at the Company's AGM in April 2019.

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

Yours faithfully



Graham Chipchase
Chairman of the Remuneration Committee
14 February 2019

Our response to shareholder feedback

We have engaged extensively with our shareholders to understand the reasons why some shareholders did not support our Annual Reports on Remuneration when voting at the 2017 and 2018 AGMs.

Over the last two years we have made substantial changes to respond to shareholder feedback, including:

Structure of the bonus for Executive Directors

For 2018, each performance metric was assessed on a standalone basis, so that overperformance against one metric could not compensate for lower performance against another. The payout range for each metric is capped in line with each Executive Director's maximum bonus opportunity.

□□ For more information, see page 129.

Simplification

For 2018, the number of bonus metrics was reduced. For 2019, we have further simplified science metrics for the bonus and PSP.

□□ For more information, see pages 132 and 135.

Earlier disclosure

We committed to disclosing bonus performance and targets immediately following the end of the performance year, as seen in the 2018 Group scorecard disclosure. For PSP awards to be granted in 2019, we have disclosed science targets at the start of the performance period.

□□ For more information, see pages 129 and 135.

More clarity on the target setting process

In discussions, some shareholders asked for more information about how the Committee sets targets and assesses performance. We have included that additional information in this Remuneration Report, to provide clarity and insight for all shareholders and help demonstrate the robustness of our processes.

□□ For more information, see page 128.

CEO pay ratio

We have disclosed the CEO pay ratio for the first time, ahead of the new reporting requirement taking effect.

□□ For more information, see page 139.

Shareholding guidelines and post-employment shareholding requirements

This year Executive Directors' positions against their shareholding guidelines have been calculated according to the Investment Association's recommended approach. A post-employment shareholding requirement has been introduced, requiring Executive Directors to hold 100% of their shareholding guideline for two years after leaving office. This aims to maintain alignment with shareholders after an Executive Director leaves office.

□□ For more information, see page 137.

Pension

We are capping pension contributions for newly-appointed Executive Directors at a level in line with the wider workforce.

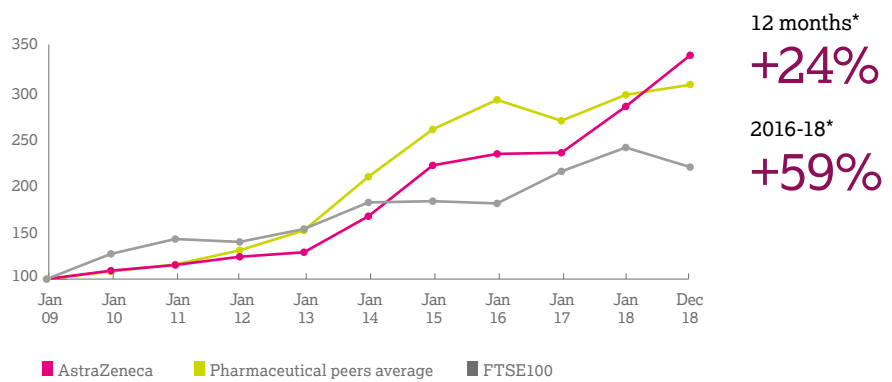
Information to shareholders

We have made changes to the format and content of this Remuneration Report, to try and make the information it contains as clear as possible to the reader.

“In 2018, AstraZeneca turned the corner and returned to Product Sales growth, driven by a new generation of medicines.”

How we have performed

Total Shareholder Return

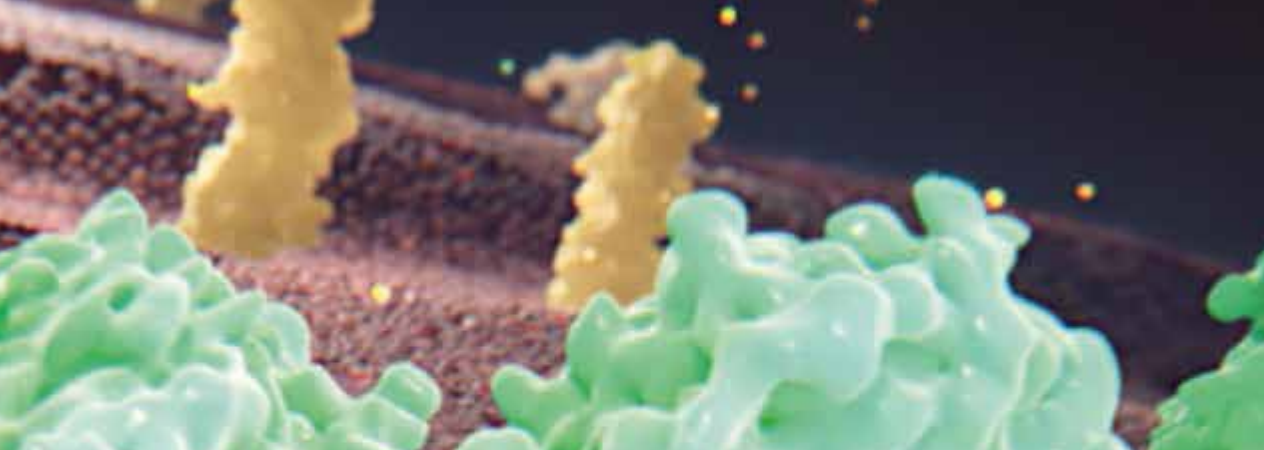


* 12 month TSR and 36 month TSR have been calculated using three-month calendar averages, from 1 October to 31 December, prior to the start and at the end of the relevant periods.

Delivery against strategy – 2018 Group scorecard performance

| | | | |
|---|---|---|---|
| <p>Achieve Scientific Leadership</p> | <p>9 NME Phase II starts Target: 9</p> | <p>19 NME and major LCM positive Phase III investment decisions Target: 11</p> | <p>24* NME and major LCM regional submissions Target: 15</p> |
| | <p>Return to Growth</p> <p>\$17,116m* Product Sales from Growth Platforms Target: \$16,381m</p> | | <p>23 NME and major LCM regional approvals Target: 18</p> |
| <p>Achieve Group Financial Targets</p> | <p>\$3.9bn* Cash flow Target: \$3.2bn</p> | <p>\$3.60* Core EPS Target: \$3.40</p> | <p>\$21.1bn* Total Product Sales Target: \$20.5bn</p> |

* For reconciliation with KPIs disclosed from page 20 of this Annual Report and a description of performance measures, see page 130.



What our Executive Directors earned

Executive Directors' remuneration for 2018

| £'000 | Fixed remuneration | Annual bonus | Long-term incentive (PSP – Granted 2016) | Long-term incentive (AZIP – Granted 2015) | Single total figure | Change from 2017 |
|---------------------|--------------------|-----------------------|--|---|---------------------|------------------|
| Pascal Soriot (CEO) | 1,747 | 1,858 82.5% of max | 6,780 79% of max | 888 75% of max | 11,356 | +9% |
| Marc Dunoyer (CFO) | 995 | 919 82.5% of max | 2,828 79% of max | 389 75% of max | 5,190 | +5% |

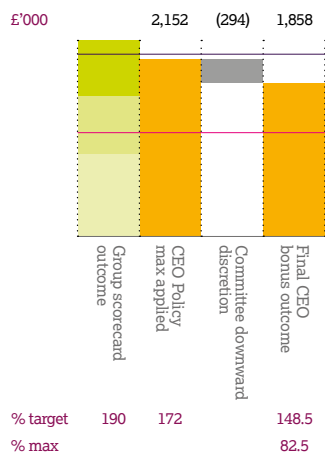
Base salary, taxable benefits and pension allowance.
 One third of annual bonus is deferred into shares, to be held for three years.
 PSP award is subject to a further two-year holding period before release.
 AZIP award is subject to a further four-year holding period before release. The AZIP is a legacy plan under which no further awards are granted.
 Includes Other items, see page 126.

2018 annual bonus: pages 127 to 132.

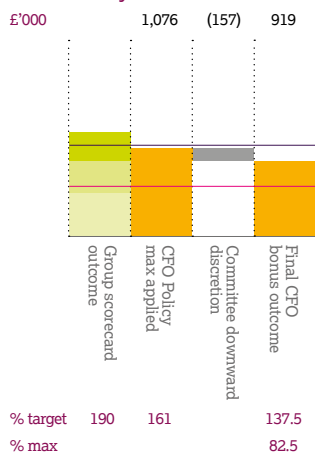
2016 PSP and 2015 AZIP: pages 133 to 134.

2018 annual bonus outcomes

Pascal Soriot



Marc Dunoyer



Key:

- Achieve Scientific Leadership
- Return to Growth
- Achieve Group Financial Targets
- Maximum
- Target

Looking ahead

Executive Directors' remuneration for 2019

| | Fixed remuneration | Annual bonus | Long-term incentive |
|---------------------|--|--|---|
| Pascal Soriot (CEO) | Salary: £1,288,530 Benefits fund Pension: 30% salary | Max: 180% salary Target: 100% salary | PSP Max: 500% salary |
| Marc Dunoyer (CFO) | Salary: £765,290 Benefits fund Pension: 24% salary | Max: 150% salary Target: 90% salary | PSP Max: 400% salary |
| Change from 2018 | Salary increase of 3%. Benefits and pension in line with 2018 | No change to target or max. 2019 Group scorecard measures on page 132 | No change to max face value. 2019 PSP performance measures on page 135 |

Annual Report on Remuneration

Key:

Audited information

Content contained within the Audited panel indicates that all the information within has been subject to audit.

Audited

Planned implementation for 2019

Content contained within a grey box indicates planned implementation for 2019.

Executive Directors' remuneration

This section of the Remuneration Report sets out the Executive Directors' remuneration for the year ended 31 December 2018 alongside the remuneration that will be paid to Executive Directors during 2019.

Executive Directors' single total figure of remuneration for 2018

Audited

The single total figure table sets out all elements of remuneration receivable by the Executive Directors in respect of the year ended 31 December 2018, alongside comparator figures from the prior year.

| £'000 | | Fixed | | | Variable (performance related) | | Other | Total |
|---------------|-------------|--------------|------------------|------------|--------------------------------|----------------------|-----------|---------------|
| | | Base salary | Taxable benefits | Pension | Annual bonus | Long-term incentives | | |
| Pascal Soriot | 2018 | 1,251 | 121 | 375 | 1,858 | 7,669 | 82 | 11,356 |
| | 2017 | 1,220 | 122 | 366 | 1,916 | 6,712 | 93 | 10,429 |
| Marc Dunoyer | 2018 | 743 | 74 | 178 | 919 | 3,217 | 59 | 5,190 |
| | 2017 | 725 | 88 | 174 | 1,025 | 2,916 | 16 | 4,944 |

The following sections provide further detail on the figures in the above table, including the underlying calculations and assumptions and the Committee's performance assessments for variable remuneration. The Annual bonus section is set out on pages 127 to 132 and the Long-term incentives section on pages 133 to 135. Information about the Executive Directors' remuneration arrangements for the coming year, ending 31 December 2019, is highlighted in grey boxes.

Fixed remuneration

Audited

Base salary

When awarding salary increases, the Committee considers, among other factors, the salary increases applied across the UK employee population. Increases in the Executive Directors' salaries for 2018 and 2019 were in line with the UK workforce.

| £'000 | 2018 | | 2019 | |
|---------------|--------------------|-------------|--------------------|-------------|
| | Increase from 2017 | Base salary | Increase from 2018 | Base salary |
| Pascal Soriot | 2.5% | 1,251 | 3% | 1,289 |
| Marc Dunoyer | 2.5% | 743 | 3% | 765 |

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 2018, 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.

Audited

| £'000 | 2018 | | | 2019 |
|---------------|-------------------|---------------|------------------------|-------------------|
| | Taken in benefits | Taken as cash | Total taxable benefits | Taxable benefits |
| Pascal Soriot | 15 | 106 | 121 | in line with 2018 |
| Marc Dunoyer | 18 | 56 | 74 | in line with 2018 |

Fixed remuneration *continued*

Audited

Pension

The Executive Directors receive a pension allowance calculated as a percentage of base salary. During 2018, 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.

| £'000 | 2018 | | | 2019 |
|---------------|--------------------|-------------------|-------------------------|-------------------|
| | Pensionable salary | Pension allowance | Cash in lieu of pension | Pension allowance |
| Pascal Soriot | 1,251 | 30% salary | 375 | 30% salary |
| Marc Dunoyer | 743 | 24% salary | 178 | 24% salary |

Other remuneration

Audited

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 2014, were released during 2018, on completion of the three-year deferral period. The dividend equivalents accrued on the deferred shares during the deferral period and paid to the Executive Directors at the time of release are included in the Other column.

On 1 December 2018, Marc Dunoyer's option under the all-employee SAYE scheme matured. Details of Mr Dunoyer's SAYE option are set out on page 138. The market price on 3 December 2018, the first trading day following maturity, was 6152 pence which equated to a gain of 2845 pence per option; this amount is included in the Other column.

| £'000 | Dividend equivalents received on DBP awards released in year | Gain on SAYE options maturing in year | Total Other items in the nature of remuneration |
|---------------|--|---------------------------------------|---|
| Pascal Soriot | 82 | – | 82 |
| Marc Dunoyer | 43 | 15 | 59 |

Annual bonus

Audited

2018 Annual bonus

Annual bonuses earned in respect of performance during 2018 are included in the single total figure table and detailed information on the Committee's approach to target setting and assessment of performance is set out on the following pages.

Under the Deferred Bonus Plan (DBP) 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, ordinarily subject to continued employment. Bonuses are not pensionable.

| £'000 | Annual bonus in respect of performance during 2018 | | | | Total bonus awarded |
|---------------|--|---------|-----------------------|----------------------------|---------------------|
| | Bonus potential as % of salary | | Bonus payable in cash | Bonus deferred into shares | |
| | Target | Maximum | | | |
| Pascal Soriot | 100% | 180% | 1,239 | 619 | 1,858 82.5% max |
| Marc Dunoyer | 90% | 150% | 613 | 306 | 919 82.5% max |

Annual Report on Remuneration *continued*

Annual bonus *continued*

Our approach to setting targets and assessing performance to determine bonus outturns is thorough, involving the following key stages.

| | | |
|---|---|---|
| <p>Stage 1 – Group scorecard target setting</p> | <p>Science metrics: At the beginning of each year a cohort of scientific opportunities is specified, on which the Science targets will be based. These opportunities represent potential achievements at each stage of the pipeline, from early stage, where our scientists work to discover new molecules, through to ultimately obtaining approvals and getting new medicines to patients. Rewarding success at each stage recognises the importance of creating and maintaining a long-term sustainable pipeline. The Science Committee reviews the stretch of proposed targets taking into account factors such as past performance, the external regulatory environment and internal resourcing and efficiencies. The targets for realisation of these opportunities are ambitious and based on our high success rate to date.</p> | <p>Financial metrics: The Return to Growth measure and Achieve Group Financial Targets metrics align directly with the business's Long Range Plan (LRP), which sets out the financial framework for delivering our strategy and ambitious milestones over the short-, medium- and long-term. The LRP process includes detailed business reviews during which business plans and efficiencies of each unit are reviewed and challenged, leading to a final LRP for the Board to review, challenge and approve. The Committee sets targets based on the Board-approved LRP. As part of the target setting process it also considers consensus expectations and external guidance, as well as anticipated challenges and opportunities. This range of data is used by the Committee to ensure the stretching nature of performance targets can be robustly tested.</p> |
| <p>Stage 2 – Committee review and approval of targets</p> | <p>Initial targets are proposed by management, which the Committee thoroughly reviews and challenges before the final targets are agreed and approved. Targets are reviewed in draft form in December, with final target setting and approval in January, once the prior year's final results are available to inform the Committee's decisions.</p> <p>For each target, the Committee is provided with considerable supporting material. For example, for science measures, the Committee reviews and approves the full cohort of opportunities and receives briefings from senior science leaders within the business. These targets are set with oversight of the Science Committee.</p> | <p>For Return to Growth, the Committee considers year-on-year projections at brand/product level and growth rates over a five-year period. Committee members participate in the full Board discussions on the strategy, LRP and budget which form the basis for the targets. For the other financial measures, the Committee considers: how the proposed target aligns with the LRP and budget; prior years' outcomes (in absolute terms and against target); how the ambition has changed from the prior LRP and budget; external guidance the business has provided or plans to give; consensus from external financial analysts and factors it may be impacted by; and the underlying assumptions. Payout probability analysis conducted by the Committee's independent adviser is considered, to assess the stretch of financial targets.</p> |
| <p>Stage 3 – Tracking throughout the performance period</p> | <p>The Committee reviews the projected Group scorecard outcome against target at least three times throughout the performance year to monitor progress against targets. This allows ongoing scrutiny, highlighting any</p> | <p>significant events which may impact the scorecard outcome as they arise. It also provides valuable insight for the Committee on how stretching the targets are which informs the target-setting process for the following year.</p> |
| <p>Stage 4 – Group scorecard assessment</p> | <p>Following year end, performance against each metric is assessed. The Group scorecard outcome is calculated from the combined weighted metric outcomes. Each performance measure is assessed on a standalone basis for each Executive Director, so that underperformance against one measure cannot be compensated for by overperformance against another.</p> | <p>The Science Committee independently considers science achievements to ensure these represent a fair and balanced outcome which reflects genuine achievements and pipeline progression, and then informs the Committee. Apart from cash flow, which is set at actual rates of exchange, the financial metrics are set at budget rates of exchange and evaluated at those rates at year end which means they are not directly comparable year-on-year. However, the Committee is provided with information to allow it to conduct year-on-year analyses.</p> |
| <p>Stage 5 – Determination of Executive Directors' bonuses</p> | <p>Once the formulaic Group scorecard outcome has been calculated, the Committee will consider the outcome in the context of overall business performance and the experience of shareholders to determine whether the outcome is fair. The Committee will consider, for example, TSR performance over the period, the Executive Director's personal impact on the delivery of KPIs and pipeline performance beyond the scorecard targets, recognising that the ongoing development of a sustainable pipeline is critical to future and long-term growth. Organisational achievements will also be considered, such as inclusion and diversity targets, and the realisation of technology-based milestones.</p> | <p>Our Group scorecard closely aligns to the delivery of the strategy and many of the Executive Directors' objectives reinforce aspects of the scorecard. Each year there are important individual deliverables beyond the scorecard metrics which the Committee takes into account when determining individual bonuses.</p> <p>Having considered the Group scorecard outcome, overall business performance, the experience of shareholders and individual performance, the Committee will exercise its judgement carefully to determine a final bonus outcome for each Executive Director which is considered fair and appropriate for the year's performance and is in the best interests of shareholders.</p> |

Annual bonus continued

Audited

2018 Group scorecard assessment

Performance against the 2018 Group scorecard is set out below. As highlighted in the following table, a majority of our performance measures are based on group KPIs (as indicated by) which directly relate to strategy. A reconciliation between measures used for the bonus assessment and the KPIs set out from page 20 can be found on page 130.

The Group scorecard is used in the determination of bonus payouts for all AstraZeneca employees. Each metric within the scorecard is assessed on a standalone basis and has a defined payout range. 100% of target bonus will payout for on-target performance. For employees, 200% of target bonus will payout for the maximum level of performance, however in line with our Remuneration Policy maximum bonus payouts for the CEO and CFO are capped at 180% and 150% of salary respectively (equivalent to 180% and 167% of target bonus respectively). The payout range for each metric is capped in line with each Executive Director's maximum bonus opportunity to ensure underperformance against one metric cannot be compensated for by overachievement against another. As shown in the table below, this has resulted in a lower scorecard outcome for the CEO and CFO than the rest of the eligible employee population. Performance below the specified threshold level for a metric will result in 0% payout for that metric. The Committee adjusted the formulaic Group scorecard outcome for 2018 that is shown below, as described on page 131.

| 2018 Group scorecard performance measures and metrics | Weighting | Threshold for payout | Target | Maximum | Outcome ¹ | Formulaic outcomes (% of target) | | | Performance |
|--|-----------|----------------------|--------|---------|----------------------|----------------------------------|-------|-------|---|
| | | | | | | Group scorecard | CEO | CFO | |
| Achieve Scientific Leadership | | | | | | | | | |
| <input type="checkbox"/> NME Phase II starts | 6% | 4 | 9 | 13 | 9 | 6% | 6% | 6% | |
| <input type="checkbox"/> NME and major life-cycle management positive Phase III investment decisions | 8% | 6 | 11 | 16 | 19 | 16% | 14.4% | 13.4% | Our Achieve Scientific Leadership performance is described on pages 25 to 28. |
| <input type="checkbox"/> NME and major life-cycle management regional submissions | 8% | 10 | 15 | 19 | 24 | 16% | 14.4% | 13.4% | |
| <input type="checkbox"/> NME and major life-cycle management regional approvals | 8% | 12 | 18 | 23 | 23 | 16% | 14.4% | 13.4% | |
| Subtotal | 30% | | | | | 54% | 49% | 46% | |
| Return to Growth | | | | | | | | | |
| <input type="checkbox"/> Product Sales from Growth Platforms (\$m) | 30% | 15,562 | 16,381 | 17,201 | 17,116 | 57% | 52% | 48% | Our Return to Growth performance is described on pages 29 to 37. |
| Subtotal | 30% | | | | | 57% | 52% | 48% | |
| Achieve Group Financial Targets | | | | | | | | | |
| <input type="checkbox"/> Cash flow (\$bn) | 10% | 2.9 | 3.2 | 3.8 | 3.9 | 20% | 18% | 17% | Our Achieve Group Financial Targets performance is described on pages 74 to 90. |
| <input type="checkbox"/> Core EPS (\$) | 20% | 3.30 | 3.40 | 3.50 | 3.60 | 40% | 36% | 33% | |
| <input type="checkbox"/> Total Product Sales (\$bn) | 10% | 19.9 | 20.5 | 21.2 | 21.1 | 20% | 18% | 16% | |
| Subtotal | 40% | | | | | 80% | 72% | 66% | |
| Total ² | 100% | | | | | 190% | 172% | 161% | |

Note: bar charts are indicative, scales do not start from zero.

¹ Reconciliation with KPI outcomes disclosed from page 20 of this Annual Report and a description of performance measures is shown on the following page.

² Due to rounding, the total formulaic outcome differs from the arithmetic total of the individual metric outcomes discussed above.

Annual Report on Remuneration *continued*

Annual bonus *continued*

During 2018, AstraZeneca made 28 NME and major life-cycle management regional submissions. However, four of these were discounted when assessing Group scorecard performance. If we do not have Phase III data for a particular submission opportunity when we set the submissions target at the start of the year, only the first regional submission is counted, even though multiple submissions may occur later in the year.

The Return to Growth target is set and evaluated at budget exchange rates at the beginning of the year and evaluated at those rates at the end of the performance period, so that any beneficial or adverse movements in currency, which are outside the Company's control, do not impact reward outcomes. The Return to Growth scorecard measure excludes certain medicines that are included in Growth Platform Product Sales reported elsewhere in this Annual Report, due to differences in definitions. The difference for 2018 primarily arose as the scorecard measure included only new medicines within the Oncology Growth Platform. 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 and is set and evaluated at the actual exchange rate. The Core EPS and Total Product Sales measures are evaluated by reference to budget exchange rates, again so that any beneficial or adverse movements in currency, which are outside the Company's control, do not impact reward outcomes. The financial metrics reconcile with other disclosures in this Annual Report as follows:

| | Group scorecard outcome | KPI disclosed on pages 20-23 | Exchange rate impact | Product Sales excluded | Capital expenditure | Proceeds from disposal of intangible assets |
|-------------------------------------|-------------------------|------------------------------|----------------------|------------------------|---------------------|---|
| Product Sales from Growth Platforms | \$17,116m | \$18,464m | (\$59m) | \$1,407m | | |
| Cash flow | \$3.9bn | \$2.6bn | | | (\$1.0bn) | \$2.3bn |
| Core EPS | \$3.60 | \$3.46 | (\$0.14) | | | |
| Total Product Sales | \$21.1bn | \$21.0bn | (\$0.1bn) | | | |

Overall individual and business performance assessment

Individual assessment

During 2018, the Executive Directors' individual performance was assessed in the following key areas which align with the Company's objectives:

Pascal Soriot

| | |
|---|--|
| Focus on innovative science | Under Pascal Soriot's leadership, AstraZeneca has turned the corner and returned to Product Sales growth, made possible by Mr Soriot's determined focus on the innovative science and investment necessary to deliver a new generation of medicines for patients, with a rebuilt and sustainable pipeline. Mr Soriot's exceptional leadership was also evident throughout 2018 to benefit AstraZeneca's shareholders, employees and other important stakeholders. For example, he represented AstraZeneca and the innovative biopharmaceutical industry in meetings with world leaders and senior politicians in key markets such as China, Russia, France and Germany, as well as the UK. |
| Demonstrating leadership to support developments within UK and global life sciences industry | Following from his Chairmanship of the UK Brexit Industry Group in 2017, Mr Soriot co-chaired the Life Sciences Council (LSC) with the UK Secretary of State for Business, Energy and Industrial Strategy and the UK Secretary of State for Health. The LSC, accountable for the strategic direction of life science policy in the UK, developed detailed strategies to develop the UK life sciences industry, as well as prepare for alternative Brexit scenarios. Mr Soriot has been influential in supporting industrial developments globally, including attending the CEO Council with the Chinese President Xi Jinping in June, the China Development Forum Fall Summit, and the WuXi World IOT (Internet of Things) congress in September 2018 as a keynote speaker. |
| Embedding a culture focused on integrity and sustainability | Through Mr Soriot's leadership in 2018, AstraZeneca continued to be recognised as a global leader in this important area. For example, AstraZeneca was ranked third in the Dow Jones Sustainability Index and was ranked third among all UK companies and 34th overall in the Global 100 Index (a ranking of the world's most sustainable companies across all sectors), placing AstraZeneca in the top 2% of companies for sustainability performance. |
| Making AstraZeneca a great place to work – achieve demonstrable advances in inclusion, diversity and employee engagement | During 2018, our internal KPIs were exceeded with 19.4% of leaders coming from Emerging Markets, an improvement from 13.5% in 2017. We also saw an increase in the percentage of senior roles held by women and were pleased that AstraZeneca was included in the 2018 Hampton-Alexander Review (7th for women in executive committee roles and their direct reports) and as the only major pharmaceutical company listed in Bloomberg's Gender-Equality Index. Employee engagement is high with internal surveys showing 94% of respondents understand AstraZeneca's future direction and strategic priorities and 83% would recommend AstraZeneca as a great place to work (compared with the Global Pharmaceutical norms of 87% and 80% respectively). |

Annual bonus continued

Marc Dunoyer

Return to Growth

Mr Dunoyer has sharpened the Company's focus on driving cash flow and was instrumental in the outperformance achieved. He has also focused the Company on making productivity improvements as it moves into the next phase of its strategy which, over time, should result in margin improvements. While maintaining the global organisation's focus on delivering AstraZeneca's 2018 financial objectives, under Mr Dunoyer's stewardship, Global Finance Services were rolled out to our top 12 markets providing standardised and centrally managed efficient financial services. This has driven productivity and created value through robotics and innovation. He has also successfully executed a functional transformation rebalancing finance resources to Regional Delivery Centres in Kuala Lumpur, Malaysia, Warsaw, Poland, and San Jose, Costa Rica, improving efficiency and reducing cost.

Develop Global Business Services function to achieve cost savings

In addition to his responsibilities as CFO, Mr Dunoyer leads the Company's Global Business Services (GBS) Function. GBS is a key enabler of our strategic performance, leveraging digital technology, data analytics and artificial intelligence to create capacity, to simplify and improve processes, and to provide greater automation and smart analytics. Under Mr Dunoyer's leadership, savings of \$53 million were realised in 2018 through initiatives such as the expansion of our Global Content Centre, providing local AstraZeneca commercial markets standard product and promotional materials, eliminating inefficiencies and duplication.

Achieve Scientific Leadership – Japan

Mr Dunoyer's additional responsibilities include leading AstraZeneca in Japan, which delivered a strong performance in 2018 exceeding its performance target overall. Seven successful launches in Japan in 2018, including for *Fasenra*, *Lynparza*, *Tagrisso* and *Imfinzi* were significant contributions. An example of the excellent performance delivered under Mr Dunoyer's leadership is the fact that two thirds of patients new to biologic treatments had been treated with *Fasenra* within five months of its approval.

Embedding a culture focused on integrity and sustainability

Mr Dunoyer is the Champion for our Young Health Programme (YHP) which the Board was proud to see named Community Investment Program of the Year by the 2018 Ethical Corporation Responsible Business awards. YHP reflects our commitment to building a sustainable future: it's an investment in young people and an investment in health by empowering young people with knowledge and skills to make healthy choices and take control of their future. In September 2018, Mr Dunoyer visited our YHP site in Kenya to provide some direct support on the ground. By mid-September, the YHP in Kenya had trained 40 peer educators and 54 community-based health workers and volunteers and was working with 47 primary and secondary schools to operationalise school health clubs. It has also trained 129 community leaders on non-communicable disease risk behaviours, Adolescent Sexual and Reproductive Health and gender equality.

Business assessment

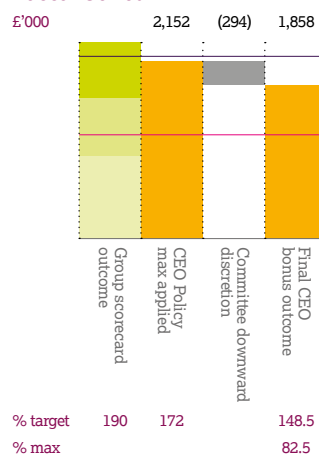
The Committee then reviewed the formulaic Group scorecard outcome for 2018 in the context of business performance and shareholder experience over the year. A number of significant events and one-off items, both positive and negative, that were unforeseen when targets were set were considered. These included: unanticipated reductions in corporate income tax rates (that positively impacted Core EPS); a one-off cash inflow following the resolution of long-running litigation; and a decision of the European Medicines Agency limiting the approval of *Imfinzi* in Europe to a narrower lung cancer patient population than other regulators.

Final determination of Executive Directors' bonuses

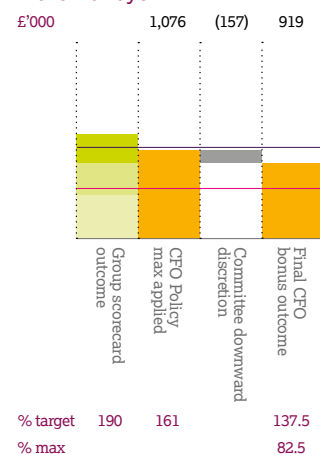
Having taken into account the Executive Directors' personal leadership and achievements during the year and considered the Group scorecard outcome in the context of overall business performance and shareholder experience, the Committee determined that it would be fair and reasonable to make a downwards adjustment to the Group scorecard outcome of 190% of target (95% of scorecard maximum).

The final bonus outcomes were set at 148.5% of target (82.5% of maximum) for Mr Soriot and 137.5% of target (82.5% of maximum) for Mr Dunoyer.

Pascal Soriot



Marc Dunoyer



Key:

- Achieve Scientific Leadership
- Return to Growth
- Achieve Group Financial Targets
- Maximum
- Target

Annual Report on Remuneration *continued*

Annual bonus *continued*

Deferred Bonus Plan

One third of each Executive Directors' pre-tax annual bonus is deferred into shares under the Deferred Bonus Plan (DBP). No further performance conditions apply to DBP shares, but release at the end of the three-year deferral period is ordinarily subject to continued employment. DBP awards in respect of the deferred portions of bonuses earned in respect of performance during 2018 are expected to be granted in March 2019. Details of the DBP awards granted during 2018, in respect of bonuses earned in respect of performance during 2017, are shown below.

| | Ordinary Shares granted | Grant date | Grant price (pence per share) ¹ | Audited | |
|---------------|-------------------------|---------------|--|-----------------------------|--------------------------------------|
| | | | | 2018 Grant Face value £'000 | 2019 Grant 2018 Bonus deferred £'000 |
| Pascal Soriot | 13,157 | 23 March 2018 | 4853 | 639 | 619 |
| Marc Dunoyer | 7,037 | 23 March 2018 | 4853 | 342 | 306 |

¹ The grant price is the average share price over the three dealing days preceding grant.

2019 Annual bonus performance measures and operation

The Group scorecard measures and weightings for 2019 differ from the 2018 Group scorecard as follows:

- > Two new Accelerate Innovative Science indices replace Achieve Scientific Leadership metrics, measuring regulatory milestones (submissions and approvals) and milestones in clinical trials, reflecting late- and early-stage science progression. Moving to dual indices simplifies our remuneration structure, by reducing the number of metrics.
- > The weighting of the Cash flow metric within the Group scorecard has been increased from 10% to 20%, with financial measures now accounting for 80% of the scorecard. This change in weightings reflects the importance of cash flow generation for the phase our business has now entered, as we aim to sustain investment in our pipeline while meeting our capital allocation priorities. The Cash flow metric remains as net cash flow from operating activities less capital expenditure adding back proceeds from disposal of intangible assets.
- > The Return to Growth measure will now be known as 'Deliver Growth and Therapy Area Leadership' reflecting the next phase of strategy; the underlying measure has not changed.

| 2019 Group scorecard performance measures and metrics | | | | | |
|---|-------------------|-------------------------------------|------------------|-------------|---|
| | Measure weighting | Underlying metrics (if applicable) | Metric weighting | 2019 target | |
| Accelerate Innovative Science | 20% | Pipeline progression events | 10% | C | N |
| | | Regulatory events | 10% | C | N |
| Deliver Growth and Therapy Area Leadership | 30% | Product Sales from Growth Platforms | 30% | C | ↑ |
| Achieve Group Financial Targets | 50% | Cash flow | 20% | C | ↑ |
| | | Core EPS | 20% | C | ↑ |
| | | Total Product Sales | 10% | C | ↑ |

Key ↑ Target increased vs 2018 target ↓ Target decreased vs 2018 target ↔ Target constant N New measure C Commercially sensitive

We intend to disclose the 2019 Group scorecard outcome, and details of the performance hurdles and targets, in the 2019 Remuneration Report following the end of the performance period. The performance targets are currently considered to be commercially sensitive as prospective disclosure may prejudice the Company's commercial interests. Executive Directors' individual performance will be assessed by reference to individual objectives in line with the Company's objectives for the year.

Retrospective disclosure of 2017 performance hurdles

The threshold, target and maximum hurdles for the Return to Growth part of the 2017 Group scorecard were not disclosed in the 2017 Remuneration Report, as they were deemed to be commercially sensitive. The information is now disclosed below. Performance has been evaluated by reference to budget exchange rates.

| 2017 Group scorecard performance measures and metrics not previously disclosed | Weighting | Threshold | Target | Maximum | Outcome |
|--|----------------|-----------|--------|---------|---------|
| Return to Growth (\$m) | | | | | |
| New CVMD (including <i>Brilinta</i>) | | 3,649 | 3,841 | 4,033 | 3,563 |
| Respiratory | 6% per measure | 4,588 | 4,671 | 4,904 | 4,609 |
| New Oncology | | 1,142 | 1,202 | 1,262 | 1,330 |
| Emerging Markets | | 5,488 | 5,777 | 6,066 | 5,870 |
| Japan | | 2,215 | 2,331 | 2,448 | 2,335 |

Long-term incentives

Audited

Long-term incentives included in single total figure: 2016 PSP and 2015 AZIP

The Executive Directors' 2018 single total figures of remuneration include the values of Performance Share Plan (PSP) awards and AstraZeneca Investment Plan (AZIP) awards with performance periods ended 31 December 2018. These shares will not be released and the dividend equivalents will not be paid out to the Directors until the awards vest at the end of their respective holding periods.

The values of the shares due to vest have been calculated using the average closing share price over the three-month period ended 31 December 2018 (5980.11 pence). The table below provides a breakdown showing the face value of these shares at the time they were granted, the value that is attributable to share price appreciation since grant and the value of dividend equivalents accrued on these shares over the relevant performance period. Further information about the individual awards and performance assessments follows the table.

Long-term incentive awards with performance periods ended 31 December 2018

| | | Ordinary shares granted | Performance outcome | Value of shares due to vest | | Dividend equivalent accrued over performance period £'000 | Total £'000 | Long-term incentives total £'000 |
|---------------|-----------|-------------------------|---------------------|--|--|---|-------------|----------------------------------|
| | | | | Face value at time of grant ¹ £'000 | Value due to share price appreciation ² £'000 | | | |
| Pascal Soriot | 2016 PSP | 129,713 | 79% | 4,020 | 2,108 | 652 | 6,780 | 7,669 |
| | 2015 AZIP | 17,460 | 75% | 624 | 160 | 105 | 888 | |
| Marc Dunoyer | 2016 PSP | 54,101 | 79% | 1,677 | 879 | 272 | 2,828 | 3,217 |
| | 2015 AZIP | 7,646 | 75% | 273 | 70 | 46 | 389 | |

¹ Calculated using the grant price of 3923 pence for 2016 PSP awards and the grant price of 4762 pence for 2015 AZIP awards.

² Calculated using the difference between the grant price and the average closing share price over the three-month period ended 31 December 2018.

The 2016 PSP awards granted on 24 March 2016 are due to vest and be released on 24 March 2021 on completion of a further two-year holding period. Performance over the period from 1 January 2016 to 31 December 2018 will result in 79% of the award vesting, based on the following assessment of performance.

The Aggregate revenue of Growth Platforms target is set at budget exchange rates at the beginning of the performance period and evaluated at those rates at the end of the performance period, so that any beneficial or adverse movements in currency, which are outside the Company's control, do not impact reward outcomes.

The Adjusted cumulative cash flow measure is evaluated by reference to net cash flow before distributions and other adjustments required by the performance conditions.

The TSR peer group against which performance has been assessed for the 2016 PSP was set at the time of grant and comprised AbbVie, BMS, GSK, Johnson & Johnson, Lilly, MSD, Novartis, Pfizer, Roche Holding and Sanofi-Aventis. AstraZeneca ranked second within the peer group, in the upper quartile. The Committee determined 87.5% of the TSR part of the award should vest, having calculated the outcome on a straight-line basis.

For more information about the TSR performance of the Company, see page 140.

| 2016 PSP performance measures and metrics | Weighting | Threshold (20% vesting) | Maximum (100% vesting) | Outcome | Payout |
|---|-------------|-------------------------|------------------------|------------|--------------|
| Achieve Scientific Leadership | | | | | |
| NME approvals | 5% | 5 | 9 | 10 | 100% |
| Major life-cycle management approvals | 5% | 5 | 11 | 14 | 100% |
| Phase III/registration NME volume | 5% | 9 | 13 | 11 | 75% |
| Prospective peak-year sales from approvals from NME and life-cycle management approvals | 5% | 6 | 10 | 11 | 100% |
| Phase II starts | 5% | 15 | 22 | 31 | 100% |
| Subtotal¹ | 25% | | | | 95% |
| Aggregate revenue of Growth Platforms (\$bn) | 25% | 17.0 | 20.0 | 17.5 | 42% |
| Adjusted cumulative cash flow (\$bn) | 25% | 9.0 | 13.5 | 12.8 | 93% |
| Total shareholder return | 25% | Median | UQ² | 2nd | 87.5% |
| Total¹ | 100% | | | | 79% |

Note: bar charts are indicative, scales do not start from zero.

¹ The subtotal and total reflect the weightings of the individual metrics.

² UQ = Upper Quartile.

Annual Report on Remuneration *continued*

Long-term incentives *continued*

Audited

The AZIP is a legacy plan. The last award under this plan was granted in 2016.

The 2015 AZIP awards granted on 27 March 2015 are due to vest and be released on 1 January 2023 on completion of a further four-year holding period. In 2016, the Committee replaced the original cliff vesting approach for outstanding AZIP awards with a sliding scale, whereby 25% of an award will lapse in respect of any year in the performance period in which either of the performance targets are not achieved.

Performance over the period from 1 January 2015 to 31 December 2018 will result in 75% of the 2015 AZIP vesting, as the dividend cover target was not met in the fourth year of the performance period.

| 2015 AZIP performance measures | 2015 | 2016 | 2017 | 2018 |
|---|--------|--------|--------|--------|
| 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 | 1.52 | 1.54 | 1.53 | 1.24 |

PSP and AZIP award values included in the 2017 single total figure of remuneration have been recalculated using the average closing share price over the three-month period ended 31 December 2018 (5890.11 pence). In the 2017 Remuneration Report these figures were calculated using the average closing share price over the three-month period ended 31 December 2017 (4999.4 pence).

PSP awards granted during 2018

During 2018 conditional awards of shares were granted to Mr Soriot and Mr Dunoyer with face values equivalent to 500% of base salary and 400% of base salary respectively under the PSP. Face value is calculated using the grant price, being the average closing share price over the three dealing days preceding grant.

Performance will be assessed over the period from 1 January 2018 to 31 December 2020 against the measures outlined below, to determine the proportion of the award that vests. A further two-year holding period will then apply before vesting, which is scheduled to occur on the fifth anniversary of grant.

| | Ordinary Shares granted | Grant date | Grant price (pence per share) | Face value £'000 | End of performance period | End of holding period |
|---------------|-------------------------|---------------|-------------------------------|------------------|---------------------------|-----------------------|
| Pascal Soriot | 128,889 | 23 March 2018 | 4853 | 6,255 | 31 December 2020 | 23 March 2023 |
| Marc Dunoyer | 61,240 | 23 March 2018 | 4853 | 2,972 | 31 December 2020 | 23 March 2023 |

The 2018, PSP performance measures focused on scientific, commercial and financial performance over the three-year performance period. The five equally weighted performance measures attached to the 2018 PSP awards are detailed below. Twenty percent 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 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. More information about TSR performance, including the peer group, is set out on page 140.

| TSR ranking of the Company | % of award that vests |
|-----------------------------------|----------------------------|
| Median | 20% (threshold for payout) |
| Between median and upper quartile | <i>Pro rata</i> |
| Upper quartile | 100% |

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.

| EBITDA | % of award that vests |
|-------------------------------|----------------------------|
| \$13.0bn | 20% (threshold for payout) |
| Between \$13.0bn and \$16.0bn | <i>Pro rata</i> |
| \$16.0bn | 75% |
| Between \$16.0bn and \$18.5bn | <i>Pro rata</i> |
| \$18.5bn | 100% |

Long-term incentives *continued*

Audited

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 vesting under this measure is based on a scale between a threshold target and an upper target.

| Cash flow | % of award that vests |
|------------------------------|----------------------------|
| \$8.0bn | 20% (threshold for payout) |
| Between \$8.0bn and \$9.5bn | <i>Pro rata</i> |
| \$9.5bn | 75% |
| Between \$9.5bn and \$12.0bn | <i>Pro rata</i> |
| \$12.0bn and above | 100% |

Return to Growth

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 construed to constitute financial guidance, which is not the Company's intention. The Return to Growth measure is thus considered to be commercially sensitive and will be disclosed following the end of the performance period. This measure is evaluated by reference to budget exchange rates.

Achieve Scientific Leadership

The Achieve Scientific Leadership measure includes three equally weighted metrics: NME approvals, major life-cycle management approvals and Phase III registration. These metrics are an indicator of the Company's longer-term strategic priorities and are thus considered commercially sensitive; the metrics will be disclosed following the end of the performance period.

PSP performance measures for 2019 grant

The 2019 PSP measures differ from the 2018 PSP measures as follows:

- > Two new Accelerate Innovative Science indices measuring regulatory events and NME Phase III/registrational volume replace the Achieve Scientific Leadership metrics. Moving to dual indices simplifies our remuneration structure by reducing the number of metrics and allows disclosure of targets at the beginning of the performance period.
- > The Return to Growth measure will now be known as 'Deliver Growth and Therapy Area Leadership' reflecting the next phase of strategy; the underlying measure, Product Sales from Growth Platforms, has not changed.

| PSP performance measure | Measure weighting | Underlying metrics (if applicable) | Metric weighting | Threshold (20% vesting) | Maximum (100% vesting) |
|--|-------------------|-------------------------------------|------------------|--|------------------------|
| Accelerate Innovative Science | 20% | NME Phase III/registrational volume | 8% | 5 | 10 |
| | | Regulatory events | 12% | 10 | 19 |
| Deliver Growth and Therapy Area Leadership | 20% | | | Commercially sensitive until end of performance period | |
| Cash flow | 20% | | | \$10bn | \$14bn |
| EBITDA | 20% | | | \$17.5bn | \$22.5bn |
| Relative TSR | 20% | | | Median | Upper quartile |

Given the proportion of AstraZeneca's revenue that is now represented by our Growth Platforms, disclosing the threshold and maximum hurdles for the Deliver Growth and Therapy Area Leadership measure could be construed to constitute financial guidance, which is not the Company's intention. The Deliver Growth and Therapy Area Leadership measure is thus considered to be commercially sensitive and will be disclosed following the end of the performance period.

The Deliver Growth and Therapy Area Leadership 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 shown on page 140.

As described on page 128 in relation to annual bonus targets, the Committee similarly takes into account a wide range of data to ensure that the stretching nature of PSP hurdles is robustly tested and that financial targets are aligned with the business's Long Range Plan. While the adjustments to Reported EBITDA, described above, mean that the PSP hurdles are not directly comparable with market consensus, the Committee will take consensus into account when determining the appropriate level of stretch.

Annual Report on Remuneration *continued*

Non-Executive Directors' remuneration

Non-Executive Directors' single total figure of remuneration for 2018

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 2018, alongside comparative figures for the prior year.

| | 2018 Fees £'000 | 2017 Fees £'000 | 2018 Other £'000 | 2017 Other £'000 | 2018 Total £'000 | 2017 Total £'000 |
|--|-----------------------|-----------------------|------------------------|------------------------|------------------------|------------------------|
| Leif Johansson | 625 | 575 | 65 | 39 | 690 | 614 |
| Geneviève Berger | 110 | 87 | – | – | 110 | 87 |
| Philip Broadley – <i>elected 27 April 2017</i> | 108 | 64 | – | – | 108 | 64 |
| Graham Chipchase | 128 | 115 | – | – | 128 | 115 |
| Deborah DiSanzo – <i>appointed 1 December 2017</i> | 73 | 25 | – | – | 73 | 25 |
| Rudy Markham | 178 | 165 | – | – | 178 | 165 |
| Sheri McCoy – <i>appointed 1 October 2017</i> | 96 | 43 | – | – | 96 | 43 |
| Nazneen Rahman – <i>appointed 1 June 2017</i> | 110 | 61 | – | – | 110 | 61 |
| Shriti Vadera | 113 | 110 | – | – | 113 | 110 |
| Marcus Wallenberg | 103 | 87 | – | – | 103 | 87 |
| Former Non-Executive Directors | | | | | | |
| Bruce Burlington – <i>retired 31 August 2017</i> | – | 78 | – | – | – | 78 |
| Ann Cairns – <i>retired 24 April 2017</i> | – | 31 | – | – | – | 31 |
| Total | 1,644 | 1,441 | 65 | 39 | 1,709 | 1,480 |

The Chairman's single total figure includes office costs (invoiced in Swedish krona) of £65,000 for 2018 and £39,000 for 2017.

Payments to former Directors

During 2018, no payments were made to former Directors.

Payments for loss of office

During 2018, no payments were made to Directors for loss of office.

Non-Executive Directors' fee structure

The Non-Executive Directors' fee structure that applied during 2018 is set out below, alongside the structure that will be in place during 2019. No changes have been made to fees for 2019. Further information on the Non-Executive Directors' fee structure can be found within the Remuneration Policy, available at www.astrazeneca.com/remunerationpolicy2017.

| Non-Executive Director fees | 2018 £'000 | 2019 £'000 |
|---|---------------|---------------|
| Chairman's fee ¹ | 625 | 625 |
| Basic Non-Executive Director's fee | 88 | 88 |
| Senior independent Non-Executive Director | 30 | 30 |
| Member of the Audit Committee | 20 | 20 |
| Member of the Remuneration Committee | 15 | 15 |
| Chairman of the Audit Committee or the Remuneration Committee ² | 25 | 25 |
| Member of the Science Committee | 15 | 15 |
| Chairman of the Science Committee ² | 15 | 15 |
| Non-Executive Director responsible for overseeing sustainability matters on behalf of the Board | 7.5 | 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.

Executive Directors' external appointments

Marc Dunoyer was appointed a non-executive director of Orchard Therapeutics on 7 June 2018. During 2018 Mr Dunoyer received a gross fee of £12,000 from Orchard Therapeutics, which he retained in full.

Directors' shareholdings

Audited

Minimum shareholding requirements

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. Shares that count towards these minimum shareholding requirements are shares beneficially held by the Executive Director and their connected persons and share awards that are not subject to further performance conditions. Share awards included are DBP shares in deferral periods and PSP and AZIP shares in holding periods, on a net of tax basis.

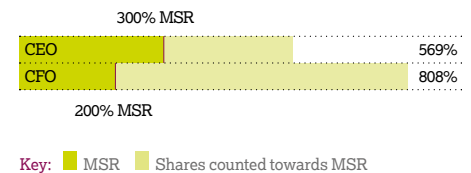
On this basis, as at 31 December 2018 Mr Soriot and Mr Dunoyer held shares worth 569% and 808% of base salary respectively and had fulfilled their minimum shareholding requirements.

The Committee has introduced a further post-employment shareholding requirement for Executive Directors. For two years following cessation of employment, Executive Directors are required to hold shares to the value of the shareholding guideline that applied at the cessation of their employment; or, in cases where the individual has not had sufficient time to build up shares to meet their guideline, the actual level of shareholding at cessation.

Position against minimum shareholding requirement (MSR) as a percentage of base salary

| | Held beneficially | Shares subject to deferral and holding periods | Shares subject to performance conditions | Value of shares counted towards MSR as a % of base salary ¹ |
|---------------|-------------------|--|--|--|
| Pascal Soriot | 12,498 | 229,782 | 422,689 | 569% |
| Marc Dunoyer | 132,243 | 72,309 | 191,422 | 808% |

¹ Value of shares held beneficially and shares subject to deferral and holding periods, calculated net of a theoretical 50% tax rate, as at 31 December 2018.



As mentioned in the 2017 Remuneration Report, 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 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 plans is set out on page 138.

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 (£88,000 during 2018) or, in the case of the Chairman, approximately equivalent to his basic annual fee (£625,000 during 2018). All Non-Executive Directors who had served for a period of three years or more as at 31 December 2018 held sufficient shares to fulfil this expectation.

Directors' interests as at 31 December 2018

The following table shows the beneficial interests of the Directors (including the interests of their connected persons) in Ordinary Shares as at 31 December 2018.

| | Beneficial interest in Ordinary Shares at 31 December 2018 | Beneficial interest in Ordinary Shares at 31 December 2017 |
|--------------------------------|--|--|
| Executive Directors | | |
| Pascal Soriot | 12,498 | 500 |
| Marc Dunoyer | 132,243 | 127,931 |
| Non-Executive Directors | | |
| Leif Johansson | 39,009 | 39,009 |
| Geneviève Berger | 2,090 | 2,090 |
| Philip Broadley | 5,215 | 4,800 |
| Graham Chipchase | 3,000 | 3,100 |
| Deborah DiSanzo | 500 | 500 |
| Rudy Markham | 2,452 | 2,452 |
| Sheri McCoy | 500 | 500 |
| Nazneen Rahman | 500 | 500 |
| Shriti Vadera | 10,000 | 10,000 |
| Marcus Wallenberg | 63,646 | 63,646 |

Annual Report on Remuneration *continued*

Directors' shareholdings *continued*

Audited

Executive Directors' share plan interests

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

Pascal Soriot

| Share scheme interests | Grant date | Shares outstanding at 1 January 2018 | Grant price (pence) | Shares granted in year | Shares released in year | Shares lapsed in year | Shares outstanding at 31 December 2018 | | Performance period end | Vesting and release date |
|------------------------|------------|--------------------------------------|---------------------|------------------------|-------------------------|-----------------------|--|--------------------------|------------------------|--------------------------|
| | | | | | | | Shares subject to performance | Shares in holding period | | |
| DBP | 27/03/2015 | 13,482 | 4762 | – | 13,482 | – | n/a | – | n/a | 27/03/2018 ¹ |
| | 24/03/2016 | 17,352 | 3923 | – | – | – | n/a | 17,352 | n/a | 24/03/2019 |
| | 24/03/2017 | 7,968 | 4880 | – | – | – | n/a | 7,968 | n/a | 24/03/2020 |
| | 23/03/2018 | – | 4853 | 13,157 | – | – | n/a | 13,157 | n/a | 23/03/2021 ² |
| PSP | 27/03/2015 | 104,764 | 4762 | – | – | 24,096 | – | 80,668 | 31/12/2017 | 27/03/2020 ³ |
| | 24/03/2016 | 129,713 | 3923 | – | – | – | 129,713 | – | 31/12/2018 | 24/03/2021 |
| | 24/03/2017 | 125,009 | 4880 | – | – | – | 125,009 | – | 31/12/2019 | 24/03/2022 |
| | 23/03/2018 | – | 4853 | 128,889 | – | – | 128,889 | – | 31/12/2020 | 23/03/2023 ⁴ |
| AZIP | 11/06/2013 | 89,960 | 3297 | – | – | – | – | 89,960 | 31/12/2016 | 01/01/2021 |
| | 28/03/2014 | 20,677 | 3904 | – | – | – | – | 20,677 | 31/12/2017 | 01/01/2022 ⁵ |
| | 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 |
| Total | | 548,003 | | 142,046 | 13,482 | 24,096 | 422,689 | 229,782 | | |

Marc Dunoyer

| Share scheme interests | Grant date | Shares outstanding at 1 January 2018 | Grant price (pence) | Shares granted in year | Shares released in year | Shares lapsed in year | Shares outstanding at 31 December 2018 | | Performance period end | Vesting and release date |
|------------------------|------------|--------------------------------------|---------------------|------------------------|-------------------------|-----------------------|--|--------------------------|------------------------|--------------------------|
| | | | | | | | Shares subject to performance | Shares in holding period | | |
| DBP | 27/03/2015 | 7,111 | 4762 | – | 7,111 | – | n/a | – | n/a | 27/03/2018 ¹ |
| | 24/03/2016 | 8,798 | 3923 | – | – | – | n/a | 8,798 | n/a | 24/03/2019 |
| | 24/03/2017 | 4,262 | 4880 | – | – | – | n/a | 4,262 | n/a | 24/03/2020 |
| | 23/03/2018 | – | 4853 | 7,037 | – | – | n/a | 7,037 | n/a | 23/03/2021 ² |
| PSP | 27/03/2015 | 45,880 | 4762 | – | – | 10,553 | – | 35,327 | 31/12/2017 | 27/03/2020 ³ |
| | 24/03/2016 | 54,101 | 3923 | – | – | – | 54,101 | – | 31/12/2018 | 24/03/2021 |
| | 24/03/2017 | 59,439 | 4880 | – | – | – | 59,439 | – | 31/12/2019 | 24/03/2022 |
| | 23/03/2018 | – | 4853 | 61,240 | – | – | 61,240 | – | 31/12/2020 | 23/03/2023 ⁴ |
| 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 ⁵ |
| | 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 |
| Total | | 213,138 | | 68,277 | 7,111 | 10,553 | 191,442 | 72,309 | | |

| Interests over share options | Grant date | Options outstanding at 1 January 2018 | Exercise price (pence) | Options granted in year | Options matured in year | Options exercised in year | Options outstanding at 31 December 2018 | | Maturity date (first date exercisable) | Last date exercisable |
|------------------------------|------------|---------------------------------------|------------------------|-------------------------|-------------------------|---------------------------|---|-----------------------|--|-------------------------|
| | | | | | | | Unexercisable | Available to exercise | | |
| SAYE | 28/09/2015 | 544 | 3307 | – | 544 | 544 | – | – | 01/12/2018 | 31/05/2019 ⁶ |
| Total | | 544 | | – | 544 | 544 | – | – | | |

¹ Market price on release date was 4866 pence.

² Award granted following deferral of one third of the annual bonus paid in respect of performance during 2017, further detail on page 132.

³ 77% of the shares entered the holding period, following assessment of performance over the period to 31 December 2017. The remaining shares lapsed.

⁴ Details of PSP awards granted during 2018 are shown on page 134.

⁵ 100% of the shares entered the holding period, following assessment of performance over the period to 31 December 2017.

⁶ Option was exercised on 3 December 2018. The market price on the date of exercise was 6152 pence.

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 2018 and 14 February 2019, there was no change in the interests in Ordinary Shares shown in the tables on pages 137 to 138.

Remuneration in the wider context

When making decisions about executive remuneration and setting the Directors' Remuneration Policy, the Committee takes into account the arrangements in place for AstraZeneca's wider workforce. The Committee undertakes a detailed review of global workforce remuneration data annually. It also considers data on pay trends and practices, such as gender pay gap information, and this year for the first time, the CEO to worker pay ratio.

The approach to determining the compensation of employees globally follows the same principles as for our executives. We offer competitive pay and career opportunities, which attract the best talent; we believe in recognising strong individual performance, and we differentiate reward accordingly. When determining compensation, managers consider how the employee's pay compares to the local market alongside other factors, such as the individual's experience and sustained performance. Bonus budgets are based on the Group scorecard outcome and managers will determine final employee bonuses based on individual performance. Around 25% of the global workforce are eligible for LTI awards.

Being a great place to work is a key pillar of our strategy, and at the heart of our efforts to foster the talents of our people. Pay is just one factor that helps us to attract, retain and develop a talented and diverse workforce. We encourage employees to take ownership of their own development, with the support of leaders throughout the business. Initiatives such as our Women as Leaders programme, which aims to encourage more women into senior roles; tailored online learning platforms for managers and employees covering topics such as unconscious bias; and employee networks, such as our LGBT+ network, help us to fulfil our commitment to fostering an inclusive and diverse workplace. Employee surveys show that 83% of our employees would recommend AstraZeneca as a great place to work; more information about this important part of our strategy is set out on pages 38 to 49.

Change in CEO remuneration compared to other employees

In the table below, changes to the CEO's salary, taxable benefits and annual bonus are compared to a group of employees over the same period (2017 to 2018). The comparator group includes employees in the UK, US and Sweden who represent approximately 25% of our total employee population – we consider that this group is representative of the Group's major science, business and enabling units. These employee populations are also well balanced in terms of seniority and demographics. We have used a consistent employee comparator group, so the same individuals appear in both the 2017 and 2018 figures, allowing a meaningful comparison of salary increases.

| | Percentage change for CEO against 2017 | Average percentage change for employees against 2017 |
|------------------|--|--|
| Salary | 2.5% | 4.6% |
| Taxable benefits | (0.4)% | 4.6% |
| Annual bonus | (3.0)% | 13.3% |

CEO and employee pay ratios

The table below sets out the ratios of the CEO single total figure of remuneration to the equivalent pay for the lower quartile, median and upper quartile UK employees (calculated on a full-time equivalent basis). The ratios have been calculated in accordance with the Companies (Miscellaneous Reporting) Requirements 2018 (the Regulations), which were published during 2018 and will first apply to AstraZeneca's financial year beginning 1 January 2019. These pay ratios form part of the information that is provided to the Committee on broader employee pay policies and practices to inform remuneration decisions for the Executive Directors.

| Year | Method | 25th percentile pay ratio | 50th percentile pay ratio | 75th percentile pay ratio |
|------|----------|---------------------------|---------------------------|---------------------------|
| 2018 | Option A | 230:1 | 160:1 | 103:1 |

| Pay data (£'000) | Base salary | Total pay |
|------------------------------|-------------|-----------|
| CEO remuneration | 1,251 | 11,356 |
| UK employees 25th percentile | 36 | 49 |
| UK employees 50th percentile | 50 | 71 |
| UK employees 75th percentile | 70 | 110 |

The comparison with UK employees is specified by the Regulations. This group represents approximately 10% of our total employee population. The Regulations provide flexibility to adopt one of three methods of calculation; we have chosen Option A which is a calculation based on all UK employees on a full-time equivalent basis. The ratios are based on total pay which includes base salary, benefits, bonus and long-term incentives. The CEO pay is as shown in the single total figure of remuneration table, on page 126. For UK employees, quartile data has been determined as at 31 December 2018, with calculations based on actual pay data for January to November 2018. Estimates have been used for December 2018 pay, annual bonus outcomes and dividend equivalents.

As explained earlier in this Report, the majority of the CEO total pay for the year is driven by performance-related elements, notably the long-term incentive element and share price growth during the period. The ratios may therefore vary significantly year-on-year depending on bonus and PSP outcomes and share price movements. The ratio of CEO pay excluding LTI versus median UK employee pay is 51:1.

Annual Report on Remuneration *continued*

Remuneration in the wider context *continued*

Audited

Relative importance of spend on pay

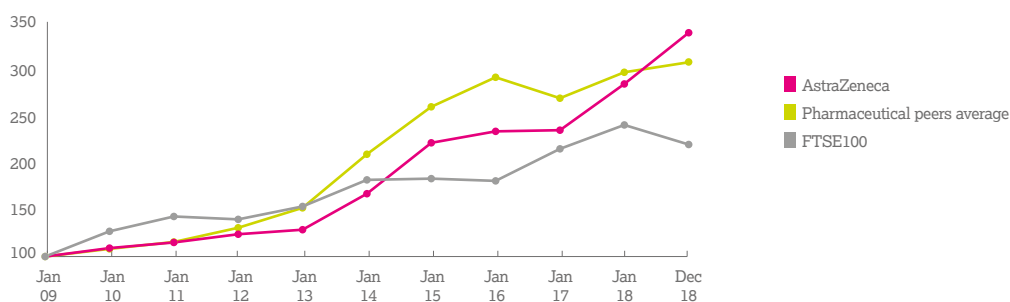
The table below shows the remuneration paid to all employees in the Group, including the Executive Directors, and expenditure on shareholder distributions through dividends. The figures have been calculated in accordance with the Group Accounting Policies and drawn from either the Company's Consolidated Statement of Comprehensive Income on page 149, or its Consolidated Statement of Cash Flows on page 152. Further information on the Group's Accounting Policies can be found from page 153.

| | 2018 \$m | 2017 \$m | Difference in spend between years \$m | Difference in spend between years % |
|---|-------------|-------------|---|---|
| Total employee remuneration | 6,970 | 6,486 | 484 | 7.5 |
| Distributions to shareholders: dividends paid | 3,484 | 3,519 | (35) | (1.0) |

Total shareholder return (TSR)

The graph below compares the TSR performance of the Company over the past ten 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. It consists of AbbVie, Amgen, Astellas, BMS, Celgene, Daiichi Sankyo, Lilly, Gilead, GSK, Johnson & Johnson, MSD, Novo Nordisk, Novartis, Pfizer, Roche, Sanofi, Shire and Takeda. CEO remuneration over the same ten year period is shown after the TSR graph.

TSR over a ten-year period



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 % |
|------|--|---|---|---|
| 2018 | Pascal Soriot | 11,356 ¹ | 83 | 79 |
| 2017 | Pascal Soriot | 10,429 ² | 87 | 81 |
| 2016 | Pascal Soriot | 14,342 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 – appointed with effect from 1 October 2012 | 3,693 ⁴ | 68 | – |
| 2012 | Simon Lowth – acted as interim CEO from June to September 2012 inclusive | 3,289 | 86 | 38 ⁵ |
| 2012 | David Brennan – ceased to be a Director on 1 June 2012 | 4,147 ⁶ | – ⁷ | 38 |
| 2011 | David Brennan | 7,863 | 74 | 62 |
| 2010 | David Brennan | 9,690 | 90 | 100 |
| 2009 | David Brennan | 5,767 | 100 | 62 |

¹ The 2018 single total figure of remuneration table is shown on page 126.

² This figure has been revised using the average closing share price over the three-month period to 31 December 2018, as explained on page 134.

³ 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.

⁴ 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.

⁵ Mr Lowth's LTI awards which vested during 2012 were not awarded or received in respect of his performance as Interim CEO.

⁶ This figure includes Mr Brennan's pay in lieu of notice of £914,000.

⁷ 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.

Governance

Committee membership

During 2018, the Committee members were Graham Chipchase (Chairman of the Committee), Leif Johansson, Rudy Markham, Shriti Vadera, Sheri McCoy (appointed as a Committee member on 1 July 2018) and Philip Broadley (appointed as a Committee member on 1 December 2018). Shriti Vadera retired as a Director of AstraZeneca on 31 December 2018. The Deputy Company Secretary acts as secretary to the Committee. The Committee met six times in 2018 and members' attendance records are set out on page 93. During the year the Committee was materially assisted, except in relation to their own remuneration, by: the CEO; the CFO; the VP Finance Group Controller; the EVP, GMD; the EVP, Human Resources; the SVP, Reward and Diversity; the Senior Director Compensation; the Company Secretary; the Deputy Company Secretary and the Non-Executive Directors forming the Science Committee. The Committee's independent adviser 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 2018 and recommended certain changes to reflect the revised UK Corporate Governance Code which is effective for the Company from 1 January 2019. The Board approved the recommendation.

Independent adviser to the Committee

During 2018, the Committee carried out a tender process to select an independent adviser. The process involved submission of written proposals followed by shortlisted candidates being interviewed by both Committee members and members of the Company's management. The Committee selected and appointed Willis Towers Watson (WTW) as its independent adviser with effect from September 2018. WTW's service to the Committee was provided on a time-spend basis at a cost to the Company of £56,000, excluding VAT. During 2018, WTW also provided pensions advice and administration, and advice and support to management including market data to assist in the annual employee pay review and global pay survey data. The Committee reviewed the potential for conflicts of interest and judged that there were no conflicts.

Prior to WTW's appointment, the role of independent adviser was held by Deloitte LLP (Deloitte). Deloitte had been reappointed by the Committee as its independent adviser following a tender process in 2013. Deloitte's service to the Committee during 2018 was provided on a time-and-materials basis at a cost of £89,300, excluding VAT. During 2018, Deloitte also provided taxation and legal advice and other non-audit advisory and assurance services to the Group. The Committee reviewed the potential for conflicts of interest and judged that there were no conflicts. Both WTW and Deloitte are members 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. WTW and Deloitte adhere to the code.

Shareholder voting at the AGM

At the Company's AGM on 18 May 2018, shareholders voted in favour of a resolution to approve the Annual Report on Remuneration for the year ended 31 December 2017. The Directors' Remuneration Policy was approved by shareholders at the Company's AGM on 27 April 2017. The Committee has engaged with shareholders to understand the reasons behind the low vote in favour of the Annual Report on Remuneration at the 2018 AGM and taken a number of actions to address this. This is discussed in the letter from the Chairman of the Committee from page 120.

| 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 (2017 AGM) | 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 2017 (2018 AGM) | 616,320,491 | 65.08 | 330,706,327 | 34.92 | 947,026,818 | 74.77 | 30,798,857 |

Directors' service contracts and letters of appointment

The notice periods and unexpired terms of Executive Directors' service contracts at 31 December 2018 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 2018 | 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 26 April 2019.

On behalf of the Board

A C N Kemp

Company Secretary
14 February 2019